

# Understanding Social Investment

21<sup>st</sup> September 2022



Eastside  
Primetimers



Charities Aid Foundation



SWIM  
ENTERPRISES



# Webinar Speakers

- Jo Wedderspoon, Senior Development Manager, CAF Venturesome
- Anne-Helene Sinha, Senior Investment Manager, CAF Venturesome
- Jo Simpson, Senior Development Manager, Eastside Primetimers
- Kumar Ghosh, Social Investment Manager, Barrow Cadbury Trust and a specialist Consultant for Eastside Primetimers
- Peter Merrifield, CEO, Support When it Matters (SWIM).

# To Ask A Question During the Webinar

1. Click on the “Questions and Answers” button on your Zoom toolbar
2. Type your question(s) in the box at the bottom of the pop-up window
3. Click the [Send](#) button
4. We will be notified that have asked a question and will answer it in the Q&A session at the end

A screenshot of the Zoom Q&A input form. It features a text box with the placeholder text 'Please input your question'. Below the text box is a checkbox labeled 'Send Anonymously'. A blue 'Send' button is located at the bottom right of the form and is highlighted with a red square.

September 2022



# CAF Venturesome

*DEMYSTIFYING SOCIAL INVESTMENT*







# What is social investment?

Social investment is the use of money to achieve both a social and financial return.

Social investment is not a stand-alone grant. In most cases it is money that will need to be paid back with interest. Some social investors offer grants alongside loans in “blended finance” packages.

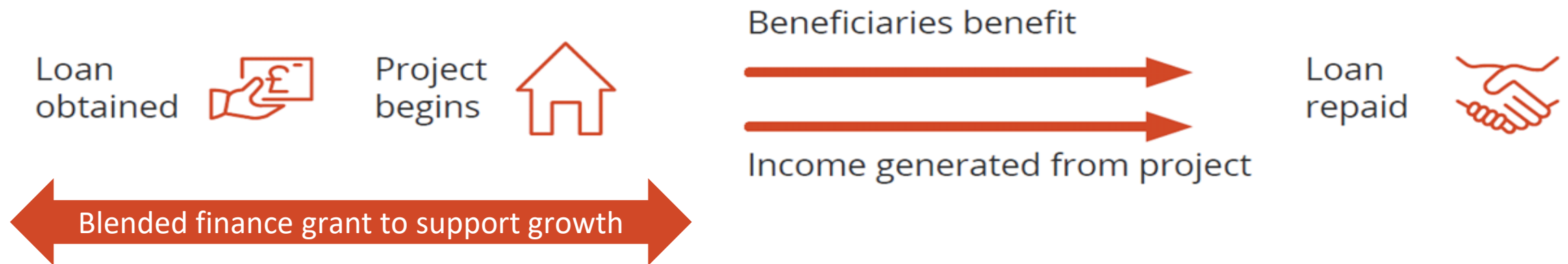
At CAF social investment recycles capital provided by our generous funders. We lend money to charities, social enterprises and community groups and, as they repay us, we use the same money to make loans to other organisations in the same situation.

Why you would consider using  
social investment



# Social investment can help you in the following ways

- To bring forward benefits for your beneficiaries
- To have funds to draw on while you wait for a contract or promised grant payment
- To be partly self-financing
- To make your funds go farther or to match-fund a grant
- To launch a new project to generate income



# Social investment vs borrowing from a bank



- Higher interest rate
- But, social investment offers patient, flexible finance, possibly with a grant layer
- Mostly unsecured
- Focus on social impact
- Offers support with strategy and governance
- Understands charities and social enterprises as most social investors are charities or social enterprises too



- Most high-street banks and social banks offer a lower interest rate
- But, they need to hold something, mostly a property, as security
- Focus on financial return



# What you need to think about

- **What social impact will you have.**

Delivering social impact is the most important thing for social investors, you will need to show the social impact you're delivering through your product or service.

- **How much do you need?**

This will decide which type of social investment you can take on and the type of investor you should contact. Some social investors will not consider applications above and below certain amounts.

- **How you will generate the money to repay the social investment.**

You may have a range of activities, some of which generate a surplus and some parts of your organisation may have no revenue stream and will always need grants to fund. You must make sure you have a plan to repay the money.

- **Have a clear plan or business model.**

It's important that you're clear on your business model so that social investors can understand what your business is about from a quick glance at your plan.

- **What legal structure will you be?**

Certain legal structures, such as CLSs (Company Limited by Shares) cannot use philanthropic capital, CLGs (Company Limited by Guarantee), prevent organisations issuing shares, which rules out equity investment, while others like CICs (Community Interest Companies) will restrict your rights to dividend (profit) distribution. You will need to understand what types of investment you will or will not be able to access due to your organisation's legal structure.

Finding the right social investor



# How do you know which social investor to chose?

- You need to find a social investor that can support your organisation or project throughout the life of the loan.
- Some will be UK wide, others regional.
- Some can offer more, some less.
- Interest rates will vary and make sure you understand the interest rate terms.
- Some social investors can offer a grant alongside the loan.

The best place to start is the [Good Finance Directory](http://www.goodfinance.org.uk)  
[www.goodfinance.org.uk](http://www.goodfinance.org.uk)

Good Finance is a collaborative project to help improve access to information on social investment for charities and social enterprises.



# About CAF Venturesome



# The social investment team at CAF

CAF Venturesome is the pioneering social investment team at Charities Aid Foundation. We are unique in the UK as we use philanthropic capital to support social enterprises, charities and community organisations to sustain and grow their impact.

We are one of the oldest and continue to be one of the most active social investment funds in the UK.

Our social investment funds are designed for social organisations that would find it hard to borrow from a main stream lender or social bank.

## Since 2002 we have

- Offered 705 loans (mostly unsecured), standby facilities, quasi-equity and social impact bonds totalling **£62m**
- Made 40 blended finance grants (since 2020) totalling **£1m**.
- Supported over 500 charities, social enterprises and community groups.

And we are recognised as the most active social investor\* in our area of the social investment market (lending £25k - £400k).

\* Latest Big Society Capital data to end 2020

# What we offer

## Early-stage social enterprises

### SE-Assist Wales Fund

We offer blended finance packages (part 0% loan / part grant) which can be used to help social enterprises grow, become more sustainable or increase business capacity.

For social enterprises, as well as entrepreneurial charities, meeting a local social or environmental need.

### Social Business Impact Programme Pilot

The Pilot will offer 10 blended finance packages (part 0% / part grant) to social enterprises led by women from diverse backgrounds in deprived areas of Greater London. We will work in partnership with Hatch Enterprise to deliver a 6-month programme of non-financial support (provision of knowledge, mentorship and workspace). **PILOT CLOSED**

## Growth stage charities & social enterprises

### Development Fund

The Development Fund provides social investment to build the capacity of high-impact social organisations working both in the UK and internationally, as long as they are based in the UK.

Our range of social investments now includes:

- Unsecured & secured loans (loans from £25,000 to £400,000, repayable up to ten years at approximately 6.5%)
- Blended Finance packages (part loan / part grant)
- Charity Bonds
- Social Impact Bonds
- Quasi Equity

## Community-led Housing Projects

### Community Led Housing Fund

We support all forms of community-led housing schemes through our Community Led Housing Fund.

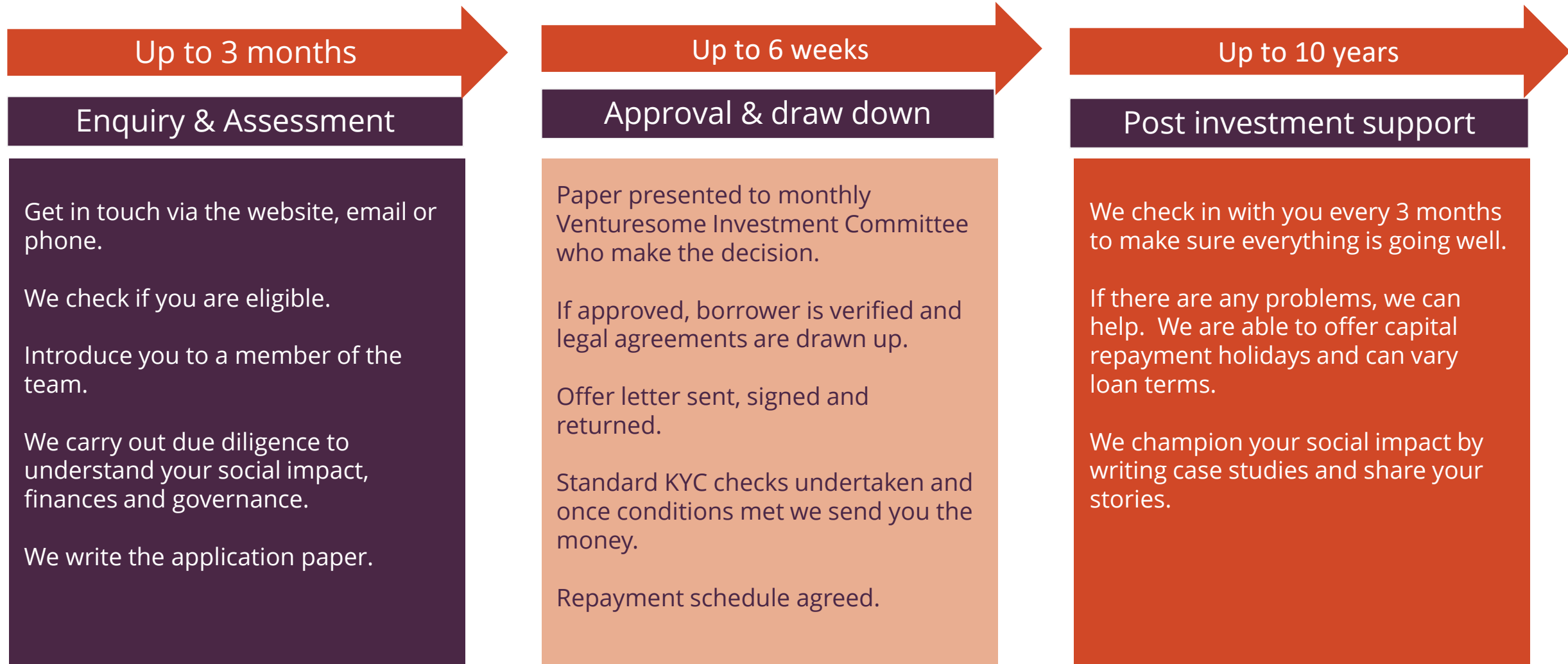
We can help with affordable, flexible finance at every stage of a project up to £400k and including blended finance at the planning stage.

This can involve a new build, regeneration project or refurbishment of existing buildings.

# Why talk to CAF Venturesome

- We are a charity, and we understand the challenges that social organisations face.
- We can take a higher level of risk as we are supported by funders who want to use their charitable funds to achieve a social and a financial return.
- We have one of the lowest interest rates in the market at 6.5% (which can vary depending on your circumstances).
- We are flexible. We know your needs will change over the course of the loan. We can vary repayment schedules where necessary and don't charge early repayment fees.
- We can offer blended finance (part loan / part grant) to help recover from the pandemic.
- We offer standby facilities to ensure there is money to draw down in case contract payments are delayed.
- We work in partnership with you and our team is always ready to help

# How it works





# Some tips to help you

Be able to tell us clearly why you need the money and how you will repay it.

Make your  
social  
impact  
stand out

Check your governance.  
Is it correct, is it stable?

Make sure you can  
produce up to date  
management accounts

Know what your  
legal structure is.  
Is it right for you?

Do you need some more help to get investment ready? We can introduce you to the Reach Fund, where you could get a grant of up to £15k for consultancy advice.

# Social Investment from a Foundation Perspective



- About 40 trusts and foundations have made, or are interested in, social investments
- Allocate a portion of their endowment portfolios to social investment – typically 5%
- Social impact themes vary according to the social mission of each foundation
- Social investments may have a geographical focus
- Offer a broader range of investment types
- Interest rates can be lower
- Investment periods can be longer





# Social Investment from a Barrow Cadbury perspective

- In 2010 the Trust decided to use part of its endowment (5%) to invest in charities and social enterprises
- Since then, the Trust has agreed 40 social investments totalling £8.6m
- The current portfolio consists of 21 investments with £3.4m invested
- Aim to both develop the social investment market and to promote social justice through its social investments
- In particular, the Trust will make social investments which i) drive up beneficial social impact ii) provide risk capital to test new models of investment and working iii) catalyse present and future funding and iv) if a local project more likely to invest if in and around Birmingham reflecting the origins of the Trust
- Usual range of social investment amounts is between £50,000 and £250,000 with maturity dates of between 3 and 10 years

## Foundations – Co-investing: Refuaid

- Refuaid supports access to language tuition, education, finance, and meaningful employment. Its Equal Access Loan Programme provides interest-free loans to people with UK refugee status who are unable to pay for the cost of completing the licensing or training needed to work in their professional field in the UK.
- Interest free loans from Joseph Rowntree Foundation and Comic Relief (Red Shed) to fund Equal Access Loan Programme
- Barrow Cadbury Trust and Esmée Fairbairn Foundation introduced to Refuaid by above foundations



## Foundations – Co-investing: Refuaid

- Esmée Fairbairn Foundation and Barrow Cadbury Trust respectively made a £200,000 and £100,000 six year, interest free loan, to Refuaid for its Equal Access Loan Programme.
- The £300,000 co-investment was co-designed with Refuaid to enable greater impact: for the first 4 years of the investment term, loan repayments could be redrawn and recycled to be re-lent to new borrowers. The maximum Equal Access Loan amount is £10,000.
- Esmée Fairbairn also provided a grant of £55,000 to Refuaid to enable the hiring of a Placement Lead to launch Refuaid's recruitment arm to secure work placements for its clients.



# Eastside Primetimers – What do we do?

## Consultancy

- Strategy
  - Mergers and Partnerships
  - Governance
  - Digital
  - Impact Measurement and evaluation
  - Income generation and Fundraising
  - Social Investment
  - Market Research
- 

## Recruitment

- Permanent recruitment
  - Interim management
  - Executive search
  - Board recruitment
-

# Eastside Primetimers - Social investment support



Unlocking grants and loans to help organisations grow by:

- Signposting and raising awareness of financing options
- Making introductions to investors and funders
- Supporting applications to investment readiness grants i.e the Reach Fund
- Developing strong proposals
  - Business planning
  - Financial modelling
  - Outcomes modelling
  - Articulating social impact
  - Demonstrating market/need.
- Deal structuring
- Ensuring smooth process from start to finish (relationship management)

**Over £191m raised in contracts, social investment and other funds.**

# The Reach Fund



Getting funding flowing into the sector by funding and testing a model of investment readiness with the “access point” investor and recipient at the heart of the model.  
Enables recipient organisations to respond to challenges of expertise and/or capacity.

## Outcomes (March 2021)

- £8.52m awarded in grants
- 384 grants awarded (2018 -2020)
- £13.6 Average grant size
- 58% raised investment post receipt of Reach fund grant
- 81% Investors said Reach fund helped getting good deal approved.

Now extended until 2025/6 with £10 million in the pot.

[www.reachfund.org.uk](http://www.reachfund.org.uk)



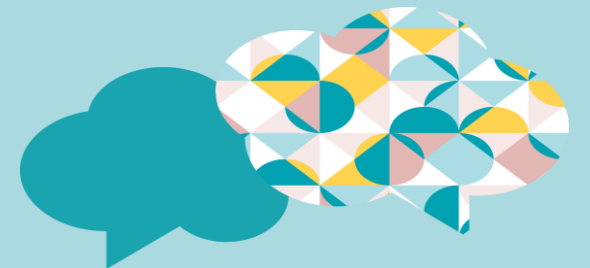
# Testimonial – Chantonbury Community Leisure



*“From the initial consultation through to the confirmation of support, the process was made incredibly smooth by Eastside Primetimers. The professional approach enabled CCL to successfully apply for an Access Reach Grant, which in turn provided the charity with the services of Eastside Primetimers..... Mike proved to be extremely knowledgeable regarding our sector which greatly assisted in formulating the bid to CAF Venturesome.*

*Despite the constraints brought about by the uncertainty surrounding the easing of lockdown and the associated impact of COVID-19, Mike produced a thorough short-to-medium-term strategic business plan for the charity, covering the multiple strands of our business and ensuring that relative sensitivities were applied throughout.”*

CCL secured £150K blended finance from CAF Venturesome



A photograph showing a group of volunteers at a food bank. In the foreground, a young Black woman with braids is looking down at a clipboard held by a man. To her right, an older white woman with glasses and a green t-shirt is smiling and holding two metal cans. A name tag on her shirt says "VOLUNTEER". In the background, another person is visible near a brick wall. There are cardboard boxes and green bags filled with food items.

How we've helped others

# Case study: Support When It Matters (SWIM)

A London, based community interest company, SWIM's work serves two groups: older black men leaving the justice system and/or with experience of substance misuse, and the wider African, Caribbean and Dual Heritage (ACDH) community.

## HOW WE HELPED THEM

- £110,000 blended finance package - £77k unsecured loan / £33k grant in 2022.
- Introduction to the Reach Fund to apply for a grant to access pre-investment consultancy support from Eastside Primetimers.
- The social investment was made to allow SWIM to recruit new team members, including a Business Development Manager, Executive Assistant and front-line staff.

## OUTCOMES

- Already recruited a Business Development Manager, who within 2 weeks of appointment is working on three funding proposals for £190k.
- Recruited a Virtual Assistant to support the Chief Executive, allowing him to concentrate on strategic planning.
- Currently recruiting a new Board Director.



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*"We are a relatively young, but growing organisation. The experience of working with Venturesome has given us a greater understanding of the importance of strong governance and financial transparency to help us attract new contracts and funding."*

Peter Merrifield-Chief Executive



# Questions and Answers





# Transforming Organisations. Transforming Lives.

For further information contact:

Jo Simpson

[jo@ep-uk.org](mailto:jo@ep-uk.org)

<https://ep-uk.org/services/social-investment>



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**THERE'S NO SUCH THING AS A SILLY  
QUESTION!**

**ASK US ANYTHING.**

**Or email us afterwards at [venturesome@cafonline.org](mailto:venturesome@cafonline.org)**

