

Joseph Rowntree Foundation (JRF) and Big Society Capital (BSC) have been co-developing a proposal with the goal of eliminating the poverty premium in the UK by 2027. We are looking for a Fund Manager to run an investment fund involving three possible funding streams as described below. The Fund Manager will have an equally important role of managing partnerships across the programme in order to deliver a pipeline of investable enterprises.

To apply, please submit an expression of interest of no more than two pages outlining your experience and proposal for meeting the fund management/coordinator criteria laid out below by **21st October 2016**.

The poverty premium is experienced by people in poverty when they pay more for equivalent goods and services than those with higher incomes.

People in poverty or on low incomes often pay more for the same products or services than people who are better off financially. This is called the "poverty premium" – the extra cost of being poor. The poverty premium is often dubbed the 'double penalty': in addition to not being able to buy many goods and services, people in poverty also end up paying more for the ones they can buy.

There is not one 'poverty premium', but many increments in cost that when added together can represent a significant drain on tight personal budgets. Such increments or premiums are most concentrated in four sectors and are typically centred around a specific set of issues: in energy & utilities and telecommunications, poverty premiums are paid through prepaid tariffs and/or lack of being an 'actively switching consumer'; in financial services, the poverty premium manifests itself mostly through high-cost credit and issues around financial exclusion; and finally, in household goods, the rent-to-own model of buying household goods financed by apparently affordable small weekly payments of a long duration (e.g. through shops such as BrightHouse) which results in people paying high amounts for essential items, often two to three times the original price.

Who is in poverty?

According to the latest Joseph Rowntree Foundation research, 13 million people in the UK are living in poverty, and 1.25 million people in the UK experienced destitution at some point during 2015. People in poverty are mostly single and of working age. The prevalence of poverty is strikingly high for single parents:

- 71% of single parents with 1-3 children have incomes below MIS ;
- 37% of single working-age households overall;
- 34% of couples with 1-4 children;
- 17% of couples in working-age households without children;
- 7.5% of pensioner households.

Scale of the Poverty Premium Problem

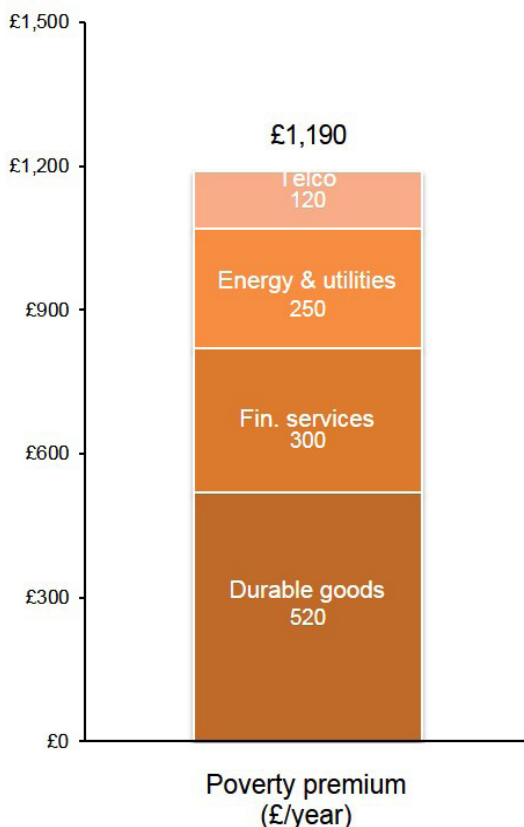
Save The Children (2010) provides a guiding example of a household paying £1,280/year extra, and Church Action on Poverty (2014) states that people on low incomes could collectively be paying up to £3.8bn/year more than others. We estimate that the total poverty premium paid on household goods, financial services, energy and telecoms by a single household could add up to a total poverty premium of £1,190/year per household.

For the poorest fifth of households in the UK - 5.4 million households earning £12,300 per year or less - the money spent on paying poverty premiums amounts to up to ~10% of their budget.

Whats The Solution?

JRF and BSC have been working on this initiative for the past 9 months. In July and August we jointly hosted workshops with key stakeholders enabling us to co-design a solution to fit the problem. The outputs of these workshops, stakeholder meetings and further research have led us to the following conclusions:

Poverty premium can total £1,190/year in 'worst case' scenario



Telco:

- Comparison of basic mobile phone use with 1-month contract (£5/m) vs. same use in PAYG (£15/m or more): £10/month or **£120/year**

Energy & utilities:

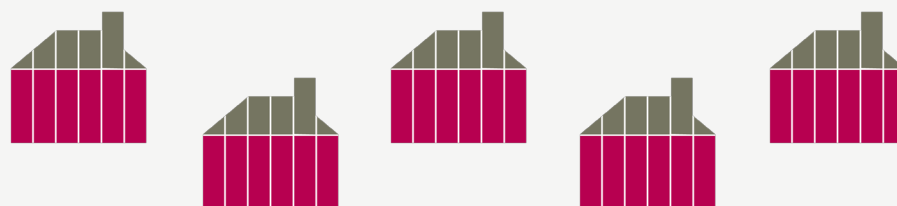
- Avg. savings of switching from pre-paid meter at incumbent provider to direct debit payment at optimum provider: **£250/year** (JRF CF 2013)
- 15% of customers (4m households) have prepayment meter

Financial services:

- Avg. payday loan is £260 at a cost of credit of £75 (C.O.,CMA 2015)
- Avg. payday loan customer takes out 3.6 loans per lender per year and 40% have two lenders (C.O.,CMA 2015)
- Total payday loan cost/year for at-risk customer: 5 loans at £60 additional cost (vs. overdraft) = **£300/year**

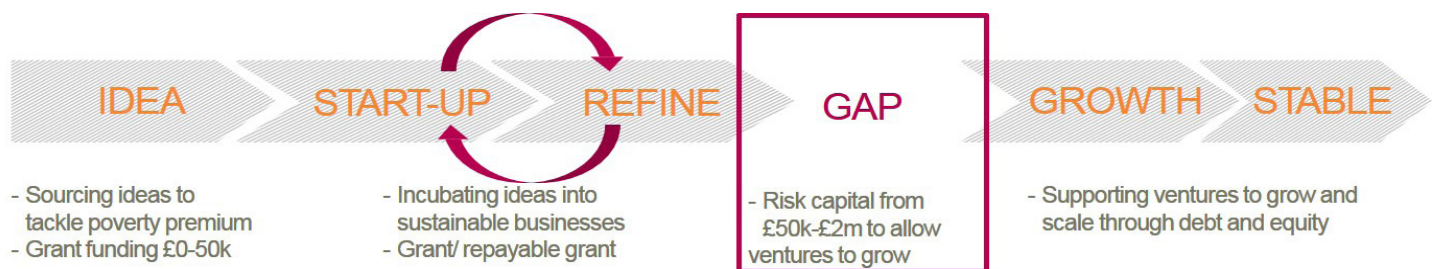
Durable goods on credit/rent-to-own:

- Buying MIS items on credit: additional cost of £10/week on average (JRF CF 2013), or **£520/year**



- The objective of Fair by Design (FBD) is to eliminate the poverty premium by 2027
- To accomplish this, FBD is comprised of a Venture Development Programme underpinned by research and evaluation, impact monitoring, a strong advisory network of sector experts and mentors and a strong influencing function to advocate for better policy, influence corporate behaviour and inspire the public to rally around this issue. This will support ventures primarily working to eliminate the poverty premium in the four key sectors of financial services, energy, telecommunications and household goods, but will also consider cost reducing ventures in areas of large wallet share for people in poverty (e.g. food).





Research & Evaluation - open access to partners for research, build in appropriate impact measurement in across ecosystem

Advisory Network Steering Committee; Advisory Board; Network of mentors, sector experts and possibly customers for ventures

Influencing Influencing policy makers, corporates and the public to take actions to eliminate the premium

- Part of the USP of the Venture Development Programme is the seamless progression between partners, supporting entrepreneurs from idea to scale in their venture's journey. A key part of this is ensuring the right funding options are available at each stage.
- We are engaging a wide range of partners specialising in early stage support and incubation for ventures seeking to tackle the poverty premium. It is envisaged that FBD will both utilise existing programmes run by these partners and offer bespoke support.
- We are also creating a funding stream specifically designed for early stage high risk ventures at a pre-revenue and pre-profit stage of development. This will likely be structured as a group of funds, where interested Foundations and other investors would co-invest on a deal by deal basis alongside it.

There will be three separate fund structures, allowing investors to choose the level of risk they are comfortable with:

1. £1.5m small scale loan pot: unsecured loans for <£150k, 15 deals of average size £100k
2. £5m seed pot: unsecured debt or equity from £150k to £1.5m, 10 deals of average size £500k
3. £10m growth pot: unsecured debt or equity from £1.5m to £3m, 3-4 deals of average size £3m

Fund Manager/Coordinator Description

To maintain a streamlined and coordinated approach, the venture development programme will be managed by one party. This party will be responsible for ensuring continuity between partners, and the overall smooth running of the ecosystem.

The role of the coordinator will be to complete the following activities:

- Fund manage the three FBD funding pots, including:
 - building appropriate pipeline,
 - carrying out due diligence on potential investees,
 - sharing that diligence with the wider funding network,
 - writing Investment Committee papers,
 - presenting to the Investment Committee(s), and
 - managing portfolio investments.
- Maintain a coordinated front-end experience for ventures engaging with all parts of the ecosystem
- Capture and analyse data on the performance of the ecosystem as a whole
- Present progress to the Steering Committee, and action advice and guidance as applicable
- Manage partners' contribution to the ecosystem

Appointment Criteria

The criteria for appointing the Fund Manager/ Coordinator includes:

Building the ecosystem to bring enterprises through

- Experience working with a range of stakeholders including foundations, social sector entrepreneurs from a range of backgrounds
- Network of business angels that can be leveraged
- Experience originating investable opportunities

Experience commissioning expert advice

Ability to identify non-financial support required by ventures and to connect them appropriately

Venture Capital skills, particularly post-investment:

- Experience managing funds, with the right regulatory approvals in place
- Experience in analysing investment opportunities from both a financial and impact point of view, and completing high quality due diligence
- Experience in impact and financial data capture and analysis

And/Or

- Experience of multiple small business start-up and growth
- Energy & determination

Process & Timeline

1.	Submissions of 2-page Expression of Interest (EOI) due	21st October 2016
2.	Shortlisted applicants informed	28th October 2016
3.	Final proposals to ICs and partners for approval	November-December 2016

Terms & Conditions

- Each of BSC AND JRF reserve the right at any time not to make an investment and / or cancel or withdraw from the process at any stage. Any costs or expenses incurred by any organisation making an application (each, an Applicant) in response to BSC AND JRF's request for expressions of interest will not be reimbursed and BSC AND JRF will not be liable in any way to an Applicant for costs, expenses or losses incurred as a result of this process.
- Each of BSC AND JRF reserve the right to amend the timetable and / or the process until such time as binding arrangements are concluded with Applicants.
- Each of BSC AND JRF reserve the right to reject any and all proposals submitted in response to its request for expressions of interest with or without cause.
- Each of BSC AND JRF reserve the right to request clarification of information submitted and to request additional information regarding any or all expressions of interest, including the right to request face to face meetings. Refusal to provide such information upon request may cause such expression of interest to be rejected. Where no reply to a request for information or for clarification is received within ten business days, BSC AND JRF may consider that the relevant expression of interest has been withdrawn.
- Any investment made by BSC AND/OR JRF as a result of this process will be subject to the prompt and satisfactory agreement of legal terms. Applicants will also be expected to provide a timetable for meeting any other obligations (such as the raising of further investment) and the investment, its drawdown and the entry into binding arrangements will be conditional on meeting that timetable.
- Each of BSC AND JRF will use the information an Applicant gives to BSC AND/OR JRF during the EOI process, applying for an investment from BSC AND/OR JRF and during the lifetime of any investment for administration, analysis and research purposes. BSC AND/OR JRF may give copies of all or some of this information to individuals and organisations we consult when assessing applications, conducting due diligence, administering and monitoring investments and evaluating processes and impacts and our systems and controls. These organisations may include accountants, shareholders, trustees, insurers, the Financial Conduct Authority and organisations or groups involved in delivering BSC AND/OR JRF's investments.

Confirmation of Information

Each of BSC AND JRF might use personal information provided by an Applicant in order to conduct appropriate identity checks. Personal information an Applicant provides may be disclosed to financial crime screening databases or a fraud prevention agency, which may keep a record of that information.

Each of BSC AND JRF might use the data an Applicant provides for research purposes. We recognise the need to maintain the confidentiality of vulnerable groups and their details will not be made public in any way, except as required by law, regulation or where necessary for legal proceedings.

An Applicant's personal information may be transferred to, processed and/or stored in countries outside of the European Economic Area which may not have an equivalent level of data protection laws. By submitting personal information, an Applicant agrees to this transfer, storing and processing.

An Applicant has the right to request a copy of the personal information that BSC AND/OR JRF holds about them. An Applicant may also ask each of BSC AND/OR JRF to correct or remove information that an Applicant thinks is inaccurate.

To exercise these rights in respect of BSC, please email investmentenquiries@bigsocietycapital.com. To exercise these rights in respect of JRF, please email Danyal.Sattar@jrf.org.uk. This request for expressions of interest does not constitute an offer to Applicants to develop a fund.

I confirm that I understand the Terms & Conditions outlined above. I confirm that the information provided by my organisation in response to the request for expressions of interest is true and accurate.

Name:

Director/CEO:

Organisation:

