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# THE SOCIAL INVESTMENT BANK

Its organisation and role in driving  
development of the third sector

March 2007

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# THE COMMISSION ON UNCLAIMED ASSETS

The Commission is an independent body set up to consider how unclaimed assets could best be used to benefit society.

## The commissioners are as follows:

Sir Ronald Cohen (Chair)	Chair, Social Investment Taskforce, Bridges Community Ventures and The Portland Trust, and Honorary President, Community Development Finance Association
David Carrington	Consultant
Andrew Gowers	Head of Corporate Communications, Lehman Brothers Europe and former Editor, <i>Financial Times</i>
Susan Hitch	Chair, Balance Foundation
Bernard Horn	Former Group Board Member of Nat West Bank
Ed Mayo	Chief Executive, National Consumer Council
Baroness Jill Pitkeathly	House of Lords, former Chair of New Opportunities Fund
Geraldine Peacock	Former Chair, Charity Commission
Danielle Walker-Palmour	Director, Friends Provident Foundation

Observers to the Commission include representatives from the Treasury, the Department for Communities and Local Government, the Cabinet Office, the British Bankers Association and the Building Societies Association.

The Secretariat comprise:

Matthew Pike – Secretary  
 Toby Eccles – Programme manager  
 John Gillespie – Co-ordinator and researcher  
 Judith Miara – Finance and social investment market analysis  
 Cathy Pharoah – Research adviser

See inside back cover for details of advisors and funders.



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# Executive Summary

The role of the "third sector" in combatting disadvantage and building a more cohesive society has never been more important. Its ability to respond to need and pioneer new approaches – beyond the reach of both the public and private sectors – is almost universally acknowledged.

Yet its ability to play this vital role is undermined by financial fragility. The third sector is fragmented, under-capitalised and, in aggregate, unable to invest in sustainable growth and development. Funding is chronically insecure and often focused on current projects rather than investment in organisational capacity or infrastructure.

The Commission on Unclaimed Assets was established in October 2005 to study how funds released from dormant bank accounts could be used to generate the maximum public benefit.

In a consultation paper published in July 2006 it recommended the establishment of a Social Investment Bank that would help put the third sector on a more robust financial and professional footing. This report draws on the subsequent, wide-ranging consultation both to provide a fuller account of the Commission's findings on third sector needs, and on how a Social Investment Bank might help meet them – as well as to provide a blueprint for the institution's funding, goals and governance.

The report concludes that:

- 1) **If the third sector is to continue to grow and meet its goal of supporting marginalised communities in a way that neither the state nor the private sector can, it urgently needs greater investment and professional support. Suitable capital should be available for organisations at all stages of development, from charities without trading revenue all the way to social enterprises that reinvest some or all of their profits in their mission and commercial businesses with a social purpose.**
- 2) **An independent Social Investment Bank should be created using the capital from dormant accounts to develop the social investment market on a scale that can support the UK's vibrant and diverse but under-capitalised third sector, including social enterprise, community development and voluntary organisations.**
- 3) **The Social Investment Bank should be small, adaptable, innovative, and able to take risks. It should bring together the best of the financial and social sectors. It should act as a "wholesaler of capital" working through existing and new financial intermediaries, assisting their development and encouraging their growth.**
- 4) **The Social Investment Bank would undertake four initial activities:**
  - a. **Capitalise present financial intermediaries and fill gaps in the marketplace where lack of capital is restricting social impact;**
  - b. **Develop the provision of advice, support and higher-risk investment so as to accelerate the growth of demand for repayable finance;**
  - c. **Develop programmes of sustained investment in specific markets such as community regeneration and financial inclusion;**
  - d. **Support existing and new intermediaries in their efforts to raise private capital. These activities should attract significant additional finance into the sector.**
- 5) **The most effective way of providing significant capital to the third sector is by facilitating access to private finance as well as to the broader capital markets. Since financial returns are likely to be below mainstream rates of return, we recommend that tax incentives should be used more broadly to encourage the flow of capital into social investment. Community Investment Tax Relief (CITR) should be significantly extended.**
- 6) **The Social Investment Bank should be an independent institution answerable to the third sector, with a governance framework that is effective, representative and compliant with best practice.**

# Introduction



The Commission on Unclaimed Assets was established in November 2005 to develop proposals that would generate the maximum public benefit from the proceeds of the dormant accounts held by banks and building societies based in the UK. Its interim report, published in July 2006,<sup>1</sup> recommended the creation of a Social Investment Bank (SIB) to develop the social investment market. The SIB would encourage the third sector to grow and thrive by enabling a broader range of finance and greater access to appropriate private sector funds. The SIB would channel finance through a range of specialist intermediaries and multiply the impact of unclaimed assets through gearing and by attracting additional capital to the sector.

Since publication of its interim report the Commission has subjected the idea of the SIB to widespread consultation, interviewing organisations across the sector and organising engagement meetings in all four nations. We developed an online questionnaire to assess organisational capacity and need and distributed it through a variety of third sector networks. We received over 1,000 responses to our questionnaire and more than 60 written submissions to our consultation process, many of which we followed with further interviews. The SIB is seen as an innovative proposal that would deliver real change to the UK's disadvantaged communities. The two key pieces of feedback that we received were:

- a) The SIB should not endanger the efforts of present social investment intermediaries by competing with them directly. Rather it should act as a wholesaler to the marketplace, strengthening and developing what is already there;
- b) The SIB should be independent of government, able to respond to the long-term needs and aspirations of the sector and those they serve, rather than to short-term political considerations.

We have incorporated both these suggestions into this report's recommendations.

Throughout this process the Commission has been acutely aware that dormant accounts are people's lost money and that the best outcome is that money is reunited with its owners. Our work regarding consumer protection and the regulation of dormant accounts will be published in a separate document developed in conjunction with the National Consumer Council, entitled "Consumer protection and the regulatory framework for dormant accounts".

The remainder of this report aims to answer three questions.

## **Why recommend that unclaimed assets should be used to boost investment in third sector organisations, rather than to fund additional immediate provision of services?**

If we increase the capacity of third sector organisations, we enable them to become more self-reliant and more effective in serving their communities. In sections A and B of Part 1 of this report we analyse the financial state of the third sector and its sources of funding.

## **Why an "investment bank", why not simply a fund or foundation?**

An investment banking organisation will enable far greater total investment through recycling capital and improving access to private finance. In section C of Part 1 of this report we look at present investment in the sector and how it could be improved by matching finance more effectively with the sector's needs and by maximising the overall available capital.

## **How would a Social Investment Bank work?**

It would act as a powerful wholesaler of capital and as a financial adviser to intermediaries that are in turn providing finance to third sector organisations. It would spearhead the financial development of the whole sector. In Part 2 of the document we develop a clearer picture of how a SIB would work, what it would do, and how it would be governed and made accountable.

This report uses a number of technical terms and these are explained in the glossary.



# The need for a strong third sector



Over the last 40 years the world has experienced levels of change unparalleled in scale and intensity.

These have had a profound impact upon the private, public and third sectors – the three pillars of economic growth, well-being and stable civil society.

The private sector has had to restructure to compete in the global market place. The public sector has had to modernise to meet changing social needs; this has been difficult and has required enormous investment. Yet despite the growth in the economy and sustained government efforts to reduce the proportion of society experiencing poverty, the benefits of change have been unevenly distributed and the costs disproportionately borne by particular groups<sup>2</sup>. As in other western countries, there are now, in the words of the Power Inquiry: 'permanently marginalised groups in society... in permanent poverty, with low educational attainment, poor working and living conditions and a multiplicity of other conditions associated with life on very low incomes.'<sup>3</sup>

A primary function of the third sector – encompassing charities, community groups, social enterprises and other independent organisations with a social purpose – is to work with those who are outside the formal labour market or who do not see public institutions as being relevant to them. This includes the young, those with long-term illness or disability, those seeking to enter

the labour market as well those who have recently left it and new arrivals to this country. The third sector not only helps to maintain the social fabric of society among those who are hard to reach, it is frequently first in responding to emerging needs.

The diversity of the third sector in terms of organisational form, methods of intervention and activities undertaken is a reflection of the richness of UK society. It penetrates every corner of the country and is significant in scale with an estimated annual turnover of over £40 billion for registered charities alone. Although for ease of reference it is described as a single entity, the third sector, like its state and private counterparts, comprises a series of sub-sectors each with its own characteristics.

The third sector is recognised as an important advocate for, and service provider to, marginalised groups and communities, but the large majority of third sector organisations are fragile – they are under-resourced, under-capitalised and they lack an effective infrastructure relative to their objectives.

If it is to meet the challenges of building and maintaining communities that can thrive in the uncertain times that face us in the first quarter of the 21st century, the third sector needs substantial, and prolonged investment. In the absence of a thriving third sector, the burdens falling upon the state will continue to rise.



# PART 1: Investing in a strong third sector



The *Treasury and Cabinet Office Third Sector Review 2006*<sup>4</sup> states that the third sector plays a critical role in addressing deprivation and maintaining a healthy, integrated society.

With an apparent political consensus on the value and impact of the sector and on its potential both as a provider of services to, and as an advocate for, marginalised groups, its financial health is of vital importance.

In Part 1 of this report we analyse how dormant account funds can best be used to strengthen the third sector in the long-term.

In section A we provide a brief overview of the third sector.

In section B we look at how the sector is financed, revealing a picture of chronic underinvestment caused by pressure to draw resources into providing present services.

In section C we analyse how investment into the sector can be transformed by expanding on the dynamic approaches already being used by a number of social investment intermediaries.

The Commission has drawn together data from a range of sources, including our own consultation, to build this picture. Accurate analysis of the sector is extremely difficult, since data are often unavailable or incomplete. The conclusions are however strongly reinforced by the responses to our consultation.

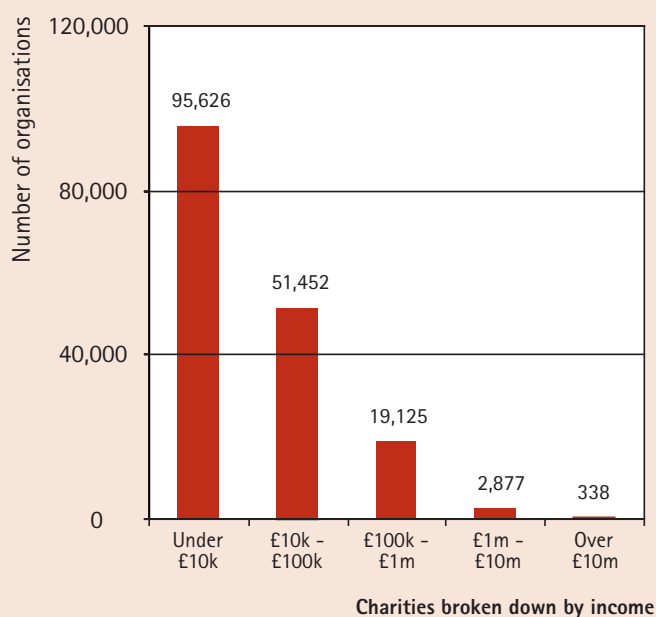
## SECTION A: OVERVIEW OF THE THIRD SECTOR

We have taken the third sector to be all independent organisations that have a social purpose.<sup>5</sup> To analyse the sector and its finances we have concentrated on charities and social enterprises as this gives reasonable coverage, and there are data available. To broaden the perspective, we have included boxed texts on community organisations and community finance at the end of section B.

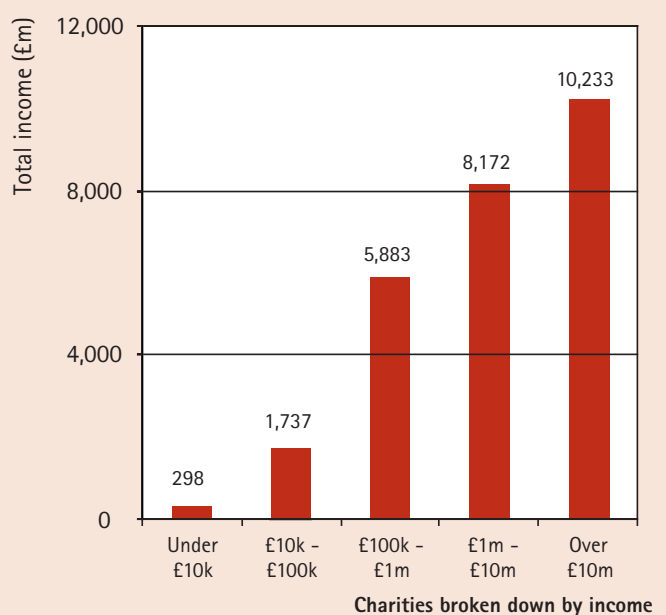
### Charity sector

For the purposes of this analysis, we have used the NCVO's definition of general charity.<sup>6</sup> This includes charities in Scotland and Northern Ireland as well as those registered by the Charity Commission in England and Wales; it excludes amongst others independent schools, housing associations and government controlled non-departmental public bodies such as museums and libraries.

Figure 1: The majority of charities are small...



but the majority of income is concentrated in the larger organisations.



Source: The UK Voluntary Sector Almanac 2006, NCVO<sup>7</sup>

**Table 1: Charity growth**

	1995	2000	2004
Charity income (£bn)	11.8	20.8	26.3
Charity expenditure (£bn)	10.9	20.4	24.9
Number of registered charities	121,000	152,696	169,249
Average income per charity (£ 1000)	98.1	136.0	155.5

Source: The UK Voluntary Sector Almanac 2006, NCV0<sup>8</sup>

In 2003/04, the latest year for which figures are available, these general charities had an income of £26.3 billion, net assets of £66.8 billion and a paid workforce of 608,000 people (488,000 full-time equivalent).<sup>9</sup> This workforce was supplemented by a further 20.2 million people who volunteered in the year, estimated to be equivalent to a further 1.1 million full-time staff.

As shown in Figure 1, the sector's funding is highly concentrated, with 70% of income going to the 1.9% of organisations with an income of £1 million or more. The majority of the organisations in the sector are small, with income below £10,000.

### Private donations

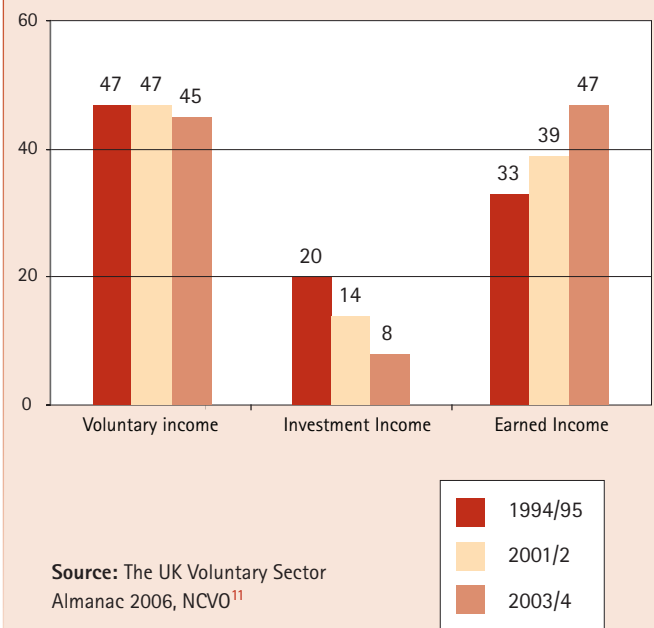
A significant advantage for the largest charities is a much higher level of public recognition and therefore support. Of the approximately £12 billion in voluntary donations from the general public, companies and charitable trusts in 2004/05, just over 50% went to 0.6% of charities.<sup>10</sup> As we will see later, the fact that there are fewer restrictions on how charities may use this income gives some of these charities a stronger ability to invest for the future.

### Income, expenditure and charity registration

The number of charities and their combined income has risen significantly over the past decade (see Table 1), but the income of individual organisations has changed less which suggests that at least some of the growth reflects the addition of new entrants with significant assets, including former public sector organisations. It is difficult, therefore, to assess the level of organic growth in the sector. The data split by income suggest that smaller organisations are experiencing little growth and that if there is any significant growth, it is being enjoyed by the larger groups.

Just as significantly, the structure of charity income is changing. Charitable organisations are developing more trading activities and earning more income (Figure 2).

**Figure 2: Charity income by type (%)**



*The composition of sector income has been changing, as earned income has grown, in part from contracts from central government, local authorities and Primary Care Trusts.*



## Social entrepreneurship and social enterprise

Social entrepreneurs are similar to business entrepreneurs, with the drive, passion and commitment to make a change. Social entrepreneurs, however, aim to create social value or public benefit through a whole spectrum of activity ranging from community-based or voluntary action through to commercial businesses with a social purpose.

According to the Department of Trade and Industry, a social enterprise is 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community.'<sup>12</sup> A significant proportion of social enterprises are registered charities.<sup>13</sup>

It is widely accepted that the contribution of social enterprise and social entrepreneurship to the economy is growing, but it is difficult to get data that clearly record the size and growth of the field.

A recent survey published by the Small Business Service (SBS) revealed that there are around 55,000 social enterprises in the UK.<sup>14</sup>

The SBS report illustrates the contribution that social enterprises make to the economy. They represent over 5% of all businesses with employees, and contribute £8.4 billion to the economy, a figure that does not take into account their social and environmental benefits.

### Social enterprise: Cafédirect plc

Cafédirect is a social enterprise set up in 1991 to provide a fair deal for coffee producers. With the support of its founders Equal Exchange Trading Ltd, Traidcraft plc, Twin Trading Ltd and Oxfam Activities Ltd, Cafédirect has grown into the UK's largest Fairtrade hot drinks company.

In 2003 Cafédirect needed to seek external investment if it was to strengthen its business and grow.

Investment was needed in its brand, to strengthen market presence, repay borrowings, fund working capital and to invest in computer systems. Lack of assets meant that Cafédirect was unable to increase its overdraft and revolving credit facilities. It was reluctant to seek venture capital in case pressure to generate higher commercial returns diluted its social purpose. So in 2004 it opted for an alternative public share issue, raising £5 million.

Cafédirect shares are not listed on an exchange, but buyers and sellers are linked up through Ethex, an innovative matched bargain system run by Triodos. The company's turnover is now more than £20 million, and shareholders have received a dividend payment.





### The need for investment in charities

The trend towards greater public service delivery in the charitable sector is not without controversy.

Some in the sector are concerned that their increasing involvement in providing services for the state is compromising their independence.

A recent Charity Commission survey found that only 26% of charities that deliver public services agreed with the statement 'our charity is free to make decisions without pressure to conform to the wishes of funders.'<sup>15</sup>

However, this view is balanced by many organisations that welcome the opportunity to provide public services and consider that the learning derived from service delivery can turn them into better advocates for the particular groups they serve.

Of greater concern is the poor pricing of such contracts. The same Charity Commission survey found that 43% of respondents indicated that they do not obtain full cost recovery for any of the services they deliver, and a further 37% indicated that they only receive the full cost for 'some' or 'most' of their services.

Responses to our consultation strongly echoed these concerns:

*'Commissioning rarely allows innovative services to develop – the service provider has to provide the service in the contract whether this is what the client needs or not.'*

**Inkerman Housing**

*'For some voluntary and community sector organisations, the changing relationship that they have with government at a central and local level where there is an emphasis on contracting with the voluntary sector, has been at the expense of "investing" in the sector. At a practical level, many voluntary and community sector organisations do not have the infrastructure to respond to the commissioning processes of contracting and procurement or the resources to manage their delivery.'*

**Institute of Fundraising**

*'Public sector agencies, unless they are dealing with large organisations... will not recognise that our sector has a right to expect that services we provide are paid for, that some of us are capable of delivering good quality services that offer value for money... By not recognising that there are costs incurred in managing an organisation even if that organisation runs with mainly unpaid, volunteers – there will be significant limitations on quality and quantity of services that can be provided... Like commercial companies we need to be able to make a profit. Profit can be used to improve the services we offer users, and deliver for them: surely a win, win situation.'*

**Liz Thomas MBE**

A clear finding from our consultation is that many organisations are dependent on short-term funding from multiple sources and that this provides little margin for growth and development. Where contracts are provided for less than the cost of provision, the expectation is that the remaining costs will be met through other funders or voluntary donations.

### Enabling through investment: Broadreach House

Broadreach House was set up 23 years ago to provide treatment, support and residential care for people who were dependent on alcohol and drugs. Its vision and belief is that people have the power to change their lives, if they get the right psychological, educational and social help.

Without a guaranteed income stream, Broadreach House day service, Action for Change, could not get investment from mainstream banks to increase its capacity to meet growing demand for its services. Futurebuilders invested £628,980 to enable Action for Change to scale up through redesigning and refurbishing its day centre. Since the investment, Action for Change has won additional contracts from the local Drugs Action team, the Local Authority, the police and the primary care team. New income streams are worth over £200,000 per year. Five thousand people have benefited from Broadreach House's holistic approach to enabling people to make major and lasting changes to their lives.



Broadreach House: Converting a factory building into a day support centre

**Table 2: Low levels of unrestricted income can make it more difficult for some organisations to invest or expand**

Proportion of unrestricted Income (%)	Charity income band (£)						Average
	<100k	100–250k	250k–1m	1m–5m	5m–10m	10m+	
0–10	12%	13%	12%	8%	8%	11%	12%
10–25	11%	11%	11%	9%	5%	5%	10%
25–50	16%	19%	18%	12%	7%	7%	16%
50–75	20%	21%	20%	16%	10%	16%	19%
75–99	42%	37%	40%	55%	70%	60%	43%

Source: Analysis of the GuideStar UK database, excluding large endowed trusts and charities with incomes below £20,000.<sup>16</sup>

Reports such as *Working with the Third Sector* (NAO 2005)<sup>17</sup> and *Surer Funding* (ACEVO 2004)<sup>18</sup> both draw attention to the lack of provision for investment within current funding regimes and a bias towards short-term money or service-delivery contracts.

Therefore, whereas in the private sector profits from present activities can be reinvested to improve future services, it appears that in much of the third sector any money put aside for investment runs the risk of being drawn into the provision of present services.

*'Much sector activity is project-based, partly driven by the preference of both charitable and statutory funders to mitigate risk by directing funding at specific elements of an organisation's work rather than at a promising organisation as a whole. This has exacerbated the trend on the part of the sector's funders towards funding the direct costs of projects rather than overheads or core funding.'*

**ACEVO 2007 Full-Cost Recovery<sup>19</sup>**

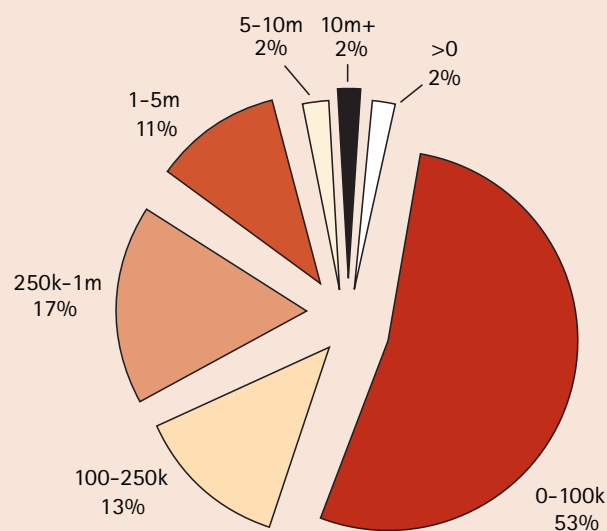
*'The third sector is chronically undercapitalised and this is particularly true of small community-based organisations which are working at grass-roots level in marginalised communities – whether geographically or interest-based – and which are greatly in need of sustained and sustainable funding.'*

**Association of Charitable Foundations**

Further analysis of sector income reveals that for a substantial proportion of organisations, more than 75% of their income is restricted to specific uses which can be an indication that they have little room to adapt or change their organisation. We analysed the UK Guidestar database, where data were available, for all organisations that had any form of restricted income, see Table 2.

This risk of underinvestment appears borne out by organisational balance sheets. The sector is characterised by a large number of organisations with low levels of assets and reserves and a very few extremely big stable organisations. We analysed the top 45,000 charity balance sheets, and for those where data were available, only 15% of charities had assets greater than £1 million and only 4% had assets greater than £5 million.

**Figure 3: Proportion of charities by value of assets**



Source: GuideStar UK<sup>20</sup>

Reserves are also typically weak in all but a few larger organisations. The Charity Commission has found that charities with income over £1 million hold the majority of the sector's total reserves (75%), and that, for the sector as a whole, reserve levels have not risen in line with income and expenditure. Medium-sized charities in particular are facing shortfalls in the amount available to them for the future.<sup>21</sup>

*'Most funders provide money for specific activities and will not fund reserves or contingencies. Many funders "claw back" any underspend. This makes it difficult for organisations to build up reserves which would provide a cushion for responsible risk-taking in the future.'*

**Ellesmere Port and Neston CAB**

**The need for investment in social enterprises**

When it comes to raising finance, social enterprises face many similar difficulties to small and medium-sized enterprises (SMEs) in the UK. Although the gap between the UK, Europe and the US in SME funding has closed over the past few years, social enterprises continue to face additional barriers to investment.

A recent analysis comparing access to finance between social enterprises and SMEs showed that although social enterprise access to loan finance has improved, they are still lagging behind in important areas, including the gap between finance requested and received and the level of loan security demanded.<sup>22</sup> The survey by the DTI found that 15% of social enterprises use bank loans, compared with 25% of SMEs, while 66% of social enterprises use some type of commercial finance compared with 80% of SME's. There are indications that the number which have bank loans is increasing as in the last three years 31% of social enterprises had sought a bank loan.

A more acute problem for social enterprises however, is access to equity, or equity-type financing and this is proving a more difficult gap to close. The DTI survey found that "larger social enterprises received significantly less finance than similar-sized SMEs in absolute terms..." Reasons for this include limited ability to reward investors with financial return (due to profits being reinvested in business), need to maintain ownership and to avoid 'mission-drift', and lack of a secondary market to trade shares.

Social enterprises are more likely than SMEs to be located in deprived areas, and their staff are less likely to have business experience. They are more likely to fail to obtain finance because of the nature of their business.<sup>23</sup>

Start-up social enterprises face more acute problems than established ones due to their lack of 'investment-readiness', their small-scale and fear of indebtedness.

## Conclusions

The third sector has been recognised as an important advocate for and service provider to marginalised groups and communities. But in order for it to benefit from this recognition it needs to be

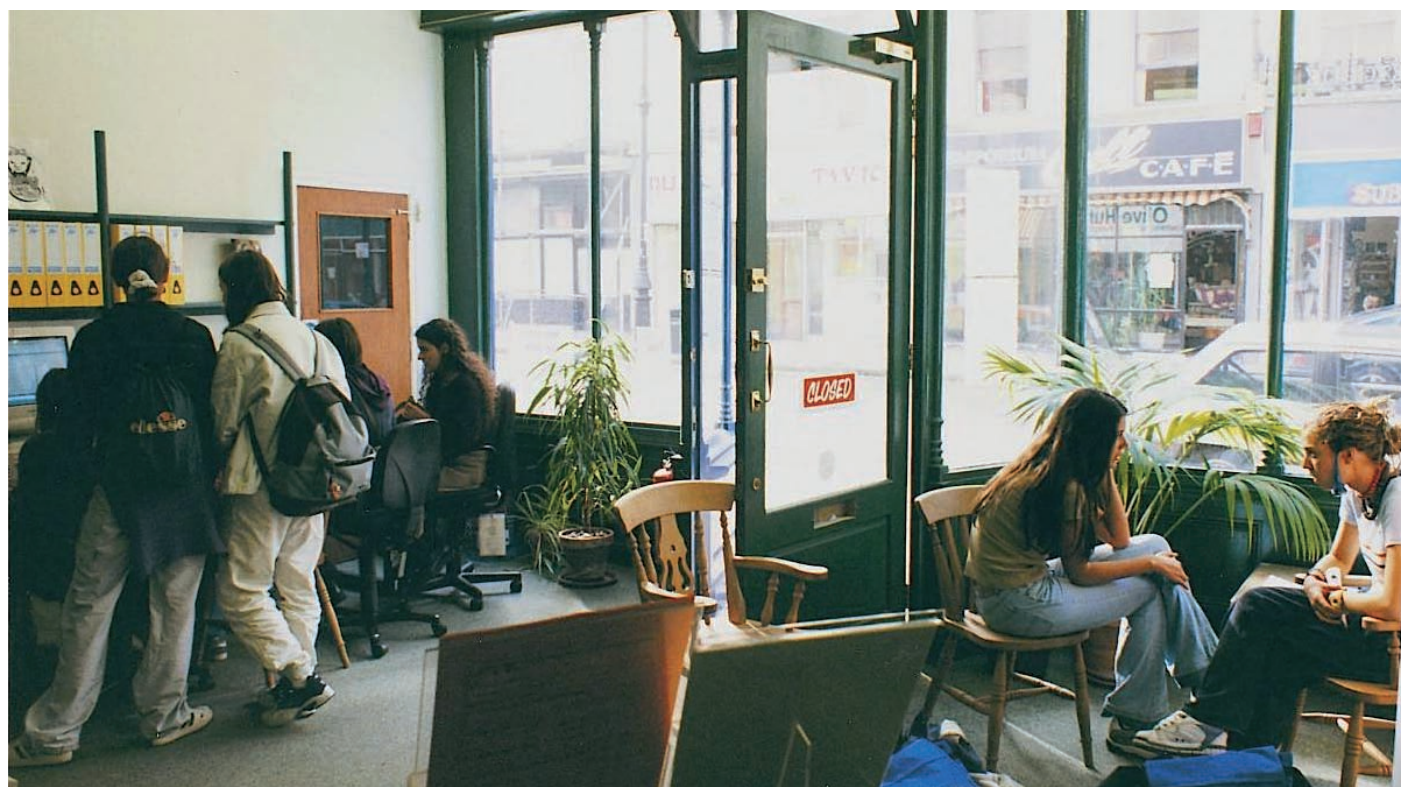
able to grow, invest and adapt to the changing environment. To do so requires improved funding for central overheads in many organisations and more substantial investment than is available from present sources.

In addition to the data shown above there is another reason to focus on investment. Dormant account funds are projected to come into public use as a significant lump sum in the first year followed by smaller amounts in subsequent years. The funds would therefore not lend themselves to revenue funding on a sustainable basis because the capital would need to be retained as an endowment and this would sustain only a relatively small ongoing stream of grants, making little overall impact.

The Commission therefore recommends that unclaimed assets be used for investment – in other words that they be used to develop new products or services, to invest in systems, technology, infrastructure, management or other capacity. We believe that such investment will enable organisations to become more sustainable and better able to serve the needs of their communities.

In the medium or longer-term, this investment will allow organisations to increase this revenue, so that they can repay some or all of the investment made, allowing the money to be used again to support other organisations operating in the sector.

In the next section we will review the investment funding currently available and analyse how we believe dormant account funds can be applied to transform investment in the sector.



## Community organisations

Community activity is extremely diverse, reflecting the diversity of modern society and its multiplicity of needs. Community groups and community organisations come together usually in support of this activity, but unlike other parts of the voluntary sector they remain firmly rooted in specific communities.

Many are too small to be registered as charities and therefore it is not possible to be sure how many are active in the UK at any one time. Estimates suggest that there may be at least 400,000 un-constituted groups operating across the UK.

Community organisations range from those focusing on a single activity such as supporting young people or community media to organisations that manage a community centre, through to larger-scale organisations that manage a wider range of activities and services. Some will come into existence for a particular purpose and go into abeyance once that purpose has been achieved. Often they rely on a single member of staff – or a small number of

committed volunteers. Their turnover is typically small and they are likely to be self-financed or supported by grants from public authorities, charitable foundations and other grant-awarding bodies. Some will enter into contracts with public sector agencies to deliver services.

Community groups have to be quite sophisticated in navigating their way through the funding options when their financial requirements are often small. Because most do not own an asset, they find it very difficult to borrow, and therefore small capital projects or buying equipment typically have to be put off until funding can be raised. A network of second tier organisations has grown up to support community organisations – including Voluntary Service Councils, Acre, Bassac, Community Matters, Development Trusts Association and Scarman Trust. However, because of the small size of community organisations, their needs are in danger of being overlooked when new initiatives are developed for the sector.

## Community finance

Lack of access to finance is now widely acknowledged as contributing significantly to social exclusion in the UK's most disadvantaged neighbourhoods – areas characterised by low savings, under-investment and few local businesses. Those in disadvantaged neighbourhoods – including individuals, micro and small businesses, small housing associations, and the wider voluntary sector – find it harder to get access to capital. While finance alone is rarely an answer to complex patterns of social exclusion, community finance initiatives are developing as the foremost organisations able to address a wide range of economic needs.

The community finance sector dates back to the 1960s and 1970s when pioneers in the co-operative movement established the first credit union and the first community loan fund in the UK. Credit unions have become increasingly important in marginalised communities because they are accessible to low income groups, they encourage savings, provide low-cost credit, and can provide a bridge to other financial services. The advent of more professional, better supported credit unions in the last ten years has seen membership of credit unions head towards 525,000.

Community Development Finance Institutions (CDFI) have shown a steady 30% growth since 2003 when the Social Investment Task Force recommended that they should

receive support. CDFIs supply capital and business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or under-served markets.

But there is still a significant gap between provision and need. Recent research in the West Midlands and London suggests that need continues to outstrip specialist community development finance supply. While coverage is growing, greater investment and support is needed to ensure that individuals and businesses can access finance.<sup>24,25</sup> Further post office closures will exacerbate the problems for many people and businesses in the most vulnerable areas.<sup>26</sup> "Financial exclusion continues to damage the lives of millions of people in low income communities throughout Britain. Without access to appropriate banking services, affordable credit, accessible savings products, money advice or insurance, they are faced with making financial decisions that often result in greater financial hardship"<sup>27</sup>

In this section we analyse why the Commission believes that it would be better to use the funds from dormant accounts to set up an "Investment Bank" rather than to capitalise one or more grant-making foundations.

### Traditional investment in the sector

Broadly speaking the majority of the capital currently available for investment resides at two ends of a possible marketplace – grants providing 100% subsidy and commercial loans that are unsubsidised.

Grant-funders with a focus on investment include organisations such as the Big Lottery Fund, Capacitybuilders, Nationwide Foundation, Esmeé Fairbairn, and Northern Rock Foundation.

At the other end of the spectrum the larger charities are able to access mainstream finance. It is estimated that the sector already borrows around £2-3 billion including overdrafts – much of which comes from bank finance.<sup>28</sup>

Small and medium-sized charities however still report great difficulty in accessing mainstream capital. Some organisations fall outside the grant-making foundations' funding criteria while at the same time they are unable to access money on commercial terms. Other organisations fulfil the foundations' criteria but would, on further examination, have been able to repay some or all of the money.

### A diverse investment market for a diverse sector

As we saw in the previous chapter third sector organisations vary tremendously in the range of their activities and in the level of their trading income. The Commission observes that this diversity merits a variety of capital flows with levels of subsidy varying according to the nature of the receiving organisation.

The range of legal forms that third sector organisations can take, create further complexity in accessing finance for investment. For example charities structured as Companies Limited by Guarantee (CLG) cannot issue shares, but those structured as Industrial and Provident Societies (IPS) can do so – although presently only on a restricted basis. Community Interest Companies can issue shares, but with capped returns.

While grants will always play an important role for many organisations at key points in their development, repayment is desirable where possible since the money can then be reinvested in the sector. However, repayment terms need to reflect the risks, operations and stability of cash flow of the receiving organisation.

Government and other funders have recognised the need to diversify the range of investment capital sources available. Initiatives such as Futurebuilders, the Adventure Capital Fund, Charity Bank and Impetus have introduced new funding in the form of loans and equity (as opposed to grants) with the objective of recycling capital and increasing financial acumen in the sector.

In Figure 4 (over), we have provided a picture of the social investment marketplace and in the box on page 12 we show the availability of various types of capital, based on data drawn from interviews with the range of organisations that supply investment capital to the sector.<sup>29</sup> Thereafter we have described how the market can be developed further.

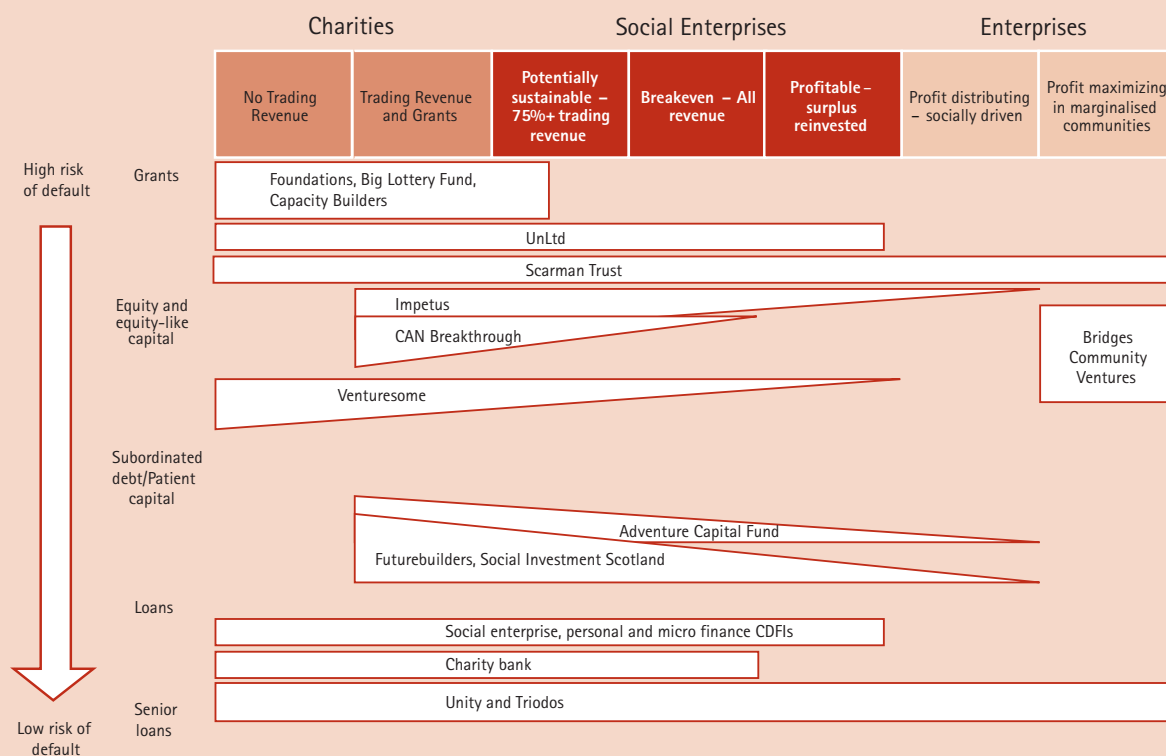
#### Underwritten fundraising: Hutton Rudby village hall

Hutton Rudby village hall is central to its community in rural Yorkshire, but in 1999 major defects in its structure were identified. The village decided to raise the £500,000 needed to refurbish the hall, but was unable to raise the last £50,000 that would have enabled it to sign the building contract which fixed the cost of the work. Venturesome provided £50,000 of underwriting while the balance of funds was raised from individuals locally. The Venturesome facility enabled the building work to be started as planned, thus saving on time and construction costs. Building work started, and £35,000 was drawn down. Fundraising reached the £50,000 target within six months and the facility was repaid in full.



## Social investment for third sector organisations

Figure 4: The social investment market is growing but remains fragmented



Based on a diagram developed for UnLtd by McKinsey & Company (2004)

### Examples of social investment intermediaries

**Unity Trust Bank** is a fully commercial bank that operates with a defined social purpose. Key markets include trade unions – charities, voluntary, credit union and other membership organisations. Assets totalled £446 million in 2005 of which £110 million was outstanding in loans and facilities.

**Triodos** is a fully commercial bank that operates with a defined social purpose. Key markets include social enterprises and other sustainable organisations, local communities and the environment.

**Charity Bank** is a commercial bank registered as a charity offering commercial banking services to charities, community and voluntary associations and organisations, community businesses, social enterprises, social landlords and for-profit companies where the purpose of the loan is exclusively charitable. At December 2005 assets totalled £39 million of which £11 million was committed in loans. Charity Bank has made £50 million of funding available to the sector since its inception in 2002.

**Ulster Community Investment Trust** is a large CDFI offering bridging and long-term loan facilities to community and social enterprises in Northern Ireland and the border counties of the Republic of Ireland. Fund size is approximately £14 million of which £10 million is committed.

**Social Investment Scotland (SIS)** is a partnership between Scotland's four biggest banks and the voluntary and public sectors. SIS provides loan finance and business support to social economy organisations who are unable to raise any or all of the loan finance they need from normal commercial sources. As of May 2006, £3.3 million of loans had been approved and it is seeking to raise £50 million or more from a wide range of investors.

**Futurebuilders England** provides a combination of loans, grants and professional support to build the capacity of third sector organisations who want to deliver better public services. It has an initial fund size of £125 million, with outstanding commitments of £85 million.

The **Adventure Capital Fund** supports sustainable community organisations and social enterprises with long-term subordinated loan funding and development grants. Fund size is £10 million of which approximately £7.3 million has been committed.

**Venturesome** provides patient capital (mezzanine finance/subordinated debt) to social enterprises. The total fund is £6.5 million. £5 million has been loaned.

**Impetus Trust** is a venture philanthropy fund offering long-term financing to charities for infrastructure, packaged with hands-on management support and capacity building. Total fund size is £3.5 million of which £1.8 million has been committed.

**UnLtd** provides grant funding for social entrepreneurs. As of March 2006, approximately £13 million was available for distribution from its endowment, of which £3 million had been committed.

**Scarman Trust** invested £7 million last year, providing micro-equity to community-based enterprises and supporting them in working collectively to deliver services and access new revenue streams.

**Breakthrough at CAN** is a €1 million privately funded initiative to help social enterprises, drawing on professional support from venture capitalists Permira.

**Bridges Community Ventures** is a fully commercial venture capital fund investing in businesses in deprived communities throughout the UK. The £40 million fund was set up in 2002. Bridges has recently established a second fund.

**BIGinvest** is a £3.5 million sustainable loan fund.

The **Prince's Trust** is a charity offering support to young people. It provides a number of cash awards including business start-up grants and loans.

## Tailored lending: ABACUS

ABACUS is a new social enterprise set up with partners Edinburgh Cyrenians and the Bethany Christian Trust to help provide ways into supported employment for people struggling with poverty and homelessness. ABACUS is commercially driven – it aimed to be sustainable from the start.

ABACUS approached Social Investment Scotland (SIS) for funding, who offered an innovative package consisting

of a non-recourse loan, and a revolving credit facility, to support growth over a 5-year period. The non-recourse loan means that ABACUS has patient capital, which it only needs to repay when it can afford to through generating an agreed level of income. If ABACUS achieves its targets for social benefits, payments will be reduced. The revolving credit facility provides access to working capital so that the business can get up and running. The growth of new enterprises like ABACUS depends on the availability of

## Supporting micro enterprise: Equatoria Women's Self-Help Society

In 1997 a group of refugees from the war in Southern Sudan set up the Equatoria Women's Self-Help Society, many of whose members wanted to start up social and micro enterprises. They heard about the Mutual Aid Fund developed by the London Rebuilding Society (LRS) specifically to target voluntary, community based organisations. Equatoria became one of the first members of the Mutual Aid Fund. Most members are membership based self-help groups, typically consisting of women, mostly African, who are refugees or asylum seekers and find employment by engaging in micro-social enterprise. They struggle to access finance, and so LRS introduced the idea

of training member organisations to become the primary borrower and then lend on smaller amounts to individual member projects. Equatoria Women Self-Help Society received a loan of £20,000 from LRS which is being used to finance a range of projects, such as Nile Catering Services providing meals using traditional recipes and capable of serving up to five hundred people. The founder is full of praise for the support from LRS. "The people running our projects got to learn about cash flow, market research, business plans, costing – all kinds of crucial business knowledge that they did not have before."



**Table 3: Funding required at different stages of organisational development**

	1	2	3	4	5	6	7	8
Organisational stage	Initial analysis and pilot	Early funded activity	Initial growth, more than one client	Maturing and refining service	Unlocking new revenue streams	Generating surpluses and building assets	Expanding to scale: growth and replication	Sustainable organisation with replicable model
Funding	Small grants	Project grants	Revenue funding & Quasi-equity	Quasi-equity & subordinated debt	Equity, Quasi-equity & subordinated debt	Senior debt, working capital lending	Equity & quasi-equity	Senior debt

### Developing the market further

Organisations need different types of capital at different stages of their development (see Table 3) but many cannot currently access appropriate finance. During our interviews with social investment intermediaries, equity or equity-like instruments were almost universally cited as missing from the marketplace. The recent increase in the availability of subordinated debt was welcomed, but it is still restricted to organisations that meet the relevant funding criteria. So for example credit unions still have difficulty accessing subordinated debt, the ideal instrument for funding their growth given their legal structure.

In the Commission's survey of more than 1,000 third sector organisations the highest priority cited for investment were funds for developing new products and services, coming marginally higher than investment in the purchase or refurbishment of land and buildings. This would also suggest a gap for subordinated or equity-like instruments.

*'Need more equity style investment in us as a credit union!... There is a gap in the market for home purchase which could be filled by the credit union, and which would help to make us far more sustainable. Shared equity lending and right to buy lending would be gaps in the market which we would ideally like to fill.'*

**Bristol Credit Union**

*'Making the quantum leap to a type 2 credit union, the capital requirements are such that it is like chasing the moon.'*

**Castle & Minster Credit Union**

*'There continues to be a dearth of higher-risk, unsecured debt available to third sector organisations that don't have a track record of trading successfully or asset security to offer.'*

**Triodos**

#### Portsmouth Savers Credit Union Ltd

Portsmouth Savers Credit Union Ltd is one of the 780 credit unions in the UK providing local, accessible financial services to people living in some of the most disadvantaged areas.

Traditionally credit unions have operated a strict link between savings and loans so they have been constrained in the amount they can lend. Portsmouth Savers was the first to break this link in order to expand the accessibility of finance to financially excluded communities. It now lends to new members on the basis of what they can afford to repay, and as a result demand for loans has grown.

To meet demand, Portsmouth Savers borrowed loan capital from Charity Bank and Industrial Common Ownership Finance, and has been able to lend more than £2 million to local people. Its members have grown from 1,000 to 4,000. It operates Young Savers' Clubs in six local schools, and through offering new products such as a Benefits Direct Account for direct payment of government benefits Portsmouth Savers CU is increasingly addressing the poverty and financial exclusion which lies at the root of so much social exclusion. It has introduced a competitive dividend of 4% on savings. Future plans include a current account with ATM.

When filling gaps in the market, the use of subsidised debt or equity-like products should be targeted at higher risk organisations to avoid compromising the business of more commercial lenders. This should be achievable if business and financial plans are properly reviewed.

Some parts of the market lack demand rather than supply. Some of the more commercially minded senior debt providers do not have sufficient demand for their capital. Better availability of capital for organisations in their earlier stages of development would allow the market to grow and take up the slack. In the meantime, a relatively small subsidy, such as a partial loan guarantee, might free up this capital investment on terms more appropriate for present market needs.

*'One additional problem is that demand tends to hit supply [to] the left of its "logical" position due to the attractiveness of cheap capital (free money). Some kind of "clearing house" could help correct this distortion.'*

**Futurebuilders**

Finally, other forms of capital are being developed to fulfil the requirements of the sector. Financial intermediaries are developing approaches to long-term equity-type funding that may be repayable only on achieving certain milestones, or may



pay a dividend that is capped depending on the growth of the receiving organisation. Equity or equity-like funders have to gauge an appropriate return given the level of social return expected of the funded organisation.

Commenting on the potential size of the unserved market for equity-like products, Community Action Network stated that 'In our space [we] can envisage 50–100 organisations needing £200–500,000 of long-term development capital [or] within 2 or 3 years, 4–5 intermediaries each supporting 10–20 organisations at this stage of growth.'

### Not yet a market

Despite the range of present financial intermediaries, there is no overall market for finance for third sector organisations. Total capital remains small in relation to market size and rate of growth. There is no seamless guide for user organisations and in many cases the type of finance does not fit market need.

### Stimulating market demand

Although there is a clear mismatch between the type of finance needed by the sector and what is available, there is also a broader issue. A large part of the third sector is not geared up to use any form of repayable funding – many organisations are too small, or their asset levels are too low to attract capital.

No less important than addressing funding gaps, it is critical that professional and knowledge gaps are also addressed. Third sector intermediaries and organisations both require access to professional financial training and advice. Grants to support the development of business plans and capacity building are necessary in order to ensure that organisations have the confidence and professional capability to access and support repayable finance.

### Conclusion

We believe the most effective way to correct these imbalances and create the conditions for sector growth and development is the establishment of a social investment market that can evolve with the sector to ensure ongoing access to appropriate capital.

An effective social investment market could have far-reaching effects, creating a more cohesive society with easier routes into the mainstream economy for those from marginalised communities. It would:

- attract new capital into the sector;
- ensure more consistent revenue generation and investment;
- attract, encourage and retain professional financial management within the sector;
- provide financial advice to support organisations in the raising of funds and negotiation of revenue contracts;
- enable greater innovation through financing research and product development;

- allow social entrepreneurship to become more highly valued.

We recommend that a new institution, the Social Investment Bank (SIB), be created to support the growth of this marketplace. In addition, some incentive, potentially provided by the SIB in the form of a loan guarantee, or by the Government in the form of a tax credit, would allow considerably greater private finance to be accessed by the sector, increasing the overall availability of capital.

The SIB is the subject of the remainder of this report.



# PART 2: The Social Investment Bank

## SECTION A: ACTIVITIES

The Commission believes that a Social Investment Bank (SIB) should be created to develop the social investment marketplace on a scale that can support the UK's vibrant and diverse but under-capitalised third sector, including social enterprise, community development and voluntary organisations.

We would like the SIB to be small and adaptable, innovative, and able to take risks. It should act as a wholesaler working through existing and new financial intermediaries, assisting their development and encouraging their growth.

The most effective way of providing significant capital to the sector is by facilitating access to private finance as well as to the broader capital markets. However financial returns are likely to be below mainstream rates of return.

To overcome this challenge, the SIB will need to bring securities to the financial market that benefit from tax incentives (see boxed text on CITR), or provide its own guarantee. It needs to develop specialised financial skills to attract significant private and institutional investors to refinance existing loan portfolios, issue debt on its own behalf and on behalf of sector organisations, and raise equity. With such an organisation in

place, there is a real prospect that capital market participants such as insurance companies and pension funds will come to allocate a small proportion of their assets to social investment thereby recognising it as a professional asset class.

The SIB would support the development of the social investment market by:

- using its capital to make equity and quasi-equity investments and provide debt to increase the capability of existing and future financial intermediaries in the sector;
- using its balance sheet to provide guarantees and to issue bonds;
- using its expertise and capital to assist intermediaries in raising capital for themselves;
- using its income stream to cover its overheads, make grants to intermediaries where appropriate, and to support its investment activity;
- encouraging the growth of financial advice, capacity building and development support in the sector;

The SIB would draw on and combine in its team skills from both the social and financial sectors.

### Community Investment Tax Relief (CITR)

Community Investment Tax Relief (CITR) was introduced by the government in 2002 to offer a tax incentive to encourage investment in accredited Community Development Finance Institutions (CDFIs). The tax incentive comes in the form of a tax relief, which reduces the investor's income tax (or corporation tax) liability.

The relief is worth up to 25% of the money invested, spread over five years (5% a year). For example, an investment of £100,000 would entitle the investor to tax relief worth £5,000 each year for five years. It is worth 8.33% gross a year for higher-rate taxpayers, 6.41% a year for standard-rate taxpayers, and 7.14% a year for main-rate corporation tax payers. The tax relief can also be complemented by financial returns offered by CDFIs – for example, Charity Bank offers up to 2% per annum on deposits with it in addition to the tax relief.

CITR is a powerful tool to encourage private sector investment into CDFIs that in turn help reverse downward spirals of under investment in communities and areas that need it most. However, in its current format it is narrowly defined and difficult for smaller, younger CDFIs to use.

The CITR could be made to work better by an intermediary with scale and financial know-how. The SIB would be ideally placed to play this role. It could raise CITR bonds which could greatly increase the supply of affordable debt and equity capital into the community finance sector.

The CITR can be made even more powerful by allowing for larger-sized investment in businesses in deprived areas or social enterprises. It is also worth thinking about how to extend it beyond its current narrow focus on enterprise lending in under-invested communities and allow for the range of investments that CDFIs already make – for example, for lending to individuals, in poor communities the only option for many individuals is high-interest lenders who charge as much as hundreds of percent per year. CITR could also help to plug some of the continuing gaps in social housing

Finally, another area that would benefit from a tax incentive would be equity and equity-like investment in social enterprises.

### Introduction

To build the social investment market, we recommend the SIB should from the outset engage in four activities:

- Capitalise present financial intermediaries and fill gaps in the marketplace where the lack of capital is restricting overall growth;
- Support the provision of advice, support and higher-risk investment to accelerate the growth of demand for repayable finance;
- Develop programmes of sustained investment in specific markets such as community regeneration and financial inclusion;
- Support existing and new intermediaries in their efforts to raise private capital.

We recommend that as part of its work the SIB should focus on specific markets where it can put specific financing and support in place. These would have the potential to become functioning markets more rapidly than the general market, having early impact and demonstrating success. The SIB would therefore generate the credibility to continue developing a social investment market for the long-term, a process that may take ten to twenty years or more.

Specific sectors it could consider are financial inclusion, community regeneration, social care, or the development of youth facilities. We have developed ideas in two of these areas.

### Scale of a Social Investment Bank

The quantum of dormant funds potentially available to a SIB is presently unknown. We have therefore considered a base scenario. In the event that more capital is available then the sector could be developed more vigorously and the benefits felt more quickly.

An effective SIB would have a capital base of at least £250 million and an income stream of £20 million for a minimum of four years thereafter.

Such a capital base would allow the SIB to support the social investment marketplace and develop the market more closely in the two areas we have chosen to look at – community regeneration and financial inclusion.

With a capital base of £250 million the SIB would have sufficient scale to attract high-quality professionals and to become a repository of experience in social investment in the UK. There would be sufficient work in specialised areas (such as securitisation) for it to build in-house expertise, vital to grow this market effectively. Finally, it would have the scale to be taken seriously in the financial markets with sufficient capital to undertake the securitisations, bond issues and re-financings required to build a market in social investment products and provide access to the capital markets for the sector.

We believe that the range of its investments and activities would enable it to become financially sustainable after 5-7 years. Its ability to issue its own bonds would give it the flexibility to finance any gap between the timing of its investment programme and the capital flows resulting from it.

We therefore recommend the SIB has a capital base of £250 million.

The Appendix offers a simplified view of the first five years of the SIB's operations and of the significant funding which its activities and capital could attract to the sector.

It would appear to be a feasible objective for the SIB to maintain its capital base in the long-term given the anticipated range of its investments, their terms and the likely financial returns from them.



The activities set out below are examples of possible investments based on present market needs and opportunities.

### Activity One: Strengthening existing intermediaries and filling gaps in the market

**Equity capital<sup>26</sup> for present banking intermediaries in the sector:** The SIB would provide capital as well as support for capital-raising on an advisory basis. Not only would SIB funds encourage others to participate, thereby creating leverage for its investments, but the funds provided would then act as regulatory capital to be leveraged through taking further deposits in the organisations supported.

**Lease financing:** There is potential to set up a lease financing and hire purchase vehicle in the third sector. Such a vehicle could be created as a partnership with a private sector leasing company and have its products sold into the marketplace through a variety of existing retail intermediaries. The SIB would negotiate an appropriate sharing of risk and reward with the private sector partner to make it a commercially viable investment. A number of social investors have already carried out hire purchase transactions, proving that the market exists. This vehicle would allow greater scale and lower the risk. It would also attract commercial capital for a significant part of the investment.

**Risk capital for social enterprises:** The SIB could act as an equity investor to start new funds providing risk capital to social enterprises. There are a number of existing intermediaries who would be interested in such a relationship and the SIB could run a tendering process to make one or more investments in this area.

#### Lease financing: Little Red Bus

Little Red Bus is an independent charity tackling the social isolation caused by lack of access to transport in the Harrogate district. It provides transport services to rural and isolated communities and non-car-owners. Its special buses are adapted for people whose conditions such as blindness or disability make it difficult for them to use normal services.

The charity is run by Harrogate District Community Transport (HDCT), and widely supported by the local community. HDCT applied to Futurebuilders for £1 million of investment to extend its services by buying twelve new buses, establishing two new depots, improving its IT system, and recruiting new staff including a finance director.

Futurebuilders agreed to support Little Red Bus through a mixed package of funding including development, capital, revenue and capacity-building grants, a loan and an innovative lease guarantee in which Futurebuilders guaranteed to meet all the costs of the agreed lease, to a total of £530,000. It meant that Little Red Bus could gain new buses in a cost-effective way without having to buy them. Without the guarantee, the leasing company saw the investment as too high-risk. The extra transport services which Little Red Bus can provide will help more local people access health care, schools, and the local job markets.

**Merger finance:** Across the third sector there is a high level of duplication with a range of organisations providing similar services but in different locations or with slightly different ethos. This inefficiency is maintained because there is no incentive to combine operations. The SIB could provide incentive finance, through one or more retail intermediaries, repayable on a long-term basis in the event that certain milestones of success are passed following the merger

**Expansion of community development venture capital:** According to estimates by Bridges Venture Capital, there is capacity now for several additional community development venture capital funds around the UK. By investing in such funds and assisting with capital raising the SIB could leverage significant further resources into the sector and support the growth of new businesses in marginalised communities.

From our research and discussions with the relevant intermediaries, we estimate that a base investment of £95 million in the first five years would attract £405 million in additional capital.

### Activity Two: Building capacity and stimulating market demand

Investment is needed to develop the infrastructure, capacity and culture of organisations to a point where repayable funding is possible. We have included the following elements of this in our base scenario:

**Supporting smaller community enterprises:** A recent £1 million pilot programme that provided funding to support the fundraising activity of Community Foundations led to significant leverage from private sources. Part-repayable grants from the SIB could be given to support such activity, with repayment conditional on success.

A recent £1 million pilot conducted by the Scarman Trust, has pointed to the potential for local community organisations to achieve sufficient scale to win service delivery contracts by bidding together. Part-repayable grants could be used to extend this approach into other areas of the country.

**Development grants:** Development grants of £15-25,000 for feasibility studies or business planning are a key way of boosting the "deal flow" of investment-ready organisations in the third sector. Grants provided alongside loans are also invaluable in building the capacity and financial systems required to manage repayable finance. Capital could be provided by the SIB to intermediaries for distribution to both potential and actual investees in conjunction with repayable finance.

**High engagement grant-making:** The development of "high engagement" grant-making in the voluntary and community sectors using a venture capital investment model, has gained interest from the financial community and become known as "venture philanthropy". The Commission believes that further

private funding for venture philanthropy could be stimulated by the SIB providing matching funding. This would expand the capital available for organisations to build their capacity and to grow. The venture philanthropists we talked to agreed that further investment in the organisations they have supported can and should come from repayable sources.

**Support for high-risk development finance:** Organisations requiring development finance for new products or services normally cannot offer investors security or even the prospect of stable cash flow in the short-term and are therefore high-risk. Investment in such organisations normally has to be delivered in the form of either re-payable grants or unsecured lending. While the specialist intermediaries, such as Venturesome, who provide such funding may be able to achieve a return of capital more than 80% of the time, it would change their business model inappropriately were they expected to be able to repay capital providers. Investment should therefore be provided as non-repayable capital.

In the base scenario for Activity Two the SIB would fund £62 million in such non-repayable funding in the first five years, leveraging in an additional £81 million.

### Activity Three: Developing programmes

The Commission recommends that the SIB develops products for specific sub-sectors to allow greater penetration of investment in those areas.

The two areas that we have considered for our base scenario are the development of community anchor organisations, and community finance providers on a UK-wide basis. Additional resources would enable the SIB to develop further programmes in areas such as youth services and social care.

#### Supporting community anchor organisations

**Asset transfer:** A key area of our financial analysis in the community sector has been based around supporting community anchor organisations through the transfer of assets into community use from local public agencies and others – an idea with strong support from both community organisations and the Government. Our research indicates that this area requires a series of capacity building and finance packages to support organisations at different stages of development. Our model has been based on the following:

- **Feasibility support.** Grants of £25,000 to provide organisations with the expert help they require to assess the potential for an asset transfer or similar scale project.
- **Development Finance.** Provided as a repayable grant to foster partnerships, improve governance or management capacity, or strengthen financial systems – as well as to support negotiations with stakeholders, planning, and to model any asset transfer. The grant is repayable only once the transfer has been completed and is generating

sustainable revenues. A typical repayable grant has been assumed to be £350,000 over three years.

- **Community mortgage loan guarantee.** On successful completion of an asset transfer, rather than providing a mortgage for the property, the SIB could provide a partial guarantee, so that the remainder could be financed by a commercial lender. By sharing the risk appropriately the SIB could help to reintroduce commercial finance into areas where it is presently absent. A typical community mortgage loan guarantee has been assumed to be £500,000 over three years.

### Community anchor organisations

Multi-purpose facilities are being established where none existed before such as the Bromley-by-Bow Centre in Tower Hamlets, Community Links in Newham, Coin Street Community Links in Waterloo, Westway Development Trust in Notting Hill, Carlisle Business Centre in Bradford, Manor and Castle Development Trust in Sheffield, the Alt Valley Trust in Liverpool and many more.

Community anchor organisations manage the facilities they have, which in turn enable a multiplicity of community activities to take place. Many undertake a wider range of activities and deliver services in their own right. The focus of many of today's community anchor organisations, while still celebrating local achievements, is on removing the barriers that trap people in poverty – such as poor health, low skills and isolation – and on creating of wealth through employment whether through self employment, participation in the local economy or working in the wider economy.



These products could be provided by a range of intermediaries, who would be selected on the basis of their capacity to provide the support required by the receiving organisations and where appropriate their ability to attract additional capital to match SIB funds.

When a large and sufficiently mature portfolio of community mortgages is established, there is the potential for the SIB to be involved in the development of a secondary market through securitising the mortgages and raising new capital from them. As well as introducing further capital into the marketplace this would enable a more competitive market to develop over time.

We have estimated that a minimum investment of £77 million could attract £231 million of additional capital.

### Finance in marginalised communities

If a range of finance is available in an area – personal lending, small enterprise support, and equity to allow businesses to grow – then a more reliable route out of poverty can be established. We see a significant opportunity to improve the range and quantity of available finance in under-resourced communities and we have modelled the following interventions:

**Credit Unions:** Supporting the start-up of new credit unions and expansion of existing credit unions, in areas where they can most effectively provide access to finance to a range of people. There is a good understanding of capital requirements and a viable working model for the process of starting credit unions, with finance repayable over a six to eight year period.

**Community Development Finance Institutions (CDFIs):** CDFIs provide a range of personal, enterprise and social enterprise lending in marginalised communities. A number are seeking to reach a scale where their business models become sustainable. The SIB could support such efforts with repayable finance.

We estimate that an investment of £75 million would attract £102 million of additional funds.

### Activity Four: Accessing private capital

The SIB could play a key role in leveraging private capital into the sector and ensuring that the way it is provided fits the sector's needs. The three sets of activities outlined above would also strengthen the sector and put it in a stronger position to access further private capital in the medium-term.

**Supporting capital raising:** By working with financial intermediaries, the SIB would be able to support them in raising finance, providing them with greater access to commercial and non-commercial investment.

**Refinance key social investors' loan books in the commercial markets:** The SIB could provide a partial loan guarantee for a first loss portion of the portfolio to be refinanced, enabling the remaining capital to be raised on better terms.

**Building secondary markets:** There is potential for the SIB to support the development of a secondary market in social investment products such as personal and small enterprise lending and community mortgages described above. This would leverage additional capital into the sector, and provide a long-term means for financial intermediaries to refinance cheaply, allowing them to maintain scalable but focused business models.



## SECTION C: GOVERNANCE AND ACCOUNTABILITY

The Commission has received legal advice on the corporate form, regulatory requirements, governance and accountability structures for the Social Investment Bank (SIB).

The requirements of an effective governance and accountability framework are that an SIB is able to be:

**Independent:** While acknowledging that the SIB will need to be accountable to its stakeholders, to be effective it must be insulated from short-term political considerations and able to develop the market over the long-term.

**Effective:** The framework should empower the SIB, and provide it with the direction and support that it needs. Decision-making needs to be efficient and the organisation needs to be able to take calculated risks.

**Representative:** There are a number of stakeholders in this process: the banks and building societies, the Treasury and other government departments, third sector organisations, and the end-users in disadvantaged or disempowered communities. All want to influence the SIB or otherwise hold it to account.

**Compliant:** Any governance model needs to meet the requirements of the law, relevant regulators and guides to best practice including the provisions of the combined code on corporate governance and the guidelines for making public appointments.

### Legal form

The legal advice that the Commission sought recommended that the SIB should take the form of a company limited by guarantee and should register as a community interest company.

### Regulation

It is anticipated that the SIB would be regulated by Financial Services Authority given the nature of its activities.

### Members

The SIB's board of directors would be answerable to an independent group of up to around twenty members primarily drawn from the third sector and the financial sector who would effectively act as its shareholders. Like shareholders they would have the power to approve the appointment or re-appointment of the SIB's directors and auditors, attend annual general meetings and receive the annual report and accounts.

### Board of directors

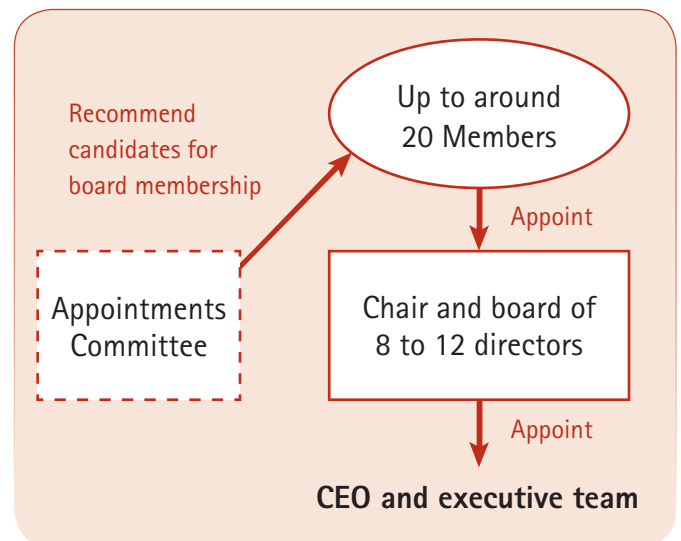
The Commission recommends that the board of the SIB is made up of eight to twelve directors, drawn together on the basis of expertise. The majority should be non-executive directors and the make-up of the board should be compliant with the combined code on corporate governance. Expertise required on the board would include finance, social investment, and

community regeneration. Membership should be on a fixed-term basis, with individual directors coming up for re-election every three years. Non-executive board members should be appropriately remunerated for the role.

### Appointment of directors and members

An independent appointments committee should be drawn up from the members to seek the most highly-qualified individuals to sit on the board of the organisation through an open process compliant with the procedure for making public appointments and starting with the appointment of the Chair. On appointment the Chair would be asked to join the appointments committee for the selection of the remaining candidates.

The recommended structure is laid out below:



### Legislation and the creation of a Social Investment Bank

From its discussions with financial institutions and the Treasury the Commission understands and agrees the need for enabling legislation to allow an unclaimed asset scheme to be set up. As discussed in the Commission document "Consumer protection and the regulatory framework for dormant accounts", this is supported by the Commission, provided that account holders retain rights to their full holdings, including interest, in perpetuity.

Issues to be determined include how the transfer of dormant account monies should be enacted in legislation, how the SIB is described in legislation, and how its accountability to government or parliament is ensured.

The overwhelming recommendation from the third sector, which is endorsed by the Commission, is that the investment of dormant account monies by the SIB should be independent of government. This would provide stability and reflect the non-governmental source of these funds.



# Next Steps

Given the urgent need for investment in the third sector, should the government favour the creation of the Social Investment Bank (SIB) and the transfer to it of unclaimed assets, the Commission would undertake to incorporate the SIB and raise sufficient loan capital for its establishment. The Commission would support a process of nomination of the SIB's members in consultation with interested parties to draw together and

appoint a group which would effectively represent the interests involved. Thereafter the Commission would support these members in the establishment of an appointments committee. The Appointments Committee would call for candidates for Chair and members of the Board of Directors, and appoint them in accordance with public appointment procedures.



# Appendix

## Social Investment Bank – Model of Investments and Estimated Capital Requirements

Activity area	1 SIB Capital invested (£m)	2 Additional capital attracted	3 Total invested (£m)	3 Per annum blended return on SIB investment	4 SIB Term (years) - Weighted Average	5 Capital returned (m) at the end of each term	6 Regulatory capital required	Notes
<b>Finance in marginalised communities</b>								
Start up capital for Credit Unions								Repayable grants with some interest element
Sustainability finance for selected CDFIs								
Securitisation of consumer/ enterprise loan portfolios	75	102	177	-0.87%	8	68		
<b>Supporting community anchor organisations</b>								
Repayable grants linked to asset transfer								The "quasi-equity" slice of an asset transfer. Repayment dependent on achieving expected revenue growth/ sustainability.
Loan guarantees for community mortgages								Refinanced after three to five years through securitisation
Securitisation to refinance community mortgage portfolios								Refinancing of the community mortgages backed by loan guarantees
Social Investment Fund	77	231	308	-0.52%	5.74	78		
<b>Strengthening existing intermediaries and filling gaps in the market</b>								
Equity capital for present financial intermediaries								Enable leasing of vehicles and technology across the sector
Creating a lease finance vehicle for third sector organisations								Supporting new funds
Community development venture capital funds								Venture capital for social enterprises
Risk capital for social enterprises								Loan book refinance, guaranteeing highest risk proportion
Loan guarantees to enable refinancing of loan books								Enable mergers in the sector
Merger finance	95	405	500	7.05%	5.89	146		
Investment in first five years	247	738	985	2.29%	6.49	292	38	
Activity area	SIB grant (£m)	Additional funds attracted	Total grant (£m)					Notes
<b>Building capacity and stimulating market demand – non-repayable funding</b>								
Capital for high risk quasi-equity providers								While they would achieve substantial repayment rates, they would not be high enough to repay capital
Advice and support to third sector organisations								Financial advice and support to enable organisations taking on repayable finance
Venture philanthropy								Used to encourage private sector matching finance
Development of community foundations fundraising								
Community service agreements								
Community regeneration - organisational development grants	62	81	143					Repayable grant to build capacity and develop business plan, 50% attrition rate

### Notes

- 1) While the Commission has assumed an allocation of investment to specific activity areas, which it deems to be reasonable, the decisions about allocation would be made by the SIB's board once it has been appointed.
- 2) The Commission has been conservative in estimating the amounts that could be attracted from a range of capital providers from foundations all the way to the capital markets.
- 3) While it is difficult at this stage to predict the return on each area of investment, the Commission believes that return on its portfolio of up to 3% is not an unreasonable expectation. In addition to this return the SIB would receive interest on its uninvested capital.
- 4) The Commission has been conservative in estimating longer maturities for the finance provided in each area of activity.
- 5) The assumption has been made that capital is returned over the term of each financial instrument.
- 6) Given the unique nature of the SIB, regulatory capital requirements will not be fully known until formal discussions with the regulator.

**Social Investment Bank: Sources and Uses of Funds for the First Five Years**

<b>Sources</b>	<b>(£ million)</b>
Initial Capital	250
Received from Unclaimed Assets Years 2-5	80
<b>Total</b>	<b>330</b>

<b>Uses</b>	<b>(£ million)</b>
Investment and grants in first five years	309
Regulatory Capital required	38
Less projected operating surplus*	(17)
<b>Total</b>	<b>330</b>

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**\* Projected operating surplus made up of:**

	<b>(£ million)</b>
Revenues:	
Return on capital and investments	40
Fees Earned	2
	<hr/>
	42
	<hr/>
Costs:	
Overheads	25
	<hr/>
<b>Total</b>	<b>17</b>

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# Glossary

## Asset Class

An asset class refers to a range of investments such as stocks, bonds or cash or property that are reasonably grouped together because they have sufficiently similar characteristics of risk and return. A social investment asset class would refer to investments made with the aim of making financial returns but to benefit social purposes.

## Bond

A bond is a longer-term fixed interest investment generally issued by governments, companies, banks, public utilities and other large entities with secure and relatively predictable turnover. Bonds pay the bearer a fixed amount at a certain date.

## Capitalisation

The amount of capital funds within an organisation or firm, either in the form of money, common stock, long-term debt, or in some combination of all three. It is possible to have too much capital (in which case the firm is overcapitalised) or too little capital (in which case the firm is undercapitalised).

## Community

A group of people who have something in common. This might be the place they live, common heritage, religion or ethnicity, or other shared characteristic such as a profession or a set of circumstances

## Community Anchor Organisation

A third sector organisation that provides a hub of activities for people living within a particular area (e.g. neighbourhood or village) or who are part of a local community of interest (e.g. youth, people with disabilities or from black and other minority communities)

Their activities, and those of the organisations and groups with which they are associated, create a marketplace of opportunities and multiple pathways for engagement for the people whose needs and aspirations they seek to meet. They can range in scale from substantial organisations with annual turnovers in excess of £5 million running 70 or more projects to a village hall serving a community of 120 people. The important role that these organisations can play within their communities has been recognised in Firm Foundations, the Government's framework for community capacity building.

## Community Development Finance Institution (CDFI)

CDFIs are sustainable, independent organisations which provide financial services with two main aims: to generate social, and financial returns. They provide loans or investments along with business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or under-served markets. For more information on the range of communities they serve and financial services they provide, see the website of the Community Development Finance Association (cdfa) [www.cdfa.org.uk](http://www.cdfa.org.uk)

## Community Interest Tax Relief (CITR)

The CITR is a tax relief scheme introduced as a result of the recommendations of the Social Investment Task Force and aims to encourage investment in Community Development Finance Institutions (CDFIs) by providing tax relief at a rate of 5% per year on investments or loans made to accredited CDFIs. The terms and conditions are set out on the website of the Small Business Service of the Department for Trade and Industry [www.sbs.gov.uk](http://www.sbs.gov.uk)

## Credit Unions

Credit Unions are not-for-profit financial co-operatives owned and controlled by their members and providing usually better than market value savings and loan products. For more information on the range of communities they serve and financial services they provide see the website of the Association of British Credit Unions Ltd (ABCUL) [www.abcul.org](http://www.abcul.org). See also type 2 credit unions.

## Dormant Accounts

When there have been no transactions on a personal savings or current account for a set period (usually at least a year) and the bank hasn't heard from the account holder – it will write to the last address, the account is considered dormant and will be treated differently from a live account.

## Endowments

Resources held by a charitable foundation or provided to a third sector organisation to help ensure the long-term future of an organisation. In the case of a permanent endowment, these resources must be invested for the benefit of future beneficiaries and only the income generated by the investment can be spent on current beneficiaries. In the case of an expendable endowment, these resources can either be invested or spent on current beneficiaries.

## Equity

Equity refers to the ownership, or a percentage of ownership, of a company or items of value acquired through investing funds in it by, for example, buying shares.

## Equity-Like

See Quasi-equity.

## Intermediary

This report uses the term intermediary or specialist distributor to refer to organisations that provide funding or advice to third sector organisations, or to individuals and organisations in deprived communities. These organisations could be geographically focused, such as a community foundation or credit union, or focused on a specific niche such as start-up grants to social entrepreneurs or equity to enterprises in low-income areas.

## Lease Financing

A financing alternative if one is seeking funding for capital purchases such as computers or vehicles without the up-front cost. The leaser retains ownership of the item while you make monthly repayments. You can often purchase the equipment at the end of the lease at less than market value.

## Investment

Investment in this report means providing organisations with money which they can use to grow their capacity, and is not tied to specific service or product delivery. Investors might expect the organisation to make a surplus or profit at some point so they get some financial returns on the money invested but the focus of social investment is on social returns. Investment might consist of loans, but could also consist of much longer-term funding repaid in flexible ways.

## Liquidity

A measure of an organisation's ability to meet current financial obligations with cash or with other assets that can be quickly converted to cash.

## Loan guarantee

A new enterprise with no financial track record can find it difficult to get a loan. Banks and other lenders may require an outside intermediary such as another investor, or government (as in the Small Firms Loan Guarantee scheme) to guarantee the loan. The guarantee means that the lender will claim on the person providing the guarantee if the enterprise cannot meet the repayments. There may be a small fee for this.

## Microfinance

Microfinance has evolved internationally as an economic development approach intended to benefit low-income groups. The term refers to the provision of financial services to low-income clients, including the self-employed. In the UK, microfinance organisations primarily provide loans but the term worldwide covers the provision of financial services more generally, including savings and credit, insurance and payment services.

Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, service providers, small restaurant operators, artisans and small cottage industries. Usually their activities provide a stable source of cashflow and income (often from more than one activity).

## Glossary (cont'd)

### Patient Capital

Patient Capital is a subordinated loan (see definition below) that is made in the expectation that repayment may take one or two years to commence – the investor must be patient. Standard terms normally include capital repayment holidays of 1–2 years with scope to offer additional grant or reduced interest rates early on to boost ability to repay eventually.

### Quasi-equity

Quasi-equity refers to investments that have equity-like qualities without conferring ownership rights to the investor. Forms of quasi-equity include use of underwriting, royalty share finance and repayable grants. It should be noted that some current definitions of quasi-equity also embrace use of subordinated, unsecured debt.

### Refinancing

The repaying of a debt with the proceeds from a new loan using the same property as collateral (ie refinancing of a mortgage). A reason for refinancing may be to get a lower interest rate.

### Repayable Grants

A grant that is either fully or partially repayable in a flexible way, by for example paying the investor an annual % share of turnover or profit when this becomes feasible, or by paying the whole sum back when the organisation takes on a loan.

### Securitisation

The process of pooling and re-packaging financial assets which are not tradable such as commercial loans into other types of investment instruments which are then sold in the public money markets.

### Senior debt

This refers to debt, secured by collateral such as the organisation's assets, on which the lender would expect to be repaid before other creditors. It has priority for repayment if an organisation becomes bankrupt and is put into liquidation. **Subordinated debt**, sometimes called junior debt, refers to a loan secured by collateral on which the lender has a second position behind the senior debt lender. Often, repayment can be arranged as interest only for some portion of the term of the debt. Because of the higher risk to the subordinated debt lender, some type of additional compensation is usually necessary.

### Small and medium-sized enterprise (SME)

SME are companies defined either in terms of the number of employees they have, or the level of turnover. The Department of Trade and Industry defines SME as companies with less than 250 employees. The European Commission uses the same level of headcount and also defines SME as organisations with less than £50 million turnover. Because many SME are very small, it is sometimes useful to compare business data for SME with that of the voluntary sector.

### Social Enterprise(s)

Drawing on the UK Government's definition, a social enterprise is a business with primarily social (or environmental) objectives whose surpluses (or profits) are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

### Social Investment

Financial transactions intended to achieve social objectives as well as financial returns.

### Specialist Distributor

See Intermediary.

### Subordinated debt

See Senior debt.

### Tax Credits

In UK law a tax credit is counted as a payment already made towards taxes owed. Tax credits can be set up by government to correct particular incentives, such as Working Tax Credit which addresses the disincentive to work when expected wages are little more than unemployment benefits. An example relevant to this report is the Community Investment Tax Relief (CITR).

### Third Sector

The third sector refers to those independent organisations which are led by a social or environmental mission rather than just by profit. It is a diverse group which the UK Government sees as including voluntary and community organisations, charities, social enterprises, faith groups, co-operatives and mutuals.

### Type 2/Version 2 Credit Unions

Version 2 credit unions are larger credit unions, able to make larger loans for longer periods. They may pay a dividend more than once a year and it may be variable. Version 2 credit unions are subject to 8% minimum capital requirement rather than 5%.

### Unclaimed Assets

There are many types of unclaimed financial assets. The initial focus of the commission is on retail accounts held by individuals. These are mostly small amounts left in bank and building societies that typically have been forgotten and left dormant. They are considered unclaimed once they have been dormant for a defined period of time and the bank has made best efforts to reunite their owner with them. It is an important principle for the commission that even after all of this, should the owner return to claim the assets they will always have a right to them.

### Unsecured/secured loans

Unsecured loans are those which are obtained without being backed by collateral such as property or other assets but only by the integrity of the borrower. Secured loans are those backed by the assets of the borrower. Unsecured loans are important to a third sector where many organisations have few assets.



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- 5 This is slightly different from the definition normally used by government, namely that third sector organisations:
  - are **non-governmental**;
  - are **"value-driven"** - that is, are motivated by the desire to further social, environment or cultural purposes rather than to make a profit *per se*; and
  - principally **reinvest surpluses** to further their social, environmental or cultural objectives.
- 6 This includes organisations registered by the Charity Commission in England and Wales, as well as organisational lists maintained by SCVO and NICVA in Scotland and Northern Ireland. It excludes housing associations, independent schools, government controlled charities (such as NHS charities and non-departmental public bodies), and organisations whose primary purpose is the promotion of religion.
- 7 This data is based on a sample of general charities as defined for the purposes of the ONS national accounts. The sample is drawn from the Charity Commission register, but excludes non-departmental public bodies such as the British Council, exempt and excepted charities such as universities, NHS-administered charities, co-operatives, mutual organisations and religious organisations whose primary concern is promotion of religion. The income value of the sample was £26 billion for 2003/04, compared with the £35 billion for all charities on the register that year.
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- 28 This was extrapolated from unpublished data on the Top 1000 fundraising charities, whose income represents around one-third of all registered charities. Sourced by CaritasData for Charity Trends 2006.
- 29 Accounts for the bulk of capital but not a comprehensive survey. Specialised funds: Futurebuilders England, ACF, Impetus, Venturesome, CAN, Large CDFI's. 'Mission' lenders: Charity Bank, UCIT, Bridges. Other financial institutions: CAF Bank, Unity Trust, Triodos, and a large number of smaller, more fragmented CDFI's, ABCUL credit unions and venture philanthropy funds.



# Participants

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Wales Central, Age Concern North Yorkshire, Age Concern Powys, Age Concern Southwark, Age Concern Waltham Forest, Age Concern West Sussex, Age Concern Westminster, Agency for Culture and Change Management, Al Haqq Supplementary School, Alcohol Focus Scotland, Aldingbourne Trust, Al-Haqq Supplementary School, All Faces, Allergy UK, Al-Noor Independant School, Alton Citizens Advice Bureau, Alton Community Association, Amber Initiatives, Animal Defenders International & NAVS, Antur Waunfawr, Anxiety Care, aparsa arts, Arch (North Staffs), ARCH Initiatives, Architectural Heritage Fund, Argyll CVS, Art and Christianity Enquiry, Arthur Rank Centre, Artlink West Yorkshire, Arts Factory, Artworks Creative Communities, Ashford & District Volunteer Bureau, Ashford Asian Society, Ashridge (working title), Asian Sports Club, aspects and milestones trust, Aspire Choices, Association for Physical Education, Association Mediterranean Italian, Association of Air Ambulance Charities, Association of 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Calvert Trust Kielder, Cambridge CAB, Cambridgeshire Community Foundation, Camden Lesbian Gay bisexual and Transgender Forum, Camden Somali Cultural Centre, CAMFED International, Cape community Care Day Centre, CapitalISE, Cardiff Christian Healing Ministry, Care & Repair England, Care for the Carers, Care Management Group, CareFree Scheme, Carers Bucks, Carers Centre for Brighton & Hove, Carers of Barking & Dagenham, Carrick Citizens Advice Bureau, CASAC Leeds Limited, case training services, CCI, CCP, Centre for Accessible Environments, Centre for Armenian Information & Advice, Centre for Bangladeshi Community Studies, Centre for Brain Injury Rehabilitation and Development, Centre for Community Development Initiatives, Centrepoint Soho, CERT, Changemakers, Changeworks, Charity Technology Trust, Chartered Society of Designers, Chelmsford Community Transport Ltd, Chelmsford Environment Partnership, Chester-le-Street and District CVS and Volunteer Bureau, Chickenley Community Centre Ltd, child migrants trust, Children - North East, Children in Crisis, Choices and Rights Disability Coalition, Christian Care Homes, Christian Guidelines Ltd, Christian Outreach - Relief and Development, Churches Action for the Homeless, Churches Regional Commission for Yorkshire & the Humber, Citizens Advice Scotland, Clapton Christian Centre, Claremont Community Trust, CLICSargent, Climb, Cobra Foundation, Colchester Community Voluntary Services, Colchester Festival Association, College of Radiographers, Communities in Focus,

Community Alliance, Community Central Hall, Community Council of Devon, Community Council of Shropshire, Community Council of Staffordshire, Community Focus, Community Foundation for Bournemouth, Dorset and Poole, Community Furniture Store (York) Limited, Community Housing and Therapy, Community Projects North Devon, Community Transport, Community Transport Association UK, Community Transport Calderdale, Community Transport Manchester, Compass - Services to Tackle Problem Drug Use, Complementary Health Trust, congolese voluntary organisation, Conisbrough and Denaby Development Trust, Connect in the North, Contact a Family, ContinYou, Conwy Energy Agency, Co-operation Ireland, Co-operative Futures, Cornerstone community centre, Cornish Constitutional Convention, Cornwall Centre for Volunteers, Cornwall dyslexia Association, Cornwall Mobility Centre, Cornwall ScrapStore, Cornwall Sports Partnership, corridor arts, COSLAS/Borderline, Council for Church & Society (with Exeter Diocesan Board of Finance), Council for Voluntary service - Warwick District, Coundon & Leeholme Community Partnership, counselling4you, Covent Garden Dragon Hall Trust, Coventry City Mission, Coventry Multi-Faith Forum, Coventry Refugee and Migrant Advice and Guidance Centre, Cranston Drug Services, Craven Voluntary Action, craven district council, Crawley Council for Voluntary Service, Create, Crediton & District Community Transport, Cricklewood Homeless, Concern, CROFT (Together), Crossline, Crossroads Association, Crossroads Christian Counseling Service, Croydon Appliance Reuse Centre, Crusaid, Cudworth and West., Green Community Partnership, Cultural Foundation, Cumbria Wildlife Trust, Cumbria Youth Alliance, CVS St Albans District, Cwmru Clydach Development Trust, Cymru Penllan Cyf, Cymryd Rhan, Cynon Valley Crime Prevention Association, Cytun Churches Together in Wales, Dalgarno Neighbourhood Trust, Dame Hannah Rogers Trust, darts, Deans London, Dementia Care partnership, Denbighshire Voluntary Services Council, Depression Anxiety Self Help, Derby Furniture Project, Devon Wildlife Trust, DHIVERSE, Dial A Ride(North Denbighshire)Ltd, DIAL Doncaster, Dimension Youth Church, Diocese of Chichester, Diocese of Monmouth - Church in Wales, Direction for Life Ministries(CCI), Disability Action in the Borough of Barnet, Disability Law Service, Disabled Living Foundation, Doncaster Re-Furnish, Dorcas Trust Development Ltd, Down Armagh Rural Transport Partnership, Down Community Transport, Dudley Muslim Association, Dulais Valley Community Transport, Dundee Voluntary Action Ltd, Dursley & District Good Neighbours Scheme, Dyslexia Action, Ealing Swimming Club, East African Youth Group Of Slough, East Belfast Mission, East Dulwich Community Centre Association, East Durham Partnership, East End Community Development Alliance, East Finchley Advice Service, East Kent Cyrenians, East of England Faiths Council, East Oxford Action, East Suffolk Mind, East West Trust, East Yorkshire Housing Association Ltd, Eastleigh Community Services, Eastpoint Centre, Eastwood Volunteer Bureau, Eating Disorders Association, Ebor Gardens Advice Centre, Ecas, Echo of Afrika, ECORRN, ED5 (NW) Ltd, Electronic Immigration Network, Elizabeth Finn Care, Ellesmere Port and Neston Credit Union, EMERGE, Recycling, Emmaus Bristol, Emmaus Gloucestershire, Emmaus Mossley, Emmaus Projects, Emmaus UK, Emmaus Village Carlton, Enfield Parents & Children, Enfys Foundation, Environmental Alliance Ltd, Esk Moors caring Ltd., Essex Association of Boys' Clubs, Ethnic Minority Foundation, Every Link Counts, Exeter Community Transport Association, Express Link-Up, Extended Schools, Fair Finance, Fairbridge in Kent, FairPensions, Faith Based, Regeneration Network UK, Family and Parenting Institute, Family Care, Family Holiday Association, Family Matters of Plymouth, FareShare, Faulty Optic, FEAT Enterprises, Feel Good Factor, Feline Advisory Bureau, Fenland Mountaineers, Finedon Community Sports & Leisure Centre, First Fruit, flash musicals, Flintshire Local Voluntary Council, Flora Locale, FOCAST, FOCUS, Focus 7 Ltd, Foresight, Forest of Dean Contact a Family, Forest of Dean Health Forum, forum housing association, Foundation for the Study of Infant Deaths, Four Gates Centre, Fowey C.I.C., FRADE, Fratton Community Association, Friends of Arnold Circus, Friends of Herd Farm, FROG (Future, Regeneration of Grangetown), Furniture Bank, Furniture Now!, Furniture Project (Stranraer) Limited, Furniture Recycling Project, Furniture recycling service, Furniture Restore, Furniture Re-use Network, Future Health and Social Care FWBO Brighton, Gainsborough Methodist Circuit, Gairloch Community Car Scheme, Gateshead and South Tyneside Sight Service, Gateshead Voluntary Organisations Council, Gateway Christian Fellowship, Harlow, Gateway Community Church, Gateway Family Services CIC, Gateway Furniture and Baby Equipment, Gedling CVS, Generate Enterprise cic, Genesis (Gt. 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Association, North West London Online, North Yorkshire Forum for Voluntary Organisations, Northampton Volunteering Centre, Northamptonshire Community Foundation, Northdale Horticulture, Northern Ballet Theatre Ltd, Northern Orchestral Enterprises Ltd, Northmoor Trust, Northwood Holocaust Memorial Day Event, Norwich Et Norfolk Voluntary Services, Norwich Door to Door, Nottingham Inter Faith Council, Nottingham Regional Society for Adults and Children withAutism, Nottinghamshire Deaf Society, NUMAST Welfare Funds, Oakwood Pack It In, Oasis Counselling Centre, Odu-Dua Housing Association, Ogunte-Global Tribal Network, Okehampton District CTG, Old Hall Peoples' Partnership, Oldington and Foley Park Community Network, One Drop Presents, Options For Life, OSCAR, Oueburn Trust, Out Et About, Outreach 3 Way, Outreach community Et residential Services, Ovarian cancer action, Over The Wall, Oxfordshire Childrens and Voluntary Youth Services, Paperworks, Parish Hall Harome, Parkhead Citizens Advice Bureau, Patel Samaj of Northampton, Pavilion, Pay Et Employment Rights Service(Yorkshire)Ltd, Pear Treec Youth Project, Pecan, Pembrokeshire Voluntary Transport, Penny Brohn Cancer Care, Penwith Community Development Trust, People in Action (Leeds), People In Aid, People Matters (Leeds) cic, percy hedley foundation, Peter Bedford Housing Association, Peterborough CAB, Peterborough Quakers, pfeq (Personal Finance Education Group), PHAB (North Kirklees), Phoenix Community Care, Pit Stop 2000 Limited(by guarantee), Plan UK, Playworks Nottingham Play Forum, Plymouth Guild, Pocklington Arts Centre, Polygon Arts, Portsmouth Association for the Blind, Positive Parentind and Children, Positively Women, Prader-Willi Syndrome Association (UK), Preston Pakistan Cultural Society, PRIME, Priory Campus Ltd, Prison Advice and Care Trust (pact), Prisoners Abroad, Progress Recruitment, Promenade Promotions Limited, prospects/new ventures, protem, Providence Row Housing Association, Pyramid 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Disabilities, Social Care Association (Education), Social Care Institute for Excellence, Social Unity Foundation of Innovation Trust Ltd, Society for Mucopolysaccharide Diseases, Sofa Project, Sound, South Bank Football Community Association, South Bank Tomorrow, South Craven Community Action, South East Essex Interfaith In Action, South Holland Community Furniture Recycling Project, South lakes society for the blind, South Leeds Alternative Trading Enterprise, South Shropshire Furniture Scheme, South West Environmental Parks Limited, South Yorkshire Community Foundation, South Yorkshire Voluntary & Community Sector Training Consortium, Southampton Counselling Ltd, Southend Association of Voluntary Services, Southern Focus Trust, Southmead Development Trust, SOVA - Supporting Others through Volunteer Action, Springbank Community Association, Square Chapel Trust, St Bride Foundation, St Giles Hospice, St James Church & Community Arts Centre, St John Ambulance - Edinburgh & South East 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The Enterprise Fund	Philanthropy UK	HACT	
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		NCVYS	
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THE COMMISSION ON  
UNCLAIMED ASSETS

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