

Growing the Social Investment Market – a vision and strategy (Summary)

Social ventures’ role in a bigger society, and why they need better finance

- Social entrepreneurs lead organisations that find solutions for entrenched social problems
- Social ventures generate social value in a way that is financially self-sustaining
- Strategy definition of social ventures includes community organisations, charities, social enterprises, and social firms.
- Their involvement will empower communities, open up and decentralise public services and provide a stronger conduit for social action
- Social ventures need easier access to capital to do more

Government vision for a dynamic social investment market

- Vision is a long-term ‘third pillar’ of finance for social ventures
- Social investment blends financial return with social return
- People could choose social investments as part of their ISAs or pension fund
- It could help unlock a slice of the £95 billion of UK charitable income and endowment assets for social investment

The social investment market now – progress to date, symptoms of fragility and underlying causes

- An embryonic market has grown and in 2010 made nearly £200 million of social investments
- There have been many examples of successful social investment such as KIDS, East Lancs Moneyline and Alt Valley Community Trust
- It is held back by some important barriers and it is in the national interest to accelerate the growth of social investment

A framework for action

- A better enabling environment is needed for social investment
- The Government’s plans to open up and decentralise public services offer new opportunities for social ventures to deliver public contracts and to help people buy community assets

- Government plans to create incentives for prime contractors to invest in their sub-contractors
- The use of Payment by Results will be expanded
- Government can review the effectiveness of tax incentives and the regulatory and legal framework
- Draft Charity Commission guidance gives greater clarity on seeking a social return on charitable investments
- Government can do more to help those building the infrastructure of the market, including making it easier for social ventures to find the support they need to become 'investment ready'

The Big Society Bank

- The Big Society Bank will leverage in new finance and speed the growth of the market
- It will also catalyse advice and assistance and act as a portal to connect front-line social ventures with sources of investment
- It will help social ventures to do more to build a stronger society
- Government will work with leading social investment experts to develop a proposal for establishing the Big Society Bank as an independent, private sector organisation
- The bank will be capitalised with a £200 million injection from the largest UK banks and from dormant accounts
- It must have a clear set of operating principles, be independent from government, act as a wholesaler, have clear and transparent reporting arrangements and be financially self-sufficient

Next steps

- Development of the social investment market will be a collaborative effort
- Social ventures that want to benefit will have to become investment ready
- Investment advisers must seriously consider social investment products as and when they emerge
- Responsible savers can take the market to maturity, making a positive social contribution through personal financial choices