

Social Investment

An overview

Rashika Ranchan, Big Society Capital

28 March 2012

What is Social Investment?

**Investments intended to create positive impact
beyond financial return**

"Impact Investments. An emerging asset class." J. P. Morgan, November 2010

What is Social Investment?

Financial value = Price paid for social value - Cost of creating that social value > 0

"Young Foundation - BCG, November 2011

What is driving the growth of social investment?

1. Disillusionment with traditional investment
2. Disillusionment with traditional philanthropy / aid
3. Government austerity and payments by results commissioning
4. Growth in social enterprise

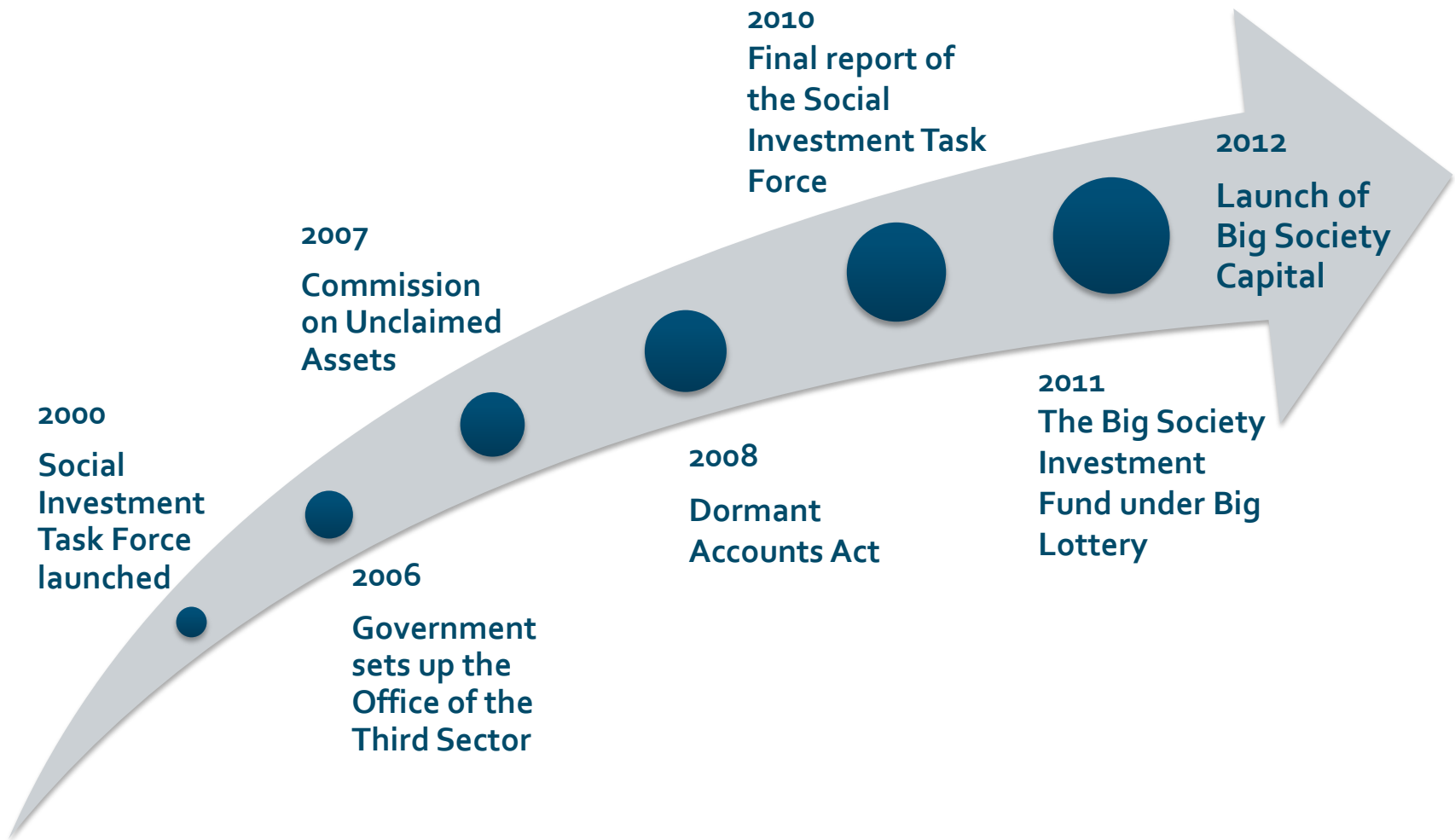
Actors in social investment market

1. Social Investors- seeking both social and financial returns
2. Social Investment and Finance Intermediaries
3. Front line social ventures
4. Commissioners
5. Service recipients

Examples of Social Investment Products

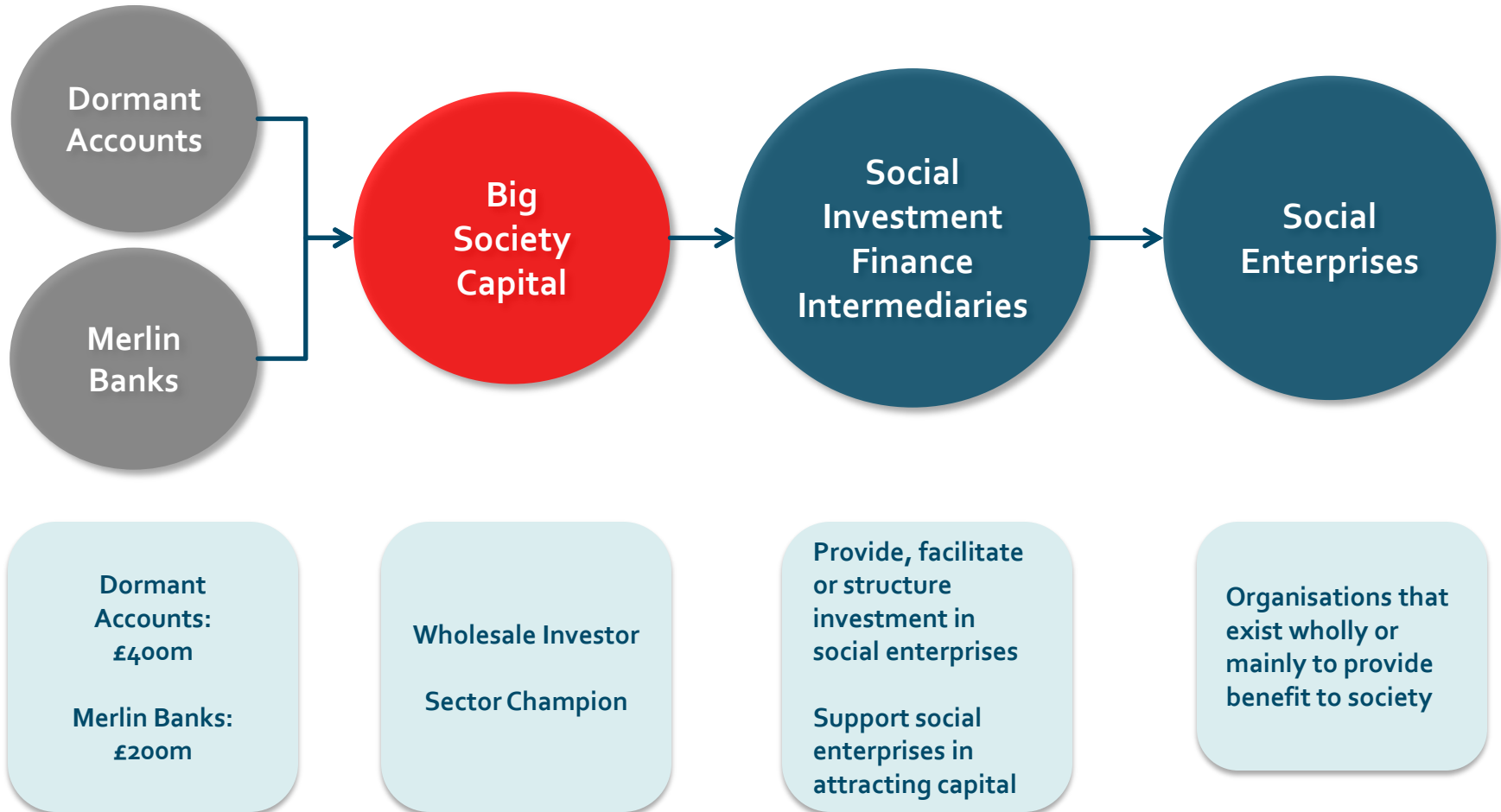
	Target impact	Target return
Gates Foundation	Development of innovative pharmaceutical compounds for distribution to Africa	Maximum return 2% 20% first loss protection
Peterborough Social Impact Bond	Reconviction rates reduced by 10% or more in three cohorts totalling 3,000 individuals	If target impact is achieved: 7.5%, up to a maximum of 13.5%.
Scope Charity Bond	Support the charitable purposes of Scope, a charity supporting disabled people and their families in England and Wales	First issue: 2%
Bridges Social Entrepreneurs Fund	Invests in social enterprises based in England with the ability to grow to scale	Target IRR: 6%

History of Big Society Capital



What is Big Society Capital?

BSC is a financial institution whose role is to channel funds from Dormant Accounts and Merlin Banks to frontline organisations via intermediaries



Operating Principles

HMG have defined 4 key operating principles for BSC

INDEPENDENCE

- No direct government ownership
- No government representation on BSC Board

TRANSPARENCY

- Full disclosure of financial results
- Rigorous social impact reporting

SELF SUFFICIENT

- Returns sufficient to cover operating costs and any investment losses
- No erosion of base capital

WHOLESALE

- Capital investments in Social Investment Finance Intermediaries, not in the “frontline”
- No grant support

Big Society Investment Fund

1. Interim Fund until BSC is operational
2. Funding Social Investment and Finance Intermediaries
3. Creating prototype investments
4. Up to £8m

Examples of projects funded by BSC

	Target impact	Target return
ThinkForward (Private Equity Foundation with Tomorrow's People)	Working with 600 young people in Tower Hamlets over 3 years to prevent them from becoming NEET (not in education, employment or training)	6.5% IRR for success rate of at least 80%
New Horizons (Triodos with Greater Merseyside Connections Partnership)	Working with 3900 young people in Merseyside over 3.5 years, with the aim to prevent them becoming NEET	Base case of 3900 outcomes achieves 9.4% IRR
Social Stock Exchange	Build critical market infrastructure for social investments, enabling greater flow of funds into the sector	Coupon 3% pa, convertible to equity
Licence Fund (FranchisingWorks)	Establish 200 franchise businesses over 5 years, which will create 800 jobs and constitute a track record of franchising as a means of tackling unemployment	Forecast IRR of 12%
Community Generation Fund (Finance South East)	Support 11 communities across the UK which are small and less advantaged to develop renewable energy projects	Estimated IRR of 3%, up to 5% when fund is scaled up



Social Impact Bonds

- A Funders Perspective -

Manisha Patel
Regional Development Manager
28th March 2012

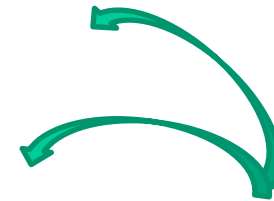
New approaches....Bryan's story



Investment



Payment by results

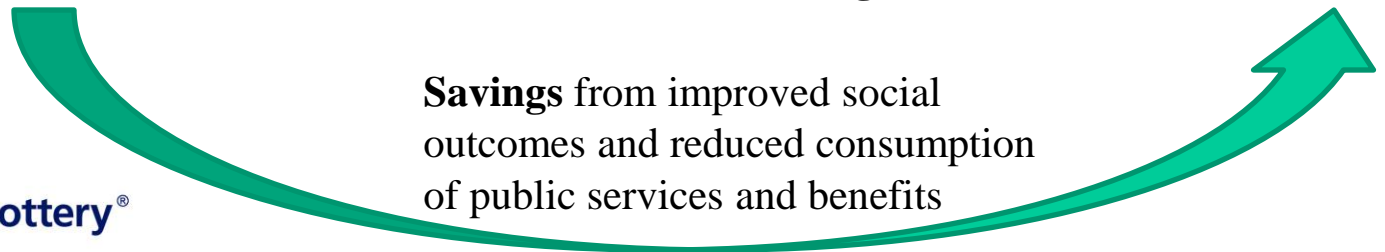


Outcomes

Services

Delivery orgs

National/local commissioners



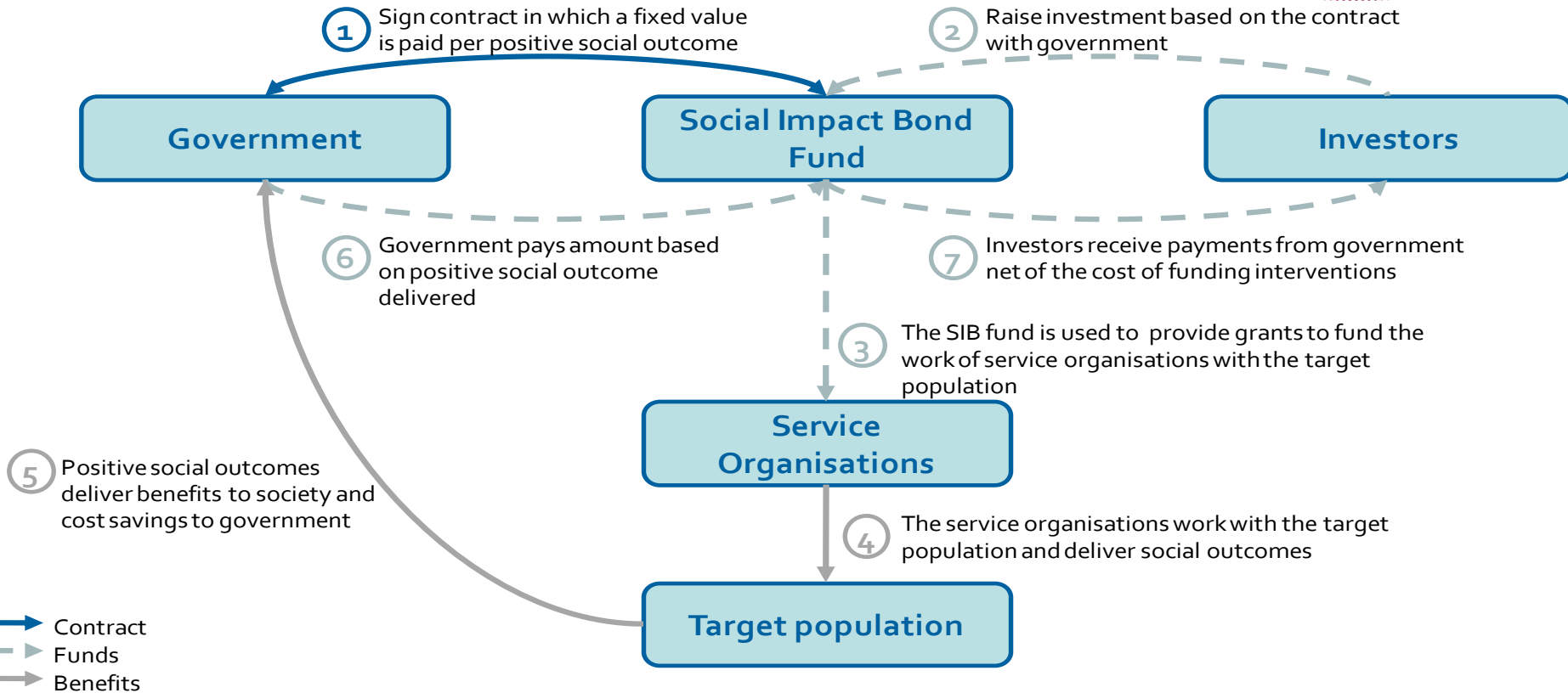
Savings from improved social outcomes and reduced consumption of public services and benefits



World's first SIB 1

- Peterborough prison
- Reducing reconviction rates
- Partners
 - Outcomes payments – MoJ and BIG
 - Co-ordination - Social Finance
 - Main delivery organisation – St. Giles Trust
 - Investors – range of charitable trusts

World's first SIB 2





Grant to Social Finance

- Development of 3 new SIBs
- Creation of tools and materials
- One year in.....



Next Steps

- For development of social investment vehicles e.g. SIBs
- 133 proposals received
- Proposals shortlisted
- Awards will be made in March

BIG's Future Role & Wider SI Strategy



- Creating the conditions
- Supporting investment readiness
- Collaboration to support investment deals
- Supporting intermediaries



Are you aware of social investment projects/proposals in your area?