



Cabinet Office

The Rt Hon Francis Maude MP
Minister for the Cabinet Office, Paymaster General

70 Whitehall
London
SW1A 2AS

Email psfrancismaude@cabinetoffice.gov.uk

Telephone +44 (0)20 7276 2509
Web www.cabinetoffice.gov.uk

Our Ref: NMP627537

Sir Ronald Cohen
42 Portland Place
London W1B 1NB

[By Email]

27 March 2015

Dear Sir Ronald,

In September last year the Chancellor welcomed the publication of the Social Impact Investment Taskforce report. I know this is a genuine passion for you and I thank you for being a tireless champion for social impact investing. This open letter to you, and the wider Taskforce, provides an update on our progress in delivering the eight key recommendations that you made to government.

As you point out, the challenges facing society in the 21st century are too large and complex to be solved solely by the state. Much more needs to be achieved in partnership between the public, private and social sectors. We need to keep striving to allocate Government spend more efficiently – focusing on areas in which we can scale the impact of successful interventions. Social investment has a crucial role in delivering this change in communities across the UK and the world.

Government alone cannot create a social investment market, but it can be an important catalyst. As a market builder, we have focused on constructing an ecosystem that supports social impact investment. As a service commissioner we are focused on creating the space for innovation, prevention and improved outcomes for the most vulnerable. As market steward, we can look to remove legal and other barriers to social impact investing. We want to be part of realising your ambition to unleash the first \$1 trillion of new investment.

Since the report was published in September, we have continued to build infrastructure to support the long-term growth of the social impact investment sector in the UK. In particular, building on the success of our pilot Investment Readiness programmes, we

have committed up to £60 million of capacity building funds to a new social investment foundation called 'Access'. Access will support charities and social enterprises to grow sustainably, acting as a sister organisation to Big Society Capital. It will create one of the most complete platforms of support for social investment anywhere in the world.

We have also supported innovation in the sector. In the past month alone, we launched the Arts Impact Fund - a layered fund drawing on public, private and philanthropic investments to provide access to finance to community arts organisations - as well as a new peer-to-peer financing fund to enable more people to invest in charities. And we are building partnerships across sectors. The Prime Minister recently announced the global Dementia Innovation Fund: a global network which brings together pharmaceutical companies, a leading charity and government to invest in an initiative focused on developing new drug treatments to tackle dementia.

We believe social investment is a great success story for the UK. As you know, we are determined to cement our position as a world leader for social investment and enterprise, working in partnership with other countries. Our recent industry events in New York and Shanghai and our support for the global development of the field, are just the start of that ambition.

I hope this gives you a sense of the momentum that we now have behind the social impact investment agenda in the UK. The attached annex details the work we have delivered. This is in no small part due to the clear blueprint that was set out by the Taskforce last year. We look forward to keeping you updated.

I thank you again for your continued support.

A handwritten signature in black ink that reads "Francis Maude." The signature is written in a cursive, flowing style.

FRANCIS MAUDE

UK Government progress against the eight recommendations made by the Taskforce to governments

1. Increase resources and support for impact-driven organisations to strengthen their operations and grow.

Our £10m [Investment Readiness Fund](#) unlocked £25 of private investment for every £1 of government grant. We recently launched a £2m [Impact Readiness pilot](#), which has provided grants to help organisations build systems to showcase their impact. The £100m [Access](#) foundation marks a clear commitment to support these programmes for the long term.

2. Increased flow of talent to the sector to build and grow impact-driven organisations.

As government, we work closely with organisations like [Nesta](#), [Social Enterprise UK](#), [UnLtd](#) and others to support social enterprise across the UK. Increasingly this work has involved new partners. For example, businesses like Barclays, UBS, Bank of America Merrill Lynch and Janssen Healthcare Innovation provided match-funding to support six new business accelerators as part of the £10m [Social Incubator Fund](#). The Fund has provided support to early stage ventures like [StudentFunder](#), a financial technology business with a social mission to remove financial barriers to education.

3. A developed impact investment culture

We have sought to grow the network of specialist investment funds, intermediaries and advisory firms that are essential for a functioning social investment market. Critical to this effort has been the work of Big Society Capital, the world's first wholesale social investment bank. To date, [Big Society Capital](#) has supported over 100 front line ventures and together with its co-investors has already helped over £100m of capital reach charities and social enterprises. We also established the first social investment trade association, to act as a voice for intermediaries in this market, as well as a national [Social Investment Awards](#) scheme, celebrating innovation from across the UK and the world.

4. New investors entering the social impact investment market

In 2014, we introduced the [Social Investment Tax Relief](#) - a groundbreaking relief that supports social investors to invest in the causes that they care about. This relief has assisted organisations like [F.C United](#), a community owned football club, and

[FareShare](#), a social enterprise that distributes food to charities. We are especially keen to grow social investment options for the everyday investor. This has included support for [charity bonds](#) and a fund focused upon encouraging crowd finance. In the next parliament we will look to support much more innovation in these areas.

5. Increased effectiveness of government's role as an effective purchaser of social outcomes

We have supported the development of over 30 [social impact bonds](#) in the UK, delivering better outcomes across [youth unemployment](#), [homelessness](#), [re-offending](#), [mental health](#), [adoption](#) and [children in care](#). Around a third of these were created through the first ever cross-government outcomes fund. This drew in contributions from across central and local government commissioners, breaking through the siloed budget barriers that limit so much preventative activity. Through these social impact bonds we are building a clear case for the role of outcome based commissioning. The next step is to take this to scale, supported by the necessary infrastructure of publicly available unit costs of services and cross-government rates cards.

6. Increased flow of investment from mainstream investors to impact-driven organisations

We have looked to support consumer understanding of social investment and increased accessibility of investment products. Last September we launched the UK's first '[Social Saturday](#)', designed to raise consumer awareness of the opportunity to buy from and invest in UK social enterprises. We have also backed the development of products that make it easier for everyday savers to achieve social impact. This includes the [Threadneedle UK Social Bond Fund](#) - a top-performing, mainstream accessible and daily liquid fund that invests for both social and financial return.

7. An appropriate regulatory and legal framework for impact-driven organisations

As the Taskforce report noted, the UK has a rich history of supporting and promoting impact driven businesses. We have developed a diverse range of legal forms including registered charities, limited companies and specialist [Community Interest Companies](#) - over 10,000 of which have been set up since the form was introduced a decade ago. Looking ahead, as the social economy grows to include an even wider range of participants; we will need to ensure the regulatory systems keeps pace with developments. Specifically, we are considering the recommendations of the Mission Alignment Working Group in relation to their fit with the UK market.

8. Fewer legal and regulatory barriers in the way of potential impact investors

Our long term goal is to make the market as inclusive as possible - with a diverse range of investors opting for impact investment. We have worked closely with the Law Commission to [review](#) the duties of foundation and pension fund trustees. On the former, we expect to take the recommendation of a specific social investment power for foundation trustees into law in the next parliament. On the latter, we are currently publicly [consulting](#) on options to amend the investment regulations to clarify pension fund trustee duties in relation to impact investing.