The First Billion
A forecast of social investment demand

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September 2012
Foreword by Nick O'Donohoe

The UK is emerging as a pioneer in the use of private finance to deliver social good.

We boast an innovative social investment sector that created the world's first social impact bond; are witness to a growing ecosystem of social enterprises, financial intermediaries, and engaged investors; and enjoy broad-based political support for the social investment agenda. Closer to my heart, we are also home to a well-capitalised social investment wholesaler in the form of Big Society Capital, the world's first institution of its kind.

A key question in my mind, as Big Society Capital makes its early investments, is what the market might look like in a few years time, and how big it might be.

These are the questions this report tackles head on. For the first time, this report provides us with a clear and logical approach to understanding the drivers of social investment demand. It applies this logic to provide a bottom-up forecast of what potential demand might be in the future. And it lays out the actions that we must take if this demand is to be translated into real, tangible deals that help the social sector to scale up and make an even more powerful difference to tackling social problems.

Those of us with a stake in this market have always believed that it has a huge potential. From a base of just £165M of deals in 2011, this report shows us that demand could reach £750M in 2015, and around £1B the following year, if current trends endure. This is encouraging news. Now we just need to make that demand real, and ensure the supply of capital is there to meet it.

Nick O'Donohoe
Chief Executive, Big Society Capital
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This report and the survey upon which it draws were commissioned by Big Society Capital. The data was provided on condition that it was kept confidential by The Boston Consulting Group. It was provided on an aggregate basis only to Big Society Capital.
Executive summary

The social investment market is developing at pace. With the launch of Big Society Capital in April, increasing interest from commercial and other investors, and growing demand for capital from social organisations, there are reasons to be cautiously confident. In this context, Big Society Capital commissioned The Boston Consulting Group (BCG) to assess the future of social investment demand.

The goal of this report is, therefore, to provide the first overview of potential social investment demand in the coming three to four years, broken down into economic sectors and financial products. In addition, it lays down a clear logic for how social investment demand can be estimated from a series of related drivers. These are:

- Total market size for each economic sector
- Share of the market captured by social sector organisations
- Capital intensity of each sector
- Share of social investment in the total capital requirements of social organisations

We estimated the inputs for each of these across ten economic sectors and 26 sub-sectors, based on around 40 interviews with market players and a trawl of publicly-available data. From this, we found that the demand for social investment could rise from £165 million of done deals in 2011 to £286 million in 2012, £750 million in 2015 and to as much as £1 billion by 2016. This is a sizeable increase from today, but still only around 1% of the market for small business loans.

The rapid growth in demand, forecast to be on average 38% per year, is a result of a series of favourable trends: Growing outsourcing of public services to private and social providers; a new statutory requirement for commissioners to consider social value when awarding contracts; and a shift towards higher-risk models of payment, such as payment by results, that will encourage social organisations to favour social investment over the commercial variety.

The challenge, however, will be translating this potential demand into actual demand, and then from there into real social investment deals. There is a continued need for strong, positive action from donors, commissioners, investors, and market intermediaries. These include:

- A greater willingness by investors to accept higher levels of risk from social investments
- Increased specialisation of intermediaries in economic sectors, such as in community enterprises or in health, or in functional areas, such as brokerage or impact measurement
- New forms of "value sponsorship" to replace block grants, i.e. increased purchasing of goods and services from social organisations by government commissioners, foundations, philanthropists, conscious consumers and socially-minded businesses

Overall, this research provides reason to be cautiously positive. It provides evidence to support the contention that many believed out of faith: social investment is a market ready for growth.
1. Introduction

*Lighting the Touchpaper*, a report commissioned in 2011 by Big Society Capital and conducted by The Boston Consulting Group and the Young Foundation, captured the first comprehensive snapshot of social investment in England, including the range of players and the value of deals completed in the previous 12 months.

Since then, Big Society Capital, the first social investment wholesaler in the world, has opened its doors; Deutsche Bank has become the first commercial investor with a dedicated social investment fund; Allia and the Charities Aid Foundation (CAF) have launched or further developed programmes that may enable retail investors to contribute; the European Investment Fund has made a direct investment in the UK social investment market; and at least £20m has been made available to fund investment readiness and incubation programmes so that many more social enterprises can become "investible".

The pieces are in place for a significant acceleration in the growth of the social investment market. The question is: how significant? In this context, Big Society Capital commissioned The Boston Consulting Group to assess the future potential for social investment demand in England in 2015 and beyond.

This report represents the first attempt to forecast social investment demand from the bottom up, based on more than 40 interviews with market players. It also provides a view of the relative importance of different sectors and of the different external factors that drive demand. Finally, it lays out some of the challenges that the market will need to overcome if forecast future demand is to materialise, and is to be met by a comparable level, and type, of social investment supply.

1.1 Definition of social investment: A refresher

The definition of social investment continues to be a subject of confusion. Social investment, sometimes known as impact investment, is the provision of finance to organisations with the explicit expectation of a social, as well as financial, return. This could be provided through a range of financial products, from debt to equity. As stated in *Lighting the Touchpaper*, the key criteria that define social investment are:

(1) that the social returns, such as finding work for the long-term unemployed or providing care to the over 65s, are clearly defined *a priori* and are not an incidental side-effect of a commercial deal.
(2) that the investor expects a financial return. To draw a bright red line between social investment and variants of philanthropy, we advocate for social investment to include only finance that is anticipated to deliver at least a 0% return (i.e., repayment of capital).

Even under this definition, there remain some areas of ambiguity that we need to clarify for the purposes of our quantitative study. We have attempted to provide this clarification by reference to investor motivation and investee type. The following schematic shows the range of financing options for different types of organisation:

Exhibit 1. The five types of finance

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Organisation type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commericially-motivated</td>
<td>4</td>
</tr>
<tr>
<td>Socially-motivated</td>
<td>2</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>1</td>
</tr>
</tbody>
</table>

In general, organisations are either commercially-motivated or socially-motivated. In the former category lie almost all private sector organisations and certainly any whose main aim is to maximise profits. The latter category covers social organisations, such as Charities, Community Interest Companies or Community Benefit Societies. It may also cover private companies with an explicit social purpose and a limit on the distribution of profit to shareholders: for example, Big Society Capital’s Governance Agreement, to be published shortly, sets out the circumstances in which private companies may receive social investment originating from their funds.
Investments are either commercially-motivated, targeting pure financial returns, socially-motivated, targeting a combination of social and financial returns, or philanthropic, targeting social returns only. Most commercially-motivated investments are made by banks and investment funds on behalf of individual and institutional investors. Socially-motivated investments are typically made by social banks (such as Triodos or Charity Bank); social investment intermediaries (e.g., Bridges Ventures, CAF Venturesome) on behalf of socially-motivated individual, corporate, or governmental investors; or by Foundations (e.g., Esmee Fairbairn). Finally, philanthropy is provided by a mix of individual, corporate, and Foundation-based donors to social organisations, either with restrictions on its use or without.

This combination creates five types of finance, which are discussed fully in Appendix A: The five types of finance. This report is focused only on socially-motivated investment in socially-motivated organisations (i.e., Type 2 finance). This coincides with Big Society Capital’s scope of activity in the market.

The advantage of the "Five Types of Finance" approach is that it provides a clear and unambiguous way to segment the investment market between philanthropy, commercial investment, and social investment. It is easy enough to distinguish a socially-motivated investment from a commercially-motivated one, and a socially-motivated recipient from one focused on profit generation for shareholders.

However, this is not the only way of defining social investment. Another approach would be to abandon the emphasis on the organisation type of the recipient and replace it with a focus on the amount of social impact created. This could open up new opportunities for delivering social benefit, for example by using commercial enterprises as a vehicle for achieving social good. This idea is briefly explored at the end of Section 3, but is otherwise excluded from this report.

1.2 Uses of social investment

Social organisations are, in some ways, like any other. They earn revenues by providing goods and services, incur costs from their purchases, and require capital to fund any gap between the timing of cash inflows and cash outflows. Any organisation that is able to credibly promise to repay its investors with an appropriate level of interest should be able to access funding from the commercial capital markets (including high street banks). Since social investment, by definition, targets financial, as well as social returns, it is not immediately apparent why social organisations with viable business models should seek finance from social, rather than commercial, investors.
There are, nevertheless, three compelling reasons for social organisations to use social investment: Social investors have a superior understanding of social business models; they are able to take risks on innovations with primarily social, rather than financial, returns; and they are more willing to entertain trade-offs between social and financial goals than their commercial counterparts.

Sometimes, social organisations might lack access to commercial finance because their business model is non-viable, in which case no form of finance can help. Alternatively, they may be the victim of a failure in the commercial capital markets. This could occur because the organisation lacks a sufficient track record of delivery; has a social mission that causes concern among commercial lenders; exists in a segment that commercial lenders cannot serve at scale; or requires a long lead time to repay their investors. In this case, social investors can add financial, as well as social, value by financing organisations that are viable on purely commercial grounds, and yet would not have received investment from commercial lenders. Social investors are able to do this because they are more patient with their capital, more engaged in their investees, and more knowledgeable about social business models than commercial investors are.

The second reason for social organisations to use social investment is where their potential financial returns do not compensate for their level of risk. This is especially true in the case of innovative social enterprise start-ups with untested business models. Unlike start-ups that receive venture capital funding, social start-ups will almost never become billion-pound companies. Thus the standard approach to financing start-ups, which relies on one in ten or one in a hundred fledgling businesses becoming superstars, does not apply. However, although these firms may never create vast financial value, they might develop new approaches that create transformative social value. Social investors may, therefore, be willing to invest in these organisations to support greater experimentation, and, therefore, innovation in the social sector.

Finally, social investment can be an attractive form of finance even for social organisations that are able to secure commercial lending. This is because social investors share with their investees an overall desire to create social impact. By taking on social capital, organisations can align their mission with that of their financiers. Where trade-offs emerge between financial and social returns, commercial investors are likely to force a resolution in favour of profit, whereas social investors would have a more balanced view. The sales of Body Shop to L’Oreal, Innocent to Coca-Cola, and Green & Black’s to Cadbury Schweppes have shown how a transfer of ownership to more commercially-oriented investors can sew doubt around the future of those companies’ social missions.
2. Forecast demand for social investment

2.1 Methodological note

Our forecast is largely built bottom up, which means that we have modelled future potential social investment demand within ten separate economic sectors, such as health and education, split further into 26 sub-sectors, such as community health or further education (see figure 2 below). We did this separately for each sub-sector and added them up to provide an overall picture.

Within each sub-sector, we developed a logic flow that links the sector's market size to the capital requirement of socially-motivated organisations via an estimate of the market share captured by these organisations and their capital intensity. By modelling capital requirements on these organisations' balance sheets in both 2012 and 2015, we could then back-calculate the amount of investment that these organisations would require in each year to reach their 2015 total. Finally, we divided this investment into the finance that would likely be provided by commercially-motivated investors and that which would be demanded from socially-motivated investors. The result of this calculation is equal to the forecast social investment demand for any given sub-sector. A full description of our methodology can be found in Appendix B: Forecasting methodology.

The advantage of this approach is that we are able to show a link from the detailed parameters, gathered through interviews with around 40 market participants and extracted from public data sources, to the macro picture of total demand. All of our 260+ parameters are available for public scrutiny in Appendix C: Sector breakdown. By contrast, the disadvantage of a bottom-up methodology is that, although we chose our 26 sub-sectors to reflect the most important areas of current activity for socially-motivated organisations, it is far from a fully comprehensive view. In particular, it leaves out many potentially important areas, such as carers' services, school development, support services for victims of crime, and business-to-business markets, to give just a few examples.

For some other socially-relevant economic sectors, including food and farming, energy and environment, arts, culture and heritage, sport and leisure, religious and some forms of social housing, we used a simple top-down approach to forecast future social investment demand. This involved applying the 38% average growth rate for the 26 sub-sectors studied to a 2011 baseline value for demand in the other sectors. This baseline was derived from the data collected for last year's report, Lighting the Touchpaper.
2.1 Demand growth forecast

We found market participants to be bullish about the future. From around £165M of social investment deals made in 2011, our study shows that demand for social investment could rise to £286M in 2012, and then to £750M in 2015, finally reaching around £1 billion by 2016 if trends continue as forecast.\(^v\)

This pace of growth, equivalent to 38% annually, is not for the faint of heart. Yet even at £1 billion, demand for social investment will only be equivalent to the amount that charities borrow annually today from commercial lenders (by our calculations), or just over 1% of the market for small business loans.\(^vi\) It is also a small fraction of the market for public service contracts. And it will amount to just one third of the £3 billion that Big Society Capital hopes to ultimately inject into the market by leveraging its own £600M reserves, though this is a cumulative figure.

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### Exhibit 2. Sectors and sub-sectors included in bottom-up demand forecasting model

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Sub-sectors</th>
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</thead>
<tbody>
<tr>
<td>Ageing</td>
<td>Personal Care for over 65s (residential setting)</td>
</tr>
<tr>
<td></td>
<td>Personal Care for over 65s (domiciliary setting)</td>
</tr>
<tr>
<td>Disability</td>
<td>Personal Care for children with disabilities</td>
</tr>
<tr>
<td></td>
<td>Personal Care for working aged adults with disabilities</td>
</tr>
<tr>
<td>Education</td>
<td>Special Educational Needs (not incl. special schools)</td>
</tr>
<tr>
<td></td>
<td>Special Schools</td>
</tr>
<tr>
<td></td>
<td>School service market</td>
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<tr>
<td></td>
<td>Further Education and Skills</td>
</tr>
<tr>
<td>Children and families</td>
<td>Early Years (2 y.o. childcare provision for disadvantaged families)</td>
</tr>
<tr>
<td></td>
<td>Early Years (Surestart centres)</td>
</tr>
<tr>
<td></td>
<td>Looked After Children</td>
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<tr>
<td></td>
<td>Young people (e.g. youth clubs)</td>
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<tr>
<td></td>
<td>Troubled Family interventions</td>
</tr>
<tr>
<td>Criminal justice</td>
<td>Reoffending - services in prison</td>
</tr>
<tr>
<td></td>
<td>Reoffending – services in community</td>
</tr>
<tr>
<td>Employment</td>
<td>Employment services for long-term unemployment and marginalized groups (work programme)</td>
</tr>
<tr>
<td></td>
<td>Employment services for young people</td>
</tr>
<tr>
<td>Healthy living</td>
<td>Community health</td>
</tr>
<tr>
<td></td>
<td>Drug and alcohol treatment</td>
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<tr>
<td></td>
<td>Adult mental health (non-acute)</td>
</tr>
<tr>
<td>Financial inclusion</td>
<td>CDFI-type lenders</td>
</tr>
<tr>
<td>Community</td>
<td>Enterprises run with ex-public sector assets</td>
</tr>
<tr>
<td></td>
<td>Enterprises run with ex-private sector assets (e.g. right to bid)</td>
</tr>
<tr>
<td></td>
<td>Renewables / broadband / infrastructure</td>
</tr>
<tr>
<td>Housing</td>
<td>Community housing models</td>
</tr>
<tr>
<td></td>
<td>Homelessness services</td>
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</tbody>
</table>
2.2 Drivers of demand growth

The methodology that we applied to forecast social investment demand (as described in section 2.1 and detailed in full in Appendix B: Forecasting methodology) is built on a series of drivers. These break down overall demand into its component parts, for which assumptions could more easily be developed and tested. The four drivers we assessed are:

- **Driver 1 - Market size** for 26 sub-sectors within ten economic sectors that have a strong presence from social sector organisations.
- **Driver 2 - Market share of social organisations** within each sub-sector. This includes organisations such as charities, social and community enterprises, or private companies with a clear social mission and limits on profit distribution
- **Driver 3 - Capital intensity of social sector organisations**, reflecting the different requirements for up-front finance in different industries to support their investment and working capital requirements

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1. From *Lighting the Touchpaper: Growing the Market for Social Investment in England*
2. Sector breakdown in *Lighting the Touchpaper* not fully aligned to the sector breakdown used in this report
- **Driver 4 - Share of social investment in total investment demand from social organisations.** This subtracts from social organisations' total investment need the proportion that is met from private lenders, capital reserves, or grants, (i.e. Type 1 and Type 4 finance, see Appendix A: The five types of finance)

Our research found that the forecast demand growth is driven by favourable trends across all of these drivers, except capital intensity, which we assume to remain broadly constant.

First, we found that the **total market size** of socially-oriented economic sectors is likely to rise, driving around 37% of the growth in demand for social investment. To understand this driver, it is helpful to first review the nature of socially-oriented market sectors. These are typically characterised by a separation between the beneficiaries of goods and services and those that pay for them. For example, healthcare is dominated by a government commissioner (the NHS) that pays for health services on behalf of patients. In these cases, we label the party that pays for the services the "value sponsor".
Most of the value sponsorship that pays for services in the social sector is provided not by the end beneficiaries, but by government, foundations, and socially-minded "conscious" consumers and businesses. Up to now, the government has been by far and away the largest source of value sponsorship for social organisations, primarily through the outsourcing of public services. For this reason, we have focused on sectors of the economy where the government has become, or plans to become, a value sponsor for the services provided by social organisations - in other words, where the government offers, or will offer, contracts that these organisations might win.

In terms of our forecast, we project that, while the government will continue to open more of its expenditure to tender from private and social organisations, this will coincide with a decline in its overall spending envelope. In most sectors, the two trends will cancel out. However, two sectors that are expected to have significant growth in underlying market size are estimated to be community enterprises and housing, driven by the growth of asset transfers from the public to the social sector, via the Right to Bid scheme. This will create the need for them to drum up capital quickly, driving demand for social investment.

Even more important than market growth, however, will be the growth in the **share of each market that social organisations are likely to capture.** In the 26 sub-sectors studied, we forecast the market share of social organisations to rise from 22% to 32%. This means that more government contracts, more private spending, and more corporate social investment will be directed toward charities and social and community enterprises than ever before.

A number of important trends support this view:

- **Explicit statutory recognition by government** of the desirability of directing public service contracts towards organisations that create broader social value. This has had the knock-on effect of encouraging private contractors to sub-contract services to social organisations

- **Continued spin-outs of public services to employee-owned mutuals** through the Right to Bid and Right to Provide programmes

- **Increasing professionalisation of the social sector,** driven in part by early experience with the rigours that accepting social investment implies. This will also be helped by the launch of several funds that aim to improve the quality of management and business models in the sector, such as the Investment and Contract Readiness Fund
• **A small, but significant, shift in the mix of government contracts** towards areas more favourable to social organisations (for example, criminal justice outcomes rather than business process outsourcing)

• **Emergence of the concept of "conscious spend" by socially-minded consumers and businesses**, where purchasing power is targeted either directly, or through a business’ supply chain, towards social enterprises - this area was not covered in our analysis

Finally, the smallest, but still significant, contribution to future demand growth will come from an increase in the **share of social investment within social organisations’ total investment needs**. We cautiously forecast that, within the 26 sub-sectors considered in our model, social investment will account for 7.4% of all investment in social organisations in 2015, up from 5.1% in 2012. The remainder of social organisations’ capital needs will be provided by grants, commercial finance, and reinvestment of surpluses.

The share of investment that is provided by social investors is linked to a number of factors (see Section 1.2: Uses of social investment). These include social investors’ superior understanding of social business models, their willingness to accept higher financial risks for social returns, and the alignment of their goals with those of social organisations. We expect that the social investment share will rise for a combination of these factors. On the one hand, the increasing use of riskier payment by results contracts and an expansion in the number of start-up social enterprises with no track record will tend to drive social organisations towards more sympathetic social lenders. On the other hand, the growth in the supply of social investment will create new possibilities for social organisations to strike deals with capital providers that share their social goals.

In summary, the growth of social investment demand hinges on governments, foundations, consumers, and businesses increasing their value sponsorship, i.e. purchases, of socially-valuable services; social organisations capturing a greater share of this value sponsorship; and social organisations meeting more of their capital requirement through social investment. No single driver will dominate the others.

2.3 **Demand breakdown by sector and product type**

One advantage of a bottom-up approach to forecasting is that the demand growth in each of the ten economic sectors and 26 sub-sectors reviewed is built up independently. This enables us to assess the weight of each sector within total social investment demand without any predetermined top-down assumptions about their relative shares.
The chart below shows the level of social investment demand in 2012 by sector compared against the forecast annual growth rate between 2012 and 2015. The size of each bubble represents the mathematical result of combining these two parameters, which is the social investment demand in that sector in 2015.

The ten sectors can be grouped into three categories. The first category, including criminal justice, employment, and children and family services shows rapid growth from a relatively low base, typically driven by an increase in public service outsourcing in areas where social organisations are well-positioned to deliver social outcomes. For example, within criminal justice, up to 60% of the £1B spend on probation-type services is set to be opened up in the next few years, creating a large source of additional value sponsorship for socially-valuable services.

The second group includes only the community enterprise sector. This sector stands out from the rest, with the possible exception of ageing, because of its size: it represents around 18% of social investment demand in 2012. Despite a relatively average growth rate, it will still account for 15% of the much larger pool of demand in 2015. The growth of this sector is principally based on asset transfers from both the public and private
sectors, for example via the suite of new Community Rights and new community infrastructure projects, such as in telecoms and renewables.

Some of these community organisations will be able to use their assets as collateral to secure commercial finance, if these assets have a sufficiently clear commercial resale value. Others, however, will have assets that are not commercially valuable, but may be able to generate an income through the provision of community-based services. These organisations will be prime targets for social investors that believe in both the social and financial value of community ownership of local assets.

The final group of sectors includes healthy living, disability, ageing, education, housing, and financial inclusion. These sectors start from a relatively modest base of social investment demand, and are expected to grow at an average or below average pace in the coming three years. To put this in perspective, however, even the slowest growing sector in terms of demand for social investment, ageing, is forecast to expand at around 20% per year. The growth in these sectors is typically based around the opening-up of public spending to external, often social, providers and an increase in the use of personal budgets and direct payments, which allow beneficiaries to choose social organisations for the delivery of their services.

Two case studies: Community housing and healthcare

*High Bickington Community Property Trust*. High Bickington is a typical community enterprise. Based in Devon, it sought finance to develop a range of community facilities, including affordable housing, commercial property, a new community building with sporting facilities, and a renewable energy plant. Although it may have been able to access a commercial loan, secured on some of the more commercially-established assets in its portfolio, it decided that a social lender would be a more appropriate partner. It was awarded a £2M Development Funding loan by Triodos bank to begin work on phase one of the project.

*Central Essex Community Services*. Central Essex was spun out of NHS Mid Essex in 2011 to become an independent community-based provider of health services as part of the Department of Health's "Right to Request" healthcare service spin-out programme. Owned and run by its employees, Central Essex provides a variety of health and social care services. It has received loan and grant finance from the Department's Social Enterprise Investment Fund.

Overall, the Right to Request initiative has facilitated the creation of around 50 social enterprises in the healthcare sector with a combined estimated turnover of around £900M. However, since these enterprises have few assets to offer as security, they are unable to easily attract commercial lending, creating an opportunity for social investors to fill the gap.
One common feature across all these sectors is the type of financial product demanded by organisations seeking social investment. When social organisations can offer high-quality collateral as security on debt, they are likely to source that debt from commercial banks or other commercial capital providers. The UK financial sector is so mature that social investors will never be able to effectively compete against high street banks in the market for safe investments, unless they can offer a significant discount on the interest rate.

Therefore, the demand for social investment will be focused on a set of higher-risk financial products, such as unsecured lending or quasi-equity, where returns are linked to the financial success of the organisation. Commercial capital providers typically steer clear of offering these products to social organisations because of their limited understanding of, and willingness to engage with, their social business models.

For a commercial lender, making a return on secured debt typically involves simply squeezing value out of a tangible asset, which can in any case be recovered if things go wrong. Making a return via unsecured lending or quasi-equity, however, depends much more on the success of a business model. In the social sector, where many business models are new and untested, this requires a degree of involvement and understanding from which most commercial lenders would shy away. Hence the greater demand for social investment in these product types.

Nonetheless, up to now, even social lenders have been disinclined to invest heavily in financial products without security. Lighting the Touchpaper found that 84% of social investment in 2011 was secured lending, dominated by social banks whose responsibility to depositors forces them to take low risk positions. This compares with an estimate for the nature of demand in 2015 that suggests an entirely upside-down need for primarily unsecured forms of finance.
Exhibit 6. Social investment supply and demand by product type

Social investment supply and demand by financial product (%)

- **2011 Supply**
  - Quasi equity: 5%
  - Unsecured lending: 84%
  - Secured lending: 11%

- **2015 Demand**
  - Quasi equity: 15%
  - Unsecured lending: 58%
  - Secured lending: 27%
3. Realising the demand: Key challenges

According to our analysis, the appetite of social organisations for social investment is set to grow more than five-fold in as many years. Can we expect, therefore, that £1 billion worth of social investment deals per year will be signed on the dotted line by 2016?

Our forecast represents potential demand only. For this to translate into tangible deals, potential demand must become actual demand, and actual demand must be met with a supply of social investment that is comparable in both its volume and its risk appetite. Each of these steps is associated with important challenges.

Many of these challenges are well-rehearsed. Last year, BCG and the Young Foundation’s study of the social investment market, *Lighting the Touchpaper*, laid out six actions that were required to unlock growth:

- Creating more "investible" business models
- Improving financial skills and experience in the social sector
- Developing a better understanding of risk and how to price it
- Improving commissioning capabilities
- Improving metrics and independent audit
- Addressing the distortive effects of grants and "soft" finance

Since then, some progress has been made, for example through the launch of the Investment and Contract Readiness Fund for social organisations that need support to become investible. Yet, essentially, all the issues identified last year still stand.

In addition to these, the research and logic of this report have exposed a further three actions that will be needed if our forecast of explosive demand growth is to become reality. Each action is addressed to a different set of market participants:

- *To investors*: Accept higher levels of risk for higher potential social returns
- *To social investment finance intermediaries (SIFIs)*: Develop sector or functional expertise to add greater value
- *To government, foundations, and socially-minded consumers and businesses*: Grow the amount of value sponsorship of, i.e. spend on, social organisations’ goods and services

3.1 *Investors*: Accept higher levels of risk for higher potential social returns

As highlighted in figure 6 on the break-down of social investment by product type, social investors have, up to now, focused on safer forms of lending, typically backed by solid collateral. However, as the same figure shows, demand for social investment will increasingly be focused on riskier products, including unsecured debt, quasi-equity, and
equity. This is a natural consequence of the some of the key reasons why organisations use social investment, notably to finance riskier business models that create a potentially very high social return, but a more limited financial output (see Section 1.2: Uses of social investment).

Despite this, a report from ClearlySo in July 2011 showed that many potential social investors from the traditional financial sector are looking for a set of qualities in their social investments that are largely incompatible with the nature of the likely demand. These include market or close to market financial returns, downside protection, liquidity, and a track record of success.

If the market is to function, investors will need to embrace it for what it is, not what they may wish it to be. Investors who are committed to using their capital to bring about social change will, therefore, need to:

• Invest in illiquid assets with relatively long lock-in periods ("patient" capital);
• Buy higher-risk products with greater upside, and downside, potential, requiring a deeper level of engagement in the investee’s business model and market dynamics; and
• Accept a below-market rate of risk-weighted financial returns, especially on high-risk start-up social enterprises with the potential to create stand-out social impact

Foundations and governmental investors, such as the European Investment Fund, have so far been the most willing to meet the above criteria, though they may sometimes be almost too ready to sacrifice financial returns. However, there are signs that more commercial investors may be prepared to step up. For example, Goldman Sachs's recent $10 million investment in a US-based Social Impact bond is a sign that traditional financial providers are beginning to recognise both the financial and social value of riskier bets.

One reason why social investment may be of increasing interest to traditional investors is its relatively low correlation with other asset classes. Since social organisations typically rely on government spending, their fortunes do not depend directly on the health of the economy. Technically, this gives social investments a low "beta" coefficient; or, in other words, social investment may be a good way of diversifying a portfolio, even if it is somewhat higher risk.

3.2 Social investment finance intermediaries (SIFIs): Develop sector or functional expertise

Social investment has the potential to create financial, as well as social, value by correcting a failure of commercial capital markets to invest in new and untested areas of economic activity (see Section 1.2: Uses of social investment).
This would not be the first time that a new form of finance has emerged to fill a gap in an existing market. The venture capital (VC) industry developed in the 1970s and 1980s to support innovative start-ups, especially in the technology sector, whose financing needs were poorly served by existing financial intermediaries. The key innovation of the VC industry was not only its new financial products that were better suited to young companies, but also its more engaged approach and its specialist sector knowledge. Having the right VC investor on board became just as important as raising capital.

This model of engagement and specialism is directly applicable to the social investment industry. Social organisations need engaged investment intermediaries, because their business models are untested and their markets are characterised by a high degree of government influence, both of which can deter commercial lenders. At the same time, they need specialised intermediaries because many of them are run by management teams with enthusiasm and social sector expertise, but limited commercial experience. They, therefore, need specialist business support that will guide them through the complexities, challenges, and opportunities of their markets.

Currently, the immature state of the social investment market means that most social finance intermediaries have chosen to specialise in social investment as a sector. "Social", however, is no longer an adequate specialism. Intermediaries will need to develop strong specialist knowledge and expertise in specific economic sectors if they are going to continue adding significant value in the market, beyond the administration of investor funds and the collection of interest payments.

Aside from sector-specialised SIFIs, the market also needs intermediaries that specialise in providing market functions. For example, some intermediaries might choose to focus on a particular range of financial products, such as supporting social enterprises that bid for payment by results contracts ("results" funds) or helping charities to issue bond products. Others might specialise in an area that supports the participation of other market players. For example, social investors are in critical need of a market making facility that guarantees them liquidity, an exit option, if they need to cash out on their social investments. Yet another area of need is data collection and reporting. Our research highlighted major data gaps in key markets. An intermediary that produced an annual abstract of the social investment market would be doing the market a great service. It would also help to establish standards around data definitions and encourage greater publication of data by market players.

Big Society Capital will need to support intermediaries that choose to specialise in these areas as part of its broader role to facilitate the development of the market.
3.3 Government, foundations, and socially-minded consumers and businesses: Grow the amount of value sponsorship of social organisations' goods and services

In Lighting the Touchpaper, BCG and the Young Foundation argued that grants and "soft" loans have the potential to both crowd out social investment and distort returns, when used inappropriately. At the same time, many social organisations struggle to develop investible business models because of the shortage of value sponsors willing to buy their goods and services, especially if their social output is not clearly aligned to the priorities of a government commissioner.

One approach to resolve this is for foundations, venture philanthropists, and other donors to use their funds to sponsor the output or outcomes of social organisations, rather than donate capital to them. For example, instead of providing block grants to a social care charity, they could sign a contract to pay for the care of elderly customers on a per-customer basis, up to a certain total value. This would have a number of benefits, including:

- Converting a block capital grant into an ongoing revenue stream, which could then be used by the organisation to attract social or commercial finance - this is the heart of the link between value sponsorship and social investment demand
- Providing a benchmark for the price of the good or service being produced, which could be used in negotiations with other value sponsors (including government commissioners)
- Driving the organisation to become output-focused, a key goal of social investment
- Forcing the closure or restructuring of organisations that fail to deliver on social value targets
- Reducing the distortive effect of capital grants on returns, which obscures the sustainability of the underlying business model

The top UK-based foundations make grants in excess of £3 billion per year. If this were converted from grants into value sponsorship, it would turn £3 billion of working capital into revenues, expanding the turnover of social organisations by nearly 20% from our 2012 estimate.

Aside from foundations and high-value donors, two other types of philanthropy could also make a significant impact on the social investment market if they shifted their current giving from donations into value sponsorship. These are "conscious" consumers and businesses.

Conscious consumers are individuals that choose to use their spending power to further social goals, for example by only purchasing from companies that share their values. This is a classic form of value sponsorship, since it directly generates revenues for the
favoured organisations. One step beyond this would be for consumers to purchase goods and services on behalf of someone who could not afford them - for example, buying a place on a training course for a long-term unemployed person. This is along the lines of the "sponsor a child" advertising of large development charities, except that consumers would only pay once the promised social good was actually achieved and validated using robust measurement methodologies.

The final form of potentially untapped value sponsorship is business spend on their supply chains. This includes the purchases they make with other businesses to supply themselves with raw materials, capital goods, and services. Currently, businesses make a clear distinction between their procurement, designed to minimise cost, and their corporate social responsibility activities, largely based on giving away a proportion of profit to charities. An alternative would be for businesses to invest their social giving in their supply chains, purchasing sometimes slightly more expensive products because of the social nature of the organisation producing them. This would go a long way to providing these social organisations with a revenue stream and making them more sustainable in the long run. It would also expose them to the demands of "hard-nosed" business customers, which would help to improve their discipline and rigour.

Towards the second (and third and fourth) billion: Engaging private companies in social action

The conventional approach to defining social investment is based around the motivation of the investor and the organisation type of the investee (see Section 1.1: Definition of social investment). This clearly excludes entirely commercial for-profit businesses from any kind of participation in the market.

Another approach to defining social investment would focus exclusively on the additional social impact that the investment would generate. By rigorously defining a social return target in an investment deal, social investors may be able to deploy their capital in a much wider range of organisations, including traditional commercial firms, to generate social impact on top of a financial return. This could be achieved in two ways:

- The investment could fund a hypothecated social project or an investment in a more social supply chain, e.g., the purchase of milk at a reasonable price by a company like Nestle from agricultural cooperatives in India
- The investment could be contingent on meeting social, as well as financial, goals, for example through the employment of young ex-offenders in a supermarket

If the market is to grow far in excess of our £1 billion forecast, it may need to engage with commercial firms to come up with creative ideas for using their resources to generate social impact. This would need to be enabled by a social form of finance that relieves their Boards of the constraints of fiduciary duty, with its singular focus on profit.
maximisation. In turn, social investment finance intermediaries (SIFIs) and policy makers will need to be open to the use of social investment in private companies, applying robust measurement standards to ensure it delivers strong social outcomes. This would clearly establish the overarching goal of social investment as maximising social impact, not favouring one particular way of achieving it.
4. Conclusion

Forecasts, it is said, are wrong as soon as ink hits paper. No doubt this is especially true for a nascent market like social investment. That is why the value of this report lies as much in the methodology, the trends uncovered, and the drivers understood than the final projection of demand in 2015 and beyond. In particular:

- *The methodology* provides a tool to estimate the future market size for any new financial product, and can specifically be applied to the social investment markets of other countries as they emerge, or simply be refreshed for the UK in future years
- The *bottom-up drivers* provide an analytical framework for understanding the determinants of social investment demand
- The *sector breakdown* provides an initial assessment of the relative importance of each economic sector in future social investment demand. It also consolidates much disparate information about the characteristics of, and trends in, socially-important sectors

It is clear from our assessment that achieving take-off in the social investment market will require a lot of different things to go right at the same time. Fortunately, however, most of the levers are in the hands of those that have most at stake in the market’s success.

It is not only the social organisations themselves who need to act. After all, pulling off the seismic shift required to combine traditional forms of finance with equally traditional ways of delivering social good will take more than a few skilled CEOs. It will instead require deep and sustained engagement from the full spectrum of market participants

With a renewed commitment by all those who have an interest in delivering sustainable social impact, the market can reach its first billion in the next few years. And, as T Boone Pickens said, the first billion is always the hardest.
Appendix A: The five types of finance

The standard approach to defining social investment focuses on the motivations of the investor, and the organisation type of the investee. This essentially implies five types of finance, of which only Type 2 is considered "social investment" in this report. The figure below depicts the five types:

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Organisation type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially-motivated</td>
<td>Commercially-motivated</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

**Type 1** consists of donations to socially-motivated organisations by philanthropists. It is not repayable and is not, therefore, investment. It is the cheapest, but also least sustainable, form of finance, since it depends on the shifting preferences of its sponsors. If, however, the donations are used to "purchase" products or services from a social organisation, then it effectively shifts from being a block grant to a form of "value sponsorship", i.e. a revenue line on the organisation's accounts. This would enable the organisation to seek investment from social or commercial investors, based off a business model that appears similar to traditional companies, with revenues, prices, volumes, and profits.
**Type 2** is the most direct form of social investment, and consists of socially-motivated investors investing in socially-motivated organisations. Where commercial banks operate ring-fenced social investment funds that explicitly target social returns, these funds - as opposed to the banks a whole - can be thought of as socially-motivated investors.

**Type 3** is traditionally considered to be outside the scope of social investment. Indeed, very few social investors are willing to finance commercially-motivated businesses (an exception being Bridges Ventures Sustainable Growth Funds, which invest in private businesses operating in deprived areas). Further consideration should be given to this type of finance, since it has the potential, if used to shift commercial businesses towards becoming more socially impactful, to significantly improve both the sustainability and impact generation of social investment funds.

**Type 4** typically consists of commercial loans, such as mortgages, provided to social organisations. While there is social value in this form of finance, it does not explicitly target a social return. This means, for example, that if a charity could generate additional revenues by compromising its social mission, the investor would likely encourage it to do so. This form of finance has been excluded from almost all definitions of social investment because of this lack of alignment between the motivations of investors and investees.

**Type 5** is pure commercial investment to commercial entities and is evidently excluded from all definitions of social investment.
Appendix B: Forecasting methodology

In order to estimate the demand for social investment, it is first important to review the business model for social organisations.

Social sector organisations, like all others, earn revenues by providing goods and services, and incur costs through purchases from suppliers. The main difference is that social organisations do not earn all their revenues directly from their customers; the "value sponsor" that buys their goods and services may also be the government, for example through a payment by results contract; or it could be a foundation, a conscious consumer or a business. The first driver, therefore, of social investment demand, is simply the total amount of value sponsorship, i.e. the market size in each sector examined:

**Driver 1: Total market size of each sector considered**

Social organisations compete for contracts and customers in these markets with other social organisations, but also with private companies. The second driver of demand is,
therefore, the share of these socially-relevant markets captured by social organisations:

**Driver 2: Market share of social organisations in each sector**

Part of the rationale for selecting the 26 sub-sectors we chose to examine in this report was the relatively high market share of social organisations in these sectors.

Together, these two drivers define the overall annual revenues, or turnover, of social organisations.

As in all industries, social organisations also require capital to fund the gap between when costs must be paid, and when revenues are received. This gap could arise for two reasons:

- Revenues convert into cash more slowly than costs, for example because of the need to hold inventory - this creates a *working capital requirement*
- Revenues are generated long after the costs have been incurred - this creates an *investment requirement*

The size of this gap can vary significantly across industries. For example, telecommunications providers need to build entire networks of fibre optic cables before they can generate any revenues at all. On the other extreme, Walmart, in some of its operations, has a *negative* capital requirement, because it receives cash from customers before it pays its suppliers. Therefore, the third driver of social investment demand is the capital intensity of organisations in each sector - in other words, the total stock of capital needed by organisations with a given level of turnover:

**Driver 3: Capital intensity of social organisations in each sector, i.e. stock of capital required by organisations with a given turnover**

Demand for investment in any given year differs from an overall capital requirement, in that investment represents only the capital required in a given year (a flow), while the overall requirement represents the total stock of capital that the organisation needs on its balance sheet to fund the gap between revenues and costs.

Therefore, to estimate investment in 2015, we forecast the overall capital requirement in 2015 and the overall capital requirement in 2012, and then back-calculated the annual investment needed each year to make up the difference. This calculation is simply the compound annual growth rate of the capital stock between 2012 and 2015 multiplied by the total capital requirement in 2015.

In addition, each year, a portion of the capital stock is used up, or depreciated (for example, through wear and tear). An organisation aiming to grow its capital stock must
seek investment to cover the incremental capital requirements for the coming year and the depreciation of its existing assets. Altogether, this gives us the total annual investment demand by social organisations.

These organisations can source capital from either commercial or social investment providers in exchange for a promise for the capital to be repaid with interest. As described in Section 1.2, there are a number of factors that determine how an organisation splits its investment demand between commercial and social providers. Therefore, the final driver for social investment demand is the share of an organisation’s capital requirement that it demands from social investors.

**Driver 4: Share of social organisations’ capital need that it demands from social investors**

The following schematic summarises the logic flow we have applied to forecast social investment demand. As the diagram shows, the total capital requirement in 2012 and 2015 is estimated by combining drivers 1, 2 and 3. The difference between these two stock measures is then converted into an annual investment demand, which, by application of driver 4, can be translated into social investment demand.
Estimates of the values of all the key parameters (e.g., market size by sector) were derived from a variety of sources:

- Survey of around 40 market participants, including social enterprises, charities, social sector trade associations, social finance intermediaries, and public sector commissioners and their representative bodies
- Follow-up interviews with market experts
- Publicly available data sources, e.g., government websites

The value of all inputs is provided in Appendix C: Sector breakdown.
# Appendix C: Sector breakdown

## Figure C1. Summary of key inputs

<table>
<thead>
<tr>
<th>Sector</th>
<th>Working Capital</th>
<th>Tangible Assets</th>
<th>Intangible Assets</th>
<th>Market size, 2012 (EM)</th>
<th>2012-2015 CAGR growth (%)</th>
<th>Social org market share</th>
<th>Social investment share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ageing</td>
<td>low</td>
<td>medium</td>
<td>high</td>
<td>9,000</td>
<td>2%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
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<td>high</td>
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<td>high</td>
<td>medium</td>
<td>1,000</td>
<td>2%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
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<td>medium</td>
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<td>23%</td>
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<tr>
<td>Education</td>
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<td>low</td>
<td>medium</td>
<td>3,000</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Education</td>
<td>medium</td>
<td>low</td>
<td>high</td>
<td>1,800</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Education</td>
<td>low</td>
<td>medium</td>
<td>low</td>
<td>250</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
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<td>medium</td>
<td>low</td>
<td>3,800</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
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<tr>
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<td>low</td>
<td>medium</td>
<td>low</td>
<td>68</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
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<tr>
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<td>medium</td>
<td>medium</td>
<td>1,400</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Children and families</td>
<td>high</td>
<td>high</td>
<td>high</td>
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<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
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<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>1,200</td>
<td>2%</td>
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<td>250</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Criminal justice</td>
<td>low</td>
<td>medium</td>
<td>medium</td>
<td>220</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
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<tr>
<td>Criminal justice</td>
<td>low</td>
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<td>medium</td>
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<td>2%</td>
<td>15%</td>
<td>23%</td>
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<td>low</td>
<td>42</td>
<td>2%</td>
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<td>Healthy living</td>
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<td>medium</td>
<td>medium</td>
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<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Healthy living</td>
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<td>medium</td>
<td>800</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Healthy living</td>
<td>low</td>
<td>medium</td>
<td>medium</td>
<td>1,400</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Financial inclusion</td>
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<td>low</td>
<td>low</td>
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<td>23%</td>
</tr>
<tr>
<td>Community</td>
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<td>medium</td>
<td>1,000</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Community</td>
<td>low</td>
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<td>low</td>
<td>17</td>
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<td>23%</td>
</tr>
<tr>
<td>Community</td>
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<td>low</td>
<td>250</td>
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<td>23%</td>
</tr>
<tr>
<td>Housing</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>521</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Housing</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>1,000</td>
<td>2%</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Annual depreciation of 5% per year assumed for all sectors.
### Figure C2. Summary of key outputs

<table>
<thead>
<tr>
<th>General Sector</th>
<th>Sub-Sector</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Market size (£M)</td>
<td>Turnover of social organisations</td>
</tr>
<tr>
<td><strong>Ageing</strong></td>
<td>Personal Care for over 65s (residential setting)</td>
<td>9,000</td>
<td>2,250</td>
</tr>
<tr>
<td></td>
<td>Personal Care for over 65s (domiciliary setting)</td>
<td>14,000</td>
<td>2,100</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>Personal Care for children with disabilities</td>
<td>869</td>
<td>348</td>
</tr>
<tr>
<td></td>
<td>Personal Care for working aged adults with disabilities</td>
<td>3,800</td>
<td>2,120</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Special Educational Needs (not incl. special schools)</td>
<td>3,100</td>
<td>465</td>
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<tr>
<td></td>
<td>Special Schools</td>
<td>1,800</td>
<td>270</td>
</tr>
<tr>
<td></td>
<td>School service market</td>
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<td>25</td>
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<tr>
<td><strong>Education</strong></td>
<td>Further Education and Skills</td>
<td>3,800</td>
<td>1,900</td>
</tr>
<tr>
<td><strong>Children and families</strong></td>
<td>Early Years (2 y.o. childcare provision for disadvantaged families)</td>
<td>68</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Early Years (Surestart centres)</td>
<td>1,400</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>Looked After Children</td>
<td>3,000</td>
<td>300</td>
</tr>
<tr>
<td><strong>Children and families</strong></td>
<td>Young people (e.g. youth clubs)</td>
<td>1,200</td>
<td>120</td>
</tr>
<tr>
<td><strong>Children and families</strong></td>
<td>Troubled Family interventions</td>
<td>250</td>
<td>63</td>
</tr>
<tr>
<td><strong>Criminal justice</strong></td>
<td>Reoffending - services in prison</td>
<td>220</td>
<td>66</td>
</tr>
<tr>
<td><strong>Criminal justice</strong></td>
<td>Reoffending – services in community</td>
<td>1,000</td>
<td>10</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>Employment services for long-term unemployed and marginalised groups</td>
<td>900</td>
<td>180</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>Employment services for young people</td>
<td>42</td>
<td>8</td>
</tr>
<tr>
<td><strong>Healthy living</strong></td>
<td>Community health</td>
<td>10,000</td>
<td>900</td>
</tr>
<tr>
<td><strong>Healthy living</strong></td>
<td>Drug and alcohol treatment</td>
<td>800</td>
<td>400</td>
</tr>
<tr>
<td><strong>Healthy living</strong></td>
<td>Adult mental health (non-acute)</td>
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<td>126</td>
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<td><strong>Financial inclusion</strong></td>
<td>CDFI-type lenders</td>
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<td>20</td>
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<tr>
<td><strong>Community</strong></td>
<td>Enterprises run with ex-public sector assets</td>
<td>1,000</td>
<td>500</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td>Enterprises run with ex-private sector assets (e.g. right to bid)</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td>Renewables / broadband / infrastructure</td>
<td>250</td>
<td>250</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>Community housing models</td>
<td>521</td>
<td>261</td>
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<tr>
<td><strong>Housing</strong></td>
<td>Homelessness services</td>
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<td>500</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td>91</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>61,708</td>
<td>13,545</td>
</tr>
</tbody>
</table>
Appendix D: Organisations surveyed

Clive Martin, CLINKS
Des Kelly, National Care Forum
Barbara Hearn, National Children’s Bureau
Ginny Lunn, Prince’s Trust
Emma Jones, CLG Troubled Families unit
Kirsty McHugh, Philip Curry, ERSA
Sam Freedman, DfE
Michael Clark, ARK
Tony Challinor, Lucy Bogue, NOMS
Tim Jones, Allia
Caroline Forster, Adventure Capital Fund
Iona Joy, New Philanthropy Capital
Hugh Rolo, Annemarie Naylor, Locality
Paul Hayes, National Treatment Agency
Brian Whittaker, LankellyChase
Joe Ludlow, NESTA
David Hutchison, Toby Eccles, Social Finance
Malcolm Hayday, Charity Bank
Jim Bennett, Home and Communities Agency
Paul Ellis, Ecology Bldg Society
Lance Gardner, CarePlus
Richard Wilcox, Unity Trust Bank
John Adams, Voluntary Organisations Disability Grp
Richard Caulfield, Voluntary Sector North West
Kathleen Kelly, Joseph Rowntree Foundation
James Perry, Panahpur
Mike Farrar, NHS Confed
Mike Padgham, Chair, UKHomes & Community Agency
Kerry Williams, Katie Lee, CLG Assets Team
Geoff Burnand, Investing for Good
Mark Lyonette, Association of British Credit Union Lenders
Sarah Pickup, Association of Directors of Adult Social Services
David Biddle Mike Pattinson, CRI
Harry Glavan, CDFA
Michelle Mitchell, Tom Wright, Age UK
Faisel Rahman, Fair Finance
Claire Toombes, MacIntyre
Jonathan Jenkins, Social Investment Business
Kevin Lockyer, NACRO
Sarah Caton, Debbie Jones, Association of Directors of Childrens Services
Danyal Sattar, Esmee Fairbairn
James Vicarro, Triodos
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Acknowledgements

The authors would like to offer sincere thanks to Matt Robinson, Abigail Fox, Craig Baker and Claire Hopkins for their contributions to the research and editing of this report.
References

i. Allia plans to launch a capital-protected retail bond (http://www.allia.org.uk/allia-awarded-183k-big-lottery-grant/); the Charities Aid Foundation (CAF) have launched a Social Impact Fund that allows retail investors to allocate funds from their CAF Charitable Trust into social investments
iii. "Growing the Social Investment Market: Progress Update" (Cabinet Office, July 2012)
iv. Body Shop has a strong policy against products tested on animals, but L’Oreal uses animal testing on some ingredients (see http://www.thebodyshop.com/values/AgainstAnimalTesting.aspx, http://www.guardian.co.uk/business/2006/mar/17/retail.animalrights); Innocent was the subject of criticism from bloggers after it sold to Coca-Cola (http://www.guardian.co.uk/business/2010/apr/09/coca-cola-innocent-smoothie-stake); Green & Black’s founder announced last year that, following the purchase of Cadbury Schweppes by Kraft, he "would love take back" the brand (http://www.independent.co.uk/news/business/analysis-and-features/cadbury-deal-turns-sour-for-green-amp-blacks-2187044.html)
vi SME lending data from Bank of England (http://www.bankofengland.co.uk/publications/Pages/other/monetary/additionaldata.aspx); charitable lending data from NCVO (http://data.ncvo-vol.org.uk/almanac/voluntary-sector/assets/how-much-is-the-voluntary-sector-borrowing/) – total loan finance to charities estimated at £3.5B in 2009/10, equivalent to ~£1B of annual lending, assuming on average a 3 year maturity on debt
vii. Public Services (Social Value) Act 2012
viii. "Investor Perspectives on Social Enterprise Financing" (ClearlySo for the City of London Corporation, City Bridge Trust, and the Big Lottery Fund, July 2011)
x. http://www.philanthropyuk.org/resources/uk-charitable-sector-snapshot