

# Brief background note on the UK government approach to social investment

## What is social investment?

Social investment provides capital that enables social organisations to deliver both social and financial returns. The investment is repayable, often with interest, and is typically used to develop new or existing activities that generate income – such as trading activities or contracts for delivering public services.

## Why is government interested in social enterprises?

There are around 180,000 social enterprises in the UK. They represent 15% of all SMEs and contribute at least £55bn to the economy. Social enterprises are important as they create jobs and growth, and they tackle disadvantage. For example, social enterprises employ more than 2million people in the UK and 39% of social enterprises work in the 20% most deprived communities.

## What role does Cabinet Office play in the Social Investment market?

The work of the Cabinet Office Social Investment and Finance team corresponds to the needs of social enterprises along their growth journey from pre-<sup>o</sup>investment to scale:

- ***A social organization needs the capacity to take on finance***  
The Investment Readiness Programme operates two funds to help social enterprises grow and build skills. The £14 million [Investment and Contract Readiness Fund](#) supports established social ventures and the £10 million [Social Incubator Fund](#) supports incubators provide support to early stage ventures. This year we committed £60m over the next decade for further capacity building work.
- ***It needs investors willing and able to provide finance***  
We are working to make it easier to be a social investor. Some of this involves looking at the tax and regulatory environment. For example, this year we introduced a social investment tax relief. We are also exploring new models, such as a pilot “co-<sup>o</sup>mingling social investment” fund that enables foundations to use their capital to leverage investment from private investors, as well as new crowdfunding platforms.
- ***Social ventures need intermediaries to connect them with investors***  
Two years ago, we created [Big Society Capital](#), the world’s first wholesale social investment bank, capitalized with £600m to grow the social intermediary market. We’re also strengthening UK intermediaries through promoting London as a global hub. Last year we placed social investment on the G8 agenda and we have created an international Taskforce to develop the field even further.
- ***Social organisations may sell their products to public or commercial markets***  
We work across Whitehall to promote diverse supply chains. For example, we helped introduce the [Social Value Act](#), which requires public sector commissioners to think about the social value of their procurements. We’re also working with businesses to help social ventures access commercial markets, such as through launching a directory of social enterprises and supporting awareness raising campaigns.
- ***Selling into public markets may require working capital***  
Social Impact Bonds (SIBs) are financing tools that enable small social organisations to compete for public sector contracts. The [Centre for SIBS](#) in Cabinet Office helps

develop the pipeline for social impact bonds. We set up the £20m Social Outcomes Fund to support SIBs that deal with complex social issues where no single commissioner can justify making all of the payments. And this year we set up a £30 cross-<sup>o</sup> government SIBs fund to help support vulnerable youths to succeed in education and training, and into housing and work.

# GROWING THE SOCIAL INVESTMENT MARKET



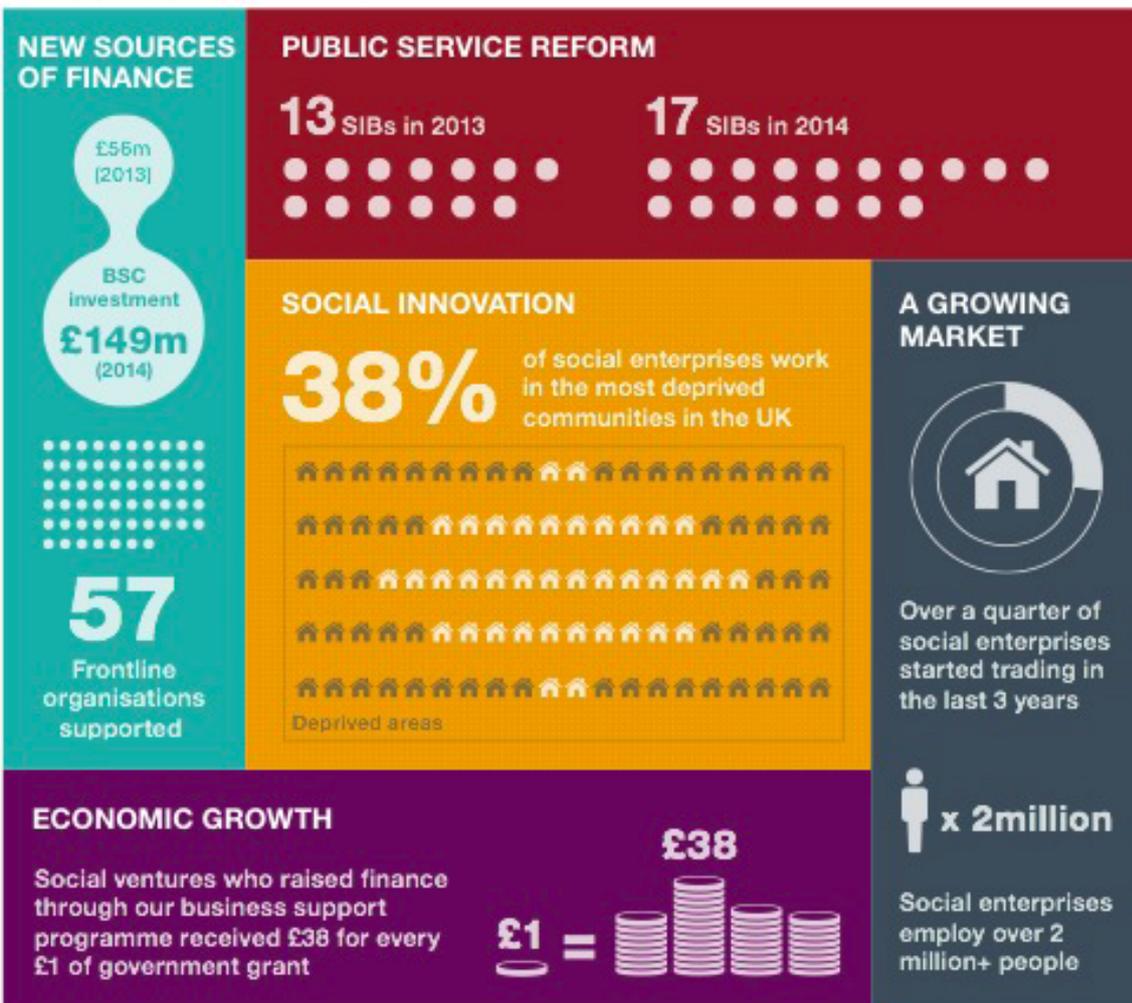
## This year:

» We introduced the world's first tax relief for social investment

» We established a £30m NEETs social impact bond fund

» We put social investment on the G8 agenda

## This is supporting:



## Over the next year we will:

» Make it easier to be an investor

» Help communities access investment

» Promote the UK offer

» Build capacity amongst social ventures

» Open up markets

**For more information:**

<https://www.gov.uk/government/policies/social-investment>

**OECD-European Commission Capacity Building Seminar: *Building enabling ecosystems for social enterprises***  
**Brussels, 17-18 February, 2016.**

