



Our Impact



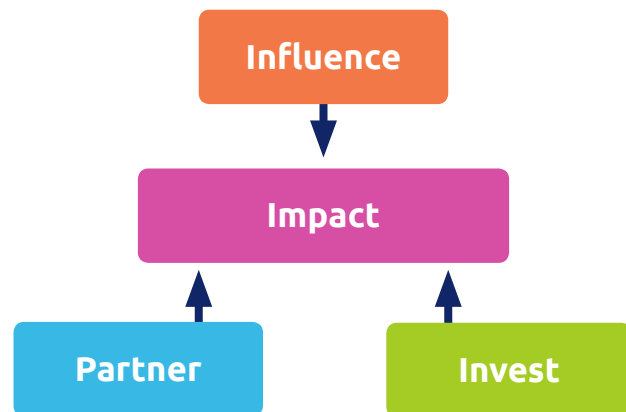
2018-2019

Foreword from the CEO and Chair

We are delighted to present this Impact Report for Social Investment Business (SIB). This is our attempt to measure and articulate the difference we are making as an organisation, and to collect information and data that can help us make better decisions in future.

The year between 1 April 2018 and 31 March 2019 has been an exciting one: it started with us launching a new social investment fund – the Forward Enterprise Fund – and ended with our announcement of a significant new partnership, the £200m Youth Endowment Fund. Both of these initiatives build on the strong track record of SIB’s past work in the last 15 years, as do all of the activities mentioned in this report.

Our mission is to provide the right finance and support that enables organisations to be more resilient, effective and impactful. We do this in three main ways: through social investment, through partnerships that deliver grants and business support programmes, and through using our knowledge and data to influence. These three areas of activity, Invest - Partner - Influence, are the foundations of our strategy to deliver better for customers and to deliver greater impact.



We have also taken the opportunity to look back at our work managing a significant portfolio of investments and programmes. Between 2004 and today, SIB has deployed and managed over £400m of loans and grants into over **2,000** organisations, and enabled almost **1,000** more to get dedicated support through programmes. This means we have one of the largest and most mature social investment portfolios in the UK, and one of the most significant track records in providing finance and support. This report is the first step in us using the data and insights from that track record to inform and influence others.

In this past year, we have introduced a new impact methodology and approach, which we are now integrating and testing out on funds and programmes (read more on [page 10](#)). We are open about the fact that we are at the start of our impact journey: we have a way to go to ensure that it is embedded in what we do, and that it drives how we use our resources most effectively.

We also know that impact comes not just from what we do, but *how* we do it – so we are reporting openly here on our pay, our diversity, our environmental impact, and our internal spend. We have much to improve and build on here as well, and hope to be reporting on progress next year and in years to come.

We would welcome any feedback or questions you have on our report. We hope it provides not only a snapshot of SIB’s current work, but also a sense of both our track record and our future plans. We are ambitious about our future, and the impact we can have through our direct investments, our partnership programmes and our influencing work: an impact we can only achieve working for and with the organisations we are set up to serve.



Nick Temple,
CEO



Hazel Blears,
Chair

Our strategy

Vision

Impact-led organisations can get what they need to improve people's lives.

Mission

We help impact-led organisations improve people's lives. We do this by:

- providing the money and support they need directly
- working with partners to support them effectively
- using our knowledge to inform our own work and influence others

Values

Accountable, Bold, Collaborative, Curious, Put people first.

We **invest**, we **partner**, we **influence** – to maximise our **impact** with the resources we have.

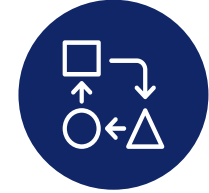
Strategic priorities 2019-2022



Putting our customers at the heart of everything we do



Being an impactful investor and support provider



Influencing and shaping the landscape to be more effective



Building a stronger operating model and finances



Investing in our people and systems to help achieve excellence

Our reach | Social investment funds

Social Investment Business's reach to date

£180 million

in loan finance disbursed to 460 charities to date, with:

£125m

through Futurebuilders England (includes the Modernisation Fund)



£25m

through Communitybuilders



£20m

through the Social Enterprise Investment Fund (in Health)



£8m

through the Adventure Capital Fund



£1.5m

through the Liverpool City Region Fund



£133 million

was also given out in grants by these funds, of which, £45m was part of blended loan deals.

£25m

through Futurebuilders England (includes the Modernisation Fund), of which £20m are part of blended loan deals



£21m

through Communitybuilders, of which £9m are part of blended loan deals



£79m

through the Social Enterprise Investment Fund, of which £8.5m are part of blended loan deals



£8m

Adventure Capital Fund, of which £3m are part of blended loan deals



Our reach | Grant programmes

£115 million

grant funding disbursed to 1,900 charities to date through 'pure' grant programmes, this year contributing 4% with £4.5m disbursed:

£1.7m



through Impact Management Programme

£1.5m



through Enterprise Development Programme

£3.8m



through Impact Readiness Fund

£5.8m



through Reach

£9.9m



through Big Potential

£24m



through the Social Action Fund

£9.9m



through Big Potential Advanced

£22.3m



through the Centre for Social Action Fund (a group of grant programmes)

£13.2m



through the Investment and Contract Readiness Fund

£21.9m



through the Community Assets and Services Grants

Our reach this year

We are directly managing an existing investment portfolio of over

including Futurebuilders, Communitybuilders and others

£55m



The Forward Enterprise Fund has disbursed



£235k

in loans

£31k

in grant for business support activities

Through our two biggest grant programmes this year

we have disbursed **£4.5m** in grant funding

to around **500** organisations

£87k through the innovative Pioneer & Prosper Fund which offered a repayable grant product



1. Our impact approach

SIB's new strategy commits us to investing for impact, and we want to take a conscious approach to defining what impact means for us.

We aren't pretending to have an answer that will suit all organisations like ours, but we do think it is a good fit for our unique position in the market.

What can't we do?

We can't be experts in beneficiary level impact when our investees and grantees deliver such wide-ranging programmes and projects. We could never have the range of expertise that would allow us to be good judges of youth work, housing, early years, mental health care, social care, community organising and urban farming, to name only a few of the sectors that our customers work in. Nor do we have the capacity to do justice to the range of measures and systems that our customers use to account for the design and quality of their delivery.

Instead, our confidence in our customers' delivery comes from existing systems of oversight from external experts and regulators, and from data we can already collect. We will scrutinise this information, and expect high standards. We will also continue to draw on the expert views of partners when a given fund or grant programme calls for it. This is one of the reasons that we joined the Youth Endowment Fund partnership, and how we have worked on Access' Enterprise Development Programme and the Forward Enterprise Fund. This is how we want to work in the future: partnering with others and bringing our own knowledge to bear in collaboration with sector experts.

What can we do?

What we *can* do is analyse what we know works in funding and supporting social businesses. We can generalise across our rich data sets and draw on our many years of experience to better understand the practices that support organisations to do well.

This is where we have, and will continue to refine, our own expertise.

This is what our impact categories are geared towards: the assessment of a common set of practices that our evidence and research suggests support businesses and their employees to remain resilient in market contexts that rarely favour them. This set of categories is undergoing rigorous testing through our programmes and in consultation with our customers, board and sector partners. We don't think these are the final version; we intend to publish a new and updated guide and survey in the next 12 months which draws on our first round of feedback from implementation internally at SIB, and from discussions with partners and customers.

In developing this first version of the categories, we drew on Oxfam's work to define fairer business and on evidence that suggests that a defined and enshrined business model, sound employment practices, a focus on equalities, understanding of market fit and supply chains, and a well-rounded approach to financial sustainability all anchor an impact-led business and allow that business to do its best work.

Our six core categories



Business model

This focuses on business structures that are more likely to lead to equitable behaviour and outcomes for workers and communities.



Employment

This focuses on employment practices that are more likely to lead to equitable outcomes for lower wage earners.



Equalities

This assesses the business's focus on reaching and involving *marginalised* workers, members and communities.



Market

This centres on the need for the product or service, alongside quality standards.



Community

This assesses community voice, the business impact on its *supply chain* and trading for community benefit.



Leverage

This assesses whether and to what extent a business is leveraging finance from its members and community, from grant funding, and from repayable sources.

We have already begun the task of retrospectively scoring our loan book to test this approach and to see how well it works with our existing portfolio of loans. What we have found so far tends to support the use of the categories and has helped us to develop a first rough set of benchmarks for businesses at the application stage. But we need to adapt those benchmarks to suit different stages of business development.

Our continued commitment to the Social Economy Data Lab (SEDL – see [page 40](#) for more information) is supporting our work here by providing a robust underlying background data model for the information we gather for our customers. We hope by developing it further that we can encourage other social investors to publish to it and create a data set for social investment that allows us to compare across funds, and learn from each other as we do so. In aspiring to this, we are following in the pioneering work of 360Giving, providing transparency in grant giving.

Case study

People Potential Possibilities (P3)

SIB Support: Since 2009, **£1.5m** across **seven** different loan agreements (under the Futurebuilders Fund), **£500,000** in grants (Futurebuilders Fund, Big Potential Advanced, and the Investment and Contract Readiness Fund (ICRF)).

Who are P3?

Annual Turnover – £35.9m

P3 is a charity and a social enterprise. Incorporated in 1990, they operate across the UK with the mission to improve lives and communities by delivering services for socially excluded and vulnerable people.

P3 works alongside people experiencing social exclusion to regain their confidence and self-esteem to build their independence.

The organisation runs a range of programmes across the country, specialising in homelessness services, supported housing, support for people recovering from mental ill-health, link worker schemes, advice services, street outreach teams, prison in-reach and youth services.

Currently, P3 have two social impact bonds in Lincolnshire and Gloucestershire working to ensure people who have spent a long time sleeping on the streets now have a place to call their own.

- The programme offered is an intensive process of engagement

– it starts with identifying people who need help to exit the streets and moving them into a house where continuous wrap-around support is provided, helping them to overcome significant personal challenges such as mental ill-health or substance misuse.

- The main outcomes of focus for these payment for results contracts are 1. Whether a person is staying and maintaining their tenancy and 2. Engaging with services to support their health and mental health and whether a person is entering work, education or training opportunities.

How was social investment used?

P3 is a particularly interesting case study as their experience illustrates how social investment can help support organisational growth and stronger business models over time.

P3 have used social investment at different points along their organisational growth cycle. Three important milestones are reflected below.

1. In the first instance, a straightforward blended loan from Futurebuilders enabled the organisation to strengthen its core capability, and also begin to utilise social investment.
2. P3 then got involved in social impact bonds, which was a significant learning curve as it concerned payment by results; grant funding



Photograph credit: P3

on our programmes (including to Triodos as an intermediary) helped them navigate the financial, reporting and legal requirements. Based on their success and experience, P3 had investors approaching them to finance a third and fourth social impact bond.

3. P3 has a very successful track record, and has continued to grow its organisational strength and impact. The organisation still sees the value of social investment for specific purposes. They are currently pursuing a new opportunity which seems to be a good fit in terms of price, risk-sharing, reporting requirements and conditions of use.

What happened?

Organisational Impact

- For P3, social investment has ultimately enabled a lot of good work to be done. Social investment has allowed for delivery innovation that contract income would not have been able to fund.
- The number of staff members delivering support for people has also risen. In 2013, P3 had 317 employees across Social inclusion, Support and Governance roles. This is now 590, resulting in the increased capacity to scale and maintain sustained support for vulnerable rough sleepers, unemployed young people, and those in recovery.

- As P3 has developed and built up learning, it has progressed to be a more resilient organisation. This growing resilience has been recognised externally with P3 receiving a Resilience award at the Natwest SE100 Awards (Social Enterprise Index) in March 2019.

Beneficiary Impact

- The number of people's lives supported daily by P3's services has continued to grow. From April 2018 to March 2019, the number of people P3 work alongside has almost doubled from 6,657 people to 12,451 people.

Across the wider P3 Group – P3 Charity, P3 Housing, Rugby Portobello Trust and the University of the First Age (UFA)– worked alongside 27,573 people.

- Developing into a resilient and adaptable organisation has enabled P3 to help be responsive to emergencies in local communities. This enabled Rugby Portobello Trust (RPT), an arm of P3, to respond to residents from Grenfell Tower by 2am on 14 June 2017. They were able to provide financial help, emotional support, information and supplies in the immediate aftermath of the fire. RPT's New Homes Team have now distributed £16.8m in publicly donated funds to people affected by the Grenfell Tower fire.

2. Looking back

SIB has long had a unique role in the social investment landscape and infrastructure: as pioneering investor, support provider, wholesaler, partner and co-investor, and increasingly in knowledge and influence. Let's take a look back at our key milestones as social investors to date.



This section looks back at SIB's track record.

SIB's early funds have reflected the overall social investment trend of providing finance to established, stable and solvent organisations so that they could do more, although some of this is retrospective: many were deemed 'unbankable' when SIB started working with them. Each one of these funds had its own specific definition of what that 'more' was. Largely the funds did successfully reach their intended market: even if the results turned out to look different, and the finance less restrictive, than initially proposed. In the next phase of its life, SIB is looking to couple flexible support for larger organisations to grow their business, with risk finance for smaller and newer ventures that have the potential to deliver significant impact but need funding to test their approach.

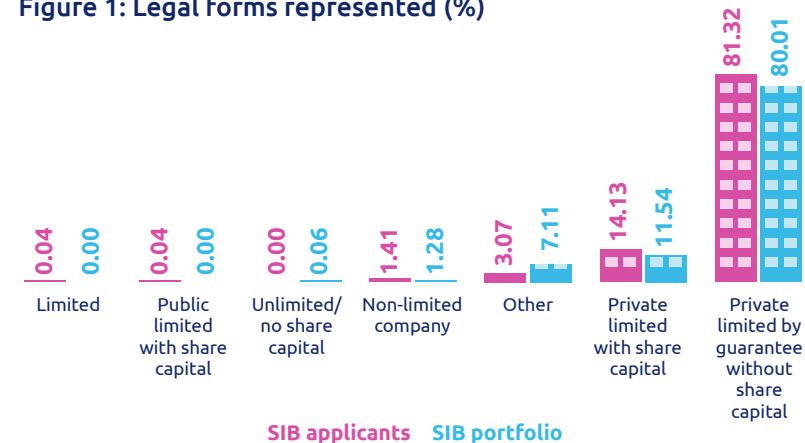
The average SIB investee is a charity or social enterprise constituted as a company limited by guarantee that has been operating for 11-20 years; they work in the human health and social work sector with communities from Decile 1 on the Index of Multiple Deprivation (the poorest); and have an average annual turnover of £100,000-£500,000 with median total assets of around £600,000.

This section draws on the historical and current SIB portfolio to better understand the charities and social enterprises with which we work. We have looked at both the SIB portfolio (those organisations we invested in or supported) and the wider SIB applicant pool (those who applied, but did not progress to receive SIB investment or support). For this analysis, we have used Companies House data and therefore only looked at those registered with Companies House – however, this is a significant sample size of the overall portfolio and applicant base: 1,613 in the portfolio, and 2,655 in the applicants.

2.1 Legal form

It is unsurprising that legal form of both the SIB applicant book and SIB portfolio reflect that the large majority of organisations are companies limited by guarantee, without share capital, as most charities and many social enterprises use this structure. Legal forms that include asset locks,

Figure 1: Legal forms represented (%)



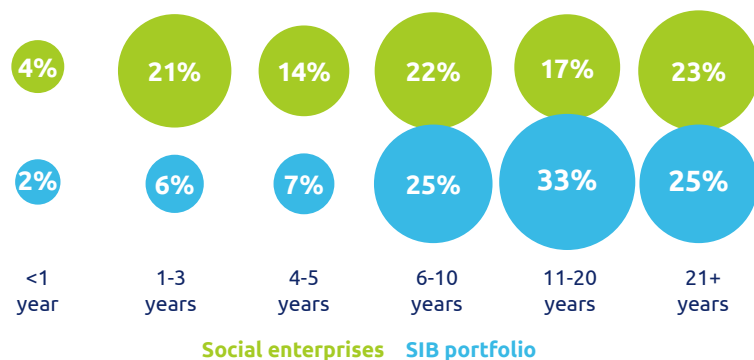
protection of social missions and limited opportunity for individuals to benefit from financial dividends, are often a requirement for social investment vehicles.

2.2 Length of organisation

Comparing the SIB portfolio to the latest SEUK State of Social Enterprise report (2017) shows that SIB is working with organisations who have a longer track record – with 59% in operation for more than 11 years. We would expect our portfolio to consist of relatively well-established organisations as it contains proportionally more investees from older funds such as Futurebuilders and Communitybuilders than more recent investees. Our newer funds – like the pilot repayable grant initiative Pioneer and Prosper or the Forward Enterprise Fund – are working with younger charities and social enterprises, but this is a small portion of our overall portfolio.

It is also useful to compare the SIB portfolio to the broader charity sector; the average median date of incorporation for a charity is 1998 (21 years to date), while 25% of charities registered in the last 10 years. Compared to this data, the SIB portfolio is slightly 'younger' with 39% of our organisations incorporating within the last 10 years and a median incorporation date of 2006.

Figure 2: Organisational length of operation



According to the Companies House dataset, around 15% of the SIB portfolio are no longer active, compared to 31% of the wider SIB applicant group. We aren't yet able to unpick that figure and show what contribution our investment and grants may have made to keeping businesses solvent and in operation, and we don't want to claim an impact that we haven't had. That said, the applicant pool is a fair comparison group and the very significant difference between those percentages suggests at least that:

- SIB has been reasonably successful at identifying organisations that can benefit from investment and support.
- SIB's investment and support may be a contributory factor in keeping social organisations going.

Improving an organisation's resilience is core to our objectives as a social investor, and in future we plan to do further research into understanding how the mix of social investment, grant and additional support that we offer might have helped these organisations keep their doors open. The focus on growth sometimes masks the importance of *maintaining* organisations that would otherwise struggle in the highly marginal markets in which the vast majority of social businesses operate. We would like to have a more precise understanding of how we can best support continued operations and the social stability that this provides in many deprived communities.



The support you need the most is when you're in the most trouble.

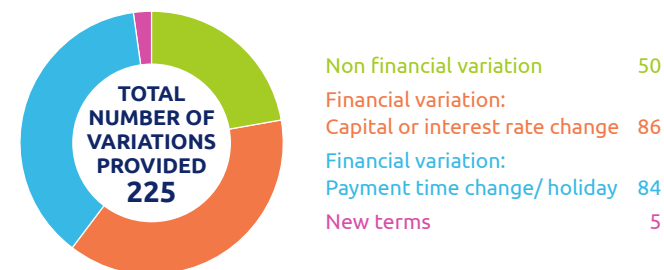
Osman Jama, CEO, Young Futures (FBE / SEIF / Big Potential Advanced Investee)

Analysis

What makes social investment different: variations

- Flexibility and patience during times of distress are often critical to a social enterprise's survival; and **variations are a key component to some social investment services.** offers having multiple variation terms allowed).
- From our sample we found that on average, once in need of additional help, a SIB investee takes **4.26 variations** to get back on track.
- Only 50 (26%) were non-financial variations including options like *change of security, change in governance* etc. While the majority of variations are then still financial, the option to provide non-financial changes is a useful illustration of the level of investee management offered to SIB investees in difficulty. Provision of variations requires a deep dive not only into an organisation's financials, but also their governance, networks and business model.
- When used, variations illustrate one of the biggest differences between commercial lenders and social investors – they reflect the patience and flexibility of lending for social impact that is not often afforded on the high street.
- We explored how variations worked for a sample of our SIB portfolio – 46 organisations were sampled, with a total of 225 variations provided (through 196 variation offers, some

Figure 3: Variations split by type



2.3 Sectors

Companies House uses SIC code classifications to identify in which sectors an organisation works. According to these classifications, 'human health and social work' was the sector most represented in both the applicant pool and in the SIB portfolio. Comparing the SIB applicant group to those on the SIB portfolio, our portfolio is weighted slightly more towards arts, entertainment and recreation sectors (9% compared to 7%), and slightly less towards human health and social work sector to (29% compared to 31%). In general, the representation of sectors across applicant and portfolio groups are extremely similar.

Charities and social enterprises often report operating in more than one sector – particularly when impact objectives require a more holistic approach, e.g. mental wellbeing. So although it is interesting to see the predominant sector split (as reflected by SIC code), we are aware that these sectors do not always accurately reflect the ways in which the organisations we work with understand their activities or the difference they aim to make. Analysis of our support programmes indicates that the three primary sectors of applicants is education, training & employment, arts & culture, and health and social care.

2.4 Geography: Indices of Multiple Deprivation (IMD) deciles

The IMD figures show that SIB has effectively directed funding towards charities and social enterprises who work to support the most deprived communities; with Decile 1 on the IMD scale comprising the largest proportion of SIB's portfolio.

Compared to those that applied, our portfolio contains a slightly larger number of organisations in the lower deciles (the applicant pool from decile 1 and 2 makes up 37% of the total applicants; with the SIB portfolio representing those two deciles at 38%). This shows that SIB's positioning of its funds has attracted the right mix of applicants, and that there is a good correlation between our investment decision-making process and those organisations who are working within the most vulnerable communities.

Overall, our investment decision-making (which includes considerations of both social impact and financial sustainability to support repayment), is resulting in a SIB portfolio in which over 74% of organisations are working with the most vulnerable half of the population (IMD levels 1 to 5).

Figure 4: IMD deciles (%)

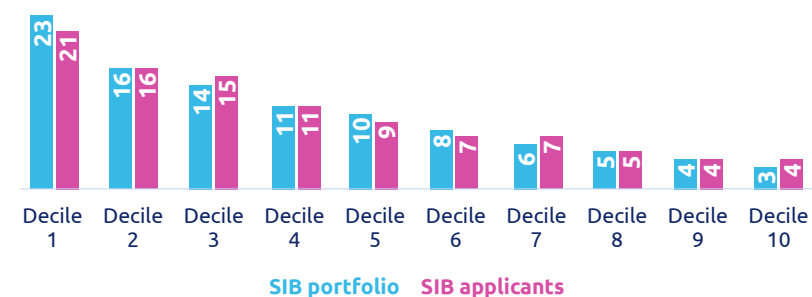
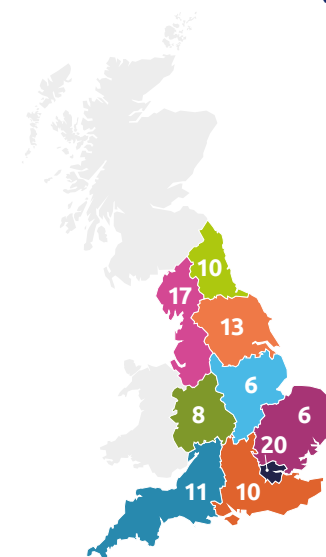


Figure 4.1: Regional breakdown of all SIB investments (%)

England-wide 4%
 Scotland 0.07%
 Wales 0.13%

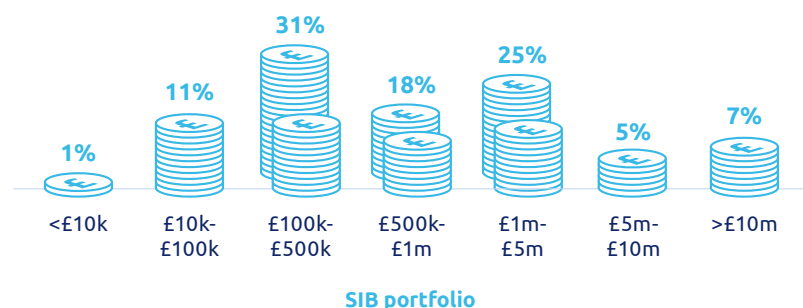
North East
 North West
 Yorkshire & The Humber
 East Midlands
 West Midlands
 East of England
 London
 South East
 South West



2.5 Annual turnover

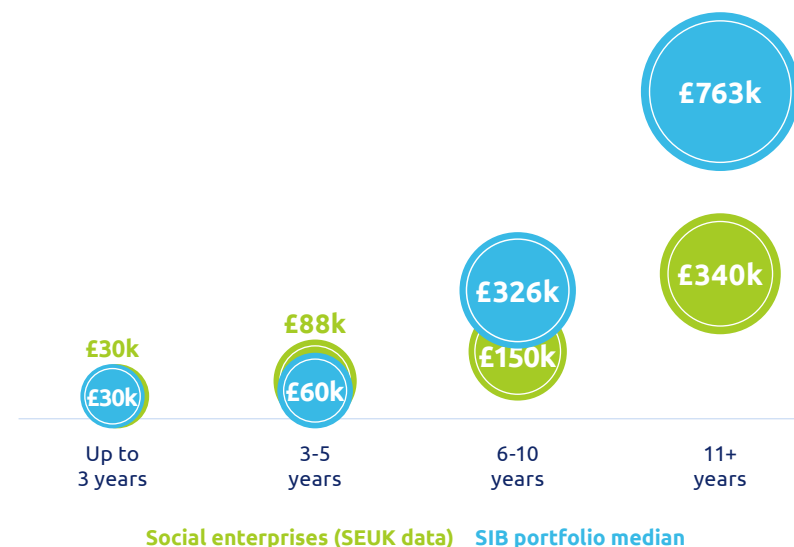
The graph below illustrates the most recent annual turnover reported for the organisations we support, with 31% of the SIB portfolio reporting an annual turnover of £100,000-£500,000.

Figure 5: SIB portfolio annual turnover split by band



- The NCVO Almanac data on voluntary organisations shows a large number of micro charities with little to no turnover. A more useful comparison is the 35% of charities that fall under the Almanac’s ‘small’ category (£10,000-£100,000). SIB’s proportion of organisations in this band is 11%. This reflects the fact that social investment will only be appropriate for a few organisations in this band, who expect to experience growth.
- 14% of charities are classified as ‘medium’ sized (£100,000-£1m), compared to 50% within the same turnover segment in the SIB portfolio, and 40% of social enterprises (from the SoSE survey).
- This is in line with our expectations – as a social investor, SIB provides repayable finance to organisations who are trading and/or have sufficient income generating activities to support their ability to service a loan; this is more typically seen in social enterprise models and medium-to-large charities than the majority of small and micro social sector organisations.

Figure 6: Median turnover split by years of operation



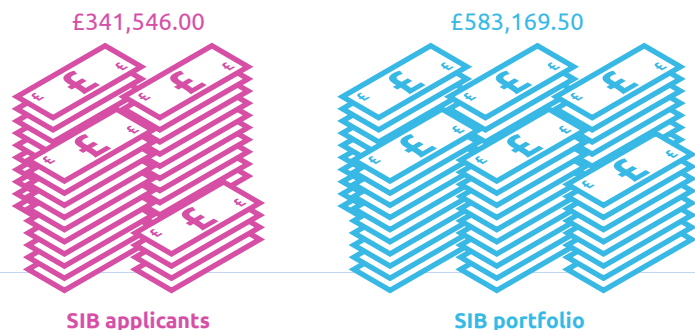
The graph above shows that median turnover for the SIB portfolio is similar to the social enterprise market; however, this changes after around five years of operation at which point there is positive divergence, where a SIB investee seems to experience accelerated turnover compared to the average social enterprise.

2.6 Total assets

Total assets also provide us with a good indicator of an organisation’s financial sustainability, though asset ownership alone does not bring sustainability. Compared to commercial investors, social investors are much slower to action any claim over assets when default occurs – SIB in particular seeks to offer variations to terms in order to prioritise supporting our customers out of crisis (see [page 21](#)).

The graph below shows a slightly larger median figure for the SIB applicant pool compared to the SIB portfolio. It would be interesting to investigate further, whether this difference is in any way due to the support or investment provided by SIB.

Figure 7: Median asset value



2.7 Our historical results

While we know still have work to do before we can provide consistent impact statistics across our full portfolio (see [page 10](#) for our plans for this); we also have some indication of how our wider programmes have supported positive change for the charities and social enterprises we work with.

Investment and Contract Readiness Fund (ICRF)

For every £1 spent on investment readiness support, £18 was unlocked through contract and investments accessed. With £13.2m of grants leveraged £233m secured by organisations post support (£154m in contracts, £79m in investments), ICRF reached a leverage ratio of 18.

Big Potential Breakthrough (BPB)

As of December 2018, £6.56m in investment had been leveraged by 29 organisations supported, a leverage ratio of 0.7 based on the total grant value disbursed (a ratio of 2.5 if you consider just the Investment Plan Grant pot within BPB, where investment raising was the goal).

Big Potential Advanced (Year 4)

£9.5m in grants led to a £464m in investments (£16m) and contracts (£448m) raised by 45 Big Potential Advanced grantees (as of December 2018): a leverage ratio of 48.

Reach Fund

By October 2018 (two years or less since grants were made), around £3m in grants had been provided, with 70 charities raising additional investment of £17m; a leverage ratio of six.

Adventure Capital Fund (ACF)

The gross income of ACF investees grew by over 160% in the six years that straddled their ACF investment.



Analysis

What makes social investment different: interest rates

One of the key components to social investment is the blend between grant and loan financing. Interest rates are usually shown only on the loan component to the total funding provided (which makes sense as this is needed for the repayment calculations). However, this doesn't fully capture how social investment and blended funds work in reality.

When we build in the calculation of 'realised interest rates' social investment starts to look less expensive.

We looked at 380 deals in our portfolio from different funds and found that for mixed deals (e.g. single deals with both grant and loan components),

our average interest rate was 3%* on the loan component. However, when we include the grant components, we find that our realised interest rate was actually 2.08%*.

An example:

A £100k loan with an interest rate of 6% might have been accompanied by a £50k grant. The total deal value is then £150k. Calculating the value of loan repayments (£6k over the total deal value (£150k) then provides us with a 'realised interest rate' of 4%. A much more accurate representation of the cost of the total social investment deal for the organisation than the 6% originally quoted.

3. Looking at now

This section covers in brief the current range of activities being undertaken by SIB, and the different ways in which the organisation is having an impact.

While there is little impact data to date from these activities, this gives a sense of the scale and reach of the work – and of customer feedback in this financial year.

1 Investment

SIB's **investment** work can be split into three main areas of activity: managing the existing portfolio of investments, investing through others, and establishing new funds.

- a. **Existing portfolio** – the portfolio includes SIB's own investments (Adventure Capital Fund, Communitybuilders, Liverpool City Region Impact Fund) and also the investments that we manage for government (Futurebuilders, Social Enterprise Investment Fund (Health)). As of 31 March 2019, the total funds under management were over £55m, broken down as follows:
 - ACF / Communitybuilders / LCRIF – £0.8m / £14m / £0.4m – £15.2m.
 - Futurebuilders (for Department for Digital, Culture, Media, Sport) – £36m.
 - SEIF (for Department of Health and Social Care) – £4.5m.
- b. **Investing through others** – SIB helped to found Social & Sustainable Capital (SASC) and invested £11.5m into its two main funds, the Third Sector Investment Fund and the Community Investment Fund, helping to attract a further £20m from other investors. In this year, we agreed to reallocate £2m of that original investment into SASC's new Social and Sustainable Housing Fund. Since their inception, SASC has now made 28 investments into social sector organisations, totalling over £30m; of this, seven investments totalling nearly £9m were made in this financial year.

- c. **New investment funds** – this year saw the launch of the Forward Enterprise Fund, a £2m investment fund to support organisations helping ex-offenders or those recovering from addiction. The Fund is run in partnership with the Forward Trust and created with investment from Access. By the end of the fund's first year, four organisations received Crowdfunder support, 10 organisations were supported through Business Support grants and four investments were made.

In this year, we also ran some pilots to test different approaches, notably the East London Impact Fund (ELIF), and Pioneer & Prosper. The former trialled approaches to reaching different organisations, design, and application processes, while the latter uses repayable grants and revenue participation. In total, these two pilots have invested over £160k in six organisations.

2 Support programmes

SIB's grant-funded support programmes are primarily managed for other organisations, although we also pilot and provide some support directly. The programmes in this year include:

- a. **The Reach Fund (with Access)** – grant fund for specific pieces of support that help charities and social enterprises raise investment, referred by social investors.
- b. **Enterprise Development Programme (with Access)** – a pilot grant-funded support programme to help organisations develop their enterprising capacity and build their financial resilience; operated in partnership with Homeless Link, Centre for Youth Impact, and UK Youth.

In total, these two programmes gave out over £4.5m of grants to over 500 organisations.

- c. **National Lottery Community Fund Scotland** – diagnosis and brokerage of business support to help organisations receiving grants to help their communities more effectively.

Since the second and current contract of the programme in 2016, NLCF Scotland has provided business support to **172** organisations over **950** days of support, with **63** organisations receiving support in the last financial year.

- d. **Diverse ambitions** – a pilot support programme, led and developed by the team, which supports Black, Asian and Minority Ethnic (BAME) charities and social enterprises with practical support, knowledge and referrals to help them increase their impact and become more financially resilient. Since the programme launched in January 2019, we have been working to provide support for **18** organisations.

3 Learning and influence

SIB has also undertaken several research and advisory projects in this current year, including:

- Research and design for a social investment fund for the Healthy London Partnership.
- Research and strategic advice for Power to Change on its future work.
- Providing the secretariat and strategic input for the Social Impact Investing Implementation Taskforce (now merged into the Impact Investing Institute).

More on our plans for this area can be found in the 'Looking ahead' section on [page 37](#).

4. Our Customer Feedback

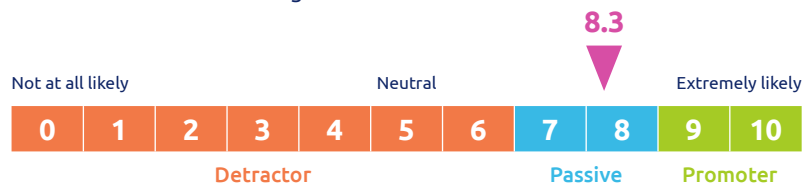
Our Customers

Putting our customers at the heart of everything we do is top of the list of our strategic priorities. Getting regular feedback from our customers helps us to continue to improve our approach to social investment and our service delivery. This section captures the feedback from those organisations in this financial year.

We now use a shorter, more regular four-question survey to get more live, in-time feedback. We measure our customer satisfaction using Net Promoter Score (NPS).

Our Current NPS Score:

From the sample of customers who provided feedback in April 2019, we achieved a Net Promoter Score of **+83** – a strongly positive score (scores can range from -100 to +100). Here's the NPS index we use to measure our customer satisfaction against:



$\% \text{ Promoters} - \% \text{ Detractors} = \text{NPS (Net Promoter Score)}$

Promoters (9-10) are enthusiastic customers, who will likely be positive to others

Passives (7-8) are satisfied but less enthusiastic customers

Detractors (0-6) are unsatisfied customers



Feedback is also incredibly useful for us to be more effective in our work. Here are a few of the key areas where we've made improvements to our service delivery:

-  **Applications** – shorter forms with fewer financial information fields (we get this ourselves from Companies House), and more focus on our customer relationship management system (CRM)
-  **Telephone contact and support** – building this into two of our main grant funds, the Enterprise Development Programme and Reach Fund
-  **Timescales** – improving the speed of our decision making – on average we respond to applicants within 4-6 weeks
-  **Software** – we now use DocuSign for our paperwork – less hard copy paperwork, less fuss

Continuous improvement is what SIB is committed to as an organisation – we know there is always room for improvement. We're grateful for all the feedback from our customers, and for every opportunity to learn and to improve our customer service.



The real positive of working with SIB has been having the same relationship manager over the lifetime of our investment. We have built up a really strong relationship and they have a real understanding of the way our organisation operates.

SIB Customer

Case study

TAP Social Movement (TSM)

SIB Support: Since 2018, **£6,600** business support grant / **£84,660** loan and **£14,940** grant (under the Forward Enterprise Fund (FEF))

Who is TAP Social Movement?

TSM is a craft brewery and social enterprise aiming to assist in effective rehabilitation for people serving prison sentences and create employment opportunities for ex-offenders based in and around Oxford.

TSM provide training courses for people serving prison sentences, offer courses in brewing and business start-up, and provide one-on-one support in securing permanent employment to assist in effective rehabilitation.

TSM, founded in 2016, started out from a passion for good beer and social justice. Founders Paul, Amy and Tess all had backgrounds in criminal justice, and experience

of entrepreneurship and retail. When working in the criminal justice sector, Paul and Amy worked closely with many people going through the system and all too well understood the lack of support and rehabilitative issues accessing education, training and employment. Ex-offenders and people in recovery from addiction are two groups mainstream employers are least likely to recruit. Yet having a job can bring independence and self-respect and is the single most effective factor in reducing the risk of re-offending. TSM was founded to provide training and long-term employment opportunities to help ex-prisoners break the cycle of reoffending.

Currently, there are five prisons around the radius of in and around TSM's base in Oxford – ranging from a young offender's institution, to categories B-D.



TAP Social Movement's first site brewery taproom and community space in Botley



Social investment has assisted us with time and cashflow. The cash injection at the right time, and properly directed, frees time up....[and]....allows you to refocus on the areas that really matter. For us that was our prisoner training programmes and...bringing a second brewery properly onto our books.

Paul Humperson, Director, TAP Social

How was social investment used?

The investment was used in two core ways:

1. The business support investment put TSM in a better position to be able to complete the FEF application process. Beyond that, it also helped them with their financials, improved governance and impact indicators. This extra support was critical in securing a loan investment from FEF.
2. The loan investment and grant blend and variation from FEF allowed TSM to buy out their second brewery site sooner than they would have otherwise been able to do. The finance is also helping make the equipment payments affordable until wholesale catches up with increased production, and new equipment is secured.

What happened?

This is a new investment. TSM is a particularly interesting example as the organisation is at an **early stage of growth** and therefore, the impact and longer-term results of the deal are yet to be seen.

Organisation Impact

- By accelerating the process of purchasing a second brewery, it **took pressure off their monthly cash flow and large rental payments**, allowing them to focus on building up their prisoner training programmes, events space and wholesale.
- Since TSM started, they've **grown tenfold from their bottom line**. Starting out with a core team of three, they now employ a staff team of 25 (including casual staff). One permanent full-time employee and several part-time employees have progressed through the programme and continue to work at Tap Social following their release from

custody. Numerous other graduates from the programme have secured work elsewhere after their release, with Tap Social's help.

Beneficiary Impact

- Amongst the staff team are several ex-prisoners, which is a key aim of the organisation and its programme: to assist effective rehabilitation. Within the staff group, there are around six prisoners working on day release from local prisons or from other ex-offender referral organisations at any one time.
- The organisation has also developed a partnership with Redemption Roasters, a roastery based inside Aylesbury Young Offender Institution that provides training in professional roasting to inmates. A coffee bar in TSM's taproom has increased revenues, and provided further training and employment opportunities.

5. Looking ahead

This section looks at how we will improve and expand our work on impact.

1 Investing for impact

We want to get better at using data and analysis to inform our design, delivery and decision-making. Our aim as an organisation is to put the resources we have to the best possible use in effectively supporting organisations who engage in diverse activities and create impact in different ways. To inform this, we will be focusing on two main areas:

- a. **Making better use of our own data** – we have a hugely useful resource in our loan book and history of grant making that we can draw on to understand the journeys and business models of the organisations that we support; in this way, we should be able to understand better when and in what ways different types of finance and support can work best.
- b. **Making better use of external data** – if we are to make the most of our own resources, we need to look at where they can make the biggest difference. One way of understanding this is to better understand the commercial potential of different organisations from data about their local economy. In this way, we can better understand the *assets* of a place, not just its needs and deficits (which the indices of multiple deprivation may tell us).

For example, areas which rank highest in terms of 'deprivation' and 'disadvantage' can have very different economic and demographic profiles. This could and should influence the kind of finance that is steered towards projects in these areas. For example, an area with more varied demographics and a wider economic base may require less time and institutional support to develop its social economy than a place which has a narrower and more depleted base by comparison.

Local economic data is increasingly available through open banking, and we will look at how we can use this sensibly to inform our work. The Alt Valley case study below gives an indication of how this can be done, and what it could start to tell us.

2 Embedding our impact approach

Our impact approach sets out a series of six core categories that we will assess across our full portfolio. With this framework established, we now need to implement it within our funds and programmes.

a. In investments

We have run an initial test on the historical funds, scoring a random sample of applicants against the categories. The second stage of testing will involve rescoring the sample at a median point during the life of a loan, and at exit.

We will also continue the process of embedding the impact approach into newer, open funds. We have started this with the Forward Enterprise Fund.

b. In grants

We are at an earlier stage of implementation in our grants programmes, and will be starting the testing process in autumn 2019. We are conscious that many organisations that apply for grants may be at the earlier stages of development, and scores, benchmarks and processes need to accurately reflect that reality. As we did with investments, we will start the testing process by scoring a random sample of historic grant recipients.

c. With partners

We have been approached by other social investors who are interested in trialling our impact approach in their own funds. We will be supporting them to test it out for themselves, and sharing how we have gone about it and what we have learned so far.

A further step we aspire to in the future is to have our approach and findings verified by an independent external assessment or assurance body.

3 Developing and testing our impact approach

As well as the work of testing and embedding the impact approach, we have an ongoing commitment to refining it and publishing the research background that we have drawn on to develop it.

- a. In 2020 we expect to publish a second iteration of the impact approach, drawing on our learning from testing and embedding it across our funds and programmes.
- b. We will publish literature reviews for each one of the categories, with the first to be published in late 2019, and the rest in the first half of 2020.
- c. We aim to create an open knowledge bank that draws on our use of the impact guide. This will include a set of benchmarks for different stages of the business life cycle, guidance on implementation, and links to the objective data stored in the Social Economy Data Lab specification.

4 Lived experience and shared standards

We are keenly aware of the wider systems in which our customers are working. When we seek to gather viewpoints from beneficiaries, we want to be as sure as we can possibly be that we are doing so in ways that are legitimate, and where singular experience is useful to our customers. We also want to ensure that we are not expecting individuals to take sole responsibility for judging the worth of approaches of which they have only a partial view.

To help us to take a consistent approach to what is often called 'lived experience', and to balance beneficiary voice with objective judgment, we are drawing on a division between different kinds of attributes that help us to understand a social programme or business and continually improve it to create the greatest impact.

- a. **Search attributes** – these are the factors that guide someone in identifying a good product or service. Applied to ourselves this could

include how easy it is to find the right kind of financial support, how that support is delivered and what it requires of an investee or grantee by way of monitoring. Customers themselves are best placed to help us to get this right. If we don't get it right, then we won't reach the people who need our financial support.

- b. **Experience attributes** – this is what it feels like to access a product or service and put it to use. Again, this is something that customers themselves need to tell us about for us to improve our service. For us it will include things like the timeliness of phone support, how easy it is to complete our financial reporting and social impact monitoring forms.
- c. **Credence attributes** – these are the factors that are difficult to judge as an individual customer. They include expert knowledge of supply chain standards and comparative quality of service. It is difficult for an individual customer to know what they should expect from a social investor if they have not previously taken on a social investment loan. Holding ourselves to account requires establishing common standards across our sector, and ensuring that we meet or exceed them.

As we look ahead, we want to make a commitment to understanding how all three sets of attributes can be used to better understand our customers' work as well as our own.

5 Creating a sector data partnership

The Social Economy Data Lab (SEDL) project is aiming to do for social investment what 360Giving has done for grants: to agree standards by which different funds and investors can consistently collect their data, and to link up that data of the social investment landscape to make it more accessible, up-to-date, and ready to be analysed.

That data standard has already been tested with Key Fund and the Community Shares Unit, as well as our own investments. We are also some way along the road with work on bringing new organisations into the fold,



on developing internal dashboards, and on linking up to information from external sources (such as Companies House, Charity Commission and accurate geographic data).

The next steps in establishing the long term future for SEDL will involve development of the technical infrastructure, work on an appropriate structure for effective data governance, and further work with partner organisations to input their data, apply it and learn from it. This work is being supported in 2019-20 by both Power to Change and the Connect Fund.

Case study

Alt Valley

SIB investment and grant funding for Alt Valley Community Trust (AVCT) and its sister company the Neighbourhood Services Company (NSC).

Combined annual turnover: £6.5m (AVCT £2.5, NSC £4m)

Total SIB investment (loan): £3.47m (of which £1.38m repaid)

In AVCT: £1.25m loan, £1.38m grant (across 12 programmes, three loans)

In NSC: £2.22m loan, £750k grant (across six programmes, five loans)

Who are Alt Valley Community Trust?

AVCT started life in July 1982 with the occupation of Croxteth school. The school was occupied for three years by the local community, before being reinstated as Croxteth Community Comprehensive in 1985. The school occupation action committee became Croxteth Community Trust, and in 1999, the Alt Valley Community Trust.

From its activist beginnings in education, Alt Valley has taken on a variety of ventures and services including running three libraries, three sports centres, three community centres and

an education campus. In 2001, partner the Neighbourhood Services Company (NSC) was established to work alongside AVCT. NSC, an ambitious social enterprise, runs two farms (over 350 acres), and operates in three further business sectors: Environmental Services, Building Maintenance and Catering. It also runs two pubs, three shopping parades, a warehouse and rentable office accommodation and has recently opened two nurseries. The Environmental and Building Maintenance arms are largely contracted by Housing Associations.

Context

The north of Liverpool continues to show clusters of severe deprivation, with 26 LSOAs in the most deprived 1% in the country. The area around Croxteth and Norris Green in which Alt Valley is based has changed considerably in the time that the organisation has been active in the area. The 2015 data shows that although it still has LSOAs ranked in the 10% most deprived in the country, it now also has distinct patterns of growth and prosperity, with parts of Croxteth now in the upper 50% of the least deprived areas in England.

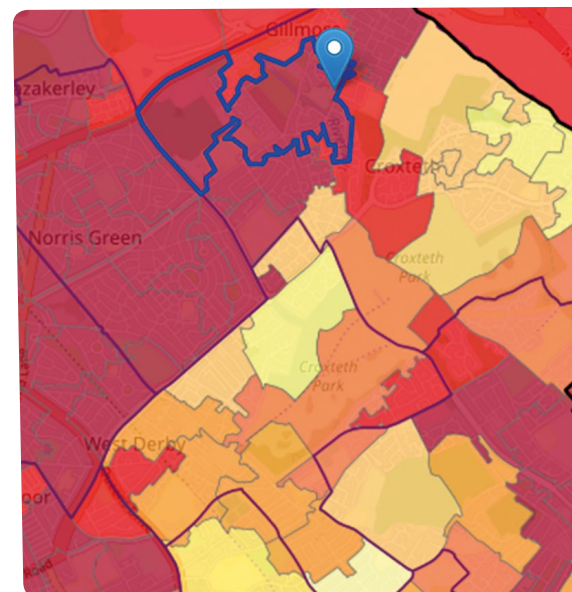


Figure 8: Map of the Croxteth area

Dark colours indicate higher levels of deprivation. The pin shows the location of the Neighbourhood Services Company, with the cooler colours showing areas of Croxteth that are less deprived.

How was social investment used

- The first loan was via the Adventure Capital Fund. It was the trigger for financing AVCT's growth over the subsequent years. Of the first £200k, £100k was paid back by social outputs through jobs, the second £100k paid back at 1%. This was pivotal for further European funding – another £300k to finish the building.
- This then progressed to a £1m investment from Futurebuilders (£300k grant, £700k loan repayable at 6%) – to work on establishing a vocational college, working with younger people; it is notable that the 1% was an 'enabler', and the 6% loan is more business-like; this money similarly helped unlock £1.5m of European funding for the centre.

What happened

Organisation impact

- Social investment has been a growth enabler for AVCT, providing the initial boost in income to make them eligible for European funding, and continuing to serve as patient background capital to sustain their business development and business model adapt in response to community need.
- Business growth has been significant. AVCT had £17.5k income in 1999; two years later this had grown to £750k, including loans. Turnover across both AVCT and NSC is now in excess of £4m a year.

Beneficiary impact

AVCT's work has played a part in the regeneration of Croxteth, with a particularly varied role in the last twenty years as an active employer, local asset manager, focus for community activism and increasingly as a producer and retailer.

A 2010 report by the Joseph Rowntree Foundation (JRF) credited Alt Valley and NSC with a direct influence in the area's positive employment prospects as compared with a similar area in Liverpool.

As part of developing our evidence base for and with grantees and investees, we are exploring the use of additional data analysis to demonstrate impact. Alt Valley is an anchor organisation working in a defined area and its impact should be traceable in wider data sets. We have tested this using retail data provided by Imfoco, an impact information company.

- Alt Valley's presence in the data is hard to track and appears fairly insignificant. This data covers direct business to customer retail and is based on credit and debit card payments. It may be that Alt Valley's sales remain cash-based to a greater degree than other local businesses. Nevertheless, we do see considerable growth over the three years of data that we can recover using merchant ID numbers.
- As a pioneer social enterprise taking on these roles, traditionally held by large national companies, this tracking will be significant beyond the local context in establishing a new model for high street business. We expect to see a change in the balance between the yellow and green circles and Alt Valley's small grey dot in the next two or three years.

Figure 9: L11 postcode retailers

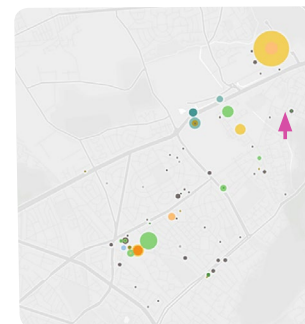
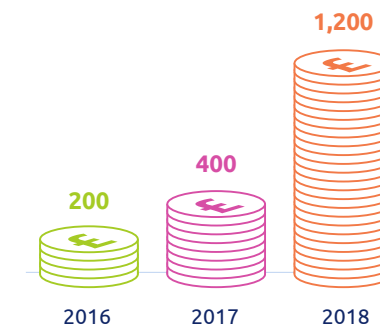


Figure 9 shows the retailers of the L11 postcode in August 2018, with the arrow showing Alt Valley. The bigger the circle, the greater the number of sales. The large yellow circle is the Home Bargains store. Green circles show supermarkets. In this retail landscape, Alt Valley's

Figure 10: Sales in Alt Valley



contribution to the retail economy remains slight. That contribution is, however, visibly growing in the data that we can track using Merchant IDs. Sales for the last three years are shown in the Figure 10 above. 2016 is the first year that Alt Valley appears in the data.

A note on case studies

This type of alternative data analysis indicates where we would like to get to in future with in-depth case studies: linking an assessment of our funding and support to the actual financial and social performance by the organisations we have supported over time. We will continue to work to make this approach easier to achieve, and also continue to draw comparative analyses that help the organisations themselves understand their growth and influence.

This will get us much closer to understanding the role that social businesses play in creating positive impacts for local people in deprived areas, more accurately and at lower cost. Over time, this should help identify and de-risk investment opportunities, increasing the flow of money to the places that really need it.

6. Inside SIB

We know that organisations have impact not just through the programmes and services they deliver, but also through how they operate. It is the same for us, and **this section looks inside SIB**: at our pay, our people, our suppliers and our environmental impact.

Our team

Our people are at the heart of everything we do. You can take a look at our up to date staff and board list here: www.sibgroup.org.uk/people. We're very conscious that we need to get better at diversity in every sense at Board and Director level – and we're working on it. We are a founding member of the Diversity Forum for Social Investment, and have signed up to its associating manifesto.

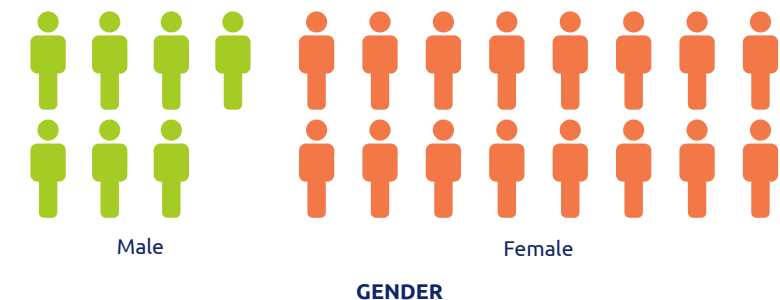
Our pay

- Our overall **pay ratio:** **3.5:1**
(between CEO and most junior member of staff)
- Our overall average gender pay gap: **15.07%**
- The UK average gender pay gap: **17.9%**
- Our lowest paid employee is paid: **£8,177.50**
above the London Living Wage



We are an accredited London Living Wage employer

Key figures for current employees



Our suppliers and providers

We now use several social enterprises as suppliers, including our landlord CAN, our fruit supplier Fruitful Office, our website hosts, and most notably our banking. Through these suppliers, we spend more than **£200,000** with social enterprises annually. We transferred **£7m** from mainstream banks to Charity Bank, Triodos, CCLA and Unity to maximise the impact that money can create.

Our environmental footprint

We know we're not doing well enough here.

Currently we offer a cycle to work scheme, use video conferencing to reduce travel, and have a policy of no internal flights within the UK. We are looking to improve across the board in the year ahead in a range of other areas, from recycling to our suppliers to reducing use of plastics, and will report on this in next year's report.

Our finances

SIB is a relatively complex charity: we have four different legal entities in the group, some managing funds and repayments for government, and we have long-term stakes and investments in other companies alongside our in-year operational performance. The sets of accounts can be found online via the following links:

Social Investment Business Foundation – consolidated accounts

beta.companieshouse.gov.uk/company/05777484/filing-history

Social Investment Business Limited

beta.companieshouse.gov.uk/company/06490609/filing-history

Futurebuilders England

beta.companieshouse.gov.uk/company/05066676/filing-history

Forward Enterprise FM

beta.companieshouse.gov.uk/company/11238102/filing-history

7. Acknowledgements

Thank you to all the organisations we work with, partner with, invest in and support, without whom none of our achievements are possible. Our key partners include:



Thank you also to Empire Fighting Chance (EFC) for kindly providing our cover image for this report. Empire Fighting Chance deliver the UK's largest non-contact boxing programme to children at risk of exclusion from school. SIB have proudly supported EFC through our grants programmes BPB, Community Assets and Services Fund, our Impact Management Fund and most recently (October 2019), the YEF.

8. Data, methodology and footnotes

Below are a few notes on data and our methodology, relating to different sections in this report. All the data is reported as of 31 March 2019.

Page 6

In relation to **Our reach** – the total figures in investment include smaller funds (Forward Enterprise Fund and First Steps Fund) which had less than £500k invested at time of writing.

Page 8

The total figures for the grant/support programmes includes the total grant figures from the Reach programme, which includes a small amount of overlap to the previous financial year.

Page 18

The **Looking back** section draws on the historical and current SIB portfolio. The majority of the data in that section is taken from Companies House, so there is a sample selection bias as organisations not registered with Companies House have not been included. The data sample size therefore do not represent the entirety of the SIB applicant pool or portfolio. Also, some data is missing on Companies House, such as annual turnover variables.

Page 18

Organisations who have received or applied for more than one SIB offer have not been deleted as 'duplicates': repeated profiles give us a better picture of where our money is going (even if that is to the same organisation multiple times in different ways (there are 134 duplicates in the applicant dataset, and 89 in the portfolio dataset).

Page 22

We use the Indices of Multiple Deprivation, but recognise its weaknesses and we will be looking at other external, credible sources of data in future. Please note that the IMD statistics we look at in this report are from the English Indices of Deprivation 2015.

Page 8 and page 30

In the sections on the grant funds which provided business support, some large contracts skew the ratio significantly (for example, one contract of £220m was won as part of the Investment & Contract Readiness Fund); it is difficult to compare leverage across these funds, as the time-periods vary and the priority areas and targeted groups were different.

Page 28

In the section on realised interest rates, the interest rate and realised interest rate averages have been weighted (based on Fund value) across loan funds.



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