

# Frequently asked questions about the Big Society Capital

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## Role

### Q1. What will the Big Society Capital group do?

The Big Society Capital group (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.

### Q2. 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.

### Q3. How much money will it have?

The government has committed that BSC “will be established using every penny of dormant bank and building society money” in England, as identified in the Dormant Bank and Building Society Accounts Act 2008. It has been estimated by the Reclaim Fund that £60-100 million may be available in the 2011/12 financial year. It has been estimated by the British Bankers’ Association that the total amount available in dormant accounts in England may be of the order of £320- 400 million. In addition, £200 million will be provided by the four largest UK high street banks (Barclays, HSBC, Lloyds and RBS) which will be invested by them in BSC on terms to be agreed following review of the business plan.

### Q4. Will the BSB invest directly in frontline organisations?

No, it is not allowed to according to legislation (set out in the Dormant Bank and Building Society Accounts Act 2008). BSC will be a social investment wholesaler, which means that it will be able to provide finance to social intermediary organisations to develop a broader market for social investment. It will not invest directly in frontline organisations as this is the role of the intermediaries.

### Q5. How can I apply for funding?

The BSC will not be able to make investments until certain legal procedures have been satisfied including EU State aid requirements and the necessary regulatory approvals from the FSA have been obtained. It will make investment decisions based on its mission and mandate. We cannot pre-empt who it will invest in.

The government has directed the Big Lottery Fund (BIG) to establish an interim Investment Committee (IC) which will use dormant account money to start making investments from this summer. We expect to be able to make announcements about the criteria for these initial investments shortly.

**Q6. What happened to the 'Big Society Bank'?**

The organisation previously referred to the 'Big Society Bank' has been renamed 'Big Society Capital group', 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.

**Q7. Is it a bank?**

No, but it will be a financial institution. While the BSC will share some of the functions of a bank, it will not share all of them (i.e. it will not take deposits like a retail bank).

BSC will be a financial institution capable of receiving funds as well as dispersing them. The outline proposal sets out the best way for a social investment wholesaler to use dormant accounts to support the growth of the social investment market.

## **Operations**

**Q8. When will it be open for business / start investing?**

The Investment Committee has been established in BIG and will be in a position to make initial investments from summer 2011. Thereafter, once FSA and EU State aid approvals are received, BSC will become fully operational and able to receive dormant account money. FSA and State aid approval processes can take 6 months or more to complete. We are committed to moving ahead as quickly as possible.

**Q9. In the period before BSC is established, what will be the role of the Big Lottery Fund?**

The interim Investment Committee will expect to make initial investments, as permitted under existing State aid exemptions, which are in line with BSC's mission. These investments will be transferred to BSC once it becomes fully operational.

**Q10. Will BSC make and distribute profits?**

Any profits made will either be reinvested by BSC or, if there is a surplus, made available to a charitable trust that will be able to use the funds to further BSC's mission.

**Q11. Will the BSC offer grants for capacity building in the sector? If not, how will social enterprises be able to become investment ready?**

BSC will not be a grant-making body and will only make investments. It will work closely however with existing grant makers including trusts and foundations and entities such as BIG and NESTA to build investment readiness.

**Q12. Will financing be available for “for profit” entities?**

To the extent that social investment intermediaries serve the needs of the “Third Sector”, they would potentially be eligible to receive funds, whether or not these intermediaries are “for profit” or “not for profit”.

**Q13. How much money will be available during 2011? And thereafter?**

Reclaim Fund Ltd, an independent organisation, will decide how much money to make available to the Big Lottery Fund. It is estimated that £60-100 million will be made available in the first year, and BSC will receive the English portion of such funds (approximately 80%). The total value of dormant account money in the UK is estimated by the British Bankers’ Association to be £400 million or more.

**Q14. How will BSC decide what “blended return” it should achieve?**

BSC will need, over time, to cover its operating costs from the return on its investments in order to meet its sustainability requirement.

**Q15. How will BSC measure the social impact of its investments?**

In making investment capital available to intermediaries, BSC will typically require provision of finance to be linked with measurable social impact and will receive from these intermediaries’ reports of social impact which it will publish in its annual report.

**Q16. How will BSC report? Will it use triple bottom line accounting?**

BSC will publish financial accounts in the ordinary course of business according to accepted accounting principles. It will publish details of the social impact of its investments as these are made available to it by intermediaries. BSC will also measure the amount of capital which it succeeds in attracting to social investment through its policy of acting as investor and co-investor.

**Q17. Will BSC invest in ‘green’ issues?**

BSC’s primary purpose is to create greater positive social impact. Any positive environmental impacts are a bonus. A Green Investment Bank is being set up by government to provide finance for primarily environmental projects.

## **Governance and setup**

### **Q18. How will you appoint the chair / chief executive / board?**

Big Society Capital group announced initial appointments for the Board of the operating company on 29 July. Please see the [press notice](#) for further information.

### **Q19. Who will chair BSC?**

Sir Ronald Cohen has agreed to serve as unpaid Non-Executive Chair until Big Society Capital is fully operational and able to formally appoint a Chair.

### **Q20. What will senior executives be paid? Will salaries be published? Will BSC pay bonuses?**

Senior executives will be paid in line with social sector norms and their salaries disclosed in the BSC Annual Report. Remuneration will be commensurate with individual responsibility and contribution, including the potential to reward junior and middle ranking staff for outstanding performance during a year.

### **Q21. 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.

### **Q22. How are the high street banks involved? What is Project Merlin?**

The “Merlin” banks are Barclays, HSBC, Lloyds and RBS. Under proposals agreed between government and these banks (the so-called “Project Merlin Agreement”) they will invest £200 million into the capital of the BSC.

### **Q23. How will social sector views be reflected on the Board?**

There will be significant Board-level representation of social sector organisations on both the Big Society Trust Board and Big Society Capital Limited.