



HM Government

Growing the social investment market: HMG social investment initiatives 2013

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This update document sets out key initiatives across government to grow the social investment market and make it easier for social entrepreneurs to access capital. Social investment has the potential to support many thousands of social entrepreneurs in the UK to develop innovative and sustainable ways to tackle some of our most entrenched social problems. At the same time it can play a key role in creating jobs, bringing wealth into communities and helping to rebuild our economy.

Our initiatives fall into three core categories: increasing the **supply of finance** for social investment; stimulating and **supporting demand** for social investment; and improving the **legal, tax and regulatory environment** for social investment and social enterprise. In addition to these initiatives we have also outlined the **wider supporting governmental initiatives** that, while not directly targeting social investment, are also enabling social ventures and small businesses to deliver positive impact for communities.

INCREASING THE SUPPLY OF CAPITAL	
Big Society Capital (Cabinet Office)	<p>Big Society Capital is the world's first social investment institution of its kind, and invests in social investment finance intermediaries (SIFIs): organisations that provide affordable finance and support to social ventures. BSC became operational in April 2012, and published its first annual report in May 2013. During its first nine months, the organisation committed £56m investment across 20 different SIFIs. In its role as market champion, BSC has commissioned a number of research reports on the market; created guides and standards for investors and social ventures. It has set a target of investing a further £75-100m across a further 20 SIFIs in 2013.</p> <p>http://www.bigsocietycapital.com/</p>
Bridge Social Entrepreneurs Fund (Cabinet Office)	<p>The Bridges Social Entrepreneurs Fund aims to address the funding gap often faced by fast growing social enterprises looking to scale. The Fund was launched in August 2009 and has raised nearly £12m for investment in scalable social enterprises delivering high social impact and operating sustainable business models. The Fund has made investment commitments of £6.6m in ten social enterprises, including two contracted to deliver payment by results contracts through the Innovation Fund.</p> <p>http://www.bridgesventures.com/social-entrepreneurs-fund</p>
Social Enterprise Investment Fund (DH)	<p>The Social Enterprise Investment Fund (SEIF) was set up in 2007 to stimulate the role of social enterprise in health and social care. It provides investment to help new social enterprises start up and existing social enterprises grow and improve their services. In 2012-13 the SEIF invested over £17.1m in health and social care social enterprises delivering high social impact through their services as well as to help social enterprises to become sustainable in the longer term. In total it has invested nearly £110m in over 650 social enterprises. The SEIF was managed on behalf of the Department of Health by the Social Investment Business, working closely with Local Partnerships. 2012-13 was the last year of SEIF investment and it is now closed to further applications.</p>

BUILDING DEMAND FOR SOCIAL INVESTMENT	
Investment and Contract Readiness Fund (Cabinet Office)	<p>The Investment and Contract Readiness Fund (ICRF) is a 3-year, £10m fund established to build a strong pipeline of social ventures that are equipped to secure new forms of investment or compete for public service contracts. The ICRF provides grants of between £50,000 and £150,000 to ambitious social ventures, with the potential for high growth, to purchase tailored support to help raise social investment or to bid for public service contracts. £3.8 million has been committed to support 40 organisations during 2012/13. The ICRF is managed by the Social Investment Business and is open to applications from social ventures on a rolling basis.</p> <p>http://www.thesocialinvestmentbusiness.org/our-funds/beinvestmentready/</p>
Social Incubator Fund (Cabinet Office)	<p>The Social Incubator Fund is a 3-year, £10m fund that aims to help drive a robust pipeline of start-up social ventures into the social investment market by increasing focus on incubation support. The Fund has already invested £4.6 million in 4 social incubators who will be providing space, finance and advice to start-up social ventures. The second round of incubator applications are currently underway, with awards being announced in early 2014. Incubators must raise 1:1 match funding from third-party investors to secure investment from the Social Incubator Fund. The Social Incubator Fund is managed by the BIG Fund (the non-lottery arm of the Big Lottery Fund).</p> <p>http://www.biglotteryfund.org.uk/prog_social_incubator_fund?regioncode=-uk</p>
Centre for SIBs (Cabinet Office)	<p>The Centre for SIBs is a multi-disciplinary team based in the Cabinet Office with objectives to: Increase the capacity for SIBs to improve social outcomes and reduce costs; increase innovation in public service delivery; contribute to the growth of the social investment market; generate public sector savings; build an evidence base on what works; and share data and information to improve processes and services. In May 2013 the Centre for SIBs launched Knowledge Box which is an online portal providing information on all aspects of developing and commissioning SIBs, from identifying service areas suitable for SIBs to measuring outcomes and calculating savings. The Centre for SIBs has also developed a template SIB contract as a free resource to help reduce the time and cost associated with setting up a SIB.</p> <p>http://blogs.cabinetoffice.gov.uk/socialimpactbonds/</p>
Innovation Fund (DWP)	<p>The Innovation Fund is a pilot initiative aimed at testing new social investment and delivery models, such as SIBs, to support disadvantaged young people, and those at risk of disadvantage, aged 14 years and over. The Innovation Fund has enabled ten new SIBs to be set up under the following contracting bodies: APM UK Ltd (West Midlands), Links4Life Ltd (London), Indigo Project Solutions (Perthshire and Kinross), Nottingham City Council (Nottingham), Private Equity Foundation (London), Triodos New Horizons Ltd (Greater Merseyside), Prevista (London), 3sc (Cardiff and Newport), T7T Innovation Ltd (Greater Manchester) and Energise Innovation (South East). This is the first time that the UK Government has procured SIBs through open competition. The Innovation Fund projects will support up to 17,000 disadvantaged young people over a three year period.</p>

	http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund/
Social Outcomes Fund (Cabinet Office)	<p>The £20m Social Outcomes Fund - a central top-up fund for SIBs - launched in November 2012. The Fund will pay for outcomes on SIBs in areas where an intervention is value for money in terms of total public sector savings, but where no single commissioner makes enough savings to make all of the outcomes payments. In June 2013 the first two projects that will receive funding from the Social Outcomes Fund were announced. The Consortium of Voluntary Adoption Agencies will develop a SIB to increase the adoption of hard-to-place children. Manchester City Council will develop a SIB to divert children from residential care.</p> <p>http://blogs.cabinetoffice.gov.uk/socialimpactbonds/outcomes-fund/</p>
Community Shares Unit (DCLG)	<p>The Community Shares Unit (CSU) was established in October 2012, and is being developed through a partnership between Co-operatives UK and Locality, funded by DCLG. The three-year project aims to grow a sustainable community shares market. The Community Shares Unit aims to support over 500 new community ventures with the launch of 200 new share issues. The amount of equity raised through share offers trebled over the year 2012. Underlying this trend is the launch of a number of share offers of considerable scale. A key function of the CSU is to improve market intelligence on community shares, and these estimates mark the first step in enhancing the information available.</p> <p>www.communityshares.org.uk</p>
CREATING AN ENABLING ENVIRONMENT FOR SOCIAL INVESTMENT	
Inspiring Impact (Cabinet Office)	<p>Inspiring Impact is a UK-wide collaboration between eight organisations to make high quality impact measurement the norm for charities and social enterprises by 2022. The first year of the programme, coordinated by New Philanthropy Capital, has seen a Code of Good Impact Practice developed to help organisations work out what good practice looks like, and a diagnostic to help them assess how they are doing against good practice. The Cabinet Office is providing £100,000 to Inspiring Impact over three years, alongside support from Big Lottery Fund, The City of London, Deutsche Bank and the Diana, Princess of Wales Memorial Foundation.</p> <p>http://inspiringimpact.org/</p>
Global Social Entrepreneurs' Network (CO)	<p>The Global Social Entrepreneurs Network was launched in June 2013 and is a knowledge and skills platform for the incubation, development and growth of early stage social entrepreneurship around the world. This is the first network of its kind – located in London and showcasing the expertise that resides in the UK on early stage social entrepreneurship. The Global Social Entrepreneurs Network is incubated by UnLtd.</p>

Impact Programme (DfID)	<p>The Impact Programme will transform the social investment market in developing countries. Over the next 13 years, this programme will provide social investment of £100m to Sub Saharan Africa and South Asia. This will benefit over 5 million poor people by offering them access to affordable goods and services, or new opportunities as employees or producers. It aims to draw in sustainable private-sector capital and demonstrate the viability of social investments over the long term.</p> <p>http://projects.dfid.gov.uk/project.aspx?Project=202939</p>
Tax relief for social enterprise investment (HMT)	<p>The Government will introduce a new tax relief to encourage private investment in social enterprise. The Government will consult formally on the details of the relief by summer 2013 and the relief will be introduced in Finance Bill 2014. The Financial Services Bill ensures that the regulatory approach takes into account that consumers can have non-financial goals – for example, social goals.</p>
Review of regulatory barriers to social investment (CO)	<p>Government undertook a review of the legal and regulatory barriers to social investment using the Red Tape Challenge, part of a wider drive to get rid of unnecessary regulation. The Government published a response to the Red Tape Challenge in December 2012.</p> <p>https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/83736/Dec12_MCS_open_letter_Stephen_Lloyd.pdf</p>
Revisions to Community Interest Tax Relief (HMT)	<p>The Community Interest Tax Relief (CITR) scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and social enterprises in disadvantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). Revisions of CITR to relax on-lending requirements and to allow investors to carry unused relief forward came into effect in April 2013. These revisions to CITR will make investing in CDFIs more attractive for the investor and make it easier for CDFIs to use CITR for the first time.</p> <p>http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/community-investment-tax-relief</p>

DEVELOPING THE WIDER ENVIRONMENT

Regional Growth Fund (BIS)	The Regional Growth Fund (RGF) aims to stimulate long-term economic growth, particularly in areas that are over-reliant on public sector jobs. The RGF has awarded a £30m grant over three years to the Community Development Finance Association. This will be matched by £30m of finance from Unity Trust Bank and the Cooperative Bank. Community Development Finance Institutions will use the money to provide loans to social enterprises, businesses and individuals who find it difficult to access money through traditional sources. Over three years the RGF aims to create or safeguard over 5,500 jobs. In April 2013 a total of 309 applications from across the UK were received for the fourth Regional Growth Fund round, which will disperse £350m of funding.
Business Finance Partnership (BIS/HMT)	Government is making available £1.2bn through the Business Finance Partnership (BFP) to diversify the sources of finance available to smaller and mid-sized firms and reduce their dependence on bank finance. Budget 2013 confirmed that BFP has invested £700m and raised another £1bn from the private sector to create five new funds that will lend to mid-sized companies. The first loans to businesses are now being arranged. Proposals for investing a further £400m are currently being assessed. The Government has now also allocated £87m through non-traditional channels including peer-to-peer platforms and mezzanine finance providers.
Funding Central (CO)	Funding Central is a free website for charities, voluntary organisations and social enterprises. It provides access to thousands of funding and finance opportunities, as well as tools and resources supporting organisations to develop sustainable income strategies. Funding Central is managed by the National Council for Voluntary Organisations in partnership with Idox Information Solutions Ltd and is funded by the Cabinet Office. http://www.fundingcentral.org.uk/default.aspx
The Public Service (Social Value) Act 2012	The Public Service (Social Value) Act requires local authorities to consult on how they can improve the social impact of public service contracts before they start the procurement process. This Act should give social enterprises greater access to procurement opportunities, and commissioners the chance to be more innovative in the way they design contracts. http://www.legislation.gov.uk/ukpga/2012/3/enacted
Localism Act right to bid and to challenge (DCLG)	The Right to Challenge and the Right to Bid, both part of the Localism Act, are opening up opportunities for community groups, including social ventures, to bid to run local services and save important local assets by taking them into community ownership. This creates social investment opportunities as community groups seek finance to purchase buildings or to provide working capital to increase capacity to deliver services. Grants are available to

	<p>assist organisations in building capacity and preparing to compete in procurement bids. So far almost £3m of grants have been awarded to over 100 organisations.</p> <p>http://mycommunityrights.org.uk/</p>
Community Ownership and Management of Assets Support Programme and Right to Challenge Support Programmes (DCLG)	<p>The £30m Community Ownership of Assets and Community Right to Challenge Support Programmes are supporting social ventures to conduct pre-feasibility, feasibility and service delivery activity to enable them to bid for and effectively run local services and/or community assets. Of the overall budget, around £28m will be given directly to groups in the form of grants. The grants are being used to help leverage in investment from other sources. The Support on offer also includes an advice service that is giving groups the support they need to develop their capacity, knowledge and skills to maximise their effectiveness.</p> <p>http://communityrights.communities.gov.uk/what-are-community-rights/community-right-to-challenge/</p>
Right to Provide (DCLG)	<p>Rights to Provide have helped empower public sector employees to bid or request to take over the service they deliver. Across the board, there are now over 70 live and trading mutuals, operating in 13 different sectors, delivering over £1bn of public services. Over the past 12 months, the Mutuals Programme has helped mutuals emerge in areas as diverse as youth services, library and archive services, and school support services.</p>
Mutuals Support Programme (CO)	<p>The £10m Mutuals Support Programme (MSP) provides advice and bespoke professional support both to groups of staff looking to establish public service mutuals and to existing mutual organisations. In addition to this bespoke support, the Mutuals Programme is currently piloting a new 'One to Many' offering, which provides training to numerous organisations in a classroom environment.</p> <p>http://mutuals.cabinetoffice.gov.uk/</p>
Credit Union Expansion Project (DWP)	<p>Following the report of the Project Steering Committee commissioned by the Secretary of State for Work and Pensions to examine the feasibility of expanding and modernising credit unions, DWP has committed to investing up to £38m to March 2015 in credit unions. Their aim is to support the credit union sector to provide financial services for up to one million more consumers by March 2019, in a way that will enable credit unions to modernise, expand and become financially sustainable. DWP recently announced the award of the contract to the Association of British Credit Unions Ltd (ABCUL) for delivery of this expansion programme.</p> <p>http://www.dwp.gov.uk/other-specialists/credit-union-expansion/latest-news/</p>
The Merlin Standard (DWP)	<p>The Merlin Standard has been established by the Department for Work and Pensions to promote sustainable excellence and positive partnership working within supply chains, encouraging prime contractors to promote, facilitate and actively support the development of their supply chain partners. The Merlin Standard is being used to</p>

	assess providers for a number of governmental programmes including the Department for Work and Pensions' Work Programme, the European Social Fund and the Department for Education, Skills Funding Agency Youth Contract.
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	http://www.merlinstandard.co.uk/index.php
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Guide to departmental abbreviations:

CO – Cabinet Office

BIS – Department for Business, Innovation and Skills

DCLG – Department for Communities and Local Government

DH – Department of Health

DWP – Department for Work and Pensions HMT – HM Treasury

HMG – Government wide initiatives

MoJ – Ministry of Justice