BIG SOCIETY CAPITAL – WEST MIDLANDS STRATEGY LAUNCH

6th July 2017

Cliff Prior: Hello. I'm Cliff Prior. I'm chief exec of Big Society Capital and I'm really delighted to see so many people here today. Today is the launch of Big Society Capital's new strategy connecting investment to charities and social enterprises to improve lives.

I want to go back in time a little first though to this. "If we do not tackle social issues very differently, a curtain of fire will come to separate the rich from the poor." This was something that our founder, Sir Ronald Cohen, said way back in 2002 and I think it's really become a prescient, powerful challenge.

There's always been a set of major social issues in the UK and many of them are unavoidable, and they're the sorts of things that charities and social enterprises have spent years and years working on. But perhaps we've also got some avoidable challenges, some avoidable social issues, and some of those have been left, I think, in the UK to fester and to grow in number and harm, leading to a position today where many people, not just the most disadvantaged but a much bigger group in society feel left behind, struggling in poverty, living in disadvantage, or just managing to stay afloat but feeling very fragile, very insecure in their lives.

Most of you in this room work in charities and social enterprises, in social investment, in local government, you know all these challenges and you're the people who are working hard on the ground trying to tackle those kinds of problems.

Social investment isn't a panacea to solve those problems but it can help you in your work trying to tackle the challenges, providing you with the kind of upfront finance that allows you to boost the impact that you can create, often working alongside other tools and income streams, whether that's grants and donations or enterprise income or contracts, and of course always with the expertise and energy of people who work for social impact. It's really whatever combination works for a particular social issue, and for some social issues, social investment works more than others.

So, social investment. We've been going for five years now so we're just about in primary school and we're coming home telling Mum and Dad that teacher says different, and all those lovely challenges.

In 2016 we did an analysis of the size of the social investment market now and came out with a figure of around about £2 billion, and that's a very significant increase in the 5 years that we've been around. There are 10 times as many people working in social investment now as there were 5 years ago. There's a lot more risk capital available, i.e. investment that isn't reliant on second assets like buildings, 15 times as much risk capital available now than there was 5 years ago, something like 2.3 times as much social investment capital overall.

The creation of Big Society Capital has helped in that development, but it's really the dedicated work of investors, of intermediaries, of frontline organisations that has made it real on the ground. I think there's also much more awareness in the social sector about social investment and the potential role it has to improve the impact that social organisations can create.

That's in part due to some campaigns that we've been running, like Get Informed which is a programme to create better understanding amongst trustees and non-execs about social investment through peer-to-peer learning. Trustees and non-execs who have done it sharing their experience with others who haven't but are thinking about it. And platforms like goodfinance.org.uk which is an online tool to help social organisations understand whether social investment might be right for them, and if so, how do you go about it, how do you find the right people.

We've contributed but I think, to be honest, the biggest thing that is almost reaching a tipping point now is that there's something like 3,500 charities and social enterprises that use social investment. If you're running a charity or social enterprise, you're quite likely now to know somebody, one of your colleagues up here who's done it. And of course peer-to-peer information and understanding is always much more powerful than anything you can read on a website.

Things have changed a lot, and in our first five years we've seen a number of themes emerge. On social issues, it's pretty obvious really but social investment proves to be more useful in some social issue areas than others, and also with some types of organisations than others. As an example of that, we've been able to deploy a lot of investment capital and create strong impact in the areas of social housing. But social issues that are very dependent on public sector commissioning, that's proved much more challenging, much more difficult.

On the investment product side, there is a much wider range now of different types of investment. Crowdfunding probably wasn't even thought of five years ago for unsecured loans, social finance, charity bonds, and all kinds of ways of doing social investment. Increasingly, we're seeing not just one social investment market, we're seeing lots of different ones, some very communitarian and all the way through to more institutional forms.

This one is probably the most important realisation. Social investment is a tool, it's not the end, it's a means to an end, and it works best when it's considered as one tool alongside other tools, grants, contracts, enterprise income. Often we feel it's best to start with a social issue and work out what tools would help solve that issue rather than starting with social investment. Start with the social issue and work down from there.

So our role at Big Society Capital is really to ensure that the right investment tools are available for social entrepreneurs and social organisations to pick up and use as part of their journey but as part of a toolkit and, very often, alongside other tools.

Also in the last five years, we've done a lot to try and get social investment flowing. I'll pick out two lines on this, these two at the top which are committed money, ours plus co-investors, and actually drawn down to the frontline. Almost a billion pounds now committed from Big Society Capital and our co-investors, half a billion of which has actually been used on the frontline. A lot of growth there and we put our efforts over the last five years into meeting that immediate demand for social investment, into the infrastructure to make it possible to deliver, and into testing out different models. And a lot of learning, some of it painful learning, as ever, and some really joyous, successful learning on how and where it can best work.

Thinking about now and the future, our aim is to improve the lives of people in the UK by connecting social investment to charities and social enterprises, the people who create a better society. That's what we do, that's our purpose, and of course we want to see social investment developing and growing because that's our particular tool, it's the one we've got in our toolbox and can deploy. Of course we want to see more money deployed and the right kinds of money available to charities and social enterprises, but the real purpose, what it's all for is improving people's lives. We're connecting investment to charities and social enterprises so that they can improve people's lives.

With that as a mission, and with the learning and the progress that we've had to date, our future strategy has two parts to it. Firstly, making it easier for people and organisations to use social investment and access the wide range of funds that are now available. This is absolutely key for us and also to be working with partners to focus our next efforts, the energy that we put to develop the next range of social investment opportunities where we think social investment can have the biggest social impact.

It's a two-part strategy: continuing what we've already got, and looking at where our next efforts can have the biggest effect. Let's take the first part of it on making it easier for more people, more organisations to use social investment. Part of that is simply splitting and developing the existing funds that we've got. We've done 63 deals into about 45 different social investors, there's a very wide range that's on offer. Those will remain available; if they're successful we'll follow on, the fund will be renewed. If they're really successful and there's more demand we might follow on and expand what they can do.

That diverse range of social investment products is available for charities and social enterprises. And that includes Access. Many of you will have heard about Access, which is a sister organisation to Big Society Capital, where we're putting in social investment and Big Lottery Fund are putting in a grant so that blended finance can be available alongside development support.

Also on this side, with partners, we are helping charities and social enterprises to better understand about when social investment is right for them and if so, how to access it. For example, there is the goodfinance.org.uk platform which can help people to do that.

Then these next three areas where we'll put our efforts where we think social investment can be a big part of the solution. Three areas: providing homes for people in need; supporting communities to improve lives; early action to prevent problems. Those are the three areas. It's worth noting that of those 63 investments into 45 intermediaries, half of them already fall into this and the other half cover pretty much everything else that's out there.

I'm going to take those one by one. First of all, the providing homes for people in need. The UK property market is failing a lot of people, many with a lack of affordable housing, gaps in housing for vulnerable people, that's particularly coming up over the last couple of years and the next couple of years, rising levels of homelessness, even coming out of the station here you just see the level of street homelessness now, and people living in unsuitable and tragically, sadly, unsafe accommodation.

We'll be using social investment to provide a home for people most in need. We aim to do that through developing new models to catalyse other investors who will then take up and expand this, because social housing is a very big capital absorbing thing and we have relatively modest funds, so what we're very often doing is trying to break new ground, new models which we then hope will be taken up much larger by others.

In doing this, we'll build on the experience that we've had with investments such as Homes for Good, Real Lettings, Golden Lane Housing, Cheyne Social Property Fund, and new areas like the Housing First movement in Glasgow, and also community-led housing. That's the first area: providing homes for people in need.

The second area: supporting communities to improve lives, and people have talked a lot about how the referendum showed up areas in the UK that have been left behind, and of course even in areas that are better off there are pockets, sometimes intense pockets, of disadvantage. We'll be using social investment to help communities in the most underserved places to rebuild and to improve lives.

We expect to work on community assets, community enterprise models, but also some national approaches such as financial inclusion models which can be drawn down by any community. In the coming months we'll be working with partners to identify which are the areas that we'll work in first, and if people have got ideas on that we'd really welcome hearing from you.

The third area: early action to prevent problems. Huge amounts of money are really spent dealing with social problems that could have been caught much earlier on, much less harm at much less cost. We'll be using social investment to improve people's lives by tackling problems at an earlier stage. We'll build on the experience we've had to date, investments like the London Early Years Foundation, its wonderful future, and like the Ways to Wellness Social Impact Bond. Again, in the coming months we'll be collaborating, working with key partners to try to identify which social issue areas are most amenable to this kind of early action and prevention model where social investment can make a real and lasting difference.

Making it easier for charities and social enterprises to access social investment, helping them decide if it's right for them, and sustaining and developing the wide range of social investment models we've got, and then these new three areas of effort. Three themes for social investment, but not just technical decisions. These are really crucial issues for the UK where people's lives are being held back, where people are living in disadvantage, where people are near the edge, where people are missing their life chances. Three vital areas for social investment where we think investment, along with other tools, can make a big difference to people's lives, and that's why we're focusing on them to put our full effort behind improving people's lives alongside sustaining what we've already got and making it easier building those tools for understanding and easier access so that we genuinely can say, going back to what Ronnie Cohen said in 2002, we can genuinely tackle social issues differently and we can stop that curtain of fire coming down to separate rich and poor.

I'd like to say a big thank you to everybody who's been involved in this journey. It's been a long journey for us working this out. We've had a huge amount of really valuable experience and views contributing to our strategic direction from all kinds of organisations, investors, investees, intermediaries, local government, national government, all kinds of people who have been helping us on this. So, many thanks to all of you who have contributed to that, thanks for listening to this, and at this point I'll pause a moment in order to invite our panel up to the lovely chairs here.

We have Richard Beard of the Jericho Foundation, Richard Dixon of Core Assets Social Impact Bond, and Melanie Mills who is with Big Society Capital but also the social enterprise champion at the Greater Birmingham and Solihull LEP.

Thanks very much indeed. I'm going to ask each of them to talk a little to their work and some of the connections to parts of our strategy. If I can start with Richard Beard… You're working in employment skills and will talk about how social investment has enabled that through the SITR tax break, is that right?

Richard Beard: That's certainly part of the story. Great to be here, good to see some familiar faces in the audience. I guess my job in the next five or six minutes is to give you a view from the place where the rubber hits the road in the world of social investment, I suppose, where the cash hits the bank account, where stuff gets done and we're really at the grassroots of tackling social issues.

Very briefly, what we do, a bit of stuff about our journey from charity to social enterprise and also how social investment has helped us along that journey. I probably don't need to say a lot about Jericho, probably most of you know a bit about the organisation. We're in the business of trying to tackle unemployment, help people who are struggling to get a job, to get a job. The way we do that is we run a bunch of social enterprises, we give people a job, we help them with loads of mentoring and support, and then we help them move on somewhere else.

In essence, that is our business model. It's a very simple business model. We work with a whole broad range of different disadvantaged people but our main focus at the moment is young people, people who've been in slavery and people who are just leaving prison, so do ask me more about that afterwards.

In terms of our journey, we've been on quite a big journey over the last 10 years or so as we've sought to become more enterprising. This is where we got our income from back in 2006, 2007, when I first started doing this job. As you can see from this slide, the orange bit is the social enterprise income, it was 10% of our £1m turnover at that point in time, and the balance, the 90%, was a mixture of government contracts which is the green bit, and the blue bit which is grants and donations. You could say we were extremely social and not very enterprising in those days.

We have moved things on a bit. This is where we are now, roughly end of '15/'16 financial year, so we're now turning over just over £3m a year. The orange bit has grown, the future is orange: now 85% of our income comes from social enterprise income and only 13% from grants and donations and a tiny little saliva from government and statutory sources these days.

It's been a massive journey and we couldn't have done it without some help and some social investment along the way. Just three quick highlights of that. We started our social investment journey in a way that technically really isn't social investment, but we had some help from Triodos Bank who enabled us to buy this building which we then did up, used as social housing for a while and then flogged at a profit, so that was good. Then they also helped us refinance our headquarters building in Balsall Heath in Birmingham which enabled us to get some cash out of that building to invest into some of our other social enterprise activities.

Currently, we're using SITR. Have you all heard of SITR? Some of you. I've said it before, I'll probably say it again, best thing to come out of Westminster in the last 10 years, SITR, Social Investment Tax Relief. It enables basically high net worth or sophisticated investors to invest in charities and social enterprises. If they will commit a minimum of five grand for a minimum of 3 years, they will get a 30% tax rebate in the first year of the investment, in addition to whatever interest the investee chooses to pay. In our case, about 2% a year, so it’s very low cost money to the social enterprise and it’s a great return for the investors, so there are some fantastic things around social enterprise about Social Investment Tax Relief.

Just briefly, the future. What are working on now social investment wise? This is the ReUsers which is currently Jericho’s most successful social enterprise. This one is absolutely amazing. It’s based at the tip in Sutton Coldfield. Anybody been there to the ReUsers? Maybe one or two people in the room? Yes, good to hear. A very, very simple business model again, the best ones are always the simplest ones, aren’t they? Basically, what we do at ReUsers is we grab stuff that’s on its way to the skips that could be reused, scrubbed up or upcycled, and then we flog it, and we flog it onsite in our wonderful ReUsers emporium and also over in Balsall Heath in our shop.

This little business has gone really well for us, over the last 4 years it’s been running we’ve diverted about 600 tons of stuff that would otherwise be in landfill. We’ve created 16 jobs, 9 of which have gone to former disadvantaged kids, clients. We’ve delivered 28 paid, supported work experience placements or apprenticeships. We’ve had about 25 people come through on voluntary placements as well. We get about 1,500 people a week visit Sutton now and it’s generated over £1m of income to support our charitable aim. So it delivers socially, it delivers environmentally, it delivers economically for us. What’s not to like?

The obvious thing to do is to expand it, so that's what we're working on now. We want to roll it out to a total of 5 HWRCs including more in Birmingham and one in Solihull, creating a business that will turn over about £1.5m. It will include a central logistics and retail operation it should take 10 tons a week out of landfill, create 50 supported employment opportunities.

Just to summarise, social investment has been absolutely critical for Jericho's journey thus far. The social investment market is expanding rapidly both in scale as breadth as we've already heard. We're very encouraged by your five-year plan, I think you've completely nailed in terms of priorities and things going forwards, and just to say social investment is definitely going to be a key part of Jericho's hopefully exciting social enterprising future. Thank you.

Cliff Prior: Richard Dixon. This is very much a story I think about prevention and preventing harm by acting early.

Richard Dixon: I work for Core Assets, which is an organisation who predominantly work in foster care. You may have heard of the FCA, it's a different FCA to the FCA these guys might talk about. This is the Foster Care Associates. We have a scheme going with Birmingham City Council. It's funded, it's structured through their children's services department, and we tendered for a bid using a social impact bond to help children move out of residential settings into fostering and into a family environment.

The ultimate aim of the scheme was to reach as many children as possible that are in residential settings for all the wrong reasons and normally that was because there wasn't family available for them at the point that they needed one. They go into the central units, sometimes that’s right for some children, a lot of the time it’s not right but because they're there, they're then classed as they're safe, we got them out of their risky environment, they're okay, we can move on to the next crisis, so sometimes those children stay there for longer than they should do.

This scheme is all about how Birmingham can work with their providers to help move children out of residential into fostering. We bid for this scheme and won it, and we are nearly three years in now. Over that time we’ve had 25 children into the scheme, half of whom have graduated, and by that I mean they have been successfully steps down from residential care, they've lived within a family setting, and at the end of that first year they then decide whether they stay there or whether they want to move to independence if they're old enough to do that, so it’s very much involving the young person.

I think the phrase that was given to me this morning was, “Tell it, warts and all.” The social impact bond has definitely helped us do work that we wouldn't have been able to do without it, so that means the way our service is structured is there's a part called a planning phase. In that planning phase, we need Birmingham as a local authority to fund us and our foster carers to work, to plan, that generally takes on average five and a half weeks. It can go anything up to eight weeks for that planning phase, but of course all the time that Birmingham are paying us for that planning phase, they're also still paying the residential unit quite a lot of money on a weekly basis.

That’s a risk for them, that’s a risk for us because they want to get those fees down but we want to invest in it properly, so the social impact bond for us has enabled us to make that planning phase work. It’s enabled us to protect it. It’s enabled us to plan properly and therefore the outcomes for the children are far greater and more positive and the hope that they will graduate is improved because the planning has gone in in the first place.

It has made a difference. We’re just approaching three years. The first year was chaos because it was about us as a provider trying to work with Birmingham as a customer, and sometimes those relationships work and sometimes they don’t.

I have to say, hand on heart, we have a far, far better relationship with Birmingham now than we did three years ago and it’s because we now all get together. Birmingham need partners, they need people to help. We’re proud we’ve been able to achieve that in our little bit of it which is children, families and helping support some of these kids.

Year one I said was a bit of a mess. That was mainly around trying to get Birmingham to understand what the scheme was about and therefore children, young people, referred to the scheme, and that needed their own internal stakeholders to understand that. That took a long time to get us to that point. Year two was around getting more of the right people around the table so that the right decisions could be made, particularly at that planning stage. By that I mean not just having a social worker from Birmingham and a social worker from Core Assets and maybe the foster carer in the room. It means having educational specialists, service specialists and others that may need to be involved in the planning for that young person, and maybe the young person as well.

That took quite a while, so year two we started to see some of that, and we’re now at the point where that happens fairly robustly and fairly regularly, so we are seeing improved outcomes for children. We are seeing more children entering the scheme who then stay in the scheme and don't go back to residential. We do see some that break down and those placements don't work and those young people do end up back in residential. It's not something we want to see. It's a challenge we've got with the type of children we're working with, and sometimes it doesn't work, but the social impact bond has enabled us to do that piece of work more robustly, particularly in that planning phase.

Just a couple of things about going forward: there's lots of interest out there with local authorities in the scheme that Birmingham have now been running with us for nearly three years. We're now at the point where there are about 13 other local authorities who are saying, "How does it work? Explain it to me, I don't get it but we can see that the children are benefitting from it." Those numbers might be small, and far smaller than we want them to be, but it's a start.

I think there's going to be a lot more tenders we're going to see coming out for this type of service. The difficulty is making sure we've got funding to support it. An even bigger problem I think is making sure we've got foster carers that can handle it. That's our mission.

Cliff Prior: Thanks very much, Richard, that's a really sensitive area and fascinating to hear. Mel, so, the LEP and working in places and communities.

Melanie Mills: Yes. Hello, everybody, lovely to see so many familiar faces. For those of you I don't know – and there are not many, to be fair – I'm Mel, and before I worked with Big Society Capital I ran a social enterprise in the West Midlands for five years. I was just reflecting on what Cliff was saying and thinking there are at least two people, because I know Paul and Steve were in the room, when we pre-launched Big Society Capital and we were all sitting there listening to what it was going to do and there were a lot of shaking heads I think at the beginning and so we weren't quite sure how that was going to work out.

What I thought I would do is particularly look at this from my role in the LEP. I think some of you have probably heard me say this before, I would love to tell you it's the easiest voluntary job that I've ever had. I know it's been a challenge at times but for a number of reasons I feel passionately that now more than ever before there's a great set of opportunities for the West Midlands to use social investment to tackle some of these really difficult social challenges that we've got.

I thought I'd start by reminding myself and you about what the vision of the LEP is and see whether you feel that any of this resonates with you. It's our vision to be the top global city region that drives the Midlands engine, still there, and harness its traditions of creativity, innovation and design, it's diversity and youthfulness, its global connections in technology and sector leaderships, its world class cultural assets and quality of life, inspire, develop, retain and attract talent for a smarter, more sustainable and more inclusive growth.

I think others at the LEP would probably share some of my frustrations and challenges that sometimes we have quite a difficult argument to make with the LEP's priorities around some of the economic outputs that it wants to achieve, and we very much are trying to fight to ensure that the roles that social enterprises and charities can have in building economic growth can be seen and recognised by the LEP.

I suppose, in a headline way, that the place where we feel the most difference can be made is in trying to create jobs for some of those individuals in those hardest to reach areas, so Jericho's a great example of that. We believe there's a great opportunity in HS2 around social value in getting social enterprises and charities and small local business to deliver some of that social value back, and we're working really hard to get the LEP to focus on what that needs to look like.

Then also we have a great role to play in the quality of life indicators, and all of those things that are underpinned where there's lots more information about building up communities, building up local towns, providing the right kind of housing, so all of those resonate throughout the LEP.

I think we've got another number of unique opportunities that have come to pass at this moment. We've got our newly elected mayor who has particular focus around mutuals and spinning out and providing services in a different way than other through the public sector. Obviously Andy Street has great experience of that through running John Lewis himself, so I'm sure there will be another round of opportunities there and social investment we know can play a great role in supporting those types of organisations.

He has a great focus around providing the right kind of housing and looking at the capital needs of the city to be able to address some of those gaps, and also he's particularly looking at better opportunities for young people, particularly around the skills and the opportunities to get some of those jobs that are created by some of the great inward investment that's coming here. In fact, I saw him tweet yesterday that the bid went in to rehouse Channel 4, which is a social enterprise, here in Birmingham.

There's also an opportunity around more of that community and place based investment. Richard talked about social investment tax relief. I've said this before but I never thought I could get that excited about tax but I am genuinely excited about social investment tax relief. Anybody got any burning questions, I’m just going to put Neil on the spot because he’s the expert, so if you've got anything you need to ask him, grab him before he goes.

Social investment tax relief, is a way to get people to invest locally. We have the opportunity where Resonance launched its first place-based investment fund down in Bristol some time ago and they're looking now to replicate that, and we’re hoping that very soon, as well as being able to do it yourself, there’ll also be an opportunity for Resonance to replicate that fund here in the West Midlands. I know some of you have been talking to them already.

The other piece of information I would share is despite the tough times for local authorities there is some really innovative work going on here in the West Midlands so I’m going to highlight Birmingham City Council and Staffordshire City Council. With Birmingham City Council, we’re doing some ward and neighbourhood based work to try and give maximum support to community groups, looking at how community investment, which includes social investment but could also include grants and other kinds of pro bono support, could help to try and deliver some of those communities’ desired outcomes.

And Staffordshire City Council, a great example of a truly collaborative partnership between the local authority and the VCSE, who are trying to come together to look at maximising the opportunities for intervention but also income, and again in a range of different ways, so to let you know that that’s going on there.

Lastly, I wanted to think about the journey. I was just looking at the people around sitting here, if you think in the five years past we’ve got some great examples in the room. From Jericho who was relatively early on in the journey when I came to know you trading but have done lots of different types of investment along the way, and so I think of Richard as our old pro, sorry, not that you're old...

And to Sandra who probably didn't think social investment was possible right at the very beginning when she didn't even have one car at Green Revolutions, which is Birmingham’s car club, and now is on her first investment and I know that there's lots more to come. To Immy, who will be testimony to the fact that it’s not always fun, is it, Immy? It doesn't always go according to plan, despite the fact we talk about social investment generally, it’s not always so easy to get your hands on the right type of money, but what we do have are some great examples in the room, people who’ve been there and done it.

From our perspective on the LEP we’ll continue to fight the good fight, hard as it is, we’ll be back there trying to help the LEP achieve its outcomes around improving quality of life, around creating jobs for those people that are furthest, helping people to get some of those outcomes, but most importantly continuing to remind them that inclusive growth includes all of us here.

Cliff Prior: Thank you very much, Mel. Now is the opportunity for your questions.

[Transcript from this point edited for clarity – some questions are abridged]

Question: Could I ask Richard Dixon, could you unpack the social impact bond that you're using? How does the investor get a return on that?

Richard Dixon: The investor gets a payment when the young person graduates. If we have a trouble free 52 weeks, then at week 53 the investor gets their money back. If we had a difficult 52 weeks, various mechanisms we've got in place that say we could reset the clock which might mean that that young person has stepped down from a residential setting to a family setting was too great to achieve in 12 months and more input is needed. That will be agreed between the investor, between Birmingham City Council and ourselves, and we will then agree to reset the clock on that date and then that 52 weeks starts counting again.

If that happens, then they will get the money at the end of that reset time, and there are occasions when they haven't had their money back because the child hasn't graduated because some have broken down, and that's obviously a very interesting conversation between investors and us to say, "What else can we do?" and I have to say very refreshing because yes, they need that investment back again but a lot of time it's, "What else could we invest in that might help you achieve that even more?"

One example is we've just added another post to a scheme, there's another social worker that's been recruited in the last couple of most who's going to help bridge that gap a bit more between Birmingham and us and the foster carers to try to get that early information in that planning phase available.

What we found a lot of is everybody's got the best will in the world at the early implementation phase, but sometimes we don't know what we don't know.

Question: **There are some areas that social investment struggles to stack up – for instance existing models are struggling to make housing for young people work – and where there can be a conflict between impact and return. How can we be realistic about this?**

Cliff Prior: I think we have to be absolutely honest. There are some areas, some social issues, some social challenges, where social investment just can't do it. It needs grants, plain and simple.

When I was up in Glasgow yesterday and talking to one of the social housing providers and they said, "We can't take people under the age of 25," partly because of the benefit system, and they were only allowed benefit for a room, not for an apartment, but partly because the level of failure is so great that it would bankrupt us. You're not going to solve problems like that through social investment. You're going to need grant, or at least grant alongside social investment.

I was part of that 1990s NHS modernisation where everything was targets, like the 4-hour trolley wait in A&E. It all sounded so good to start with, and then you discovered that ambulances were being held up in the car park because then the clock didn't start ticking, all kinds of perverse incentives.

You mentioned to me earlier, Richard, that the deliverables as they call it, the metrics, for the programme that you're running, it's not just one, it's a whole basket of different metrics.

Richard Dixon: Yes, we report on stability rate of the cohort placements, we report on involvement with the police, convictions and cautions, responding, school attendance, and one of the ones that seems to be regarded as quite high importance is social interactions. We measure, if when a young person comes to us they don't do any activities or they're involved in something but it's through school, then we take a baseline and we measure it and encourage their carers to get those young people involved in more social activities, be that horse-riding on Tuesday night or going to help out with some kind of fair on Saturday that's a one-off.

All of those things we measure because that's what social investors are looking at is whether we've made that social impact that has meant that that young person is more ingrained and involved in their society and their community which is I think is a good measure.

I have to say some of those measures have tweaked and changed over the three years as well. I wasn't involved with the project right at the beginning but I am aware that what we measure today is slightly different to what we thought we were always going to be measuring from day one.

Question: **Have you found that you were able to find mission-aligned investors? Did you find that you had support in trying to identify the right types of people?**

Richard Dixon: I can only partly answer that because I didn't do that bit of it because I wasn't involved with it then, but we found the right investor fairly on, but a lot of that was on us to go looking. In Birmingham we're quite clear that they wanted a service and they wanted social impact bonds to be part of that. As a provider it was mainly down to us, although we would have chosen to do it this way as well to go and find that investor and be comfortable with who it was that we were going into partnership with, and then together we'd bid for that piece of work.

We were lucky because we found partners fairly early on that we felt we could work with, and three years down the road we still are.

Cliff Prior: Richard, you took SITR so that's high net worth's and so on, were they well-aligned to what you were trying to do?

Richard Beard: Yes, definitely, finding the right people is absolutely key to this. Finding people who are interested in more than just a financial return on their investments, and indeed one of our investors has now subsequently helped us with another little social enterprise start-up that was within our key portfolio as well so has really engaged with the organisation. I guess part of it for us was about raising cash but also part of it was around building relationships with a network of high net worth individuals who might want to get alongside us in other ways as well, so that investor relationship is really, really key, yes.

Melanie Mills: I wonder if I could make this clear because this is really the question, it's something I get asked a lot of times and I know some of you again will have heard me share this little analogy from a Birmingham based social enterprise that went on to get social investment and he said that he 'had to kiss quite a lot of social investment frogs before he found his social investment prince'. What he means is, again, we talk about social investment as this thing and actually it isn't. It's a range of products and a range of suppliers, and what you've got to do is find who is the right partner, the right match, who's got the best money, and that could be down to ‘because they do the right kind of lending for you’.

If you're in the social impact bond market, that’s a very different type of lending to if you're looking for your first level of unsecured loan. So finding your way through the 50+ different investors is quite a challenge and I think there are different routes into that from either a very simple online digital interaction with Good Finance to maybe going through something like Big Potential or a piece of formal investment readiness or a number of local programmes, or by using your networks because we’re great at sharing, so we’re great at finding other people that have done it, and also by looking at a range of other case studies.

If there isn’t somebody here that’s done it, there probably is somebody out there.

Richard Dixon: I think somebody said earlier on, one of the things that I can think of that’s really helped with SITR particularly is having a matchmaking service somewhere else.

Cliff Prior: Events are great for this. Many social enterprise events now, social investors will be present, they’ll have a stand and we can talk to people, but there's nothing like talking to your peers, if it’s Resonance, you never worked with Resonance before but a mate has worked with Resonance, that kind of peer-to-peer is fantastic.

Question: What kind of investment readiness support is there for social enterprises?

Cliff Prior: We've had of investment readiness support over recent years, ICRF and Big Potential and so on, much of that is now finishing. It's running out. The biggest programme that we'll be running over the next few years is through Access, and their capacity building piece is probably going to be the dominant thing.

The view is though that because more and more charities and social enterprises have used social investment, there are more who, they know how to get investment-ready themselves and there's more opportunity to network with others. It's not quite a scary, foreign thing that it was a few years ago, people are somewhat more familiar with it. Maybe it's probably fair to say there's a lot of awareness; whether there's an equal amount of understanding in-depth is another matter and that's rather like if it was the first time you were buying a house. You might know that mortgages exist but quite what the terms are and how to go about it.

From our point of view, we are really keen that charities and social enterprises haggle. There's far too much you meet the first person and just think, well, I've got to do the deal with the first person. That is both because of mission alignment but also because of terms. Of course, there's the investment fund but there's also the social banks, there are CDFIs. There are many different opportunities including individuals, crowdfunding, developing, community share issues, all kinds of different opportunities now.

Question: **What would your advice be to the majority of us as smaller organisations getting started in this field? From**

your perspective as a CEO, where would you start if you were starting again?

Richard Beard: It’s one of those, “I wouldn't start from there if I was paid to.” I think what Jericho’s journey has been, it’s been trying to turn around a big ship from being very dependent on grant and government contract funding into something that’s more or less independently funded, and that has been a very, very painful journey at times. There's been a lot of blood on the carpet. There have been times where the government money’s been disappearing faster than we can replace it with social enterprise income. There have been struggles, there's been a lot of soul searching.

I suppose my first lesson would be, it ain’t easy. Probably, secondly, I’d say get the right board in place because charity boards don’t work well in a more social, can be a barrier to social enterprise development.

People; along the way we’ve recruited some truly amazing people. One of the challenges with running a social enterprise is finding somebody who’s feeling good at their job but also cares enough about the people, because that’s what we’re trying to do at the end of the day. Having that combination of skills is quite rare because people that are very business focused and focused on profit targets often care less about the people, so it’s finding that balance.

Again, we’ve made some howlers along the way, but we’ve got some great people now.

Cliff Prior: Did you move away from public sector contracts because you thought they were vanishing or because you actually felt you were going to get a better life and better results, better impact through going enterprise?

Richard Beard: A combination of those two things. I think strategically we could see the amount of global recession, no brainer really, you could see the amount of public money disappearing. You could also see a move towards big is beautiful contracting, whereas we used to contract with the DWP ourselves once upon a time. Now they wouldn't even talk to little old Jericho, they want to contract with £50m contracts with Serco and stuff like that, and then we're down the supply chain. We could see an element of that happening, less money, and then the money that was there going to big, private sector organisations and us basically just picking up the crumbs off the table. It was getting quite difficult from a climate point of view.

Then there was a big angle I think on the fact that we were finding it increasingly unsatisfying, we were being driven by the contracts and the primes to do stuff that we knew wasn't in the best interest of the people that we were working with. We recognised that it wasn't a good fit ethically and culturally for us, and we would rather have a deep and wide impact on 100 young people a year than work with 1,000 who we kind of pretty much just say hello and goodbye to. That was the other major drama, so a bit of a mixture of both, a push and a pull.

Question **In the past you have directed people to speak to social investment intermediaries rather than Big Society Capital directly – is that going to change?**

Cliff Prior: Well, we are a wholesaler and we are banned by primary legislation from direct investing, and that was done for a reason that if you take half a billion quid and stick it in what was then a very small market, it will completely distort and you'd have a monopoly; you would not want that, you'd want choices and different options. So, we work through intermediaries but increasingly we are talking to social sector organisations who themselves may become intermediaries or may collaborate with intermediaries to develop something that's suitable.

A good example at the moment is Homeless Link. The homelessness sector, initially the umbrella body thinking this really doesn't work for us, over time spotting actually, no, it could, and then getting to the point where they're now confirmed as an intermediary with Access, so they will actually be running it - in partnership with an investment intermediary for some technical aspects of it.

So that they can make relevant investment offers to their membership and very specifically for homelessness agencies. As I said, we're looking much more now at what's the social issue, who are the people who really understand that social issue and working with them to try and understand the social investment part of the solution. Very often it's with other parts of solution, it might come to what intermediaries are relevant. It might be actually that they can do it themselves. Look at charity bond issues as an example, through the facility with Rathbones, a number have raised their own capital from their own donor base.

Melanie Mills: Not to forget that whilst we can't talk to you about investing in you directly, what we can do through our market champion activities is either through Good Finance or through our Let's

Talk Good Finance, we had one of those in Birmingham two weeks ago – we had 60 chairs, we had to get more chairs in – so there are a number of things that we do. And ‘Get Informed’ which is about helping the Board where we can give some of that, we work with an awful lot of partners and we’re also working a lot with sector partners like Locality and Social Enterprise UK and NCVO to help those other infrastructure organisations.

That is the journey that Homeless Link has been on really in terms of some of their work to understand their members, how social investment could play a part or might play a part. We can certainly be used as a reference point to help some of those organisations of that sort.

Cliff Prior: It’s only when it becomes sector bodies or those network organisations. Take Mind where you've got a number of Mind organisations, social sector organisations shouldn't think of just being passive recipients of social investment, design your own, in partnership for sure, but design what’s right for your particular kind of organisation.

Question: It’s important that we take the social impact of small businesses really, really seriously. I do think that’s under-recognised in the debate. Is there a role for a more expansive view of the kind of institutions that generate social value and social outcomes?

Cliff Prior: Yes, if you look internationally, look globally, social investment, the top three areas: microfinance, that linked through to quite a lot of SME development, well, microbusiness development;

clean energy; and job creation in disadvantaged areas. That’s exactly the area that you're talking to.

Here in the UK we’ve got the British Business Bank, that’s its growth agenda, but it has a growth mandate, it doesn't have any inclusion mandate at the moment. Is that something that should change? We’ve got a social mandate and our money, again by primary legislation, the money has to end up in organisations which are wholly of mainly for social benefit. That doesn't allow us to do that kind of inclusive business piece, a little bit on the edge but not much.

Question: **What can we do to help CITR and SITR be relevant to a broader range of organisations?**

Cliff Prior: A part of our job, is discussing with the government how they could perhaps improve some of their regulatory activities, tax breaks, etc. We’ve done a lot of work on the SITR piece in particular. CITR is a tricky one. There's been some development but it remains underused, I think it’s fair to say.

There are many communities where a number of different tools are needed: our kind of tool, which is mainly around charities and social enterprises and a little bit of socially inclusive business that we’re allowed to do, British Business Bank with its growth agenda, whatever replaces the sort of regional funds and so on that come out of Europe. Rather than us try and do everything, let’s partner to make sure that what’s needed in particular communities is available and people who really know what they're doing. We know what we’re doing on social investment, we don’t on other types of investment, there are other people that are better than that, we can collaborate on it.

Question: **Where can smaller organisations look for help to navigate social investment?**

Cliff Prior: For the smaller organisations and smaller amounts of money, probably three things that you could look at, one of which is the social banks, which do huge amounts of relatively small asset backed, property backed investment. The second area is Access which was designed specifically for smaller loans into smaller organisations, and it's a blended finance model with capacity support and capacity development as well. Access again runs through intermediaries.

The third is actually some of the investment funds, which do a lot of very small loans.

Question: **I'm from a corporate that is interested as an investor and enabler. How can we get involved?**

Cliff Prior: There is a wide range of organisations, and perhaps we can have a chat individually after when we finish on the sorts of things that you're interested in and some pointers as to where you might go because it's everything from individual decision, that's through SITR, tax bills, and so on, and crowdfunding, right the way through to institutional funds these days and everything in between, so plenty of opportunities. New investors into social investment are always very, very welcome, so we'll make sure that we have a conversation.

Question: **How do you take your trustees and board members with you, which is hard to do when investment is not suitable for all organisations and many think in terms of grants?**

Cliff Prior: Yes, and without over-promising because let’s face it, there are 160,000 charities and 70,000-something social enterprises in the UK and that’s before you even get into the sports and leisure trusts and the CDFIs and the credit unions, etc., etc., and we’re only talking at the moment about 3,500 charities and social enterprises that have used social investment. If you think of the commercial world, 6 million companies in the UK, there are only 6,000 that employ 250 people, and the great majority are one-person, two-person bands. They're probably not going to take anything other than maybe a second loan, you know, they buy a truck and they get a loan on the truck or something of that kind.

We wouldn't expect the social sector to be any different to that. The majority of social sector organisations are pure voluntary, one or two-person organisations, they're probably not going to look at social investment, and it’s not for everyone. For the people that it is right for, it can be transformative. So, whilst, yes, it’s really valuable to provide information, it’s a question of is it right for you, and very often the answer to that is no, but at least then you've worked it out and you're not worrying that you're missing something, you've worked out you are going to be on grants, on donations or on contracts or whatever it might be.

For those for whom investment is the right thing to do, that’s there we really need to put in the effort and the capacity building and so on. My sense is things are changing quite dramatically. The more and more social organisations you meet, they've started enterprise first. They've assumed that there aren’t grants, they've assumed that the public sector won’t be interested in them and they start enterprise first. I think that’s where you get quite a different kind of attitude coming along and different board members.

Melanie Mills: Can I give you an example of a step change I see which is that I think back four years ago, back to when Pauline started to invite me to some of the local VCS events. If we think of ourselves as voluntary and community through to social enterprise, that’s a wide spectrum of activity. Four years ago I used to be invited to present to a VCS audience and if I had three people in front of the audience and locked and barred the door I was probably doing well and they probably just wanted to talk about crowdfunding. Whereas now, I was at Voluntary Action Leicester on Tuesday and I think we’ve now got VCS infrastructure organisations who are starting to think about they need to help their members.

What was interesting is of the people that came and sat in front of me, I would say there were almost roughly a third split of the profiles that we talk about in Good Finance. A third of them were in that grassroots piece and really what they need is revenue generation, they're nowhere near and they may, as Cliff said, never get there and it might never be appropriate, but there are starting to think about the sustainability of their organisation, a sort of Jericho transition, “If I don't do something I’m not going to be here, so I need to do something different.”

A third of them were actively looking for money, and they were clear, they could articulate to me what they wanted the money for, how that was going to impact on their plan. To be honest, I was doing the job of Good Finance. Then the other third really were just telling me about the deals in process and they were in the show-me-the-money list, they were already there.

I think there's that step change, it is a big cultural shift, and I've seen a huge move, but I think we mustn't ever over-promise, which is why if you do go on Good Finance and you put certain things in, it will come up with a no, it's not right for you, not now. Difficult for us to say not ever because things change but I think some of the route is for organisations like yours and for organisations like the VCS infrastructure and the social enterprise bodies, for us to work with them to try to help their members think about what those options and those routes are, and certainly around the boards.

One of the reasons why we've launched Get Informed, and I'm always particularly heartened as I'm going around the country doing these things, I've now met three different mentees that are being mentored through the free mentorship and I've met two different mentors as well that I've never met before. If you think that will help you, there are some great resources there as well.

Cliff Prior: Fantastic. I think we should probably call it a day there. I want to say thank you to our panel, to all of you participating today, and to everybody who's from charities and social enterprises who actually do all the hard work, because we can talk our hind legs off on social investment, but actually it all depends on the people who are out there in the frontline dealing with social issues.

If the tool that we've got as social investment is useful to you, then let's have that conversation; if it isn't, we still hugely value your work, and without you improving people’s lives, it just wouldn't happen. Thank you very much.