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Social investment will be good for charities but they must consider the risks before signing up

Social investment is growing in popularity amongst charities looking for new ways to fund their services. A leading think tank says government cuts and a decline in donations is making more charities consider new types of funding, but advises them to think carefully before taking on social investment.

New Philanthropy Capital (NPC), which works with charities and funders, is today launching a new practical guide for charities and social enterprises, called *Best to borrow?* The guide explains the risks and benefits of this new type of investment.

'Social investment is an exciting new way of funding charities, especially important as the Autumn Statement is unlikely to see more resources coming the sectors way,' says Dan Corry, Chief Executive of NPC. *'But it is no silver bullet and charities need to consider whether it is right for them as there are risks involved.'*

NPC estimates that over £500m of social investments have been made so far in the UK, and more new products are coming on the market. As charities see donations fall and budget cuts hit frontline services, many are looking at social investment for the first time. Hundreds of charities, including Barnardo's, Scope and Turning Point have already used it to set up innovative new services and redevelop existing ones.

The disability charity Scope recently launched a £20m bond scheme to expand its fundraising programme and charity shops.

'Maximising the finance we can raise is essential if we want to continue and grow our work with disabled people and their families,' says Geetha Rabindrakumar, director of finance at Scope. *'The social investment market offers us the opportunity to speak to a new network of prospective supporters and offer them an additional way of investing alongside traditional donations and philanthropic loans. However it was important that we had the processes, skills and experience in place to manage these investments effectively.'*

The government has committed to supporting this emerging market with the announcement of a new £40m Social Impact Bond to support chaotic families and the launch of Big Society Capital, a new wholesale bank that will begin investing in 2012.

NPC's guide says many charities will benefit from this new source of investment, but warns that they must be aware that they are taking on a loan and have a plan for repayment. Failing to make repayments may put a charity under real financial pressure. Organisations are advised to think through the risks involved and take steps to ensure they are ready to take on social investment.

'This report comes at a critical time for the voluntary sector,' says Gemma Rocyn Jones, Senior Associate at the Young Foundation. *'If charities are to benefit from the increase in social investment Big Society Capital is expected to release next year, it is essential that they are asking the right questions today. This guide should be essential reading for any charity director, trustee or fundraiser.'*

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For further information or interviews please contact Gemma Davidson (PR Manager) on 020 7620 4850, mobile: 07986 396571 gdauidson@philanthropycapital.org or Rebecca Goodbourn on 020 7620 4862.

Notes to Editors

1. **New Philanthropy Capital (NPC)** is a charity think tank and consultancy dedicated to helping funders and charities to achieve a greater impact. We provide independent research, tools and advice for charities and funders in the UK and internationally. We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in changing people's lives and in tackling social problems. For charities, this means measuring the results of their work and using evidence to learn and improve, as well as to attract support. For funders, it means using evidence of charities' results to make funding decisions and to measure their own impact. For further information, see www.philanthropycapital.org.
2. **Social Investment** is the provision of repayable finance to charities and other social organisations. Social investment takes many forms. It could be a straightforward loan repaid over ten years, to help a charity buy a building. It could be a working capital loan repaid within six months, to cover a charity's overheads while it waits for a contract or grant payment. Or it could be a more complex equity arrangement in which a charity shares some of its income with the investor once it has achieved an agreed financial goal, such as a certain percentage increase in income.

3. Case Studies

Scope

Some charities are developing their own social investments products. The disability charity, Scope, is particularly interested in this area. In 2010, it used a combination of 0% interest loans and grants from donors to build a new residential care facility. In October 2011, Scope launched a £20m bond programme to finance the growth of its charity shops and fundraising work.

Barnardo's

The children's charity Barnardo's received an investment from Big Issue Invest to set up three social enterprises: conferences; training and consultancy for children's services professionals; and specialist insurance. These social enterprises have all been successful, and Barnardo's has used the surplus they generate to fund some of its charitable work and repay its loan.

Turning Point

The health and social care charity, Turning Point, received investment and expertise from Big Issue Invest to develop its new social enterprise, Connected Care. The social enterprise delivers health, housing and social care services, which are paid for by local authority contracts. Income from these contracts is then used to repay the original investment. Connected Care reached over 120,000 people in its first year.