The Report of the Alternative Commission on Social Investment

March 2015

After The Gold Rush

Conclusions and Recommendations

The Alternative Commission on Social Investment

Introduction

1 "Big Society Capital is going to encourage charities and social enterprises to prove their business models – and then replicate them. Once they've proved that success in one area they'll be able – just as a business can – to seek investment for expansion into the wider region and into the country. This is a self-sustaining, independent market that's going to help build the big society."
– David Cameron, April 2012

"We found market participants to be bullish about the future. From around £165mn of social investment deals made in 2011, our study shows that demand for social investment could rise to £286mn in 2012, and then to £750mn in 2015, finally reaching around £1bn by 2016 if trends continue as forecast." **– The First Billion, Boston Consulting Group report for Big Society Capital, April 2012**

The Alternative Commission on Social Investment

2 **Growing enthusiasm**
The UK is a "world leader in social investment". Since the then Labour government backed the creation of a Social Investment Task Force in 2000, we have seen a steady build up of support from leading figures in the public, private and voluntary sectors for finance designed to achieve a combination of social and financial return.

During the 2000s, the UK Government created a series of state-backed funds and capacity-building programmes designed to support the development of the 'third sector' and the idea of a 'social investment market' emerged. Since April 2012, we have seen the creation of the world's first social investment wholesale finance institution, Big Society Capital, created to support a growing number of specialist intermediary and support organisations, and complemented by significant central government funding for incubation, acceleration and investment readiness.

But increasing disquiet
Yet unfortunately, there's a major disjuncture between the rhetoric of the 'first trillion of social impact investment' heralded in a recent G8 report[1] and the reality on the ground in the UK.

> *"There is a real feeling that the social investment community isn't listening to the people on the front line... There's a growing resentment, and a feeling that the social investment world is a London thing, with London-based intermediaries. There's a feeling it's a lot of people in London with clever ideas who are talking to each other."* **- Jonathan Jenkins, chief executive, Social Investment Business, quoted in Civil Society – 03/06/14**

> *"If you're talking about [investments of] less than £250,000, some part of the investment will always have to be grant... Small loans are expensive. They're expensive to originate, they're expensive to monitor. The default risk is always going to be reasonably high and there's a point at which the rate of interest is just inconsistent with the social mission of the enterprise... Likewise for the SIFIs, they say if we don't charge more than 10% that cannot possibly – in the absence of any grant support – be sustainable given the size of the loans. I think they're right too. So the market doesn't clear effectively. And so how do you square that?"*
> **– Nick O'Donohoe, chief executive, Big Society Capital, interview for Beanbags and Bullsh!t – 28/02/14**

The quotes above are not the dissenting voices of people on the margins of the emerging social investment industry – they're the thoughts of the bosses of the two largest organisations currently operating in the market, between them managing assets of around three quarters of a billion pounds.

While many individuals and organisations in the UK are successfully using finance to support social good, the idea of 'social investment' and the 'social investment market' are neither living up to the rhetoric of politicians and social investment leaders nor meeting the expectations of many charities and social enterprises.

The Alternative Commission on Social Investment was set up to ask why and to make some practical suggestions as to how things could be improved.

[1] http://www.socialimpactinvestment.org/reports/Impact%20Investment%20Report%20FINAL%5B3%5D.pdf

The Commission Secretariat
A Word from David Floyd

As a social entrepreneur running a small social enterprise in Walthamstow, East London, I have watched the development of the UK social investment market from several different angles:

> as a social entrepreneur thinking about whether and how these new models of investment were relevant to me and my business
> as a blogger giving my views on how the emerging market was affecting the social enterprise sector as a whole
> as a writer and researcher seeking to understand and explain the social investment market to others.

Since the mid-2000s, it has seemed to me that the models of social investment and the concept of 'social investment market' promoted initially by the previous Labour government, then by the Coalition were well intentioned but misconceived.

In theory, the idea of 'social investment' suggests the promise of finance which offers something different to what is on offer from banks or other mainstream investors. However, investee organisations still need to be profitable enough to take on finance from a Social Investment Finance Intermediary (SIFI) and repay it at a rate that enables SIFIs to at least break even themselves.

The idea that there are enough organisations underserved by our mainstream financial services to enable the creation of an entire new market to be met by socially motivated investors and for this all to still stack up financially seems too good to be true. That is because it is not true. As social entrepreneurs have known for decades, trying to run a viable business where the market fails is, by definition, a difficult trick to pull. The reality is, as Nick O'Donohoe says, that: "Most social investment requires subsidy, and subsidy should not be a dirty word." [2]

[2] http://iipcollaborative.org/lessons-learned-from-establishing-the-worlds-first-social-investment-bank/

Facing facts and taking action
The emerging realisation that social investment is not quite as magical as it may have initially appeared does not mean that it's wrong to try to use repayable finance to support social good. Social investment still has great potential to help us both to better use of the existing available resources to change the world for the better and to increase the resources available to this end.

However, if social investment is being talked about more than its actually happening; if it's subsidised by someone; or if it's not even a better deal for social enterprises than more conventional investment, then we need to face up to and admit these truths. If it's subsidised, for instance – whether it's the state, trusts and foundations or private individuals – it's important to be clear about the extent to which and why we're subsidising it. We need to know why we're favouring a subsidy for social investment over a more traditional subsidy to the social sector through a grant. The combination of significant government support and the expertise of growing numbers of talented, socially committed people to the idea of social investment means that we in the UK now have a window of opportunity to create a version of social investment in practice that is both socially useful and financially sensible.

I hope the Alternative Commission will be a contribution towards doing that.

David Floyd
Social Spider CIC
Alternative Commission Team

The Project

The Alternative Commission on Social Investment is an initiative designed to take stock, investigate what's wrong with the UK social investment market and to make some practical suggestions for how the market can be made relevant and useful to a wider range of charities, social enterprises and citizens working to bring about positive social change.

The five key underlying questions the Commission has addressed are:

1. What do social sector organisations want?
2. Can social investment, as currently conceived, meet that need?
3. What's social about social investment?
4. Who are social investors and what do they want?
5. What can we do to make social investment better?

A small Commission Team with experience in social enterprise and social investment in policy and practice developed the initiative, and carried out desk-based research and interviews both with those involved in the UK social investment market and with others with insights to offer on its development, whilst openly encouraging input from other interested parties.

The work of the Commission Team was guided by 14 Commissioners, all of whom have some interest and knowledge of social investment but many of whom offer experiences and perspectives beyond those of the current major stakeholders in the social investment market. We worked with partners to organise 9 roundtable events: some focused on specific countries and regions within the UK, others looking at particular topics. It total we talked to over 100 people in person and 20 more contributions through our online survey.

The Commission's work has been a wide-ranging participatory discussion. This report is not and does not claim to be a piece of quantitative research. This report does, however, seek to look at the UK social investment market more from the broad perspective of what Big Society Capital describe as 'Social Sector Organisations' rather than from the perspective of intermediaries and investors, whose viewpoint has often been the focus of other research reports in this field.

Clearly, there is not a single 'Social Sector Organisation Perspective'. Experience of the practical relevance of social investment funds will vary wildly, for instance, between a local social enterprise, just about breaking even with a turnover of £200,000 and a large national charity, delivering major public contracts with turnover over £20milllion.

However, the Commission starts from looking broadly at what, based on available evidence, Social Sector Organisations might want or need – and then considers the extent to which the emerging social investment is succeeding in delivering that.

This is a different starting point from much of the voluminous research published over recent years on the development of both UK and international markets. But it is worth emphasising that everyone involved in writing this report is a supporter of social investment. We all want to see an increase in the effective use of finance to do good.

The report makes 10 key points and 50 recommendations in total. These are mixture of strategic and practical recommendations.

5 The Commissioners have been responsible for providing broad guidance and feedback to the Commission Team. They are a diverse group with a wide range of starting points and perspectives so neither the totality of the report nor all the recommendations necessarily represent their personal opinions or those of their organisations.

However, our Commissioners do agree that that the five key areas addressed in the recommendations are the right ones and that the direction of travel suggested by those recommendations is worth pursuing.

Commission Team:

David Floyd *(Social Spider CIC)*, Dan Gregory *(Common Capital)* and Nikki Wilson.

Commissioners:

Daniel Brewer *(Resonance)*, Martin Brookes, Ged Devlin *(Community Shares)*, Niamh Goggin *(Small Change - NI)*, Mike Harvey *(Candour Collaborations)*, Helen Heap *(Seebohm Hill)*, Katy Jones *(Clearly So)*, Vibeka Mair *(Responsible Investor)*, Ian Marr *(YMCA Scotland)*, Julia Morley *(Department of Accounting, LSE)*, Alex Nicholls (*Skoll Centre for Social Entrepreneurship)*, Holly Piper *(CAF Venturesome)*, Asheem Singh *(ACEVO)*, Sam Tarff *(Key Fund)*.

What Can We Do To Make Social Investment Better?

Principles of Social Investment

7 There are two separate aims which could also represent sensible policy goals for any future UK government:

1. Better access to finance for social sector organisations; and
2. Investment to flow in a more socially impactful way.

But these are not one and the same thing. With regard to the first, social sector organisations can access finance from a range of providers with different motivations. And for the second, investors can create greater social impact without necessarily investing in the social sector.

The Alternative Commission on Social Investment

8 And crucially in this context, neither of these are the same thing as "social investment". So what is social investment? Can it be defined?

Here we can learn from the debate around the idea of "social enterprise". Social enterprises do not have a unique claim on making the world a better place. And businesses of all types can create social value, as can the public sector. But while social enterprise is not always the answer, we do have a popular concept of "social enterprise" which has some defining principles.

We have this concept of social enterprise because some people believe in it as an idea. Not everyone – many people can and do seek to make the world a better place through private business models or through public institutions. But some people happen to believe in something called "social enterprise".

So if we are to have something called "social investment" – beyond the issue of access to finance for the social sector and beyond the idea that capital should flow more in a more socially impactful way – then it must stand for something. It must be based on some principles which define it. What might these defining principles be?

We have yet to come across any defining principles for social investment. This perhaps partly explains frustrations in some parts with the practice of social investment. So here, and perhaps for the first time, we propose some principles which could define social investment. They are inspired, in part, by various (although often broadly consistent) definitions of social enterprise. We propose that social investment should have the following characteristics:

> pursues an accountable social or (environmental) purpose;
> is autonomous of the state;
> has the (mission of the) investee as the principle beneficiary of any investment;
> is transparent about measuring and reporting the social value it seeks to create; and
> is structured to create financial value or organisational capacity over time, for example, by helping the investee invest in growth, acquire an asset, strengthen management, generate income and/or make savings.

If "social investment" is to mean anything, then it needs to mean something!

Conclusions and Recommendations

What can we do to make social investment better?

The Alternative Commission on Social Investment was set up investigate what's wrong with the UK social investment market and to make practical suggestions for how the market can be made more accessible and relevant to a wider range of charities, social enterprises and citizens working to bring about positive social change.

One of the key aims of the Commission has been to avoid making only wide-ranging recommendations that are easy to agree with but hard for individual stakeholders to act on.

For that reason, this section features a total of 50 recommendations, which do include broad, strategic points which we maintain are important but also more specific suggestions aimed at particular organisations.

Of these, we have identified 10 key suggestions – 2 focused on each of 5 key areas for action. These key areas are:

Transparency

The most commonly recurring theme when talking to Social Sector Organisations considering social investment is the mind-boggling nature of the market.

On a purely practical basis, if an organisations seeking finance wants £50,000 of investment and wants to know which SIFI might offer it, there's nowhere to go to find out. Most SIFIs don't tell the world who they invested in or on what terms. Beyond these practicalities, SIFIs and others in the market could be more transparent about what's so 'social' about their approach to social investment.

Transparency is important partly because organisations receiving public and charitable funds – as many SIFIs do – will increasingly lose credibility if they fail to live up to the standards they demand from frontline social sector organisations, particularly with regard to explaining what they're seeking to achieve and demonstrating it.

Even more importantly, though, it is in SIFIs' commercial interests to increase understanding and awareness of what they do amongst organisations that could benefit from investments – so more of them seek investment - whilst reducing the amount of time and resources wasted by social sector organisations seeking investment from SIFIs whose products are not relevant to their needs.

Greater transparency is a route to more deals being done and, by reducing process costs, better deals being done.

Wholesale changes

As the recipient of at least £400 million worth of unclaimed assets, along with £200 million from the Merlin banks, Big Society Capital (BSC) is the biggest single player in the development of the social investment market. It is unsurprising that BSC is criticised from many different angles by organisations and interest groups with a wide range of different agendas.

In most cases, Social Sector Organisations have limited understanding of, or interest in BSC's strategic role and only sometimes notice that very little of the unclaimed assets money is currently available in a form that relevant to their organisations.

Yet many SIFIs are also frustrated with BSC; that it is not able to offer them finance at a rate that would make it easier for them to offer more attractive deals to frontline organisations. Sometimes they are angry at the high process costs involved in dealing with BSC.

The biggest underlying problem for BSC may be the conflict between its aim to foster the growth of a distinct 'social investment market' with its strategic aim to 'crowd in' as much institutional investment as possible into that market. How do you go about building something different whilst also making it part of business as usual?

BSC does not need to abandon this strategy but it does need to consider how it could transform itself to enable it to provide more support for funds and investment models that:

(a) institutional investors are not ready to back yet but may be interested in once they have a track record
(b) may not require institutional investment to become sustainable

BSC should reconsider its role(s), seeking appropriate permissions from the next government, members of its Board, the Merlin Banks and the European Commission - whichever are necessary – to enable it to support as much distinctively social investment as possible whilst also acknowledging and supporting investment which has a positive impact on the world beyond narrow 'the social investment market'.

Social investment is dead!

One key reason why social investment is so unpopular with many in the voluntary sector is the extraordinary level of hype deployed by government ministers and some social investment leaders during the post-2010 period.

Ministers from the Prime Minister down have implied (or, in some cases, openly stated) that social investment has been fostered by government in order to enable significant numbers of Social Sector Organisations to respond to a situation of reduced public spending. This inevitably creates distrust in a sector where many staff are ideologically or just practically opposed to spending cuts.

Meanwhile, the gap between hype (the "First Trillion" and so on) and reality (BSC investing a few million pounds in the social sector over an entire parliamentary term) has led to significant disappointment and growing cynicism amongst Social Sector Organisations.

Equally damaging is the impression – fuelled by talk of 'social investment as an asset class' - that some in government and the social investment sector want to create a social investment market for its own sake, which has little to do with Social Sector Organisations, or more importantly, their beneficiaries.

There remains a lack of clarity about what social investment is meant to be for. While 'access to finance for Social Sector Organisations' would make sense as a policy agenda from the point of view of social sector organisations and the socially positive use of finance in a general sense makes sense to those who want to see a less socially divisive capitalism, neither of these are the same thing as 'social investment'. The rationale for a distinctive 'social investment market' where these two agendas might overlap is not clear and has yet to be convincingly made by any advocates of the idea.

Long live social investment!

Given the confusion about what social investment is, stakeholders with an interest in social investment should work together to decide what, in principle, they are championing. Together, they should set out what it is that differentiates 'social investment' from other approaches to investment. These principles could help guide behaviours in the market.

The result will not be that all organisations in the UK get the social investment market that they want. But everyone will be clearer about what they can hope and expect social investment to offer, taking the sting out of some of the debates.

Beyond clarifying what they're for, SIFIs in particular could improve upon their current models, taking inspiration from distinctly social principles. Many Social Sector Organisations believe that SIFIs sit in their expensive London offices offering finance that is of little relevance to the rest of the UK modelled on the venture capital industry. While some are already acting to tackle this perception, all SIFIs can so more to better engage with and understand demand across the UK, respond to it and live up to distinctly social principles. For example, most SIFIs could go further to recruit more people with social sector experience from across the UK, giving them greater capacity to understand the business models and world views of the organisations they exist to invest in.

SIFIs could also consider whether the due diligence models they use are practical and appropriate for size and type of deals they make and the organisations they invest in.

Doing it ourselves

The Commission believes that Social Sector Organisations can and should take some responsibility for helping to shape the kind of social investment market they want and need. That can include urging umbrella bodies to more accurately report on and explain their experiences of the current market – and also being more assertive about telling SIFIs and BSC what they want from the market.

Larger Social Sector Organisations also have a possible role to play as investors themselves. If they have significant cash, reserves and other assets, they could use that financial strength to themselves support the development of a more robust, confident and self-sufficient social economy and a more truly *social* investment market.

Recommendations

Key Points:

- **Transparency** – *Publish information on all social investments across all investors* – with investees anonymised if required (Big Society Capital, SIFIs, the Social Investment Forum)
- *Explain if and how social value is accounted for within your investments* – do you expect investees to demonstrate their impact as a condition of investment? Do you offer lower interest rates based on expected impact? Are you prepared to take bigger risks based on expected impact? (Big Society Capital, SIFIs)
- **Wholesale changes** – *Reconsider the role of Big Society Capital* – prioritise building a sustainable and distinctively social investment market over securing a sustainable existence for Big Society Capital – (Big Society Capital, Cabinet Office)
- *Consider splitting the investment of Unclaimed Assets and Merlin bank funds.* Unclaimed Assets, allocated by law to Social Sector Organisations, could be invested on terms that better meet demand than currently, while Merlin bank funds could be invested in a wider group of organisations, with a focus on positive social value – (Big Society Capital, Cabinet Office)
- **Social investment is dead!** – Minimise all forms of social investment hype that might inflate expectations and under no circumstances imply that social investment can fill gaps left by cuts in public spending (Cabinet Office, DWP, MoJ, HM Treasury, Big Society Capital, Big Lottery Fund, NCVO, ACEVO, Social Enterprise UK)
- *Avoid treating the development of the social investment market as an end itself* – social investment is a relatively small phenomenon overlapping with but not the same as 'access to finance for social sector organisations' and 'increasing flows of capital to socially useful investment'. These wider goals should be prioritised over a drive to grow the social investment market for its own sake – (Cabinet Office, Big Society Capital)
- **Long live social investment!** – Work together in equal partnership with the social sector to develop a set of principles for what makes an investment 'social' - (Policymakers, Big Society Capital, Key Stakeholders, SIFIs, Umbrella bodies, the Social Investment Forum, SSOs)
- *Social investors should better reflect and understand the market they are seeking to serve by getting out and about, meeting a broader range of organisations* – particularly organisations based outside London – recruiting from the sector and cutting costs that deliver no social value – (SIFIs)
- **Doing it Ourselves** – Create a 'Compare the market'/'trip advisor' tool for social investment – enabling organisations to rate their experiences and comment – (Umbrella bodies and SSOs)
- *Back yourselves and invest in each other* – Social sector organisations should consider cutting out the middleman and developing models where they can invest in each other, where legal and appropriate – (SSOs)

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Full Recommendations

1. Transparency:

i. *Publish information on all social investments across all investors* – with investees anonymised if required (Big Society Capital, SIFIs, the Social Investment Forum)

ii. *Explain if and how social value is accounted for within your investments* – do you expect investees to demonstrate their impact as a condition of investment? Do you offer lower interest rates based on expected impact? Are you prepared to take bigger risks based on expected impact? (Big Society Capital, SIFIs)

iii. *Explain who Big Society Capital (BSC)-backed market is for* – Be clear about ***how*** many social sector organisations can realistically expect to receive investment from the BSC backed market (assuming it works). If it's 200, be honest about that (Politicians, Cabinet Office, Big Society Capital)

iv. *Explain what Big Society Capital (BSC)-backed market is for* – Be clear on policy positions on crowding in/crowding out – is the point of BSC to bring mainstream investors in or grow the social investment market to crowd them out? (Cabinet Office, Big Society Capital)

v. *Explain the relationship between Big Society Capital and the Merlin banks* – What is the banks role (if any) in governance and strategy? Under what circumstances would they receive dividends? (Cabinet Office, Big Society Capital)

vi. *Be clear about terminology* – what specifically do you mean by, for examples, 'social investment', 'impact investment', 'finance for charities and social enterprise' – and consistent across government departments (Cabinet Office, Big Society Capital, SIFIs, Big Lottery Fund, Umbrella Bodies)

vii. *Clarify how much is in dormant bank accounts* – look at other unclaimed assets, insurance, Oyster cards, Premium Bonds, and other products. (Cabinet Office, Big Society Capital)

viii. *Publish asset management strategies* – including details of how endowments are invested in a socially and environmentally responsible manner. (Big Society Capital, SIFIs)

ix. *Publish details of investments made on your website* – to enable Social Sector Organisations to understand that size and type of investments you make (SIFIs)

x. *Be transparent about costs* – be clear about what fees you charge and why (Big Society Capital, SIFIs)

xi. *Be clear about what is 'social' about you approach to investment* – what is it that you are doing that a mainstream finance provider would not do – and why is it useful? Mandatory statement of fact sheet. Report on overheads. (Big Society Capital, SIFIs)

2. Wholesale changes:

i. *Reconsider the role of Big Society Capital* – prioritise building a sustainable and distinctively social investment market over 'crowding in' institutional finance into a new market doing – (Big Society Capital, Cabinet Office)

ii. *Consider splitting the investment of Unclaimed Assets and Merlin bank funds.* Unclaimed Assets, allocated by law to Social Sector Organisations, could be invested on terms that better meet demand than currently, while Merlin bank funds could be invested in a wider group of organisations, with a focus on positive social value – (Big Society Capital, Cabinet Office)

iii. *Consider demarcating the unclaimed assets spending as 'social investment' and the Merlin funds as 'impact investment'* – (Cabinet Office, Big Society Capital)

iv. *Particularly consider investing some Merlin funds in CDFIs & credit unions* that provide finance for individuals and mainstream businesses in response to social need (Big Society Capital)

v. *Bear more transactions costs* – particularly those costs which are imposed on SIFIs through demands for extensive legal processes (Big Society Capital)

vi. In the event that it becomes profitable, *before paying out dividends to shareholders Big Social Capital should allocate 50% of profits into a pot of funding to reduce transaction costs* for SIFIs enabling them to reduce the cost of finance for SSOs (Big Society Capital)

vii. *Be more flexible in supporting SSOs to engage with public sector outsourcing and be supported by policymakers to do so* learning lessons from the experience of the MoJ Transforming Rehabilitation fund (Big Society Capital)

viii. *Consider democratising Big Society Capital board* – Or at least be more open and clear about who has controlling stakes and vetoes within its structure . Consider how to make both board and staff team more representative of the sectors that they serve (Big Society Capital, Cabinet Office)

ix. *Change the name 'Big Society Capital' to something less politically charged* – (Big Society Capital, Policymakers)

x. *Consider whether all remaining funds in dormant bank accounts need to be invested in Big Society Capital* or whether remaining funds could be used in other ways – for example, creating local or regional social investment funds controlled by local people (Cabinet Office)

xi. *More funders should consider their possible role in social investment wholesaling* including British Business Bank, Esmee Fairbairn, Unltd, Nesta, Wellcome Trust (Funders)

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3. Social investment is dead!

i. *Minimise all forms of social investment hype* that might inflate expectations and under no circumstances imply that social investment can fill gaps left by cuts in public spending (Cabinet Office, DWP, MoJ, HMT ministers and officials, Big Society Capital, Big Lottery Fund, NCVO, ACEVO, Social Enterprise UK)

ii. *Avoid treating the development of the social investment market as an end itself* – social investment is a relatively small phenomenon overlapping with but not the same as 'access to finance for social sector organisations' and 'increasing flows of capital to socially useful investment'. These wider goals should be prioritised over a drive to grow the social investment market for its own sake– (Cabinet Office, Big Society Capital)

iii. *Consider the 'wider universe' of socially impactful investment* including additional research on the £3.7 billion investment in SSOs primarily from mainstream banks (Umbrella bodies, Researchers, Big Society Capital, Mainstream Banks)

iv. *Consider how SSOs can be better supported to access mainstream finance* through guarantees and other subsidies, and through information and awareness-raising (HM Treasury, Cabinet Office, Big Lottery Fund)

v. *Apply an added value test* before supporting funds and programmes designed to develop 'the social investment market', be clear about the likely social outcomes that social investment offers that could not be better delivered another way (Cabinet Office, Big Lottery Fund)

vi. *Promote greater focus on socially motivated investment in HMT, BoE, and FCA and BIS* – (Politicians, Cabinet Office)

vii. *Consider providing guarantees for social investment via crowdfunding platforms* based on clear position on what 'social investment' means in this context (Cabinet Office, Access)

viii. *Provide opportunities and support for citizens to invest in socially motivated pensions* (HM Treasury)

4. Long live social investment!

i. Work together in equal partnership with the social sector to *develop a set of principles for what makes an investment 'social'* – (Cabinet Office, Big Society Capital, Big Lottery Fund, SIFIs, Umbrella bodies, the Social Investment Forum, SSOs)

ii. *Social investors should better reflect and understand the market they are seeking to serve by getting out and about*, meeting a broader range of organisations – particularly organisations based outside London – recruiting from the sector and cutting costs that deliver no social value – (SIFIs)

iii. *Employ more social entrepreneurs and others with social sector experience* – take on more staff with direct, practical experience of using repayable finance to do social good and enable them to use that experience to inform investment decisions (Big Society Capital, SIFIs)

iv. *Focus on additionality* and filling the gaps esp small, patient risky, equity-like – (Big Society Capital, Key Stakeholders, SIFIs)

v. *Consider the risk of the social investment market failing to make a significant number of demonstrably social investments at all* alongside the risk of some of those investments being unsuccessful (Big Society Capital, SIFIs)

vi. *Don't replicate expensive models from mainstream finance,* do explore how to use social models and technology to keep costs down (Big Society Capital, SIFIs)

vii. *Explore alternative due diligence models* including developing common approaches to due diligence for different types of social investment – (Social Investment Forum, SIFIs, Big Society Capital)

viii. *Support the development of Alternative Social Impact Bonds* options include: (a) models which enable investors from the local community to invest relatively small amounts of money with lower expected returns making them less expensive in the long-term to the public purse, more attractive and replicable; (b) a waterfall approach that sees X% of performance above a certain level reinvested in the enterprise the community (Cabinet Office, Big Society Capital, SIFIs, SSOs)

ix. *Support the development of a distinctively social secondary market for social investments where early stage investors* will be able to sell on investments to investors with similar social commitment but less appetite for risk (Cabinet Office, Big Society Capital, Access)

x. *Consider the practicality of establishing a simple registration and regulation system for organisations eligible for social investment – as supported by unclaimed assets* – with unambiguous criteria for registration of organisations who consider themselves to be 'social' but not use a recognised social corporate structure – (Cabinet Office)

xi. *Listen to the people* – find out what (if anything) citizens in general think about social investment (Cabinet Office, Big Society Capital, SIFIs)

xii. *'Crowd in' people who aren't rich* – support models of social investment that enable investments from people with moderate incomes and assets, and remove barriers that prevent smaller investors from accessing tax breaks such as SITR (HMT, Cabinet Office, Big Society Capital, SIFIs)

5. Doing it ourselves:

i. *Create a 'Compare the market'/'trip advisor' tool for social investment* – enabling organisations to rate their experiences and comment – (Umbrella bodies and SSOs)

ii. *Back yourselves and invest in each other* – Social sector organisations should consider cutting out the middleman and developing models where they can invest in each other, where legal and appropriate – (SSOs)

iii. *Large asset-rich social sector organisations should consider supporting smaller organisations to take on property* either by buying it for them or helping them to secure it by providing a guarantee facility where legal and appropriate (SSOs)

iv. *Ignore hype about the social investment market* – (Umbrella bodies, SSOs)

v. Go *mainstream* – if looking for investment, consider banks and other investors and not just specifically social investment (SSOs)

vi. *Before seeking investment, work out whether you are looking for repayable investment or whether you are looking for a grant* – (SSOs)

vii. *Identify what is 'social' about the investment approach that you are hoping for from investors:* are you expecting cheaper money, higher risk appetite, more flexibility, more 'patient' capital, wrap around business support? (SSOs)

viii. *Understand that just being socially owned may not be enough* – you don't have to care about impact frameworks but need to recognise that an investor will want to know how you are managing your success at what you claim to do (SSOs)

The work of The Alternative Commission on Social Investment was funded by The Esmèe Fairbairn Foundation.

A full list of interviewees and attendees at roundtable events appears in the full report.

Read the full report at: http://socinvalternativecommission.org.uk/

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