

Growing the social investment market - FAQs

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What is social investment?

Social investment is the provision of finance to achieve social outcomes and gain a financial return. It is about harnessing the power of financial markets to help effect positive social impact.

Government's ambition is for social investment to become a third pillar of finance for the social sector, alongside traditional philanthropy and government grants. Social investment has the potential to build society and grow the economy.

Where should I go to raise finance for my organisation?

For information on finance please visit the [Big Society Capital website](#) which has an online directory of organisations providing financial and non financial support for social sector organisations.

You can also visit [Funding Central](#), [Business Link](#) and [Social Enterprise UK](#) for information around finding appropriate financial and other support.

What will Big Society Capital do?

Big Society Capital (BSC) will act as a wholesale investor for social investment and champion the sector to the public, stakeholders and investors. It will invest capital in intermediaries so that they are able to invest in frontline organisations. It will not make grants. It will also invest in developing a powerful infrastructure for the social investment sector.

Who will it help / invest in?

BSC will provide finance to specialist funds and intermediaries who provide finance and help social sector organisations become investment-ready. It will also invest to develop the infrastructure needed to develop an effective social investment market.

How can I apply for funding?

BSC is an independent organisation and will make investment decisions based on its mission and mandate. We cannot pre-empt who it will invest in. If you want to see if you are eligible to apply see [the Big Society Capital website](#).

What happened to the 'Big Society Bank'?

Government's policy goal was to establish a 'Big Society Bank' to catalyse social investment.

Big Society Capital is the independent company set up to fulfil this, and is made up of three entities: the parent company of the Group will be named "The Big Society Trust", with Big Society Capital Ltd as an operating company as its subsidiary and a separate entity, Big Society Foundation, capable of receiving charitable donations to support the Group's mission.

How is government involved in the management of the BSC?

BSC will operate independently of government. There will be a government appointed representative on the Board of the Big Society Trust.

For further information about BSC, including FAQs, please visit [the Big Society Capital website](#).

Why use a social impact bond? What's wrong with traditional models of public service provision?

The two main advantages of social impact bonds (SIBs) compared to traditional models are:

- Risk transfer – outcome-based commissioning means the public only have to pay when outcomes are actually achieved, rather than paying for inputs whether they're effective or not. If the outcomes are not achieved, the investors in a social impact bond lose their money.
- Innovation – giving service providers more freedom and incentivising them by outcomes instead of inputs encourages them to innovate and find new ways to deliver services more effectively.

Who will invest in social impact bonds?

We expect interest among a range of investors from a variety of backgrounds, including philanthropists, charitable trusts, high net worth individuals and mainstream commercial organisations. Big Society Capital could also invest.

Will Big Society Capital have a role?

Big Society Capital is independent from Government and will set its own investment priorities commensurate with its role to grow the social investment market. But its Chair has indicated that social impact bonds could be among its

early investments. If Big Society Capital does invest in social impact bonds, then it will do so from the perspective of seeking to grow the social investment market.

How will the investors be paid? Will this mean closure of services?

The SIBs are an early intervention which may reduce or prevent the need for some services at a later date. If the demand for services reduces as a result of the SIB, LAs are free to reduce the capacity in order to make a saving.

What are Community Rights and the Localism Bill?

You can read more about both here on [the DCLG website](#).

What is a mutual?

You can find out about [mutuals here](#).

What is the Investment and Contract Readiness (ICR) fund?

The ICR Fund is a three year £10 million fund that aims to ensure social ventures are better equipped to secure new forms of investment and compete for public service contracts.

What will the fund offer?

The ICR fund will offer grants of between £50k and £150k to purchase specialised investment and contract readiness support and to cover some of the costs of putting the investment/contract readiness plan into action in the social venture itself.

Specialist support from an approved investment/contract readiness provider with a track record in supporting social ventures to secure social investment will be available as part of the Fund's package.

When will it be launched?

The Investment and Contract Readiness (ICR) Fund will be open for applications in early May 2012. Potential support providers and social ventures who think that this Fund is relevant to them can [register interest now](#).

What is the role of the social investors involved?

This fund puts investors at the heart of the process because as providers of investment they both understand what investment ready ventures look like and have a keen a business driven interest in helping social ventures with the greatest chances of success secure this support.

Who are the social investors involved?

Big Society Capital (BSC) chairs the Investors Panel, to date composed of:

- Big Issue Invest
- Big Lottery Fund
- Bridges Ventures

- CAF Venturesome
- Deutsche Bank
- Esmée Fairbairn Foundation
- Finance South East
- NatWest
- NESTA
- Panaphur
- Triodos Bank
- The Social Investment Business.

For information about the application process for social ventures and providers of investment and contract readiness support please visit [the Investment and Contract readiness Fund website](#).

What is the Inspiring Impact programme?

To find out more about Inspiring Impact please visit [the New Philanthropy Capital website](#).