



LET'S TALK GOOD FINANCE

Pubs, clubs & community hubs

18 April 2023 | 13.00 - 15.00 | Online

THE ROLE OF SOCIAL INVESTMENT



Social enterprises and charities are dealing with some of the most challenging issues in the UK such as criminal justice, education, employment and training, housing and local facilities and income and financial inclusion.

Social investment is the use of repayable finance to help an organisation achieve a social purpose.

Social Investment History 101

THE FINANCIAL CRISIS 2008 & 2011

The impact of this crisis was profound:

- Donations from individuals fell
- Giving from philanthropists and other donors fell
- Financial returns on their assets / investments decreased
- Public sector outsourced contracts were also cut or cancelled

All of this above, resulted in depriving organisations of vital revenue opportunities.

In the thick of the recession, organisations were hard hit by funding cuts and decreased grant availability.

WHAT DID THAT MEAN?

In a landscape made up of decreasing resources and increasing demand, social impact organisations need to consider:

- their resilience and sustainability
- their income generation and revenue models
- the funding and finance required to support their organisation.

Charities fight for survival as funding slashed across country

Anti-cuts campaign False Economy obtained data from 265 freedom-of-information responses from local councils



▲ Brendan Barber the general secretary of the TUC said the cuts were making the 'big society' seem like a 'big con'. Photograph: Graham Turner for the Guardian Photograph: Graham Turner/Guardian

More than 2,000 charities are being forced to close services and sack staff as local authorities slash their funding, or in some cases completely withdraw it, according to research published on Tuesday.



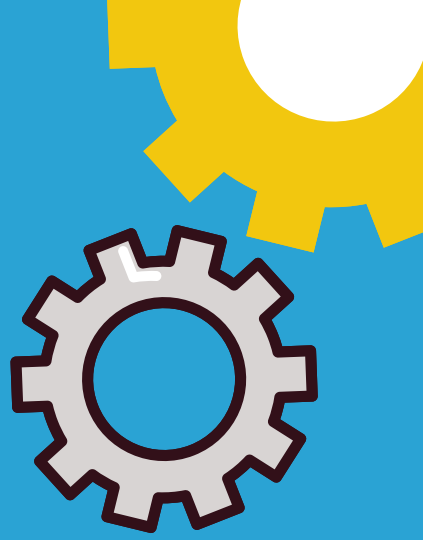
HOW DOES SOCIAL INVESTMENT WORK?

- Charities and social enterprises may generate a surplus through trading activities, contracts, grants and donations (or a combination of all or some of these).
- This profit / surplus is then used to repay investors.
- Social investment sits alongside donations and grants as another tool in the financial toolbox

[Watch the video](#)
["What is social investment?"](#)



Your financial toolkit



trading



donations &
fundraising



social
investment



banks



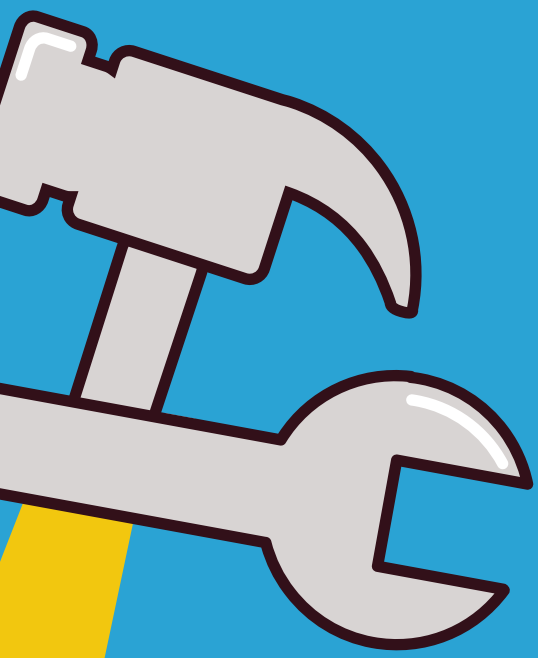
contracts /
payment by
results

Social investment sits alongside donations and grants as another tool that you can use to:

- Help buy an asset
- Deliver a contract
- Kickstart your organisation
- Grow your work
- Develop new innovations



You may use a combination of these tools depending on your circumstances!



Key considerations

1 - The purpose

What do you need it for?



- Buy an asset
- Maintain cash flow
- Kickstart your business
- Grow / innovate

2 - Repayment

Is there an income stream with surplus?



- Government contracts
- Rental income
- Membership fees
- Donations
- Trading

3 - Impact

What social impact will you create?



- Activities & outcomes
- Who will benefit?
- Measuring & reporting
- Sustainability



85% of social investors are social enterprises or charities!

TYPES & PROVIDERS

There are two main kinds of social investment products available.

There are two main ways of getting social investment.

1 DEBT

This is when an organisation borrows money and pays it back, usually with interest, over a period of time.

2 EQUITY

This is when an organisation sells shares to an investor, so they then own a percentage of the organisation.



Blended finance & quasi equity are also terms you may hear.

1 AN ORGANISATION

- Specialist social investment firms
- Social banks
- Trusts and foundations.

2 AN INDIVIDUAL

- Crowdfunding
- Community shares
- Social Investment Tax Relief
- Angel investors

Who are the funders?



trusts &
foundations



social investment
fund managers



social
banks



individual
investors

social return

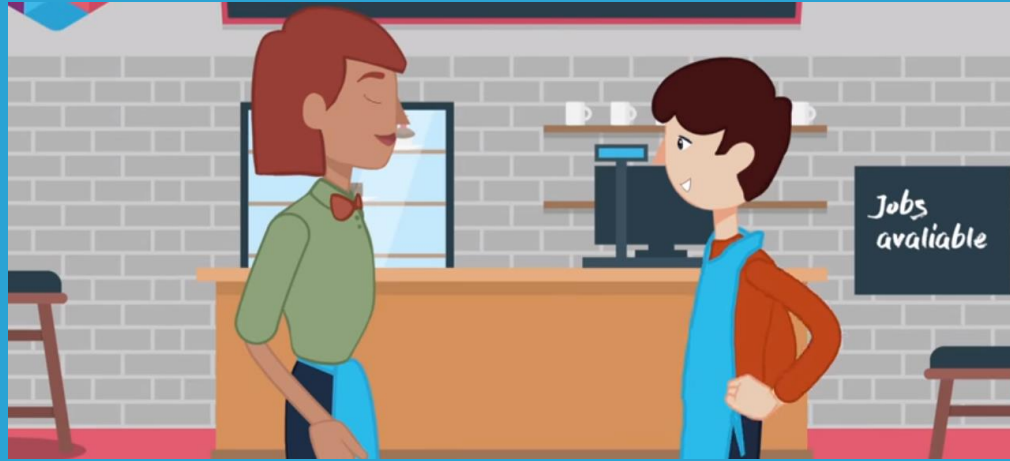
financial
return

social
investment

philanthropy

traditional investment

Additional Support



Good Finance website

Tools, resources and Investor Directory supporting you to navigate the world of social investment

[goodfinance.org.uk](https://www.goodfinance.org.uk)



The Reach Fund

Grants for charities & social enterprises to help them raise investment

[reachfund.org.uk](https://www.reachfund.org.uk)



Recovery Loan

Providing funds to charities and social enterprises so that they can recover, adapt and grow.

<https://www.sibgroup.org.uk/recovery-loan-fund>



Mark Duffelen – Chairman, SWR Community Pub Ltd





Homebaked Bakery

Challenge

The co-operative saved their local bakery from demolition and has since grown into a thriving business and community space, with over 30 active volunteers and 15 members of staff, all with strong links to the local areas. As their business grew and the number of daily visitors to the café doubled in just two years, demand had begun to outstrip supply and they needed the right equipment and more facilities to be able to scale up their production.

Revenue model

The social investment was used to purchase a dedicated catering unit and specialised equipment, which enabled them to increase their pie production capabilities threefold. This also created new positions within the business and freed up space within the premises for more educational courses, including classes for local school children.

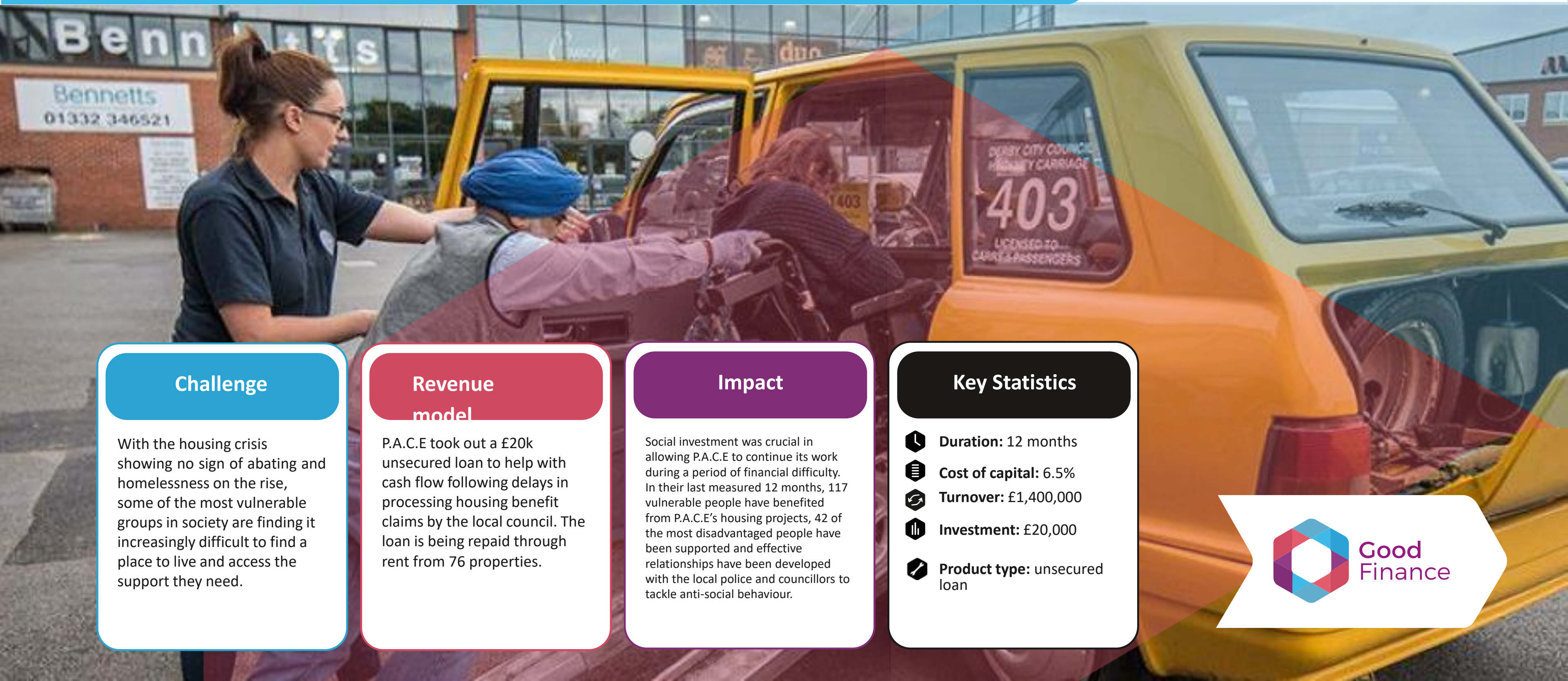
Impact

“The process was quick and the guidance we received enabled us to build a more robust business plan. Investment has given us a chance to grow, employ more people and be responsive to great opportunities coming our way.”

Key Statistics

- Duration:** 5 years
- Cost of capital:** 9%
- Turnover:** £387,800
- Investment:** £60,100
- Product type:** Blended Finance

P.A.C.E



Challenge

With the housing crisis showing no sign of abating and homelessness on the rise, some of the most vulnerable groups in society are finding it increasingly difficult to find a place to live and access the support they need.






Revenue model

P.A.C.E took out a £20k unsecured loan to help with cash flow following delays in processing housing benefit claims by the local council. The loan is being repaid through rent from 76 properties.

Impact

Social investment was crucial in allowing P.A.C.E to continue its work during a period of financial difficulty. In their last measured 12 months, 117 vulnerable people have benefited from P.A.C.E's housing projects, 42 of the most disadvantaged people have been supported and effective relationships have been developed with the local police and councillors to tackle anti-social behaviour.

Key Statistics

-  **Duration:** 12 months
-  **Cost of capital:** 6.5%
-  **Turnover:** £1,400,000
-  **Investment:** £20,000
-  **Product type:** unsecured loan



Challenge

They are converting a vacant bank building in the town into a community arts centre to include a 63-seat cinema, a café/bar and various multi purpose rooms for art galleries, exhibition areas, meeting rooms, training rooms, dance studio and rehearsal rooms..

Revenue model






Most of the income will come from the cinema and café/bar with the paying customer being the local individuals but facilities will be provided for businesses as well.

Broadly they have £170k in grants with most from Telford & Wrekin Council, £70k in SITR loans, £40k in shares (around £5k through SITR) £50k in a legacy, & c£30k in retained profits and other income.

Impact

The money has enabled them to lease the building and to carry out a substantial amount of the development work. They anticipate we will need a further 150k –250k to finance the completion of the work and we see SITR as our preferred way to raise the additional funds.

Key Statistics

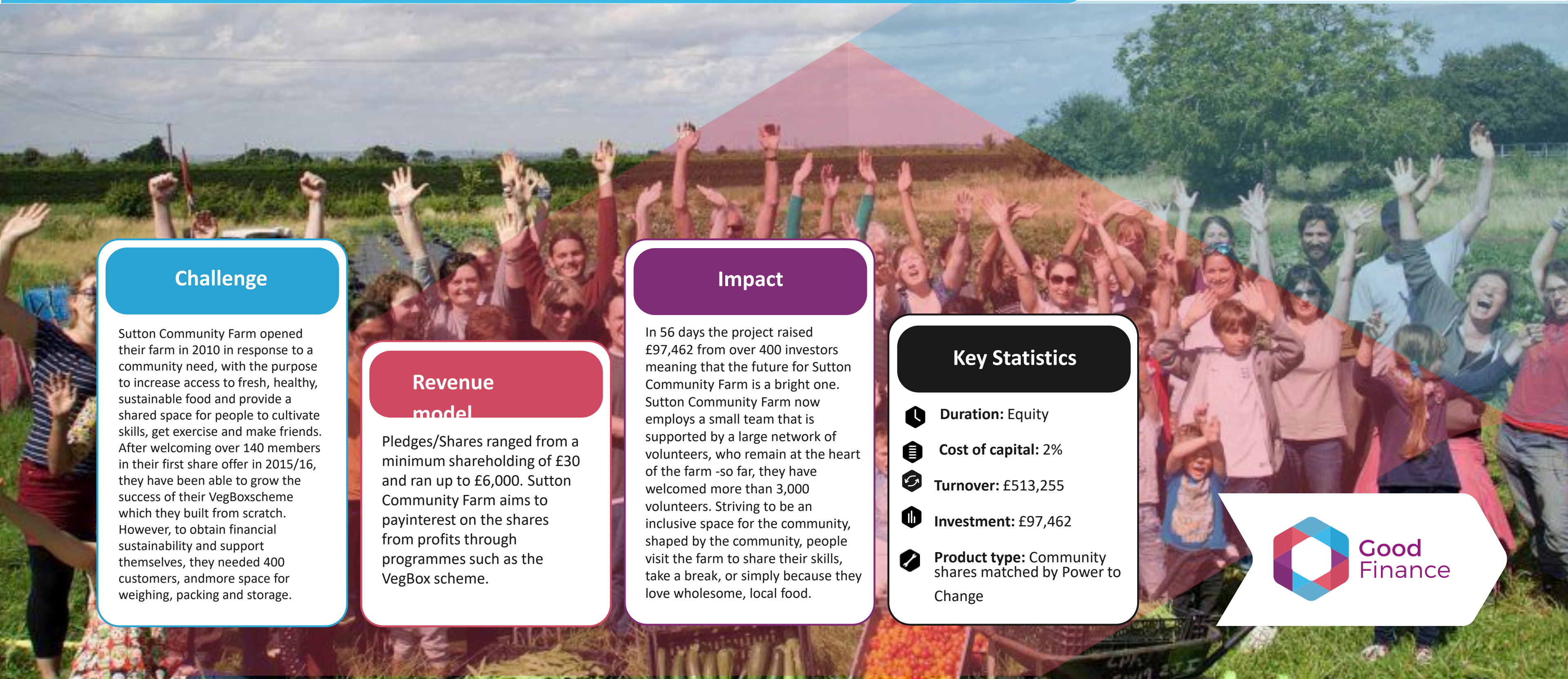
-  **Duration:** 5 Years
-  **Cost of capital:** 2.25%
-  **Turnover:** £192,670
-  **Investment:** £150,000
-  **Product type:** Unsecured loan, blended , SITR + Community shares





Sutton Community Farm

<http://suttoncommunityfarm.org.uk/>



Challenge

Sutton Community Farm opened their farm in 2010 in response to a community need, with the purpose to increase access to fresh, healthy, sustainable food and provide a shared space for people to cultivate skills, get exercise and make friends. After welcoming over 140 members in their first share offer in 2015/16, they have been able to grow the success of their VegBox scheme which they built from scratch. However, to obtain financial sustainability and support themselves, they needed 400 customers, and more space for weighing, packing and storage.

Revenue model

Pledges/Shares ranged from a minimum shareholding of £30 and ran up to £6,000. Sutton Community Farm aims to pay interest on the shares from profits through programmes such as the VegBox scheme.

Impact

In 56 days the project raised £97,462 from over 400 investors meaning that the future for Sutton Community Farm is a bright one. Sutton Community Farm now employs a small team that is supported by a large network of volunteers, who remain at the heart of the farm -so far, they have welcomed more than 3,000 volunteers. Striving to be an inclusive space for the community, shaped by the community, people visit the farm to share their skills, take a break, or simply because they love wholesome, local food.

Key Statistics

- Duration:** Equity
- Cost of capital:** 2%
- Turnover:** £513,255
- Investment:** £97,462
- Product type:** Community shares matched by Power to Change



7 lessons learned

1. Social investment is not benevolent money
2. Impact matters
3. It's about much more than the money
4. Honesty is always the best policy
5. Why isn't it cheaper if it's social?
6. Due diligence isn't fun but it does make your business better
7. It always takes longer than you think

