



**IS FREE MONEY
REALLY BETTER
THAN MONEY YOU
HAVE TO REPAY?**



[GOODFINANCE.ORG.UK](https://goodfinance.org.uk)



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Ishita is the Project Director for Good Finance. She oversees the delivery of Good Finance programmes, tools and support and drives the strategic direction of the project.



The Role of Social Investment

WHAT IS IT?

Social enterprises and charities are dealing with some of the most challenging issues in the UK such as criminal justice, education, employment and training, housing and local facilities, income, rising energy and living costs and financial inclusion.

Social investment is the use of repayable finance to help an organisation achieve its social purpose.



Social Investment History

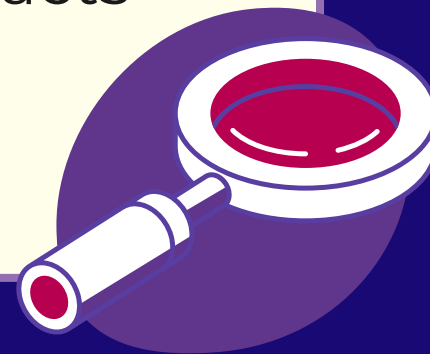
The Financial Crisis 2008 &

101
2011

WHAT HAPPENED?

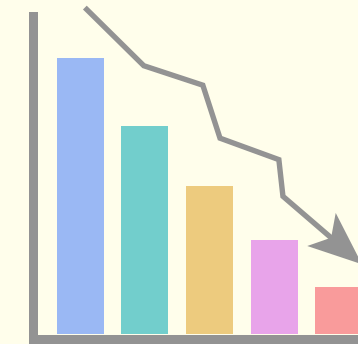
The impact of this crisis was profound:

- Donations from individuals fell
- Giving from philanthropists and other donors fell
- Financial returns on their assets / investments decreased
- Public sector outsourced contracts were also cut or cancelled.



WHAT DID THIS MEAN?

All of this resulted in depriving organisations of vital revenue opportunities.



In the thick of the recession, organisations were hard hit by funding cuts and decreased grant availability.

Social Investment History

The Financial Crisis 2008 &

101
2011

WHAT DID THAT MEAN?

In a landscape made up of decreasing resources and increasing demand, social impact organisations need to consider:

- Their resilience and sustainability
- Their income generation and revenue models
- The funding and finance required to support their organisation.

Charities fight for survival as funding slashed across country

Anti-cuts campaign False Economy obtained data from 265 freedom-of-information responses from local councils



▲ Brendan Barber the general secretary of the TUC said the cuts were making the 'big society' seem like a 'big con'.
Photograph: Graham Turner for the Guardian Photograph: Graham Turner/Guardian

More than 2,000 charities are being forced to close services and sack staff as local authorities slash their funding, or in some cases completely withdraw

How Does Social Investment Work?



WATCH THE VIDEO

- Charities and social enterprises may generate a surplus through trading activities, contracts, grants and donations (or a combination of all or some of these).
- This profit / surplus is then used to repay investors.
- Social investment sits alongside donations and grants as another tool in the financial toolbox.



Across the UK, charities and social enterprises like yours are tackling some

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Your Financial Toolkit



Trading



Donations & fundraising



Contracts or payment by results



Banks



Social investment



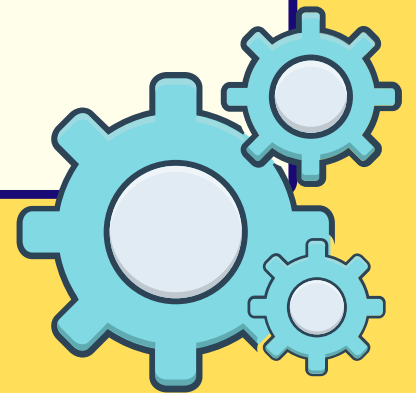
Grants



You may use a combination of these tools depending on your circumstances!

Social investment sits alongside donations and grants as another tool that you can use to:

- Help buy an asset
- Deliver a contract
- Kickstart your organisation
- Grow your work
- Develop new innovations.



Key Considerations

PURPOSE

What do you need it for?

- Buy an asset
- Maintain cash flow
- Kickstart your business
- Grow / innovate

REPAYMENT

Is there an income stream with surplus/profit?

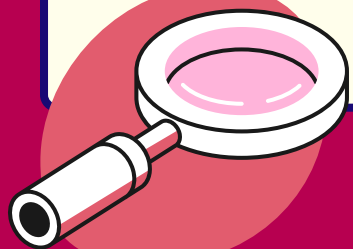
- Government contracts
- Rental income
- Membership fees
- Donations / trading

IMPACT

What social impact will you create?

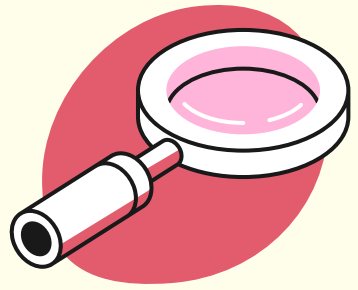
- Activities & outcomes
- Who will benefit?
- Measuring & reporting
- Sustainability

85% of social investors are social enterprises or charities.



There are two main kinds of social investment products available:

DEBT



This is when an organisation borrows money and pays it back, usually with interest, over a period of time.

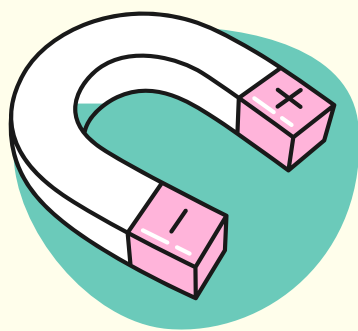
EQUITY



This is when an organisation sells shares to an investor, so they then own a percentage of the organisation.

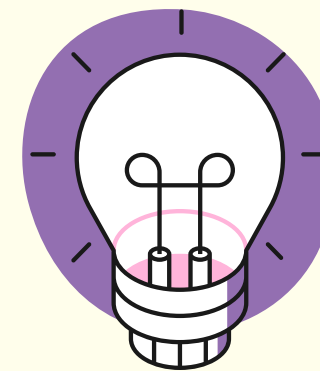
There are two main ways of getting social investment:

ORGANISATION



- Specialist social investment firms
- Social banks
- Trusts and foundations.

INDIVIDUAL



- Crowdfunding
- Community shares
- Angel investors.

Who are the funders?



Trusts and
Foundations



Social Investment
Fund Managers



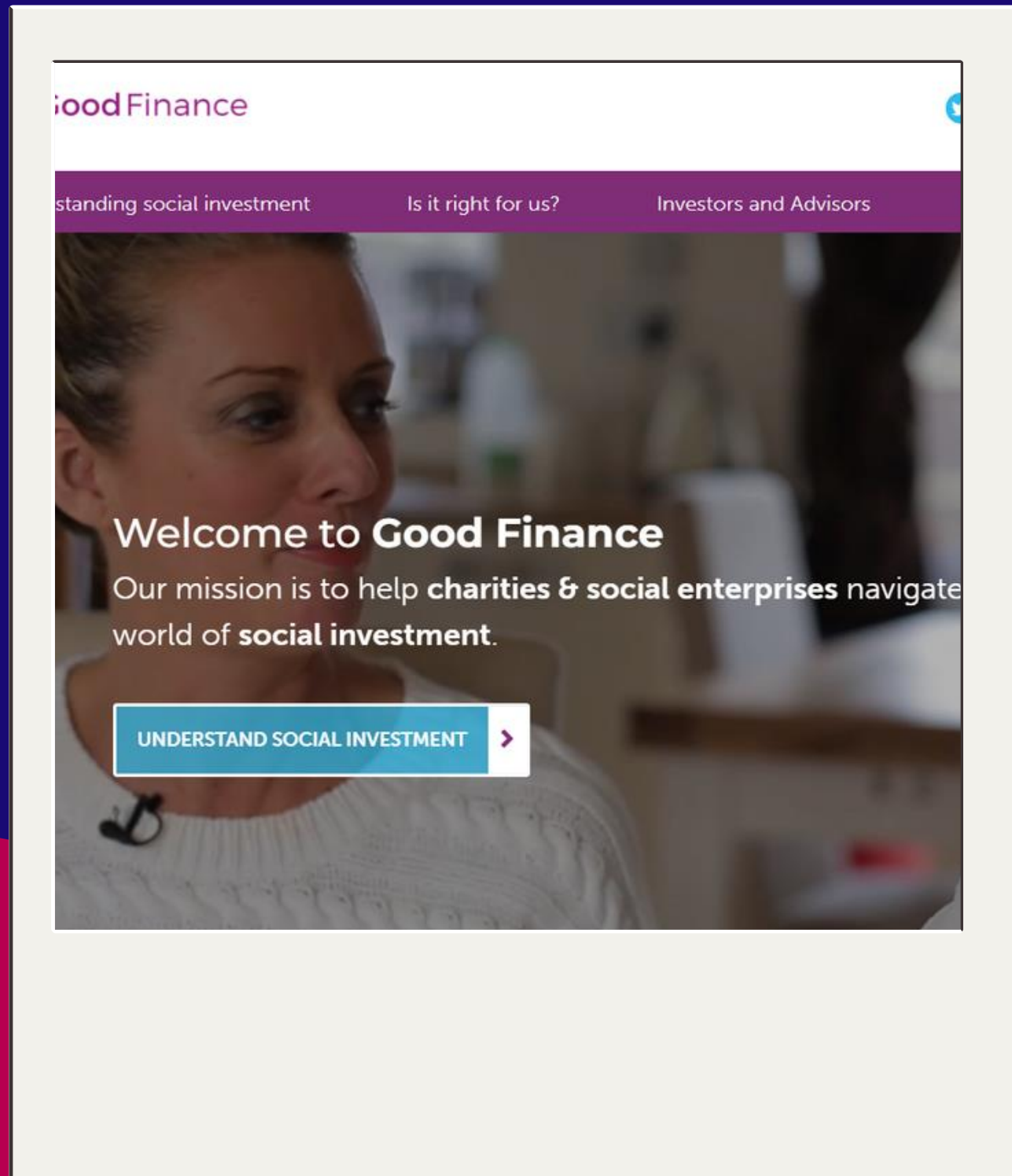
Social
Banks



Individual
Investors



Good Finance



[VISIT THE WEBSITE](#)

Our mission is to be the single trusted source of information on social investment for charities and social enterprises.

- Improving knowledge on social investment
- Enabling organisations to make informed decisions
- Helping connect organisations to the right investors to talk to based on shared values.

Online resources

[IS IT RIGHT FOR US?](#)



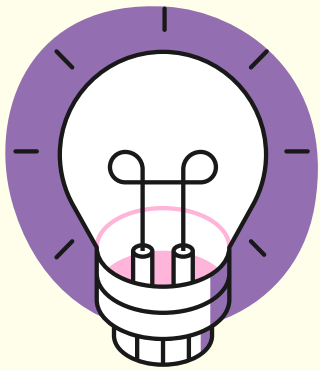
This diagnostic tool will help you to decide whether social investment is right for your organisation.

[FUND MAPPER](#)



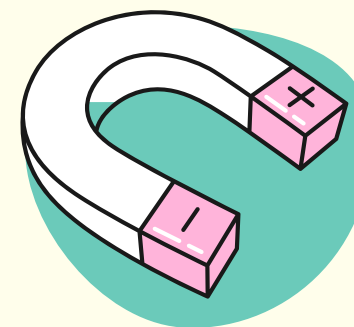
Browse our list of social investors and funds across the UK.

[JARGON BUSTER](#)



Breaking down jargon to make social investment language easier to navigate.

[COST OF CAPITAL](#)



Find out how much social investment could cost your organisation.

Trust Links

[Trust Links](#) is a local independent charity for wellbeing and mental health based in South East Essex. They used a secured loan from to take on a community asset to grow their services.

Duration: 25 years

Cost of capital: 5.75%

Turnover: £880,720

Amount invested: £150,000

Product type: Secured Loan

[See the full case study](#)



Homebaked

Homebaked is a co-operative bakery and community land trust, located opposite Liverpool FC's Anfield stadium, serving their award-winning pies to both football fans and locals alike.

Duration: 5 Years

Cost of capital: 9%

Turnover: £387,800

Amount invested: £60,100

Product type: Blended – part grant, part loan

[Read the Casestudy](#)



Prom Ally CIC

Prom Ally offers the free loan of prom dresses and suits to young people in Llandudno who otherwise couldn't afford one. All outfits are used and either purchased from charity shops or donated directly. Prom Ally has helped hundreds of people since it began and has recently opened up offering suits in addition to the dresses.

Duration: 10 years

Cost of capital: 3%

Turnover: £2,361

Amount invested: £50,000

Product type: Blended – part grant, part loan

[See the full case study](#)



7 Lessons Learned

1

Social investment is not benevolent money

2

Impact matters

3

It's about much more than the money

4

Honesty is always the best policy

5

Why isn't it cheaper if it's social?

6

Due diligence isn't fun but it does make your business better

7

It always takes longer than you think.

