Growing the social investment market: update on SIFI social investment

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Summary

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# List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFC</td>
<td>Association of Charitable Foundations</td>
</tr>
<tr>
<td>cdfa</td>
<td>Community Development Foundation Association</td>
</tr>
<tr>
<td>CIC</td>
<td>Community Interest Company</td>
</tr>
<tr>
<td>CSA</td>
<td>Clearly Social Angels</td>
</tr>
<tr>
<td>DWP</td>
<td>Department for Work and Pensions</td>
</tr>
<tr>
<td>HMG</td>
<td>Her Majesty’s Government</td>
</tr>
<tr>
<td>ICF</td>
<td>ICF International</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communications technology</td>
</tr>
<tr>
<td>IRR</td>
<td>Internal rate of return</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SIFI</td>
<td>Social investment finance intermediary</td>
</tr>
<tr>
<td>SITR</td>
<td>Social Investment Tax Relief</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>
ICF International (ICF), working with the Centre for Business in Society at Coventry University, was commissioned by the Department for Work and Pensions and the Cabinet Office to undertake an update study of the size and dynamics of social investment flowing through United Kingdom (UK) social investment finance intermediaries (SIFIs). The study’s aim was to examine developments within the UK social investment market in 2012/13 and 2013/14, by comparison to the data for SIFIs for 2011/12, as published in ICF GHK (2013)\(^1\). A further aim of this update study was to consider new developments in, and channels of, ‘non-SIFI’ social investment.

Methodology and study parameters

The research activities undertaken during the study consisted of:

- a web survey of all SIFIs that were presumed to be active in the social investment market, in order to collect data on their social investment activities in 2012/13, 2013/14 and 2014/15 (predicted investment levels\(^2\)); and

- a review of social investment reports, websites, news literature, etc. to identify new investors, investment mechanisms and developments in the social investment sector. Where necessary, these reviews were followed-up by telephone discussions for clarification.

The key definitions that were used to define the parameters of the study were as follows:

SIFIs and social investment

For the purposes of this study, a SIFI has been defined as an organisation that provides, facilitates or structures social investments for social ventures\(^3\). This repeats the definition previously used in the 2013 ICF GHK study enabling comparisons to be made across years to measure change in SIFI market size. Other types of social investor exist including, for example, individuals or institutions investing directly in social ventures. For this study, the term ‘non-SIFI social investment’ has been used initially to distinguish any social investors that invest directly in social ventures.

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\(^2\) Fieldwork with SIFIs took place in January and February 2015, meaning that figures through to the end of March 2015 were estimated (albeit at a point in time when SIFIs would be expected to be reasonably certain of their investment through to the end of the financial year). The terms “forecast” and “predicted” are used interchangeably to describe 2014/15 data.

\(^3\) Adapted from http://www.bigsocietycapital.com/glossary
Social investment has been defined as investment (the provision, facilitation or structuring of repayable finance) that intentionally targets specific social objectives along with a financial return. What constitutes a social objective was not specified for this study, and can include a range of improved outcomes for society, such as health improvements, employability, the provision of community goods, and the impact of reduced carbon emissions. In this study, social investment may include investment in social enterprises, mutuals, charities, community interest companies, and cooperatives.

**Social investment: expanding horizons**

In its ambition to create a ‘thriving social investment market’, Her Majesty’s Government is seeking increased supply and diversity of investors and lenders – both individual and institutional. Very recent experience of UK social investment market developments implies that such diversity will be accompanied by new investors, new investment products, and new channels as the ‘personality types’ of investor groups are increasingly matched to a growing investment demand of greater clarity.

Such dynamism is evident in the findings of this study – through the growth of a new breed of large SIFIs, set next to a number of innovating and specialised small SIFIs, and all set alongside the longer-standing social banks.

Such dynamism is, however, both greater than that of the market activity of SIFIs alone and to be set within a growing international environment seeking to converge around agreed definitions, measurements and standards for social investment. Any future update assessment of the size of the UK social investment market will need to be mindful of such expanding horizons in seeking to both hold to the value of historical trend analysis whilst encompassing also the full array and diversity of market development.

**Key findings**

**Social investment by SIFIs**

*The volume of social investment has grown steadily.* The number of investments made by SIFIs increased from 765 investments in 2011/12 to 1,204 investments in 2013/14 (and a predicted 2,583 of investments in 2014/15). The average value of investments fell from £264,000 in 2011/12 to £140,000 in 2013/14.

*The value of UK social investments made by SIFIs in 2013/14 stood at £168.4 million (down from £202.2 million in 2011/12). SIFIs forecast that this would increase to £212 million of social investment in 2014/15.* This pattern is largely explained by slower social investment activity by social banks. Much of the drop in the total value of SIFI social investment between 2011/12 and 2013/14 can be explained by a sharp decrease in the value of investment by social banks; over these two years the value of investment by this group dropped from £165.8 million in 2011/12 to £110.4 million in 2013/14. Elsewhere this decrease has been attributed to the temporary effects of restructuring within social banks.

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Slower investment activity by social banks was partially compensated for by growth in social investment by ‘large SIFIs’\(^5\), including that of new entrants. Investment by large SIFIs grew from £30.3 million in 2011/12 to £55 million in 2013/14. In 2014/15, large SIFIs were predicted to have carried out £119.1 million of social investment, equal to a market share of 56 per cent (up from 15 per cent in 2011/12). Part of this expansion was the result of six new market entrants since the 2013 ICF GHK study, that have grown quickly to be classed as large SIFIs. By 2014/15, new entrants predict they will have added £51.7 million to the social investment market, accounting for 24 per cent of the total. Another growth area has been four SIFIs classed as small in 2011/12, which have since grown rapidly to become classed as large SIFIs. These SIFIs predict that they made £34.8 million of social investment in 2014/15 (equal to 16 per cent of the market).

Debt finance continues to be the key investment vehicle, with growth in the share of unsecured loans. Debt finance (loans) makes up the majority (by value) of the social investment by SIFIs (91 per cent of the market in 2013/14). However, the share has fallen slightly since 2011/12 (when debt finance made up 95 per cent of the total social investment market by value). It remains the case that most of this debt finance is in the form of secured loans, but it is notable that unsecured lending has grown in importance. In 2011/12, unsecured loans made up just 5 per cent of the total social investment market; in 2013/14 the proportion had increased to 26 per cent of the market.

Much of the remainder of the SIFI social investment market is made up of equity, quasi-equity and social impact bonds. Collectively, in 2013/14 the value of investment via these three investment products amounted to £7 million (equal to a market share of 4 per cent), similar to its 2011/12 value of £7.2 million. In 2014/15, however, SIFIs forecast that equity, quasi-equity and social impact bond investments would amount to £25.3 million, a collective market share of 12 per cent (up from 4 per cent in 2011/12).

Average expected returns by investment type are similar across products, standing at between 6 per cent (the average interest rate on a secured loan) and 8–9 per cent (the average expected internal rate of return (IRR) for equity, quasi-equity and social impact bonds). Average interest rates on debt finance decreased between 2013 and 2015, but average IRRs on equity, quasi-equity and social impact bonds increased.

At least 70 per cent of SIFIs were prepared to serve each devolved administration or English region. The devolved administrations and English regions are all served by at least 70 per cent of SIFIs, reflecting the fact that the majority of SIFIs serve national markets (indeed the proportion operating UK-wide increased to 72 per cent in 2015 from 66 per cent in 2013).

Similarly, SIFIs were prepared to serve a wide range of sectors of activity, spanning community facilities, healthcare, social care, childcare, education, employment and skills, and the environment/green economy. Most sectors are served by the majority of SIFIs.

SIFIs identified a range of opportunities for market growth, including: opportunities provided by emerging financial product types; an increased supply of investment capital (e.g. through SITR); and growing demand amongst some social ventures for investment, including some improvements in investment readiness.

\(^5\) Defined as SIFIs that make at least £1 million of social investments in a year.
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Barriers to growth identified by SIFIs included: a shortage of quality investment opportunities; the administrative burden from complying with financial regulation; a continued lack of demand for investment amongst some social ventures; and, for some SIFIs, a lack of investment readiness amongst some social ventures.

Measuring the social investment market going forward

Market dynamism within the social investment sector is reflected in a broadening understanding of what constitutes social investment. A ‘narrow’, SIFI-based definition of social investment – which was replicated in this study in order to generate data that could be compared with previous studies – does not take account of recent developments in the types and motivations of social investors, new forms of product, and new investment channels.

New types of investor have emerged (though it is notable that many of these new investors have elected to channel their investments through existing SIFIs), including the expanding social investment activities of charitable foundations. Many of these new investors reflect what collectively have been termed ‘responsible investment’ approaches, a term used to describe a growing diversity of investor motivations and expectations of return (both in and beyond social investment).

New forms of social investment product have emerged, such as growth in the community shares sector. This illustrates the importance of definitional issues within the social investment sector since, whilst social motivation of investors in community shares is paramount, the prospect of a financial return is important only to a minority.

New investment channels have emerged, with some of the greatest dynamism evident in the move to ‘platforms’ and associated crowd-based funding activity, including as social investment has moved into the retail investment space for individuals.
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1 Introduction

In December 2014, ICF International (ICF), working with the Centre for Business in Society at Coventry University, was commissioned by the Department for Work and Pensions (DWP) and the Cabinet Office to undertake an update study of the size and dynamics of social investment flowing through United Kingdom (UK) social investment finance intermediaries (SIFIs).

1.1 Background and context

In 2011, in its Growing the Social Investment Market: A Vision and Strategy report, Her Majesty’s Government (HMG) set out its ambition to support a ‘thriveing social investment market’. This strategy articulated three goals for the future development of the social investment market:

- **Increased supply**: more individual and institutional lenders that are willing and able to invest in social ventures based on both social and financial returns.
- **Increased demand**: social ventures that are both willing and able to take on finance based on their social and financial returns.
- **An enabling environment**: infrastructure that enables transactions between the social and financial sector through investment platforms and standards.

In the years since the publication of the strategy, HMG has supported a number of initiatives designed to support market development. This includes: establishing the world’s first social investment bank, Big Society Capital, in 2012; the 2012 launch of the Investment and Contract Readiness Fund supporting social ventures to build their capacity to receive investment and bid for public service contracts; the 2012 launch of the Social Outcomes Fund encouraging the development of social impact bonds; the 2014 introduction of Social Investment Tax Relief (SITR); and the 2015 launch of Access – The Foundation for Social Investment which will provide over £100 million to help social enterprises and charities access social investment.

HMG’s 2014 progress update on policies to grow the social investment market indicated that, having focused on market development and awareness raising, the goal moving forward will increasingly be to mainstream social investment and to ‘build a market that is accessible to everyone… [including] a wider range of investors and enterprises’. This includes supporting the involvement of ‘new’ categories of investor, such as trusts and foundations, and retail investors (e.g. via SITR), as well as enabling continued growth and development within the intermediary or ‘connector’ market (i.e. the organisations that facilitate the provision of investment to social ventures).

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8 Ibid.
1.2 Research aims and scope

The overall aim of this study has been to examine the developments in SIFI social investment in the UK in 2012/13 and 2013/14, by comparison to the data for SIFIs for 2011/12, as published in ICF GHK (2013)\(^9\). In doing so, the research aims to help policymakers support the future development of the social investment market, by providing an up-to-date evidence base on market trends. The results will also contribute evidence to the DWP’s Social Justice Outcomes Framework\(^10\), which includes an indicator on the size of the social investment market.

Following Boston Consulting Group and the Young Foundation (2011), ICF GHK (2013) utilised a survey of SIFIs to quantify the UK SIFI social investment market. Considering growth, since 2011, in the diversity of social investors actively participating in the market, a further aim of this update study has been to consider new developments in, and channels of, non-SIFI social investment – whilst ensuring no ‘double counting’ of investment activity in providing an updated picture of the SIFI social investment market in 2013/14. This wider review of social investment is presented in Chapter 3.

Box 1 summarises the key definitions that were used to define the scope and parameters of this study.

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**Box 1 SIFIs and social investment**

For the purposes of this study, a SIFI has been defined as an organisation that provides, facilitates or structures social investments for social ventures\(^11\). This repeats the definition previously used in the 2013 ICF GHK study\(^12\) and the 2011 Boston Consulting Group/Young Foundation study\(^13\) enabling comparisons to be made across years to measure change in SIFI market size. For this study, the term ‘non-SIFI social investment’ has been used initially to distinguish any social investors that invest directly in social ventures (see Chapter 3 for further details).

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11 Adapted from http://www.bigsocietycapital.com/glossary  
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Box 1 (continued)
Social investment has been defined as investment (the provision, facilitation or structuring of repayable finance) that intentionally targets specific social objectives along with a financial return\textsuperscript{14}. What constitutes a social objective was not specified for this study, and can include a range of improved outcomes for society, such as health improvements, employability, the provision of community goods, and the impact of reduced carbon emissions. In this study, social investment may include investment in social enterprises, mutuals, charities, community interest companies, and cooperatives.

1.3 Study methodology
The research activities undertaken during this study included:

• updating of a population of SIFIs presumed to be active in the social investment market;

• a survey of SIFIs to collect data on their social investment activities in 2012/13, 2013/14 and 2014/15 (predicted investment levels\textsuperscript{15}); and

• a review of social investment reports, websites, news literature, etc. to identify new investors, investment mechanisms and developments in the social investment sector. Where necessary, these reviews were followed-up by telephone discussions for clarification.

Through review of social investment material, a list of organisations believed to be SIFIs, and potentially active in the social investment market, was developed (a ‘longlist’). This longlist consisted of 45 organisations, made up of:

• 29 SIFIs that participated in the 2013 ICF GHK study (henceforth referred to as the ‘GHK29’) and who indicated that they were active social investors in 2011/12;

• four organisations that, in the 2013 ICF GHK study, indicated that they were not active social investors in 2011/12. These organisations were retained in this study in case they had since started making social investments;

\textsuperscript{14} The UK National Advisory Board to the Social Impact Investment Taskforce used a similar definition of social investment: ‘Social impact investments are those that intentionally target specific societal and/or environmental objectives along with a financial return and measure the achievement of both’ (Source: UK National Advisory Board, September 2014, Building a social impact investment market: The UK experience). For the purposes of this study, the last part of the definition (‘and measure the achievement of both’) was not used, in order to ensure consistency with the 2013 ICF GHK study, and because the measurement of social returns is not yet consistent across the SIFI sector.

\textsuperscript{15} Fieldwork with SIFIs took place in January and February 2015, meaning that figures through to the end of March 2015 were estimated (albeit at a point in time when SIFIs would be expected to be reasonably certain of their investment through to the end of the financial year). The terms ‘forecast’ and ‘predicted’ are used interchangeably to describe 2014/15 data.
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- four organisations that did not participate in the 2013 ICF GHK study (non-respondents), but that web research\(^{16}\) suggested are currently active social investors; and

- eight organisations that were identified via web research as potentially having entered the social investment market since the 2013 ICF GHK study.

All 45 of the organisations in the longlist were contacted\(^{17}\) and asked to complete a short survey (see Appendix B). The fieldwork period lasted for four weeks. Table 1.1 summarises the responses received; information has been presented separately for the longlist of 45 organisations and the GHK29 (i.e. SIFIs that were active in 2011/12). In summary:

- Of the 45 organisations in the longlist, 27 organisations confirmed that they were active SIFIs and provided data on their social investment activities. A total of 11 organisations did not respond, and one organisation refused to participate in the study\(^{18}\).

- Of the 29 organisations that were active SIFIs in 2011/12 (the GHK29), information was collected for 25 organisations. Of these 25 organisations, 21 SIFIs were still active social investors, one had merged with another SIFI, and three had not made any social investments between 2012/13 and 2014/15. This means that this study is missing data for just four of the organisations that participated in the 2011/12 exercise. Given that these four organisations were collectively responsible for just two per cent of social investment in 2011/12 (by value), cross-year comparisons can be made with a high degree of accuracy.

\(^{16}\) A web search for active social investors and reviews of the websites/annual reports of key social investment wholesalers (Big Society Capital) and intermediaries (ClearlySo).

\(^{17}\) Organisations were sent an email inviting them to participate in the study, with an attached letter signed by DWP and the Cabinet Office that explained the purpose of the research (see Appendix A). Also attached to the email was an Excel-based survey instrument (see Appendix B). Following this, all organisations were contacted by telephone/email up to five times.

\(^{18}\) Analysis of these non-respondents – based on their returns as part of the 2011/12 study (if available) or web research – suggests that their social investment activity is likely to be relatively small-scale, and thus their omission should not have a significant impact on overall market estimates. It is possible that, since many non-respondents are new market entrants since 2011/12, they have a specific investment/product profile that has not been reflected in the market summary presented in this report. However, it has not been possible to establish any information about the profile of non-respondents, and thus we have not sought to weight data to ‘correct’ for their omission.
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Table 1.1    Responses to the SIFI survey

<table>
<thead>
<tr>
<th>Response category</th>
<th>Count of longlist (45)</th>
<th>Count of GHK29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided data on social investment activity¹</td>
<td>27</td>
<td>21</td>
</tr>
<tr>
<td>Merged with another SIFI since 2011/12</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Not an active social investor</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Non-respondent</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Refused to participate</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>29</td>
</tr>
</tbody>
</table>

Notes:
1 This includes data gaps filled through desk research, consisting of: analysis of Inside Community Finance reports published by the Community Development Finance Association (cdfa); accessing individual returns for Inside Community Finance (following permission from SIFIs) held by the cdfa; and analysis of annual reports published by SIFIs.
2 Non-respondents were organisations that could not be contacted via email or telephone, or that did not provide a completed survey in the fieldwork period, and for whom it was not possible to fill gaps via desk research.

1.4  Structure of the report

The remainder of this report is structured as follows:

• Chapter 2 presents updated data on the SIFI social investment market, reviewing market trends between 2011/12 and 2014/15;

• Chapter 3 provides further context to these findings through a short review of developments in the social investment sector, its investors, intermediaries and products; and

• Chapter 4 presents conclusions.

A series of appendices provide supporting material:

• Appendix A contains the cover letter that was sent to SIFIs as part of the market survey;

• Appendix B contains a copy of the market survey data collection instrument that SIFIs completed; and

• Appendix C provides a list of SIFIs that were included in the analysis.
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2 Social investment by SIFIs

Drawing on the results of the SIFI survey carried out as part of this study, and comparing this to the results of the 2013 ICF GHK study on the social investment market, this chapter presents an overview of the size and dynamics of the UK social investment market.

2.1 Key messages

• The volume of social investment has grown steadily. The number of investments made by SIFIs increased from 765 investments in 2011/12 to 1,204 investments in 2013/14 (and a predicted 2,583 of investments in 2014/15). The average value of investments fell from £264,000 in 2011/12 to £140,000 in 2013/14.

• The rate of change in the value of SIFI social investment has varied over the past three years. The value of UK social investments made by SIFIs in 2013/14 stood at £168.4 million (down from £202.2 million in 2011/12). SIFIs forecast that this would increase to £212 million of social investment in 2014/15.

• This change is largely explained by lower levels of social investment activity by social banks. Much of the drop in the total value of social investment between 2011/12 and 2013/14 can be explained by a sharp decrease in the value of investment by social banks; over these two years the value of investment by this group dropped from £165.8 million in 2011/12 to £110.4 million in 2013/14. Elsewhere this decrease has been attributed to the temporary effects of restructuring within social banks.

• The drop in activity by social banks was partially compensated for by growth in investment by ‘large SIFIs’, including new entrants. Investment by large SIFIs grew from £30.3 million in 2011/12 to £55 million in 2013/14. In 2014/15, large SIFIs were predicted to have carried out £119.1 million of social investment, equal to a market share of 56 per cent (up from 15 per cent in 2011/12). Part of this expansion was the result of six new market entrants since the 2013 ICF GHK study, that have grown quickly to be classed as large SIFIs. By 2014/15 new entrants predict they will have added £51.7 million to the social investment market, accounting for 24 per cent of the total. Another growth area has been four SIFIs classed as small in 2011/12, which have since grown rapidly to become classed as large SIFIs. These SIFIs predict that they made £34.8 million of social investment in 2014/15 (equal to 16 per cent of the market).

19 Whilst this report has been published after the end of the 2014/15 year, fieldwork with SIFIs took place in January and February 2015, meaning that figures through to the end of March 2015 were estimated (albeit at a point in time when SIFIs would be expected to be reasonably certain of their investment through to the end of the financial year). The terms ‘forecast’ and ‘predicted’ are used interchangeably to describe 2014/15 data.

20 Organisations that take deposits and invest them for financial and social returns.


22 Defined as SIFIs that make at least £1 million of social investments in a year.

23 Defined as SIFIs that make less than £1 million of social investments in a year.
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- **Debt finance continues to be the key investment vehicle, with growth in the share of unsecured loans.** Debt finance (loans) makes up the majority (by value) of the social investment by SIFIs (91 per cent of the market in 2013/14). However, the share has fallen slightly since 2011/12 (when debt finance made up 95 per cent of the total social investment market by value). It remains the case that most of this debt finance is in the form of secured loans, but it is notable that unsecured lending has grown in importance. In 2011/12, unsecured loans made up just 5 per cent of the total social investment market; in 2013/14 the proportion had increased to 26 per cent of the market.

- **Much of the remainder of the social investment market is made up of equity, quasi-equity and social impact bonds.** Collectively, in 2013/14 the value of investment via these three investment products amounted to £7 million (equal to a market share of 4 per cent), similar to its 2011/12 value of £7.2 million. In 2014/15, however, SIFIs forecast that equity, quasi-equity and social impact bond investments would amount to £25.3 million, a collective market share of 12 per cent (up from 4 per cent in 2011/12).

- **Average expected returns by investment type are similar across products,** standing at between 6 per cent (the average interest rate on a secured loan) and 8-9 per cent (the average expected internal rate of return (IRR) for equity, quasi-equity and social impact bonds). Average interest rates on debt finance decreased between 2013 and 2015, but average IRRs on equity, quasi-equity and social impact bonds increased.

- **Most SIFIs were prepared to serve each devolved administration or English region.** The devolved administrations and English regions are all served by at least 70 per cent of SIFIs, reflecting the fact that the majority of SIFIs serve national markets (indeed the proportion operating UK-wide increased to 72 per cent in 2015 from 66 per cent in 2013).

- **Similarly, SIFIs were prepared to serve a wide range of sectors of activity,** spanning community facilities, healthcare, social care, childcare, education, employment and skills and the environment/green economy. Most sectors are served by the majority of SIFIs.

- **SIFIs identified a range of opportunities for market growth,** including: opportunities provided by emerging financial product types; an increased supply of investment capital (e.g. through SITR); and growing demand amongst some social ventures for investment, including some improvements in investment readiness. **Barriers to growth identified by SIFIs** included: a shortage of quality investment opportunities; the administrative burden from complying with financial regulation; a continued lack of demand for investment amongst some social ventures; and, for some SIFIs, a lack of investment readiness amongst some social ventures.
2.2 The value and volume of the UK social investment market

Figure 2.1 shows the total value of UK social investments by SIFIs, between 2011/12 and 2014/15:

- In 2013/14 the value of UK social investments made by SIFIs stood at £168.4 million, a decrease from 2011/12 when social investments by SIFIs were valued at £202.2 million.
- SIFIs forecast\(^\text{24}\) that they would make £212 million of social investments in 2014/15, which would mean that the market had returned to a value slightly above its 2011/12 size.

Readers should note that, as shown in Table 1.1, four of the SIFIs that provided investment data for the 2013 ICF GHK study did not provide any data for this study. These four SIFIs collectively made £4 million of investment in 2011/12, equal to around two per cent of the total social investment market in 2011/12. Whilst the dataset presented in this report is not the complete picture, it almost certainly represents the vast majority of SIFI social investment.

Figure 2.1 The value of the UK SIFI market, 2011/12 to 2014/15 (£m)

\(^{24}\) As noted above, fieldwork with SIFIs took place in January and February 2015, meaning that figures through to the end of March 2015 were estimated (albeit at a point in time when SIFIs would be expected to be reasonably certain of their investment through to the end of the financial year). The terms ‘forecast’ and ‘predicted’ are used interchangeably to describe 2014/15 data.
2.2.1 The value of social investment by types of SIFI

A range of types of intermediary organisation serve the UK social investment market. As with the 2011/12 study, these can be categorised as follows:

- **social banks**: organisations that take deposits and invest them for financial and social returns;

- **large SIFIs**: SIFIs that make at least £1 million of social investments in a year; and

- **small SIFIs**: SIFIs that make less than £1 million of social investments in a year.

Figure 2.2 depicts the value of social investment activity by these three types of SIFI25:

- The value of social investments made by social banks dropped from £165.8 million in 2011/12 to £110.4 million in 2013/14. Elsewhere this decrease has been attributed to the temporary effects of restructuring within social banks26.

- Large SIFIs collectively made social investments worth £55 million in 2013/14, up from £30.3 million in 2011/12 (increasing from 15 per cent of the market to 33 per cent). In 2014/15, it was predicted that social investments by large SIFIs would reach £119.1 million (or 56 per cent of the market), meaning that investments by large SIFIs would at least match investments by social banks27.

- The value of social investments made by small SIFIs decreased from £6.1 million in 2011/12 to £3 million in 2013/14, equal to 2 per cent of the total market.

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25 SIFIs have been categorised for each year, so an organisation may have been a small SIFI in 2012/13 but a large SIFI in 2013/14 if it increased the value of its investment to cross the £1 million threshold.


27 Note though that one social bank did not provide forecasts for 2014/15.
2.2.2 The volume of UK social investments by SIFIs

Figure 2.3 depicts changes in the volume of social investments undertaken by SIFIs between 2011/12 and 2014/15:

- Overall, SIFIs reported a significant increase in the volume of social investments: up from a total of 765 investments in 2011/12 to 1,204 investments in 2013/14, and a predicted 2,583 investments in 2014/15.

- Large SIFIs accounted for a growing majority of investments, up from 56% of investments in 2011/12 to 86% of investments in 2013/14.

Comparing Figure 2.3 with Figure 2.2 suggests that the average value of social investments by SIFIs has changed over time. In 2011/12, SIFIs made 765 investments, totalling £202.2 million (equal to an average of £264,000). In 2013/14, SIFIs made 1,204 investments, totalling £168.4 million (equal to an average of £140,000). In 2014/15 the average value of an investment was predicted to fall further, to £82,000.
2.3 Changes in the SIFI social investment market

There have been significant changes in the UK social investment market in the past few years. Figure 2.4 presents an overview of change in the SIFI social investment market since 2011/12. For illustrative purposes, in Figure 2.4 the SIFI market has been subdivided into categories based on the value of their social investments in 2011/12 and the direction of change since then. Readers should thus note that membership of the SIFI categories by different organisations are not the same as those used in Figure 2.2, and that the data do not match directly. Instead, the categories used in Figure 2.4 demonstrate how the position of the 2011/12 ‘cohort’ of SIFIs has changed over time, together with the impact of new market entrants. Table 2.1 presents a more detailed profile of these same data.

Base: 29 SIFIs (2011/12); 26 SIFIs (2012/13); 25 SIFIs (2013/14); 25 SIFIs (2014/15).
Note: * Forecast values for 2014/15.
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Key points of note are as follows:

• **The social banks’ share of the social investment market by value has fluctuated**, with a general trend downwards: a decrease in the value of investment by social banks, coupled with an increase in investment by other types of SIFI, meant that the social banks’ share of the market dropped from 82 per cent in 2011/12 to 66 per cent in 2013/14 (albeit with a slight increase in market share between 2012/13 and 2013/14). The social banks’ market share is projected to fall to 43 per cent in 2014/15.

• **New market entrants since 2011/12 have added significant value to the UK social investment market**. Aggregate social investment by these new market entrants amounted to £0.5 million in 2012/13, increasing to £14.6 million in 2013/14 (equal to a total market share of 9 per cent). These SIFIs predicted that their 2014/15 social investment would amount to £51.7 million (equal to a market share of 24 per cent). Most of these new market entrants quickly crossed the £1 million threshold to be categorised as a large SIFI, which in part explains the patterns shown in Figure 2.2.

• **There has been some ‘high-growth’ SIFIs, which were classed as small SIFIs in 2011/12, but had grown to become large SIFIs in 2013/14.** Four SIFIs that were classed as small (investment under £1 million) in 2011/12 increased the value of their social investments to the extent that they were classed as large SIFIs in 2013/14 (investment over £1 million). Collectively, the value of social investments by these four ‘high-growth’ SIFIs increased from £2.8 million in 2011/12 to £10.9 million in 2013/14 (and their market share grew from 1 per cent to 6 per cent over this period). Collectively, these four SIFIs predicted that their investments would total £34.8 million in 2014/15, equal to a market share of 16 per cent.

• **Investment by SIFIs that were classed as large in 2011/2012 grew slightly between 2011/12 and 2013/14.** In 2011/12, large SIFIs (for which multi-year data are available) accounted for 14 per cent of the social investment market; in 2013/14 this had increased to 18 per cent of the market, up from £27.8 million to £30.8 million.

• **The SIFI market includes several small SIFIs whose market activity has not changed significantly over the past few years.** Several organisations classed as small SIFIs in 2011/12 essentially did not register any change after this. The market share of small SIFIs (for which multi-year data are available) was 1 per cent in 2011/12, and was also 1 per cent in 2013/14.
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Table 2.1  The value of social investment by categories of SIFI, 2011/12 to 2014/15

<table>
<thead>
<tr>
<th>SIFI type</th>
<th>Count (all years)</th>
<th>2011/12</th>
<th>% of market</th>
<th>Value (£m)</th>
<th>% of market</th>
<th>Value (£m)</th>
<th>% of market</th>
<th>Value (£m)</th>
<th>% of market</th>
<th>Value (£m)</th>
<th>% of market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social banks</td>
<td>4</td>
<td>£165.8</td>
<td>82</td>
<td>£44.8</td>
<td>53</td>
<td>£110.4</td>
<td>66</td>
<td>£91.6</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New entrants since 2011/12</td>
<td>6</td>
<td>£0.0</td>
<td>0</td>
<td>£0.5</td>
<td>1</td>
<td>£14.6</td>
<td>9</td>
<td>£51.7</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large SIFIs that were small SIFIs in 2011/12</td>
<td>4</td>
<td>£2.8</td>
<td>1</td>
<td>£6.1</td>
<td>7</td>
<td>£10.9</td>
<td>6</td>
<td>£34.8</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large SIFIs</td>
<td>7</td>
<td>£27.8</td>
<td>14</td>
<td>£30.8</td>
<td>37</td>
<td>£30.8</td>
<td>18</td>
<td>£32.6</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small SIFIs</td>
<td>7</td>
<td>£1.6</td>
<td>1</td>
<td>£1.7</td>
<td>2</td>
<td>£1.6</td>
<td>1</td>
<td>£1.2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Missing data after 2011/12</td>
<td>4</td>
<td>£4.0</td>
<td>2</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>£202.2</td>
<td>100</td>
<td>£83.9</td>
<td>100</td>
<td>£168.4</td>
<td>100</td>
<td>£212.0</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1: Forecast values for 2014/15.
2: SIFIs that reported under £1 million of investment in 2011/12, but over £1 million in subsequent years (meaning that they moved from being small SIFIs to large SIFIs).
2.4 Types of SIFI social investment

As with the 2013 ICF GHK study, SIFIs were asked to report the value and volume of their social investments against five categories of product:\(^28\):

- **Secured loan**: loans that are backed by property (in the case of a mortgage) or assets belonging to the borrower.
- **Unsecured loan**: loans that do not take security over an organisation’s assets.
- **Equity investment**: investments in exchange for a stake in an organisation, usually in the form of shares. Unlike debt finance (loans), equity finance is permanently invested in an organisation. Investors may receive dividends paid out of an organisation’s earnings, and/or through capital gain on the sale of their shares.
- **Quasi-equity investment**: investment that is a hybrid of equity and debt (loans). Quasi-equity investments are appropriate where debt financing is not suitable (e.g. a start-up), and/or where equity investments are not possible (e.g. where an organisation is not structured to issue shares). Investors benefit from the future revenues of an organisation through a royalty payment which is a fixed percentage of revenue.
- **Social impact bond**: a form of outcome-based contract where public sector commissioners commit to pay for an improvement in social outcomes which deliver a saving to the public purse. Investors in a social impact bond are paid if the specified social outcomes are achieved.

2.4.1 The value of SIFI social investment by type of investment product

Figure 2.5 shows the value of SIFI social investment, disaggregated by product type:

- Debt products (loans) made up the majority of the social investment market in 2011/12 (95 per cent by value). By 2013/14, debt finance made up a slightly lower proportion of the market (91 per cent), and was predicted to fall further in 2014/15 (to 74 per cent). Looking in detail at social investment lending by SIFIs suggests that the balance between secured and unsecured loans has changed over time:
  - The total value of secured loans made by SIFIs fell from £182.4 million in 2011/12 to £108.9 million in 2013/14, and was expected to fall to £99.5 million in 2014/15. Relatedly, secured loans as a proportion of all social investment fell from 90 per cent in 2011/12 to 65 per cent in 2013/14. Changes in secured lending can be at least partially explained by changes in investment activities by social banks (see Section 2.4.2).
  - The value of unsecured loans made by SIFIs grew significantly between 2011/12 and 2013/14, from £10.5 million to £44.1 million (a market share of 26 per cent, up from 5 per cent in 2011/12). The value of unsecured loans in 2014/15 was expected to rise to £56.7 million.
- Equity investments by SIFIs constituted £4.7 million in 2011/12, equal to 2 per cent of the social investment market. By 2013/14, equity investments had only increased slightly (to £5.4 million), but were expected to have reached £15.7 million in 2014/15 (equal to 7 per cent of the total market by value).

\(^{28}\) Adapted from http://www.bigsocietycapital.com/glossary
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• The value of quasi-equity investments in 2011/12 was negligible (just £0.3 million), but had increased to £1.6 million in 2013/14, and a predicted £5.7 million in 2014/15 (equal to 3 per cent of the total market).

• Social impact bonds were a small part of the overall social investment market in 2011/12, when they made up 1 per cent of total investment. They still account for a relatively small share of investment (predicted to be just 2 per cent of the market in 2014/15), though the value of investment through social impact bonds was predicted to rise to £3.8 million in 2014/15.

• ‘Other’ types of investment\(^{29}\) were valued at £2.1 million in 2011/12, but increased to £8.3 million in 2013/14, and a predicted £30.5 million in 2014/15 (equal to 14 per cent of the market).

2.4.2 The value of SIFI social investment by product type and by category of social investor

Figure 2.6 shows the proportion of annual social investment (by value) by product type, and how this varied between the three categories of SIFI between 2011/12 and 2014/15:

• Almost all investments by social banks take the form of secured loans (accounting for 86 per cent of social investment by social banks in 2013/14, rising to a predicted 91 per cent of investment in 2014/15).

• Investments undertaken by large SIFIs were predominantly made up of debt finance. The proportion of investment made up of secured loans dropped from 51 per cent in 2011/12 to 22 per cent in 2013/14, with unsecured lending largely taking the place of secured lending (unsecured lending increased from 29 per cent of investment by large SIFIs in 2011/12 to 52 per cent of investment in 2013/14). Each year, between 9–10 per cent of annual investments by large SIFIs (with the exception of 2012/13) consisted of equity investments.

• Investments by small SIFIs were more variable than for social banks or large SIFIs, though in each year since 2011/12, debt finance made up the majority of investment by value (68 per cent in 2012/13 and 79 per cent in 2013/14). In 2014/15, small SIFIs predicted that equity, quasi-equity and social impact bonds would make up 45 per cent of their social investments by value, with equity alone making up 24 per cent of predicted investments.

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\(^{29}\) SIFIs were provided with an ‘other’ category as part of the survey, which was used for investment that did not fit any of the other categories (secured loans, social impact bonds, etc.). This was self-defined. It is not possible to list these ‘other’ products since they were unique to specific SIFIs, and to do so would identify the value of specific investments.
Figure 2.5 The value of UK social investment, by type of investment product, 2011/12 to 2014/15

Base: 29 SIFIs (2011/12); 27 SIFIs (2012/13); 26 SIFIs (2013/14); 25 SIFIs (2014/15).
Notes:
* Forecast values for 2014/15;
# ‘undefined’ refers to instances where SIFIs did not provide a breakdown of their investments by product type; SIFIs were provided with an ‘other’ category as part of the survey, which was used for investment that did not fit any of the other categories.
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Figure 2.6 Proportion of annual social investment (by value) by SIFI and product type (2011/12–2014/15)

Social banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Secured loans</th>
<th>Unsecured loans</th>
<th>Quasi-equity</th>
<th>Equity</th>
<th>Social impact bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>86%</td>
<td>9%</td>
<td>3%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>2014/15*</td>
<td>91%</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Large SIFIs

<table>
<thead>
<tr>
<th>Year</th>
<th>Secured loans</th>
<th>Unsecured loans</th>
<th>Quasi-equity</th>
<th>Equity</th>
<th>Social impact bond</th>
<th>Other</th>
<th>Undefined#</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>51%</td>
<td>29%</td>
<td>9%</td>
<td>4%</td>
<td>23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td>31%</td>
<td>44%</td>
<td>10%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>22%</td>
<td>52%</td>
<td>2%</td>
<td>9%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/15*</td>
<td>13%</td>
<td>45%</td>
<td>5%</td>
<td>10%</td>
<td>1%</td>
<td>26%</td>
<td></td>
</tr>
</tbody>
</table>

Small SIFIs

<table>
<thead>
<tr>
<th>Year</th>
<th>Secured loans</th>
<th>Unsecured loans</th>
<th>Quasi-equity</th>
<th>Equity</th>
<th>Social impact bond</th>
<th>Other</th>
<th>Undefined#</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/12</td>
<td>21%</td>
<td>23%</td>
<td>3%</td>
<td>34%</td>
<td>16%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td>36%</td>
<td>32%</td>
<td>1%</td>
<td>7%</td>
<td>17%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>63%</td>
<td>16%</td>
<td>11%</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/15*</td>
<td>4%</td>
<td>52%</td>
<td>13%</td>
<td>24%</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: 29 SIFIs (2011/12); 27 SIFIs (2012/13); 26 SIFIs (2013/14); 25 SIFIs (2014/15).
Notes:
* Forecast values for 2014/15.
# ‘undefined’ refers to instances where SIFIs did not provide a breakdown of their investments by product type.
2.5 Interest rates and expected internal rates of return

SIFIs were asked to report their typical interest rates (on loans) and expected internal rates of return (on equity, quasi-equity and social impact bonds). Figure 2.7 shows the results for each of the social investment products, and indicates the mean average across SIFIs, together with the highest and lowest values. Figure 2.7 also shows how interest rates and IRRs in 2015 compared with those in 2013\(^\text{30}\). Key points of note are as follows:

- In 2015, average interest rates charged by SIFIs on debt finance ranged from 6.3 per cent (secured loans) to 8.2 per cent (unsecured loans). Both figures represented a slight drop from reported average interest rates in 2013 (7.4 per cent and 8.3 per cent respectively).

- Reported average IRRs for equity and quasi-equity investments were 8.1 per cent and 10 per cent respectively in 2015, in both cases an increase on the 2013 averages (7.3 per cent and 8.3 per cent respectively).

- Across almost all investment products, the range (i.e. the difference between the highest and lowest) in minimum and maximum interest rates and IRRs was wider in 2015 than it was in 2013. For example, in 2013, equity investments by SIFIs had an expected IRR that ranged from a minimum of 5 per cent to a maximum of 10 per cent. In 2015 the range had increased from a minimum of 2 per cent to a maximum of 21 per cent.

2.5.1 Interest rate and IRR by SIFI type

Table 2.2 provides an overview of the average interest rate charged on loans and/or the average IRR expected on equity-based products. The general findings are:

- In 2013, social banks offered the lowest average interest rates on secured loans (an average of 6.5 per cent); in 2015 this was still the case, though the average interest rate charged by social banks had dropped to 4.5 per cent.

- Large SIFIs charged the highest average interest rates on debt finance in 2015 – 7.4 per cent on average for a secured loan, and 9.2 per cent for an unsecured loan.

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\(^{30}\) Note that these data relate to the point at which SIFIs responded to the surveys (January/February in 2015 and February/March in 2013), not financial years (as was the case with investment data).
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Figure 2.7 Interest rate and expected IRR on social investment products offered by
SIFIs (2013 and 2015)

Table 2.2 Average interest rate and average expected IRR on investments, by type
of SIFI, 2013 and 2015

<table>
<thead>
<tr>
<th>SIFI type</th>
<th>Secured loan %</th>
<th>Unsecured loan %</th>
<th>Quasi-equity %</th>
<th>Equity %</th>
<th>Social impact bond %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small SIFI</td>
<td>7.9</td>
<td>4.9</td>
<td>9.3</td>
<td>6.0</td>
<td>C</td>
</tr>
<tr>
<td>Large SIFI</td>
<td>7.1</td>
<td>7.4</td>
<td>7.6</td>
<td>9.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Social bank</td>
<td>6.5</td>
<td>4.5</td>
<td>7.5</td>
<td>C</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Base: 29 SIFIs (2013); 25 SIFIs (2015).
Notes: ‘C’ denotes confidential, as based on a single response; n/a indicates not applicable as no investments were made; data relate to the point at which SIFIs responded to the survey, not financial years.
2.6 Geographical markets served by SIFI social investment

SIFIs were asked which of the UK regions and devolved administrations they were prepared to invest in. A slightly higher proportion of SIFIs were reported to be prepared to operate UK-wide in 2015 (72 per cent) than was the case in 2013 (66 per cent). Figure 2.8 shows the proportion of SIFIs prepared to invest in UK regions and devolved administrations in 2015, and compares this to 2013 data. Wales and Northern Ireland had the lowest proportion of SIFIs willing to invest, though in both cases just under three-quarters (72 per cent) of SIFIs indicated that they were prepared to invest in these areas.

Figure 2.8 The proportion of SIFIs that indicated they were prepared to invest in UK regions and devolved administrations (2013 and 2015)

Base: 29 SIFIs (2013); 25 SIFIs (2015).
Note: Data relate to the point at which SIFIs responded to the survey, not financial years.
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2.7 Sectors served by social investment

SIFIs were provided with a list of sectors and asked which if any they were prepared to invest in (Figure 2.9). Note that it is not possible to draw a comparison with 2013 data because this question was not asked of SIFIs in the 2013 ICF GHK study. Key points of note are as follows:

- Each of the sectors shown in Figure 2.9 (except for creative industries and information and communications technology (ICT)) was ‘served’ by at least half of SIFIs, indicating that social ventures in all of these sectors have a range of sources of investment open to them.

- Environment/green economy, education, and community facilities were the three sectors that SIFIs most frequently indicated they were willing to invest in (in each case 76 per cent of SIFIs reported that they invested in these sectors).

There was variation in sectoral ‘coverage’ between different types of SIFI (not shown in Figure 2.9). Large SIFIs had the broadest coverage; that is, a higher proportion of large SIFIs served each of the sectors shown in Figure 2.9. For example, whilst 48 per cent of all SIFIs served the creative industries/ICT sector, the proportion was 62 per cent amongst large SIFIs. In contrast, social banks had the narrowest coverage.
Figure 2.9  The proportion of SIFIs that indicated they were prepared to invest in selected sectors, 2015

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of SIFIs willing to invest</th>
</tr>
</thead>
<tbody>
<tr>
<td>community facilities</td>
<td>76%</td>
</tr>
<tr>
<td>environment/green economy</td>
<td>76%</td>
</tr>
<tr>
<td>education</td>
<td>76%</td>
</tr>
<tr>
<td>social care</td>
<td>72%</td>
</tr>
<tr>
<td>workspace</td>
<td>72%</td>
</tr>
<tr>
<td>financial services</td>
<td>68%</td>
</tr>
<tr>
<td>employment and skills</td>
<td>68%</td>
</tr>
<tr>
<td>housing</td>
<td>68%</td>
</tr>
<tr>
<td>transport</td>
<td>64%</td>
</tr>
<tr>
<td>health care</td>
<td>64%</td>
</tr>
<tr>
<td>sport,culture and leisure</td>
<td>64%</td>
</tr>
<tr>
<td>retail</td>
<td>64%</td>
</tr>
<tr>
<td>childcare</td>
<td>56%</td>
</tr>
<tr>
<td>business support</td>
<td>56%</td>
</tr>
<tr>
<td>other social investors</td>
<td>52%</td>
</tr>
<tr>
<td>creative industries and ICT</td>
<td>48%</td>
</tr>
</tbody>
</table>

Base: 25 SIFIs.
Note: Data relate to the point at which SIFIs responded to the survey, not financial years.
2.8 Opportunities and barriers to growth in the social investment market

SIFIs were asked, looking forward, to identify the two main opportunities and two main barriers to growth in the UK social investment market.  

2.8.1 Opportunities for future growth

SIFIs identified a range of opportunities for growth, including:

- **Increased product diversity within the social investment market**: several SIFIs reported that the development and commercialisation of new financial products provided new investment opportunities and would help fuel growth in the market. As one SIFI noted:

  ‘*We are looking at a variety of opportunities derived from product innovation: SIBs, charity bonds, social incubators, etc.*’

- **Increased supply of investment capital available to SIFIs**: several SIFIs mentioned that new sources of funding (including individual and institutional investors) would boost the UK social investment market by providing more capital that can be invested in social ventures. Examples of sources cited by SIFIs included SITR and Access, the recently launched foundation for social investment. Some SIFIs also noted that new funding sources might enable them to invest in a market segment that they had not previously served:

  ‘*The Access Foundation and SITR should enable SIFIs to apply social investment to the earlier stage market (hitherto not accessible via BSC [Big Society Capital] support).*’

- **Growing demand amongst social ventures for social investment, and increased investment readiness**: several SIFIs were of the opinion that the social venture sector is becoming more aware of social investment, and more willing to take on investment to support growth. This was seen to be linked with reductions in the availability of grant funding, and also a view that investment readiness amongst social ventures was improving (e.g. linked with the Investment and Contract Readiness Fund). One SIFI noted that there is:

  ‘*Greater education and awareness amongst charities/enterprises as to the potential benefit of taking on social investment.*’

- **Growth within the social venture sector**: several SIFIs argued that the social venture sector will continue to grow, and that a growing market will lead to growth in investment demand. SIFIs cited various drivers of growth in the social venture sector, including: growing interest in the social enterprise model amongst entrepreneurs; spin-outs from public services (e.g. the National Health Service); increased use of payment-by-results commissioning by the public sector; and projects launched as a result of the Community Right To Buy process (in Scotland). Growth in the social venture sector was summarised by one SIFI as follows:

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31 These were open-ended questions. The answers provided by SIFIs were coded by the research team and categorised using qualitative data analysis methods.
Growing the social investment market: update on SIFI social investment

[...]

2.8.2 Barriers to future growth

SIFIs were asked to identify what they saw as the main barriers to future growth in the social investment market:

- **A shortage of quality investment opportunities**: this was the most commonly identified barrier to growth in the social investment market. SIFIs noted that they lacked sufficient ‘high quality deal flow’, and had trouble ‘attracting appropriate applicants’. Whilst the social venture market was seen to be growing (see above), some SIFIs expressed doubts as to whether this was translating into expanding investment opportunities. A lack of investment readiness amongst social ventures was identified as the main cause behind the lack of quality investment opportunities. As one SIFI noted:

  ‘Many organisations still not well prepared – both in terms of understanding when/why investment can make sense (and when it does not), and in terms of business disciplines required by investors.’

- **Lack of availability of sufficient and suitable investment capital**: some SIFIs noted problems in raising sufficient and affordable capital, particularly for small deals, where there could be a shortage of ‘institutional investor interest’. Other SIFIs noted doubts about how new investment sources would deliver the capital that they wanted (one SIFI believed that State Aid rules as part of SITR would present a problem). One SIFI argued that there was a ‘lack of grants to support early stage growth alongside debt’, and thus that there was a gap in the provision of financial products to social ventures.

- **Regulation and policy uncertainty**: several SIFIs expressed concerns about the volume of financial regulation, which they felt impeded innovation in the sector while increasing administrative and transaction costs. Another SIFI believed that ‘shifting policy [was] undermining investor confidence’.

- **Continued reluctance amongst some social ventures to take on investment**: several SIFIs believed that there was still a reluctance in some areas to take on investment, which was linked to a history of ‘grant dependency’ (grants ‘crowding out’ investment, in the words of one SIFI). A SIFI reported that they continued to face ‘resistance from some parts of the market who are ethically and morally opposed to social investment’.
3 Measuring the UK social investment market going forward

Chapter 2 provided a trend assessment of the value, volume and dynamics of the UK social investment market utilising the same methodological approach to measurement as was applied in earlier studies; in other words, an approach whereby social investment has been defined and measured through the activities of the recognised SIFI population.

This chapter provides a short review to suggest that recent definitional, empirical and international developments in (understandings of) social investment markets imply that the social investment market is now wider than the measurement of SIFI activity alone. A number of new social investors and investment channels have emerged (or are now within definitional scope) since earlier studies. Given this, it may be of value for any future assessment of the size of the social investment market to acknowledge a differentiated range of ‘narrow, medium and broad’ definitions of social investment to capture both accurate trend data and new developments.

3.1 Key messages

• Market dynamism within the social investment sector is reflected in a broadening understanding of what constitutes social investment. A ‘narrow’, SIFI-based definition of social investment – which was replicated in this study in order to generate data that could be compared with previous studies – does not take full account of recent developments in the types and motivations of social investors, new forms of product, and new investment channels.

• New types of investor have emerged (though it is notable that many of these new investors have elected to channel their investments through existing SIFIs), including the expanding social investment activities of charitable foundations. Many of these new investors reflect what collectively have been termed ‘responsible investment’ approaches, a term used to describe a growing diversity of investor motivations and expectations of return (both in and beyond social investment).

• New forms of social investment product have emerged, such as growth in the community shares sector. This illustrates the importance of definitional issues within the social investment sector, since whilst social motivation of investors in community shares is paramount, the prospect of a financial return is important only to a minority.

• New investment channels have emerged, with some of the greatest dynamism evident in the move to ‘platforms’ and associated crowd-based funding activity, including as social investment has moved into the retail investment space for individuals.
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- Future social investment market assessments will need to take account of these developments, recognising that there are challenging definitional subtleties that will need to be overcome in order to build a shared understanding and common, consistent measurement of social investment.

3.2 Defining social investment

In the original social investment market assessment study by Boston Consulting Group and the Young Foundation (2011), the authors were careful to define social investment, recognising a fluidity of concepts and language directly related to market emergence.

ICF GHK (2013) and this further update study have continued to use this initial definition of social investment as the ‘provision and use of repayable finance to generate social as well as financial returns’. In other words, investment activity incorporating the use of financial products to generate social outcomes, but with an agreed expectation that at least some of the investment will be returned and, therefore, is not a grant or donation. In addition, it is this definition that formed the basis of Boston Consulting Group (2012) The First Billion: A Forecast of Social Investment Demand, which predicted a potential £1 billion UK demand for social investment by 2016.

Significantly, Boston Consulting Group and the Young Foundation (2011) used a survey of SIFIs as the methodology by which to operationalise this definition of social investment and collect data on the size and scope of the social investment market. ICF GHK (2013) and this study have repeated this approach, and by keeping key definitions and methods constant, this has enabled a comparison to be made across years, including an understanding of the dynamics of merger, exit and entry within the investing SIFI population (see Chapter 2).

As the social investment market has continued its emergence, a range of potential investors, new products and forms of investee organisations have been identified as possible new actors in the market. This has, in turn, generated a growing range of (subtly different) definitions of what social investment is. Indeed, most recently, the Organisation for Economic Co-operation and Development (OECD) has noted that:

‘The social impact investment market is in the early stages of development. The international initiative, led by the Social Impact Investment Taskforce, established under the UK’s presidency of the G8, has helped in raising awareness and clarifying the broader definition of social impact investment. However, for purposes of scoping and sizing the market, it is essential to work towards a precise common understanding of what is meant by social impact investment and agree upon a working definition to clarify what is included and what is not. This is important for policy makers, researchers and practitioners as well as for the overall development of the market.’


See, for example, some of the range set out in The Alternative Commission on Social Investment (2015) After the Gold Rush.
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3.3 A ‘narrow’ definition of social investment in this report, and new developments

With such market developments, it has been noted that the scale and scope of social investment measured to date can be viewed as ‘narrow’, given that it has focused on institutional investment, through SIFIs, into social mission organisations, where at least a return on invested capital is expected.

This does, of course, subsequently raise the issue as to what is a ‘wider definition’ and there are a number of interrelated parameters evident in the literature when considering this, including: the extent and nature of social motivation of the investor; through what investment process and product; into what investee type; the ‘blend’ of financial and social return expected; and the extent of its measurement.

Investor motivations, for example, are myriad mixes of ‘economic and social’ on closer inspection. Similarly, the recent G8 Task Force introduced the notion of ‘profit with purpose’ companies as an addition to the social venture sector when considering potential social investment investees (not without controversy amongst stakeholders). The Task Force reporting also included moves to suggest that social impact must be explicitly measured and calculated within social investment deals (such that investment in an organisation with a social mission without further impact measurement, for example, is unlikely to be sufficient to meet this definition).

For the purposes of this study, these ongoing debates do highlight that there are a number of new developments which may be understood – as of today – as possibly part of the social investment market but which have not been captured (fully) through the deliberate repetition of the SIFI methodology of previous studies.


34 See, for example, http://www.pioneerspost.com/news-views/20150116/social-investment-friend-or-foe-its-complicated
3.3.1 New categories of investor type (and investment motivation)

In 2014, the report *New Specialist Sources of Capital for the Social Investment Market, A Report for the Social Investment Research Council* set out a range of UK institutional investor groups that might be potentially ‘untapped’ pools of capital for UK social investment markets.

The report highlighted issues around definition – for example, including corporate social responsibility programmes as social investment and reporting investor groups’ uncertainty as to ‘what is, or is not a social investment’ – but, nevertheless, it identified a range of possible investor groups.

The report concluded on a spectrum of investment opportunities related to a range of investor intentions; and identified seven ‘personality types’ of institutional investor. It highlighted that future investor engagement could only be encouraged if different group personality types were recognised and utilised.

In the last year or so, examples of such investor groups engaging in the social investment market have begun to appear but how they do so, including whether or not through existing SIFIs, has varied. For example, the Threadneedle UK Social Bond Fund was launched in January 2014 as the first daily liquid fund to offer retail, as well as institutional investors, an opportunity to invest for both a social and financial return. The rapidly growing SIFI, Big Issue Invest, conceived the fund proposition which invests in listed bonds issued by organisations that support socially beneficial activities and balanced economic development, primarily in the UK. The fund launched with £10 million of seed investment from Big Society Capital and £5 million from investment manager Threadneedle Investments.

A further example is the Cheyne Social Property Impact Fund launched in November 2014 by European investment managers Cheyne Capital who currently manage over £4 billion of assets. The new fund will help tackle the shortage of housing solutions for disadvantaged groups in the UK by acquiring or building properties and leasing these to social service providers at affordable rates. Other examples of expanding investor groups include the growing investigation of social investment opportunities by charitable foundations (see Box 2) and the recent and rapid development of retail investor opportunities in social investment, including through the new SITR.

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36 These were: housing associations, faith-based organisations, university endowments, charitable organisations, family offices, corporations, insurers, and pension funds.

37 See, for example, the Resonance Bristol SITR Fund launched with sponsorship from wealth manager UBS.
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Box 2 Charitable foundations and social investment

There are around 12,000 grant-making foundations in the UK and, in 2012, it was estimated that 900 endowed foundations had an annual spend of £2.3 billion. Pressure on investment returns, financial innovation and the rise of social investment has led to some interest amongst foundations to investigate the legally complex area (for foundations) of social investment. The Association of Charitable Foundations (ACF) suggests that over the last decade around £50 million has been committed by foundations to social investment, although double that has been set aside. The Esmée Fairbairn Foundation has accounted for 45 per cent of deals made, with another nine foundations accounting for a further 45 per cent. Channels of investment include social banks, SIFIs and direct loans to frontline organisations. Grants may often sit alongside social investments. Most, but not all, of this activity is likely to have been captured in existing measures of the social investment market (the leading charitable foundations responded to the SIFI survey, and have been reported in Chapter 2).

Most recently, ACF (2015) research on intentional investing stated that 17 per cent of 286 charity investors surveyed had decided to use their assets to deliver tangible outcomes that directly related to their mission through the use of social investment.

The increased interest of foundation trustees in ‘intentional investing’, the emergence of social banks such as Charity Bank, historical stock market offerings of ‘ethical investments’ and the introduction of Social Investment Tax Relief all reflect what collectively have been termed ‘responsible investment’ approaches and a growing understanding of the diversity of investor motivations and expectations of return (both in and beyond social investment). Ethex, for example, in its annual report on ‘positive investment’, defines positive investing as ‘self-directed saving and investing by individuals who are taking control of their own finances and choosing to save and invest not only for a financial return but also to make money do good’. Their report suggests that positive investing value increased by 33 per cent between 2013 and 2014 and that the stock of UK positive investing stood at £3.3bn in 2014, including credit union activity, community shares, charity bonds and investments in firms with clear social and environmental missions.

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41 Ibid.
3.3.2 Different forms of social investment

The actual or potential influx of new investor groups described above is associated especially with new types of social investment product geared to the ‘personality types’ of different investor groups. Whilst those highlighted above often reflect the social investment approach most related to SIFI-based activity – managing funds and investments attractive to institutional investors – other, especially individual and community-based forms of social investment, are growing also (see Box 3).

Box 3 Community shares

Community shares are withdrawable share capital – a form of share capital unique to co-operative and community benefit societies. Community-based renewable energy schemes are the latest example of investments that have been used to finance shops, pubs, community buildings and a diverse range of community-based ventures. In 2014, over 150 share offers raised over £47 million, with an increasing number of these taking place through on-line platforms. Investment sums are generally small (‘hundreds of pounds from mass investor participation’) with investors much more likely to have a direct (local) engagement with the enterprise. Whilst the social motivation of investors is paramount, the prospect of a financial return is important only to a minority, including that in many instances dividends cannot legally be paid or share values go up due to the nature of the organisation. Community shares provide a topical example of how definitions of social investment have critical influence on measurement of market size.

A further developing form of social investment activity is through ‘social business angels’ such as Clearly Social Angels (CSA). CSA is the UK’s first angel network dedicated to accelerating capital into UK social businesses that create positive social change. Its membership comprises a group of (self) certified High-Net-Worth Individuals and ‘Sophisticated Investors’ (a regulatory term). Members are expected to have the capacity to commit to at least one deal per year and share due diligence.

It remains the case, also, as noted by OECD (2015) Social Impact Investment: Building the Evidence Base that at an international scale ‘most social investment is still in the form of grants’, implying that there still remains debate around the issue of repayable capital and financial return as against investor motivation in the definition of social investment. This issue may be wrapped up also in the notion of an array of often policy-driven hybrid or ‘co-mingling’ products such as a mix of (capacity) grant and loan or quasi-equity products.

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46 Ibid.
3.4 New investment channels

Earlier sections have suggested examples where, for example, charitable foundations are direct investors in social ventures or where mainstream investment houses are now creating new social investment funds. Yet probably the most dynamic arena for social investment has been created by the move to ‘platforms’ and associated crowd-based funding activity as social investment has moved into the retail investment space for individuals.

Whilst Buzzbnk has predominantly been rewards-based crowdfunding of social enterprises, its recent merger with Trillion Fund implies levels of ‘repayable capital’ peer-to-peer lending are likely to increase proportionately. The growth in community share activity (see Box 3) has been facilitated substantially by platforms such as Microgenius.org.uk. Similarly, Ethex.org.uk is a platform which brings together ‘positive investments’ which deliver social, environmental and financial returns through the vetting and listing of a variety of investment opportunities. Other recent platforms which focus on specific social investment products include the Social Stock Exchange and Retail Charity Bonds run by the SIFI, Allia, that raises loan finance for charities through listed retail eligible bonds.

3.5 Measuring the UK social investment market in the future

On-going debates amongst UK stakeholders and at international levels reflect both policy interest in, and market dynamism around, social investment. Such dynamism includes developments across this putative market – amongst potential investors, through new channels and products and into ever-growing numbers of enterprises and organisations seeking to deliver social impact. Future assessments of the scale and scope of UK social investment markets are likely to require full review of such developments – and the definitional challenges they may bring – in order to understand both historical and emergent market developments.
4 Conclusions

This report has presented the results of a study into the UK social investment market between 2012/13 and 2013/14. Chapter 2 presented the results of a survey of SIFIs that collected data on the size and characteristics of the SIFI social investment market. These results were compared to data on the social investment market in 2011/12, drawn from a preceding market assessment report that was prepared by ICF GHK. Chapter 3 presented a review of market developments in the social investment sector, and the implications of these changes for the measurement of the social investment market.

This concluding chapter presents a summary of the key results of the study.

4.1 The size of the SIFI social investment market

The total value of UK social investments made by SIFIs in 2013/14 stood at £168.4 million, down from £202.2 million in 2011/12 (ICF GHK 2013). SIFIs forecast that this would increase to £212 million of social investment in 2014/15, which would mean that the market had returned to a value slightly above its 2011/12 size.

Whilst the value of social investments by SIFIs fell between 2011/12 and 2013/14, the volume of investments – i.e. the number of deals made – increased, from 765 investments in 2011/12 to 1,204 investments in 2013/14 (and a predicted 2,583 of investments in 2014/15).

4.2 Market dynamics

Most of the SIFIs that were active in the social investment market at the time of the 2013 ICF GHK study were still active investors in 2015; market ‘exits’ were primarily organisations that carried out a small number of social investments in 2011/12. These market exits were more than offset by the entry into the market of several new social investment intermediaries, meaning that the total number of active SIFIs is likely to have increased between 2013 and 2015.47

In 2011/12, social banks were the dominant players in the social investment market, accounting for 82 per cent of the market. By 2013/14 their share had fallen to 66 per cent, and was projected to drop to 43 per cent in 2014/15. The 2013 ICF GHK study noted that social banks’ dominance was under increasing ‘challenge’ from a small set of large SIFIs providing a broader set of investment products than the social banks’ typical secured lending offer. This has proved to be the case. Large SIFIs accounted for just 15 per cent of social investments in 2011/12, but were predicted to account for 56 per cent of social investments in 2014/15. These large SIFIs included organisations that were active in 2011/12 and have since significantly scaled up their operations, as well as the new market entrants mentioned above, some of whom have grown very fast in a short space of time. Unsecured loans account for the majority of social investment by large SIFIs.

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47 Note that some of these new market entrants did not respond to the request for information on their social investment activity, and so it has been inferred that they are active SIFIs from web research (e.g. because they have launched new social investment funds).
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There remains a ‘tail’ of several small SIFIs, responsible for making a relatively low number of social investments each year. However, these small SIFIs offer a wide variety of investment products, including less common products such as quasi-equity, equity and social impact bonds.

4.3 Social investment: expanding horizons

In its ambition to create a ‘thriving social investment market’, HMG is seeking increased supply and diversity of investors and lenders – both individual and institutional. Very recent experience of UK social investment market developments implies that such diversity will be accompanied by new investors, new investment products, and new channels as the ‘personality types’ of investor groups are increasingly matched to a growing investment demand of greater clarity.

Such dynamism is evident in the findings of this study – through the growth of a new breed of large SIFIs, set next to a number innovating and specialised small SIFIs, and all set alongside the longer-standing social banks.

Such dynamism is, however, both greater than that of the market activity of SIFIs alone and to be set within a growing international environment seeking to converge around agreed definitions, measurements and standards for social investment. Any future update assessment of the size of the UK social investment market will need to be mindful of such expanding horizons in seeking to both hold to the value of historical trend analysis whilst encompassing also the full array and diversity of market development.
Appendix A
Cover letter sent to SIFIs

Dear [Name],

Measuring the size of the UK social investment market

We are writing to request your participation in a piece of research to estimate the size and key characteristics of the UK social investment market in 2012/13 and 2013/14. The research will help to address data gaps on the social investment economy and support the business case for social investment across stakeholders and funders. We recognise that there are other surveys underway and that this is a busy time of year, and so are grateful for your help. We have kept this survey as short as possible: if you have any feedback on how we can make this process easier still, then please do get in touch.

In December 2014 the Department for Work & Pensions, working with the Cabinet Office, commissioned ICF International to undertake research into the size and key characteristics of the UK social investment market. This important research will be critical in establishing the importance of the UK’s social investment market, and builds on a previous mapping exercise that was undertaken by ICF and published in July 2013.

The success of this exercise will be dependent on the quality of data accessed. We would like to invite [Name] to participate in a survey covering your recent social investment activity.

The survey consists of a Microsoft Excel worksheet that contains seven questions on the value and volume of your social investment activity in 2012/13 and 2013/14 and your expectations in terms of market development over the next few years. We have endeavoured to keep this survey as concise as possible, and to focus on the key market statistics. It is expected that the data requested is collated through on-going investment management and business processes.

Please be assured that our response to the survey will be treated in the strictest confidence. As with the previous market assessment report, data collected from all organisations will be reported in anonymised format. No information will be attributed to a named organisation. Unless you indicate otherwise, we will acknowledge [Name] as a participant in the research in an annex to the report. It is expected that the results of the study will be published around March/April 2015.

We would like to thank you in advance for your participation in this research, which will greatly assist in developing further the business case for social investment to help generate support for this sector in the short and long term. The Department for Work & Pensions and the Cabinet Office are keen that this research will provide a robust and highly credible benchmark of the UK social economy, which it can only do with the support of the social investment community.

If you have any immediate questions about the survey or the study more broadly, please do not hesitate to contact [Name], the project manager from ICF International, at [Email]

Yours sincerely,

[Name]
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Appendix B
Data collection instrument

Mapping social investment

1) Does your organisation undertake any social investment?

Note: by social investment we mean any investment that intentionally targets specific social objectives along with a financial return. Often this includes investment in social enterprises, mutuals, charities, Co-operatives. By investment we mean the provision, facilitation or structuring of repayable finance.

- Yes, my organisation undertakes social investment
- No, my organisation does not undertake social investment

If you answered “No, my organisation does not make direct investments”, thankyou for your time, you do not need to proceed any further.

2) Please specify which region(s) and devolved administration(s) your organisation is prepared to make investment(s) in:

- All of these (i.e. UK-wide)
- OR...
- East of England
- South East
- London
- South West
- East Midlands
- West Midlands
- North East
- North West
- Yorks & Humber
- Wales
- Scotland
- N. Ireland

3) What are the minimum, maximum and average standard interest rates or expected Internal Rates of Return (IRR) for your social investments?

- Secured loans
- Unsecured loans
- Quasi-equity / revenue participation
- Equity
- Social Impact Bond
- Other investments

Please name the product:

(please only include investments with an expectation that capital is at least repaid - i.e. exclude grants)

4) Within which of the following sectors is your organisation prepared to make social investments?

- All of these
- OR...
- Housing
- Retail
- Workspace
- Business support
- Childcare
- Sport, culture and leisure
- Social care
- Health care
- Employment and skills
- Creative industries & ICT
- Financial services
- Education
- Environment/ green economy
- Community facilities
- Transport
- Other social investors
- Other

Thank you for completing this questionnaire, we very much appreciate your contribution.
Growing the social investment market: update on SIFI social investment

4) Within which of the following sectors is your organisation prepared to make social investments?

<table>
<thead>
<tr>
<th>Sector</th>
<th>Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>All of these</td>
<td></td>
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<tr>
<td>OR.</td>
<td></td>
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<tr>
<td>Housing</td>
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<tr>
<td>Retail</td>
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<tr>
<td>Workspace</td>
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<td>Business support</td>
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<td>Childcare</td>
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<td>Sport, culture and leisure</td>
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<td>Social care</td>
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<tr>
<td>Health care</td>
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<tr>
<td>Employment and skills</td>
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<td>Creative industries &amp; ICT</td>
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<td>Financial services</td>
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<td>Education</td>
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<td>Environment/ green economy</td>
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<td>Transport</td>
<td></td>
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<tr>
<td>Other social investors</td>
<td></td>
</tr>
<tr>
<td>Other PLEASE SPECIFY</td>
<td></td>
</tr>
</tbody>
</table>

Enter "Y" for all that apply

5) What was the value of all of your social investments made within the financial year April 2012 to March 2013? How many individual investments did you make in this period?

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Enter total value in £</th>
<th>Enter total number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quasi-equity / revenue participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Impact Bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments# PLEASE NAME THE PRODUCT:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Please only include investments with an expectation that capital is at least repaid - i.e. exclude grants

6) What was the value of all of your social investments made within the financial year April 2013 to March 2014? How many individual investments did you make in this period?

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Enter total value in £</th>
<th>Enter total number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quasi-equity / revenue participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Impact Bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments# PLEASE NAME THE PRODUCT:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Please only include investments with an expectation that capital is at least repaid - i.e. exclude grants

7) What do you estimate will be the value and volume of individual investments that you will make in the financial year April 2014 to March 2015?

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Enter total value in £</th>
<th>Enter total number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured loans</td>
<td></td>
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<tr>
<td>Other investments# PLEASE NAME THE PRODUCT:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# Please only include investments with an expectation that capital is at least repaid - i.e. exclude grants

8) Looking forward, what would you say are the two main opportunities and barriers for further growth in the social investment market?

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity #1</td>
<td>Barrier #1</td>
</tr>
<tr>
<td>Opportunity #2</td>
<td></td>
</tr>
<tr>
<td>Barrier #2</td>
<td></td>
</tr>
</tbody>
</table>

Please identify two opportunities and two barriers:

Thank you for completing this questionnaire, we very much appreciate your contribution
Appendix C
SIIFIs that were included in the analysis

Data were collected for the following SIIFIs (27 organisations in total):

Allia
Aston Reinvestment Trust
Barrow Cadbury Trust
Big Issue Invest
Black Country Reinvestment Society
Bradford Enterprise Agency
CAF Venturesome
Charity Bank
Co-operative and Community Finance
Ecology Building Society
Esmée Fairbairn Foundation
Ethex
FSE Group
Foundation East
The Key Fund
LGT Venture Philanthropy
Nesta Investment Management
Panahpur
Parity Trust
PURE Community Energy Fund
RBS
Resonance
Social Investment Scotland
The Social Investment Business
Triodos Bank
Unity Trust Bank
UnLtd