

# SOCIAL INVESTMENT INSIGHTS SERIES

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May 2015

## Where next? Future opportunities for social investment

Big Society Capital has recently published ten reports as part of its Social Investment Insights Series which outline the potential for social investment to address key social issues. This document summarises the main findings from each report and provides links to further contacts and information.



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The Social Investment Insights Series are occasional papers drafted by members of Big Society Capital's team on areas of interest to the social investment market.

Big Society Capital is a financial institution with a social mission, set up to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. It is doing this by building a diverse social investment market: encouraging investors to lend or invest money to achieve a social as well as a financial return. Since it was set up as an independent organisation in 2012, Big Society Capital has signed more than £160 million in investments to specialist organisations who lend to charities and social enterprises. Over five years Big Society Capital will be capitalised with approximately £600 million, from a combination of English dormant bank accounts and the four main UK high street banks.



# INTRODUCTION

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Social investment has the potential to address some of the most entrenched issues in society. Big Society Capital's early investments are starting to prove the real difference that social investment can make for vulnerable and disadvantaged groups including people who are homeless or unemployed.

We know that more can be done and that is why we have recently completed a series of reports which explore the potential for social investment to address ten key social issues which are:

Social Issue
Education
Long-Term Unemployment
Health and Social Care
Criminal Justice
Family, Friends and Relationships
Communities
Financial Inclusion
Housing
Arts, Heritage and Sport
The Environment

Our report for each social issue area includes information about the social need, the current market, opportunities and challenges for social investment and priorities for Big Society Capital. The findings in these reports are based on reviews of external research and interviews with experts in each social issue area. This document summarises the main findings from each report and provides links to further contacts and information.



## OVERALL FINDINGS

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### **Social investment can help to address complex and interrelated issues**

It is clear from our research that individual social issues are not mutually exclusive and do not exist in isolation from one another as they are often complex and interrelated. For example, people in the criminal justice system may also have needs that overlap with other areas such as health, housing and employment. Using social investment to support interventions that deliver a holistic approach could be the most effective option to address complex needs but developing such services is not without its challenges due to the fragmented nature of budget pools held by different commissioners.

### **Early intervention and prevention are recurring themes**

Using social investment to develop more early intervention and prevention approaches through products (including social impact bonds) is a recurring theme across social issue areas including health and social care, criminal justice, education and families. Challenges to implement early intervention and prevention approaches include the long term timeframe to achieve outcomes which may not always meet a budget or policy cycle and that acute services are currently prioritised over preventative support due to the limited resources available.

### **Demand for capital is higher for some social issues**

In the current social investment market there is a higher volume of capital aimed at addressing social issues such as housing compared to other areas including financial inclusion, unemployment or health and social care. This is in part due to the nature of asset backed deals which are generally lower risk compared to more innovative or untested approaches where the business model may be unclear.

Our evidence has identified that there is scope for social investment to do more in the social issue areas such as health and social care or education which have been underrepresented to date. For example, this could include replicating existing successful business models or developing preventative solutions through a social impact bond structure.

### **The right mix of investment and support is important**

There is no “one size fits all” approach to investment or support as different social sector organisations requirements will vary according to their size, scope, scale and capability across the social issue area that they are planning to target. Some organisations may need early stage seed funding to test out an idea with grant finance and specialist support, whereas others may want to raise significant capital through products such as charity bonds to scale-up.

There is now a diverse range of products and support available in the social investment market. This includes finance from intermediaries which have received our capital, the new organisation Access – the Foundation for Social Investment (which will provide blended capital), and support programmes including Big Potential and Big Potential Advanced.

### **What next**

Since we launched in 2012 our approach to making impactful investments has been responsive to demand from the social investment market. Over time, the emphasis of our origination efforts has shifted to be more proactive. We are now actively seeking partners to originate or co-design proposals which address specific social issues and fill gaps in the availability of social finance in addition to continuing to be responsive to demand from the market. Our evidence will continually be updated through further research and discussions with experts and we would welcome any feedback about the content of our Social Investment Insights Series.



# INSIGHTS FROM SOCIAL ISSUE






The following section outlines the key findings from each social issue area. It outlines the social need, provides examples of business models being used by social sector organisations and identifies potential future opportunities for social investment.

## Education

### What is the social issue?

Improving the life chances of young people through a more effective and efficient education system can lower income inequality, improve social mobility and increase overall standards of living. The education system could do more to address underperforming students' needs and narrow the gap between the highest and lowest achievers.

### How can social investment help?

What	How	Business model examples (click on logos)
Expand early years support	Replicate or scale up provision in disadvantaged areas through models such as cross subsidy nurseries	
Help disadvantaged groups to access higher education	Use payment-by-results models to increase the efficiency of higher education Access and Retention Budgets by encouraging innovation and only paying for successful outcomes	
Improve educational attainment amongst groups who are NEET or at risk of becoming NEET	Replicate or develop new social impact bonds or use the Pupil Premium to commission social sector organisations to deliver services	
Support disadvantaged children within the school system	Growth capital to scale social enterprises delivering services to schools	
Connect schools with social enterprises	Develop the infrastructure to enable schools to identify and purchase services	

**Summary Report:** [Social Investment in Education](#) (February 2015)

**Contact:** Alex Goodenough, Investment Director [AGoodenough@bigsocietycapital.com](mailto:AGoodenough@bigsocietycapital.com)







## Long-term Unemployment

### What is the social need?

There are currently nearly a million young people aged 16-24 who are not in education, employment or training in the UK and nearly two million people across the population are unemployed<sup>1</sup>, which has significant costs for individuals and society.

### How can social investment help?

What	How	Business model examples (click on logos)
Provide employability support	Create specialist job opportunities for beneficiary groups through trading models	 <small>Converting Potential</small>
Public sector commissioning	Outsourcing of public services creates an opportunity for the social sector in service provision	
Support self-employment	Provide investment and support to individuals to set up enterprises or franchises	
Increase reach and access to existing jobs	Support specialist matching services and upskill particular groups through training or support	

**Summary Report:** [Long-Term Unemployment and Social Investment](#) (December 2014)

**Contact:** Natasha Malpani, Investment Associate [NMalpani@bigsocietycapital.com](mailto:NMalpani@bigsocietycapital.com)

<sup>1</sup> Office for National Statistics 2014



## Housing

### What is the social need?

The UK currently has a housing crisis where demand for affordable housing is outstripping supply. Nearly 1.4 million people<sup>2</sup> are on local authority waiting lists for social housing and there are increased concerns about the level of homelessness and the poor quality of some private rented accommodation.

### How can social investment help?

What	How	Business model examples (click on logos)
Scale-up successful transitional housing models which support specific groups in need	Invest in housing organisations that can attract large pools of capital which deliver clear social outcomes	
Help specific beneficiary groups through cross subsidy models	Development capital to support schemes that assist vulnerable beneficiary groups	
Develop supported accommodation	Capital to help organisations to acquire property for specific groups in need	

**Summary Report:** [Housing and Social Investment](#) (August 2014)

**Contact :** Anna Shiel, Senior Investment Director [AShiel@bigsocietycapital.com](mailto:AShiel@bigsocietycapital.com)

<sup>2</sup> Department for Communities and Local Government 2014



## Financial Inclusion

### What is the social need?

People who are in the lowest ten per cent income bracket suffer most from the effects of financial exclusion <sup>3</sup> It is estimated that up to seven million people use sources of high-cost credit and up to four million low-income households have poor access to mainstream financial services.

### How can social investment help?

What	How	Business model examples (click on logos)
Support new ventures providing banking services and affordable credit	Provide early stage funding to support innovative new ventures	
Community Development Finance Institutions/ credit unions	Provide development and lending capital	

**Summary Report:** [Financial Inclusion and Social Investment](#) (December 2014)

**Contact:** Ben Warren, Investment Associate [BWarren@bigsocietycapital.com](mailto:BWarren@bigsocietycapital.com)

<sup>3</sup> Classified as "Tier 3" consumers by Experian; Credit Union Expansion Project: Demographic Profiling, 2012








## Health and Social Care

### What is the social need?

Health and social care services are under pressure due to factors including the increasingly ageing population, inequality and persistent long-term health conditions. The average disability-free life expectancy varies by 17 years<sup>4</sup> in different areas of socio-economic deprivation. Almost one in four adults in the UK and one in ten young people have a mental health problem and nine out of ten people experience stigma and discrimination.<sup>5</sup>

### How can social investment help?

What	How	Business model examples (click on logos)
Provide preventative services	Develop new models of care which shift spending from acute to preventative provision to address issues such as obesity or early onset dementia through products including social impact bonds	
Develop a social prime	Support the development of social prime contractors that are able to bid for larger CCG and NHS England contracts	
Support better use of personal budgets	Develop models of care which could be commissioned by personal budgets in the community	
Accommodation/ leisure facilities	Capital to purchase accommodation for specific beneficiary groups or leisure facilities	

**Summary Report:** [Health and Social Care and Social Investment](#) (December 2014)

**Contact:** Daria Kuznetsova, Strategy and Market Development Director  
DKuznetsova@bigsocietycapital.com

<sup>4</sup> The Marmot Review 2010

<sup>5</sup> Mental Health Foundation 2014





## Families, Friends and Relationships

### What is the social need?

There is a diverse range of social issues that affect families and relationships, which includes domestic violence, abuse, loneliness, isolation, mental illness, caring responsibilities and family breakdown. These issues are often complex and inter-related and need holistic approaches to tackle them.

### How can social investment help?

What	How	Business model examples (click on logos)
Support early intervention/ children's services	<b>Growth capital to develop children's services and early intervention approaches</b>	
Replicate social impact bonds in adoption and care	<b>Once evidence is available, consider replicating or developing new social impact bonds</b>	

**Summary Report:** [Social Investment for Families, Friends and Relationships](#) (March 2015)

**Contact:** Marcus Hulme, Social Impact Director [MHulme@bigsocietycapital.com](mailto:MHulme@bigsocietycapital.com)






## Communities

### What is the social need?

Vibrant and active communities are an essential part of society. Local people are often best placed to develop local solutions to address issues in their communities but can often lack access to capital or the right type of support to deliver positive social change. With the recent economic downturn and decline in public spending many local services in communities are being reduced or face closure.

### How can social investment help?

What	How	Business model examples (click on logos)
Support community renewable energy	Finance for community energy schemes that generate social impact	
Asset ownership/enterprise	Provide blended capital to develop local assets/enterprise	
Community shares	Support further community shares schemes through underwriting	 Somerset Co-operative Community Land Trust

**Summary Report:** [Communities and Social Investment](#) (March 2015)

**Contact:** Candice Motran, Investment Director [CMotran@bigsocietycapital.com](mailto:CMotran@bigsocietycapital.com)



## Criminal Justice

### What is the social need?

Crime is a concern for many communities in the UK, particularly as 48% of prisoners reoffend within twelve months of their release. Almost half of women and a quarter of men in prison suffer from anxiety and depression and between 20 and 30% of all prisoners have learning disabilities. If these issues are left untreated they can have significant social and financial costs

### How can social investment help?

What	How	Business model examples (click on logos)
Early intervention to reduce reoffending	Consider replicating successful models or develop new ones	
Scale-up high impact interventions	Scale-up high impact interventions in areas such as employment or housing	
Support organisations that are provide services through central and local government contracting	Provide working capital for social sector organisations delivering payment by results contracts	

**Summary Report:** [Criminal Justice and Social Investment](#) (January 2015)

**Contact:** Christine Chang, Investment Director [CChang@bigsocietycapital.com](mailto:CChang@bigsocietycapital.com)





## The Arts, Heritage and Sport

### What is the social need?

The arts, heritage and sport play an important role in people’s lives and can help to deliver wider outcomes such as educational improvements, health benefits and community cohesion. Over recent years cuts in public spending have contributed towards the closure of services including libraries, leisure centres and community arts organisations.

### How can social investment help?

What	How	Business model examples (click on logos)
Support well evidenced interventions that address specific social issues	Invest in interventions that target specific social issues such as education or well being	
Increasing participation	Support organisations that increase participation amongst under represented or disadvantaged groups	

**Summary Report:** [Social Investment in the Arts, Heritage and Sport](#) (April 2015)

**Contact:** Anna Shiel, Senior Investment Director [AShiel@bigsocietycapital.com](mailto:AShiel@bigsocietycapital.com)





## The Environment

### What is the social need?

Our environment and its resources are under increasing pressure from climate change, pollution and global warming. Changes to our planet will have an impact on everyone, but people who live in areas of deprivation are disproportionately affected by issues such as air pollution or living near to large industrial and waste sites.

### How can social investment help?

What	How	Business model examples (click on logos)
Renewable energy	Support renewable energy schemes which deliver both social and environmental outcomes	 Ecodynamic Community Benefit Society Limited
Access to the natural environment	To generate wider physical and mental health outcomes	

**Summary Report:** [Conservation of the Natural Environment and Social Investment](#) (April 2015)

**Contact:** Danyal Sattar, Development Director [DSattar@bigsocietycapital.com](mailto:DSattar@bigsocietycapital.com)



**The information and opinions in this report were prepared by Marcus Hulme, Social Impact Director, on behalf of Big Society Capital.**

### **Titles available in the Social Investment Insights Series**

Growing Social Enterprise Through the Holding Company Model: Groupe SOS (June 2014)

Social Impact Bonds: Lessons Learned (June 2014)

Growing the Market for Charity Bonds (July 2014)

Housing and Social Investment (August 2014)

Health and Social Care (December 2014)

Financial Inclusion and Social Investment (December 2014)

Long-Term Unemployment and Social Investment (December 2014)

The Criminal Justice System, Those It Affects and Social Investment (January 2015)

Social Investment in Education (February 2015)

Communities and Social Investment (March 2015)

Social Investment for Families, Friends and Relationships (March 2015)

The Arts, Heritage and Sports and Social Investment (April 2015)

Conservation of the Natural Environment and Social Investment (April 2015)

What next? Future Opportunities for Social Investment (May 2015)

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