



ASK THE INVESTOR

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What is social investment?

www.goodfinance.org.uk



In partnership with
Hatch

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.



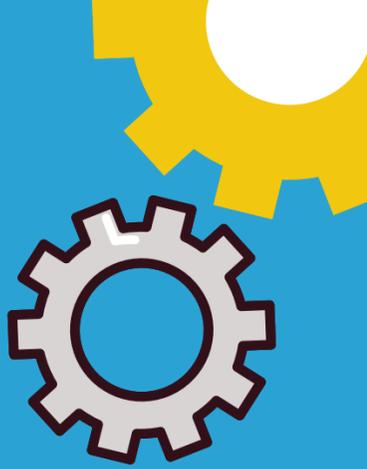
HOW DOES SOCIAL INVESTMENT WORK?

- 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



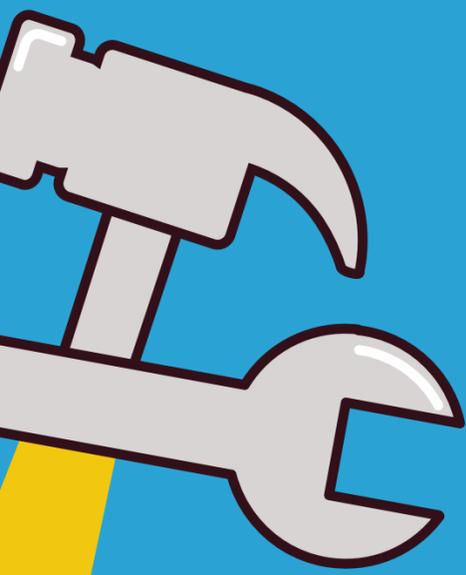
contracts /
payment by
results

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

social investment

financial
return

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>

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

