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A critical view of social enterprise finance models

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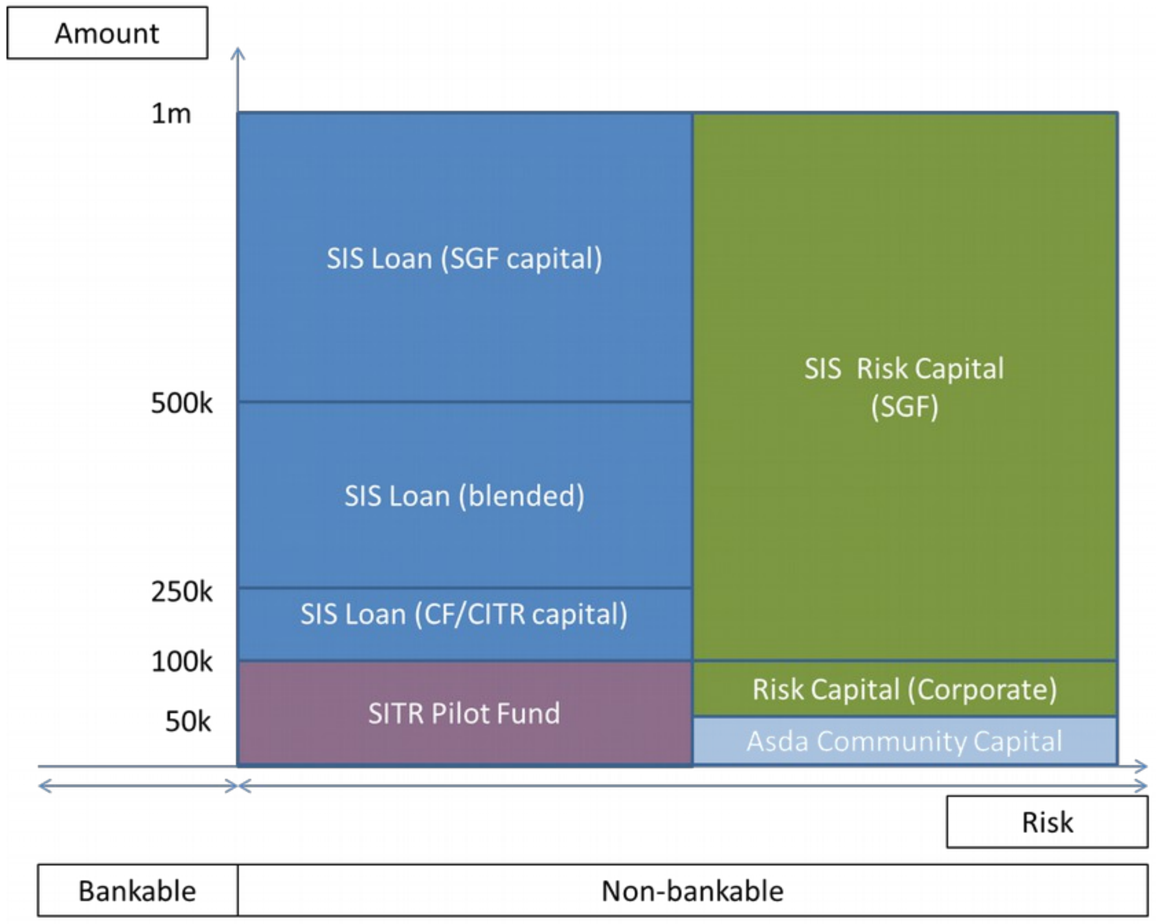
About Social Investment Scotland

- SIS are Scotland's largest Community Development Finance Institution (CDFI) and one of the largest in the UK
- On balance sheet capital of just over £6m including £4m raised under Community Investment Tax Relief; loan portfolio in excess of £5m.
- Fund management of the Scottish Government's Scottish Investment Fund, now in a maintenance phase. Live loan portfolio of c.£12m
- The Social Growth Fund: £16m of new investment in partnership with Big Society Capital
- Ancillary fund management and support services to a range of partners
- In 2014/15 SIS made total new loans of c.£6.5m to 30 organisations
- Live customer portfolio of c.130 relationships


Amount
1m
500k
250k
100k
50k
SIS Loan (SGF capital)
SIS Loan (blended)
SIS Loan (CF/CITR capital)
SITR Pilot Fund
SIS Risk Capital (SGF)
Risk Capital (Corporate)
Asda Community Capital
Risk
Bankable
Non-bankable

Core Capital

- SIS uses core, on balance sheet capital, provided by banks, to finance the core product range
- These are essentially 'plain vanilla' loans- simple loan instruments for a range of different purposes
- Repayment periods of up to ten years, on fixed interest rates, with security taken where available
- Offered between £10-250k
- Designed to sit alongside, rather than replace, grants or bank loans
- What research tells us social enterprises are looking for
- SIS Investment Readiness programme designed to improve access to finance for social enterprises for these simple products

Big Society Capital: Risk Capital

- SIS launched a new risk capital product in April 2014, in response to demand from more sophisticated social enterprises
- Funded using capital from Big Society Capital, the UK wide institution set up to grow the size of the social investment marketplace
- Designed to be 'equity-like' but in reality is a postponed repayment term loan
- Amounts of between £10k and £1m; at fixed interest rates of between 8-12%; normally unsecured
- An initial three year period where the organisation makes no repayments; interest is rolled up
- Ideally suited to social enterprises undertaking expansion, replication or other projects where income streams take time to establish

Individual Social Investors: Risk Capital

- UK wide research has shown that individual social investors demonstrate huge potential as an untapped source of capital
- Led to the UK Government introducing Social Investment Tax Relief (SITR) to provide parity with other enterprise investment schemes
- This provides 30% tax relief on UK income tax at the equivalent amount of the investment
- Allows investment to be made by way of debt, rather than equity and therefore providing a guaranteed exit for the investor
- SIS has launched the first co-investment fund in the world using this relief; providing a new, lower cost risk capital product
- Six year investment, with three years interest only and repayment over the subsequent three years. Interest rate of 6%; unsecured

Corporate Social Investment

- In October 2014 SIS launched Asda Community Capital, one of the first social investment funds using investment from a non financial services corporate
- Uses 50% of the proceeds of the 'carrier bag levy' in Scotland- a 5p levy on single use carrier bags
- Provides capital at nil cost to SIS- passed on directly to social enterprises. Targets those organisations that have not taken on investment before.
- 5% interest rate, no interest or repayments for the first year and then repaid over the following five. Available between £10-50k.

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