SUBMISSION FROM SOCIAL INVESTMENT SCOTLAND

Context and background

Social Investment Scotland (SIS) is the largest ‘Responsible Finance Provider’ and Social Investment Finance Intermediary (SIFI) in Scotland. Since it was established by the Scottish Government and voluntary sector in 2001 the organisation has gone on to make social investments of over £50m to 300 organisations, large and small, across Scotland, at a rate that has accelerated in the last three years. SIS is now an established part of the funding landscape for charities and social enterprises in Scotland and under a mission ‘to connect capital with communities to make a real, measurable and sustainable impact upon people’s lives’ the organisation is ambitious for the growth of social enterprise as an alternative business model.

SIS funding programmes

SIS operates a range of funding programmes using investment from a range of different sources. All funding is offered on a largely repayable basis:

- SIS (Community Finance): providing loans of up to £250k to charities and social enterprises looking for working capital, growth funding or monies for asset purchase. This fund includes £4m of investment using Community Investment Tax Relief (CITR) with investment from the Clydesdale Bank, RBS, Lloyds Banking Group and a more recent investment from Triodos Bank;
- The Scottish Investment Fund (SIF): a £31.8m programme of loan and grant investment between 2008 and 2013 capitalised by the Scottish Government. Investment from the fund was provided to 69 organisations and is now in a maintenance phase.
- The Social Growth Fund (SGF): this fund was launched in 2014 and matches an initial £8m of monies recycling within the SIF as match for a further £8m of investment from Big Society Capital (BSC) an independent, UK wide institution set up to grow the size of the social investment marketplace. This fund provides loans and equity like investments of up to £1m+.
- SIS (Community Capital): this small, pilot fund was launched in 2015 and raised just under £400k from individual social investors using the newly launched Social Investment Tax Relief (SITR). The fund, the first of its kind in the UK, will be invested in social enterprises seeking growth capital.
- Asda (Community Capital): this is a unique partnership with Asda Walmart, where SIS invests the proceeds of the carrier bag levy in a range of social enterprise projects in Scotland. From 1 January 2016 SIS will receive 100% of the proceeds of the levy in an innovative partnership with the supermarket chain. SIS is keen to support social enterprises access consumer facing markets via this partnership.
SIS’s role as an intermediary is not only about investing this capital but also helping organisations understand their social investment options by encouraging them to become ‘investment ready’. In this regard, SIS operates a range of social investment workshops and produces guides and fact sheets to help organisations access alternative finance options.

**SIS social and economic impact**

SIS produces an annual social impact report to tell the story of the impact of the investment provided to communities across Scotland. The 2015 impact report, produced in September 2015, is available on the SIS website. SIS uses an outcomes matrix methodology to produce beneficiary level outcome data in a range of outcome areas.

The most significant area of social impact for SIS investees (across all portfolios) is in the area of Employment, Training and Education, covering 28% of customers. This represents £7.8m of investments from the current portfolio across 22 organisations. These customers are supporting individuals access employment, education and training through the development of their social and practical skills.

Beyond the social impact, SIS investees make an important economic contribution, also articulated in annual impact reporting. In the year to March 2015, SIS customers supported 6,279 jobs, with 3,028 of these jobs sustained in that year as a direct result of SIS investment, with a further 454 of those jobs created as part of the growth of these organisations. Although this represents only a small proportion of the total numbers employed by social enterprise in Scotland as reported in the recent census, a more significant proportion of the total trading income of the sector in Scotland is supported by investment from SIS, suggesting (albeit anecdotally at this stage) that the jobs created and sustained by SIS are less reliant on grant and public sector funding.

Successive social impact reports have shown that organisations that take on social investment are, on the whole, more sustainable in that they generate more of their own income from their own resources. Social investment has also been proven to support higher standards of governance within social enterprises.

**Social enterprises: at the forefront of innovation**

SIS has had the privilege to support a number of innovative social enterprises supporting sustainable social impact in our communities. Case studies highlighted on the SIS website highlight some of these, but specifically:

- **Our Power**: a £1m investment from the Social Growth Fund has helped provide initial capital, alongside the Scottish Government, to launch the first social
enterprise utility company. Our Power provide lower cost gas and electricity to social housing tenants across the country, helping to alleviate fuel poverty.

- Showcase the Street in Dundee have used investment from the SIF to purchase and refurbish assets to provide a home for a range of dance and sport programmes for the young people of the city.
- Buchan Dial a Bus in Aberdeenshire have used investment from SIS via the SIF to purchase minibuses to provide community led transport options for local people following the withdrawal from some routes by the commercial operator.

Continued support for this innovation, using flexible and appropriate social investment from organisations like SIS, is considered absolutely essential for the continued evolution of the social enterprise sector in Scotland.

**Funding and support for social enterprise**

Scotland now has a diverse range of social investment options available from providers like SIS. SIS in particular continues to listen to its customers to allow it to facilitate the design and development of new social investment products with access to a growing investor community, particularly individual investors, keen to make capital available that gives them both a financial and social return.

The growing interest in social investment means that it is no longer the Scottish Government alone, like in 2008, that is required to provide investment capital. However, SIS encourages the Scottish Government to ensure that the investment environment in Scotland remains attractive for social investors, particularly with the continuation of both Community and Social Investment Tax Reliefs (CITR and SITR).

Furthermore, SIS would encourage the Scottish Government to provide targeted, but limited, grant support alongside social investment. This capital not only helps lessen the risk for organisations taking on investment, but leverages the impact of the monies. In addition, grant support for more sophisticated business support for social enterprises looking to access investment (for example for more evolved business planning required for larger or riskier investments) helps social investors like SIS provide capital more straightforwardly.

Finally, there is a gap in the market for investment that could be used by social enterprises who are less established and earlier in their growth phase. This capital, which by its very nature has to have a higher tolerance for risk, but also conversely available at lower cost, is difficult to attract on a commercial basis but critically has the potential to accelerate the growth and innovation of Scotland’s social enterprises.

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