

# Growing the social investment market: HMG social investment initiatives

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

Our initiatives fall into three core categories: increasing the **supply of finance** for social investment; stimulating and **supporting demand** for social investment; and improving the **legal, tax and regulatory environment** for social investment and social enterprise.

# HMG social investment initiatives

Programme	Support	Dept	Description
Increasing the supply of finance for social investment			
Big Society Capital	Catalytic investment	CO	<p>Big Society Capital is an independent financial institution authorised and regulated by the Financial Services Authority. It has an explicit social mission to develop and shape a sustainable social investment market in the UK, and in doing so give organisations tackling major social issues access to new sources of finance to help them grow.</p> <p>BSC invests in social investment finance intermediaries (SIFIs): organisations that provide affordable finance and support to social ventures. By supporting SIFIs to grow and become more sustainable, they will be able to bring millions more in investment into the social sector than BSC could bring alone. This means that, over the long term, the social sector will have access to reliable sources of appropriate and affordable finance.</p> <p>BSC will be funded with up to <b>£400m</b> from dormant accounts and <b>£200m</b> investment from UK high street banks over the next 5 years. It is open to investment proposals from SIFIs on a rolling basis.</p> <p><a href="http://www.bigsocietycapital.com/">http://www.bigsocietycapital.com/</a></p>
Bridges Social Entrepreneurs Fund	Catalytic investment	CO	<p>The Cabinet Office has committed <b>£3.9m</b> to the Bridges Social Entrepreneurs Fund which aims to address the funding gap often faced by fast growing social enterprises looking to scale.</p> <p>The Fund was launched in August 2009 and has raised nearly <b>£12m</b> for investment in scalable social enterprises delivering high social impact and operating sustainable business models.</p> <p>Each investment is tailored to fit the needs of each particular social enterprise, while also allowing the Bridges Social Entrepreneurs Fund to make a reasonable financial return to demonstrate a sustainable funding source for social enterprises. The Fund has made investment commitments of <b>£4.1m</b> in six social enterprises, including two contracted to deliver payment by results contracts through the Innovation Fund.</p> <p><a href="http://www.bridgesventures.com/social-entrepreneurs-fund">http://www.bridgesventures.com/social-entrepreneurs-fund</a></p>
Social Enterprise Investment Fund	Grant funding and soft loans	DH	<p>The Department of Health Social Enterprise Investment Fund (SEIF) was set up in 2007 to stimulate the role of social enterprise in health and social care with the aim of improving the quality of services for patients. It provides investment to help new social enterprises start up and existing social enterprises grow and improve their services.</p> <p>The SEIF is looking to invest around <b>£19m</b> in 2012-13 in health and social care social enterprises delivering high social impact through their services as well as to help social enterprises to become sustainable in the longer term.</p> <p>The SEIF is managed on behalf of the Department of Health by the Social Investment Business, working closely with Local Partnerships.</p> <p><a href="http://www.thesocialinvestmentbusiness.org/our-funds/seif/">http://www.thesocialinvestmentbusiness.org/our-funds/seif/</a></p>
Regional Growth Fund	Catalytic investment	BIS	<p>The Regional Growth Fund (RGF) aims to stimulate long-term economic growth, particularly in areas that are over-reliant on public sector jobs. It wants to see the development of a more</p>

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			<p>sustainable private-sector led economy.</p> <p>The RGF has awarded a <b>£30m</b> grant over three years to the Community Development Finance Association. This will be matched by <b>£30m</b> of finance from Unity Trust Bank and the Cooperative Bank. Community Development Finance Institutions will use the money to provide loans to social enterprises, businesses and individuals who find it difficult to access money through traditional sources. Over three years the RGF aims to create or safeguard over 5,500 jobs.</p>
Business Finance Partnership	Catalytic investment	BIS / HMT	<p>Government is making available <b>£1.2bn</b> through the Business Finance Partnership (BFP) to ease the flow of credit to small and medium-sized enterprises, including social ventures, by diversifying their sources of finance and making them less reliant on bank lending.</p> <p>Up to <b>£100m</b> will be invested through non-traditional channels that lend directly to businesses. These could include mezzanine finance funds, supply chain finance schemes and peer-to-peer lenders. Selected investment channels will be announced in the autumn.</p> <p>The BFP sits alongside other HMG initiatives designed to boost investment in small and medium-sized enterprises, a number of which are available to eligible social investors / social enterprises. These include:</p> <ul style="list-style-type: none"> <li>• Enterprise Finance Guarantee Scheme <a href="http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee">http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee</a></li> <li>• National Loan Guarantee Scheme <a href="http://www.hm-treasury.gov.uk/nlgs.htm">http://www.hm-treasury.gov.uk/nlgs.htm</a></li> <li>• Enterprise Investment Scheme <a href="http://www.hmrc.gov.uk/eis/">http://www.hmrc.gov.uk/eis/</a></li> <li>• Seed Enterprise Investment Scheme <a href="http://www.hmrc.gov.uk/seedeis/index.htm">http://www.hmrc.gov.uk/seedeis/index.htm</a></li> </ul>
<b>Building demand for social investment</b>			
<i>Investment Readiness Programme</i>			<i>The Investment Readiness Programme aims to build the investment pipeline by providing a ladder of support for social entrepreneurs from start-up through to investment and growth. It includes the Investment and Contract Readiness Fund and Social Incubator Fund.</i>
Investment and Contract Readiness Fund	Grant funding	CO	<p>The Investment and Contract Readiness Fund (ICRF) is a 3-year, <b>£10m</b> fund established to build a strong pipeline of social ventures that are equipped to secure new forms of investment or compete for public service contracts.</p> <p>The ICRF provides grants of between £50,000 and £150,000 to ambitious social ventures, with the potential for high growth, to purchase tailored capacity building support to help raise social investment or to bid for public service contracts.</p> <p>The ICRF is managed by the Social Investment Business and is open to applications from social ventures on a rolling basis.</p> <p><a href="http://www.thesocialinvestmentbusiness.org/our-funds/beinvestmentready/">http://www.thesocialinvestmentbusiness.org/our-funds/beinvestmentready/</a></p>
Social Incubator Fund	Catalytic investment	CO	<p>The Social Incubator Fund is a 3-year, <b>£10m</b> fund that aims to help drive a robust pipeline of start-up social ventures into the social investment market by increasing focus on incubation support and attracting new incubators into the market.</p> <p>The Fund will invest in at least 10 social incubators providing</p>

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			<p>space, finance and advice to start-up social ventures. Incubators can apply for up to £375,000 per year towards operating costs for up to four years and between £100,000 and £750,000 per year to contribute to investment books, to be invested as debt or equity in social ventures. The maximum total amount incubators can apply for is £1.5m. Incubators must raise 1:1 match funding from third-party investors to secure investment from the Social Incubator Fund. The deadline for applications for the first year is 30 September 2012 and successful incubators must raise match funding by January 2013.</p> <p>The Social Incubator Fund is managed by the BIG Fund (the non-lottery arm of the Big Lottery Fund).</p> <p><a href="http://www.biglotteryfund.org.uk/prog_social_incubator_fund?regioncode=-uk">http://www.biglotteryfund.org.uk/prog_social_incubator_fund?regioncode=-uk</a></p>
Social Impact Bond Pilot	Payment by results	MoJ	<p>The first Social Impact Bond (SIB) aims to reduce reconvictions among male offenders sentenced to less than 12 months in prison and released from HMP Peterborough.</p> <p>The Peterborough SIB has raised £5m from investors to fund experienced social sector organisations to provide intensive support to 3,000 short-term prisoners over a six year period, both inside prison and after release, to help them resettle into the community.</p> <p>If the initiative, known as The One Service, reduces reconvictions by 10% in any of the three pilot cohorts, or by a minimum of 7.5% overall, investors will receive an outcome payment from the Government. Investors will receive an increasing return for reductions in reconvictions beyond the initial threshold, up to a cap of around <b>£8m</b>.</p> <p><a href="http://www.onesib.org/#/home/4542508805">http://www.onesib.org/#/home/4542508805</a></p>
Innovation Fund	Payment by results	DWP	<p>The 3-year, <b>£30m</b> Innovation Fund uses a social investment approach to deliver payment by results interventions to improve educational and employment prospects for young people. It is testing a range of social investment models and the extent to which they help build the capacity of smaller organisations, particularly voluntary and community sector organisations, to deliver innovative programmes of support. The Fund has commissioned a number of social investment projects that are enabling social ventures to deliver new interventions to support disadvantaged young people. The Fund is now closed for new bids.</p> <p><a href="http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund/">http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/innovation-fund/</a></p>
Social Impact Bond Centre of Excellence	Intellectual Capital	CO	<p>Over the last year, the Cabinet Office has worked with four English local authorities to design social impact bonds (SIBs) targeting troubled families. Insights from these and other SIBs are being used to establish a Social Impact Bond Centre of Excellence to support the development of more SIBs. This will increase opportunities for social ventures to deliver payment by results contracts and create more viable social investment opportunities. The Centre of Excellence will also play an important role in helping to generate good-quality bids to the Outcomes Finance Fund.</p> <p>The Centre of Excellence will maintain dedicated web resources for developers of SIBs and will offer hands-on, tailored support to the most promising SIB propositions.</p>
Localism Act	Regulatory	DCLG	The Right to Challenge and the Right to Bid, both part of the

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Rights to Bid and to Challenge	environment		Localism Act, will open up opportunities for community groups, including social ventures, to bid to run local services and assets. This will create social investment opportunities as community groups seek finance to purchase buildings or to provide working capital to increase capacity to deliver services. <a href="http://mycommunityrights.org.uk/">http://mycommunityrights.org.uk/</a>
Community Right to Challenge Support Programme	Grant funding	DCLG	The <b>£12m</b> Community Right to Challenge Support Programme will support social ventures to conduct pre-feasibility, feasibility and service delivery activity to enable them to bid and effectively deliver local services. Support includes an advice service that will give groups the support they need to develop their capacity, knowledge and skills to maximise their effectiveness to be able to bid for and run local public services. Of the overall budget, around <b>£11m</b> will be given directly to groups in the form of grants. <a href="http://communityrights.communities.gov.uk/what-are-community-rights/community-right-to-challenge/">http://communityrights.communities.gov.uk/what-are-community-rights/community-right-to-challenge/</a>
Community Ownership of Assets Support Programme	Sector development and grant funding	DCLG	The <b>£19m</b> Community Ownership of Assets Support Programme, funded by DCLG and delivered by Locality in partnership with the Social Investment Business, comprises a mixture of support to community groups who want to save valued community assets. Support includes direct grants, an advice service, and help in establishing sector-led networks and accessing peer support. This will help groups prepare for the Community Right to Bid due for commencement in the autumn.
Community Shares Unit	Sector development and intellectual capital	DCLG	The Community Shares Unit Project (CSUP) is a partnership between Co-operatives UK and Locality and is funded by DCLG. The three-year project aims to grow a sustainable community shares market and enable more community enterprises to use share offers as a way of raising equity finance. It will do this by developing market intelligence, promoting community shares, supporting business advisers through training and guidance, and offering a one-stop-shop for community enterprises, investors and practitioners with services such as checking offer documents and providing access to best practice. The CSUP aims to support over 500 new community ventures with the launch of 200 new share issues. <a href="http://www.communityshares.org.uk/home">http://www.communityshares.org.uk/home</a>
Rights to Provide	Regulatory environment	HMG	Government is committed to opening up public services to a diversity of providers. This includes making it easier for employees to spin out of the public sector and set up their own public service mutuals. New Rights to Provide will empower public sector employees to bid or request to take over the service they deliver.  Rights to Provide are being developed and implemented across the public sector. The Right to Provide for employees delivering community health services has been extended to adult social care and NHS Trusts. It is also in the consulting stage in areas including youth services, Sure Start centres and probation services.
Mutual Support Programme	Business Support	CO	The <b>£10m</b> Mutual Support Programme (MSP) provides advice and bespoke professional support both to groups of staff looking to establish public service mutuals and to existing mutual organisations.  The support programme is made up of the Mutuals Information Service website and hotline, and the funds. PA Consulting,

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			<p>leading a consortium of experts in employee ownership, manages the Mutuals Information Service hotline that provides advice and support to fledgling mutuals. The MSP funding, administered by the Cabinet Office, purchases HR, legal, financial, tax, and other professional services to develop the most promising new mutuals.</p> <p><a href="http://mutuals.cabinetoffice.gov.uk/">http://mutuals.cabinetoffice.gov.uk/</a></p>
Credit Union Expansion Project	Catalytic investment	DWP	<p>Following the report of the Project Steering Committee commissioned by the Secretary of State for Work and Pensions to examine the feasibility of expanding and modernising credit unions, DWP has committed to investing up to <b>£38m</b> over the next three years in credit unions. The aim is to support the sector to provide the kind of financial services that people want for up to one million more consumers on lower incomes, and do so in a way that enables credit unions to modernise, expand and become financially sustainable.</p> <p>DWP's investment, which is in addition to <b>£13m</b> invested in 2011/12, will be conditional upon the credit union industry meeting a number of agreed milestones for collaboration, modernisation and expansion.</p> <p><a href="http://www.dwp.gov.uk/other-specialists/credit-union-expansion/latest-news/">http://www.dwp.gov.uk/other-specialists/credit-union-expansion/latest-news/</a></p>
<b>Creating an enabling environment for social investment</b>			
Inspiring Impact	Intellectual capital	CO	<p>Inspiring Impact is a UK-wide collaboration between eight organisations to make high quality impact measurement the norm for charities and social enterprises by 2022.</p> <p>Over the next decade Inspiring Impact will focus on encouraging the adoption of shared approaches to measurement and on developing appropriate, affordable and accessible impact measurement data, tools and systems.</p> <p>The Cabinet Office is providing <b>£100,000</b> to Inspiring Impact over three years, alongside support from Big Lottery Fund, The City of London, Deutsche Bank and the Diana, Princess of Wales Memorial Foundation.</p> <p><a href="http://inspiringimpact.org/">http://inspiringimpact.org/</a></p>
Review of legal and regulatory barriers to social investment	Legal and regulatory environment	CO	<p>Government wants to make it easier to invest in social ventures, whether that is buying shares in a local community shop, lending to a start-up social venture employing disadvantaged people through a new crowd funding platform, or investing alongside others in a dedicated social investment fund. There may be, however, some inconsistencies and omissions in the existing legal and regulatory framework that present barriers to both institutional and individual social investors. Government is reviewing the legal and regulatory barriers to social investment and using the Red Tape Challenge, part of a wider drive to get rid of unnecessary regulation, to develop policy options to break down any barriers highlighted by the review.</p> <p><a href="http://www.redtapechallenge.cabinetoffice.gov.uk/civil-society-social-investment/">http://www.redtapechallenge.cabinetoffice.gov.uk/civil-society-social-investment/</a></p>
Review of financial barriers to social enterprise	Tax and regulatory environment	HMT	<p>As set out at Budget 2012, HM Treasury is currently undertaking an internal review of the financial barriers to social enterprise.</p>

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Revisions to Community Interest Tax Relief	Tax environment	HMT	<p>The Community Interest Tax Relief (CITR) scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and social enterprises in disadvantaged areas by investing in accredited Community Development Finance Institutions (CDFIs).</p> <p>CITR is available to individuals and companies and is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.</p> <p>CITR was revised in March 2012 to relax on-lending requirements and to allow investors to carry unused relief forward. These revisions to CITR will make investing in CDFIs more attractive for the investor and make it easier for CDFIs to use CITR for the first time.</p> <p><a href="http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/community-investment-tax-relief">http://www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/community-investment-tax-relief</a></p>
Funding Central	Sector development	CO	<p>Funding Central is a free website for charities, voluntary organisations and social enterprises. It provides access to thousands of funding and finance opportunities, as well as tools and resources supporting organisations to develop sustainable income strategies.</p> <p>Funding Central is managed by the National Council for Voluntary Organisations in partnership with Idox Information Solutions Ltd and is funded by the Cabinet Office. It covers national funding and finance opportunities for voluntary and community organisations operating in England from European, national, regional and local government and charitable sources.</p> <p><a href="http://www.fundingcentral.org.uk/default.aspx">http://www.fundingcentral.org.uk/default.aspx</a></p>
Merlin Standard	Business environment	DWP	<p>The Merlin Standard has been established by the Department for Work and Pensions to promote sustainable excellence and positive partnership working within supply chains, encouraging prime contractors to promote, facilitate and actively support the development of SMEs and social ventures in their supply chains, and assist supply chain partners to access additional funding streams and support services to build capacity.</p> <p><a href="http://www.merlinstandard.co.uk/index.php">http://www.merlinstandard.co.uk/index.php</a></p>

**Guide to departmental abbreviations:**

CO – Cabinet Office

BIS – Department for Business, Innovation and Skills

DCLG – Department for Communities and Local Government

DH – Department of Health

DWP – Department for Work and Pensions

HMT – HM Treasury

HMG – Government wide initiatives

MoJ – Ministry of Justice