October 2014

A Social Investment Fund

for Bristol

resonance

Contents

Resonance

Resonance is an impact investment company working to support social enterprises raise capital from values aligned investors, to enable enterprises to expand their social impact in a sustainable way. We do this in two ways:

1. Ventures – we support individual social enterprises to develop their growth, development and financial strategies in order to be in the best position to approach values aligned investors, and see their business grow. We then help them to approach suitable investors and arrange finance from them;

2. Fund Management – we currently have over £40million under management through 3 impact investment funds, developed specifically from our work with social enterprises to address gaps in the social investment market. These Funds provide investors with the opportunity to access good financial returns from projects generating significant social and community impact, and a way for social enterprises to tap into a pool of capital from investors that share their values.

Executive Summary

This report summarises the work undertaken by Resonance over the last 12 months, with the view to developing a city focused Social Investment Fund in Bristol. This concept was initiated by a small group of Bristol based angel investors as a means of unlocking the city's own wealth, to finance targeted action to dismantle poverty across the city.

Bristol was chosen as the first city based Fund that Resonance has sought to develop and manage for several reasons. Not only does Bristol have leading status as a Social Enterprise City (currently one of two), it is also home to a significant number of social enterprises, as well as evidencing a clear awareness of the value they bring. Bristol also has both significant wealth alongside seemingly perpetual inner city poverty and, above all, it has mobilised and self-organised individuals who are prepared to contribute their time, skills and finances to tackling poverty in their own city. A Pilot has been conducted by Resonance to trial the concept of social investment in Bristol, which involved sourcing and arranging two direct social investment deals on behalf of a small group of angel investors. The objective of this Pilot stage was to develop a deeper understanding of what the Bristol social enterprise looks like, what the demand for social investment is, and to gain a sense of how effective it could be in facilitating the scaling of social impact through social enterprise in Bristol.

To provide further insight into investor interest in a Bristol based social investment fund, a survey was distributed to a small group of prospective investors.

Various fund structure options have been explored. After considering the benefits to be generated from the recently implemented Social Investment Tax Relief (SITR), we have concluded that an 'SITR Fund' is the best next step to scale up this initiative in Bristol. SITR can help drive down the cost of much needed capital for social enterprises, whilst also delivering a risk adjusted return to investors. The benefits of this structure could be further leveraged through an additional 'Co-investment Fund', which could draw in institutional capital and many other investors to the city.

We found that:

- Respondents were interested in investing both financial and non-financial skills;
- There was a strong preference for investing in a pooled social investment fund, rather than directly investing in social enterprises on an independent basis;
- Approximately three quarters of respondents indicated that tax relief would affect the way in which they invest in social enterprises, including influencing the decision of some, as to whether to invest at all. For most however, tax relief would see them become more willing to offer enterprises a lower cost of capital, consider 'riskier deals' than they otherwise would, and would mean their capital could be more patient.
- The majority of respondents also expressed a preference for the SITR Fund structure over the alternatives presented.

The outline route map that we have developed indicates that the Fund could be launched in early 2015, with the potential to roll out the structure nationally to other appropriate cities thereafter.

1. A Social Investment Fund for Bristol

1.1 Why Bristol?

Over the last 12-18 months, Resonance has been working with a small group of individuals with a vision for developing a Social Investment Fund in Bristol. A Social Investment Fund for Bristol was seen as a potential way of doing just that: providing a vehicle to channel the city's wealth into the growth of social enterprises that are successfully tackling social and economic deprivation at the heart of local communities.

Resonance has been considering developing city focused impact investment funds for some time, and Bristol presents a particularly strong case for being the base for our first of these, for a number of reasons:

1. Firstly, Bristol is home to numerous disadvantaged communities in need of some form of intervention to create jobs, opportunities for development or to provide better quality support services for those in need. At the same time, the city is also home to significant wealth.
2. Not only this, there appears to be a growing community of individuals who are passionate about channelling their wealth, skills and experience into generating long-term change for the city.
3. Thirdly, in addition to having a clear need, as well as a potential supply of capital and motivated individuals, there is also a thriving social enterprise scene developing in Bristol. Creative business models are being developed across the region, in order to tackle social issues in a sustainable way. This has been widely acknowledged, not least through the naming of Bristol as one of the UK's first Social Enterprise Cities at the end of 2013, by Social Enterprise UK. This creates a great opportunity to invest resources in innovative ways, with capital being recycled to create a long-term legacy for Bristol, rather than sustaining a culture of dependency on one-off grants of 'free-money'.

1.2 Why a Fund?

Structuring a Social Investment Fund, as opposed to numerous independent social investment deals, presents a number of benefits:

1. Social impact can be pursued on a more strategic basis;
2. Diversification of risk across a portfolio reduces the risk of any one individual's investment; and
3. Deal structuring costs will be lowered, as deal arranging can be standardised under one Fund Management process.

The city based geographic focus of such a Fund would also have additional advantages:

1. The social impact of the Fund would be targeted in one region, which we expect to be more effective than numerous interventions across wider geographies;
2. Investor interest will be easier to harness considering the relevance to their own region – the social return element will be directly pertinent. We hope that this approach will enable investors to become personally involved in the social mission of the Fund, and potentially be interested in contributing their own time to supporting the enterprises they invest in;
3. Marketing campaigns can be targeted to one area to build momentum and support of not only local investors, but also communities, social enterprises, local authorities and LEPs; and
4. A geographic Fund focus also creates potential to explore partnerships with other 'city focused' investment initiatives that are developing. For example, Social Investment Business (SIB) are currently developing Local Impact Funds (LIFs) which can access EU Money for the purposes of social investment, if match investments from other institutional investors are secured. Resonance is currently exploring ways in which it can influence how these funds are channeled, should city focused Funds develop in the near future.

1.3 Social Investment – Not Place-Based Investment

It should be noted that we are not seeking to develop a 'place-based' investment fund. Place-based investment refers to investments made in specific areas of deprivation or need. Such investments can be made in any type of business operating in the area; ranging from small independent businesses, to large corporates, local infrastructure and the like. The intention of place-based investment is to stimulate the local economy, draw in business, create jobs and develop opportunities for development. Whilst these outcomes may be positive for a deprived area, we do not consider this to be social investment.

The proposed Social Investment Fund for Bristol would be dedicated to 'social investment'; that is, investments in social enterprises where generating transformative social impact is the core mission of the business. Social enterprises do things differently: business models are used to intentionally serve people and tackle social issues in a sustainable way. Profit generation is a means to an end, and is reinvested into furthering the social impact of the business – profit is not the end in itself. For a social enterprise dedicated to tackling unemployment for example, job creation is not just a positive externality that comes when focusing on the growth of the business, it is the very reason the business exists in the first place. When those jobs are created, a social enterprise attempts to create new jobs and often for a specific group of people who would not necessarily be at the top of the job list. These are the types of businesses that Resonance is dedicated to supporting, in order to facilitate long lasting social change.

2. A Pilot Phase

Over the past 9 months, Resonance has been working on a 'Pilot Phase' of this Fund proposition to trial the concept of social investment in Bristol. This has been alongside a small group of Bristol based angel investors who expressed an interest in arranging a small number of independent investment deals to this end.

There were 3 key objectives of this pilot:

1. To scope the landscape of social enterprises in Bristol – are they investable?
2. To assess the demand for investment from social enterprises – do they actually want the capital and can they utilise it sustainably?
3. To develop learning around investment size and structure to inform the development of a potential Fund structure, as well as demonstrating successful social investment deals and gathering wider investor interest in the process.

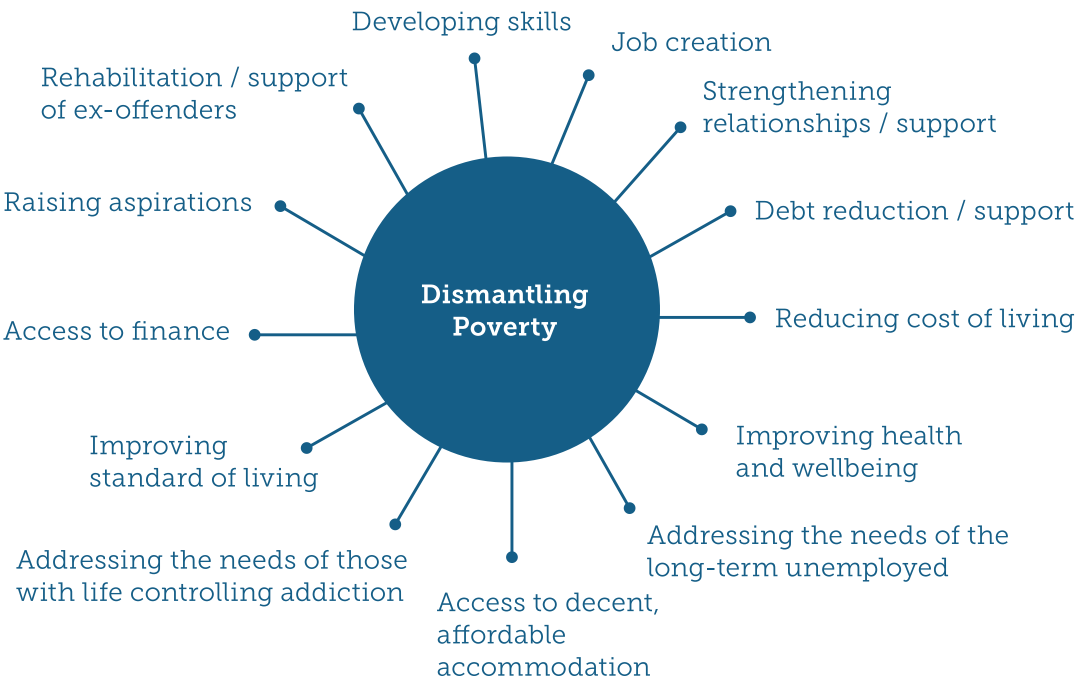
2.1 The Investment Remit

The following criteria were used when reviewing the Bristol social enterprise landscape to draw up a short list of investable propositions.

The enterprise should:

1. Have a clear **social mission**, as well as demonstrable **social impact**;
2. Be working to generate a **surplus** in order to reinvest this in the business and further its social mission and outcomes, rather than relying on grant income;
3. Be working to serve **disadvantaged groups** – this may include those that are homeless, long-term unemployed, ex-offenders, NEETS, etc; and
4. The core mission of the business should be contributing to the process of **dismantling poverty** in the Bristol area.

Activities that were considered as part of this wider remit of 'Dismantling Poverty' are summarised in the diagram below:



For the purposes of this pilot phase at least, it was decided that the investment could be used for:

- Growth capital for recruiting key individuals;
- Marketing in order to accelerate growth in revenue and margin;
- Working capital to bridge a financing gap that exists for a period of time;
- Merger costs to cover interim costs of bringing two organisations together where the combined entity would be stronger and be able to demonstrate cost savings or additional growth; and/or
- Acquisition to allow a social business to buy another business that gives them much improved access to the market.

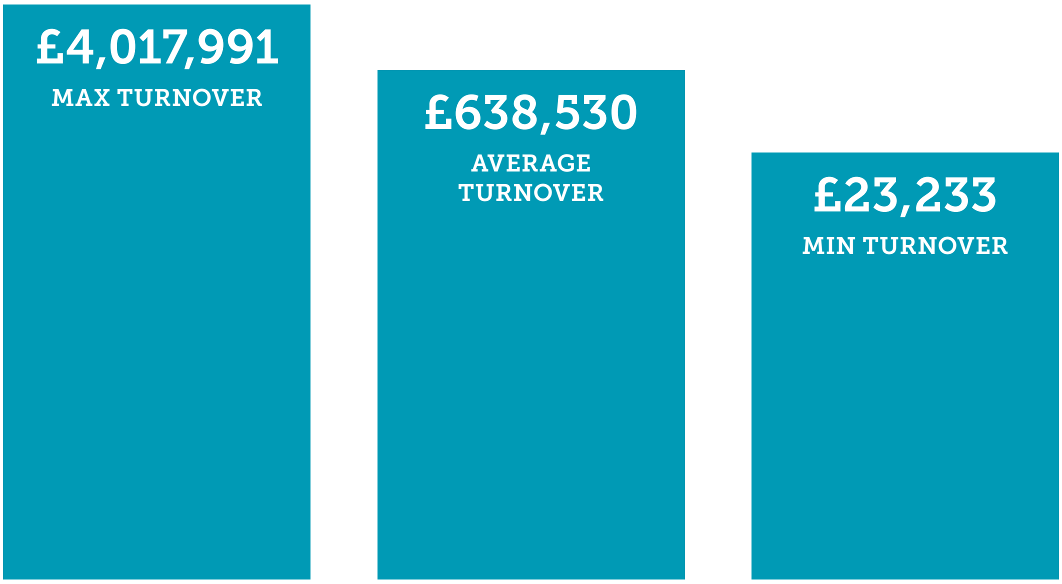
The investment could not be used for:

- The purchase or refurbishment of property or major capital equipment;
- Market research or piloting; or
- Covering costs whilst waiting for a speculative opportunity to emerge.

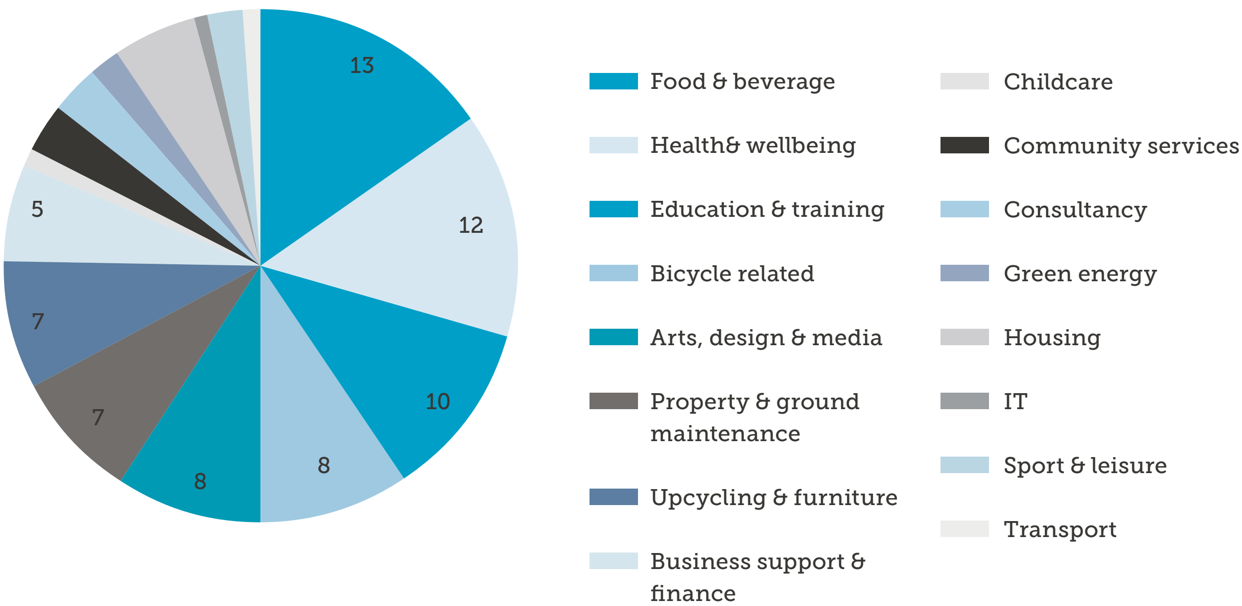
2.2 The Social Enterprise Landscape in Bristol

As part of this pilot we completed a desktop review of 86 social enterprises operating in Bristol. It should be noted that this was a time-restricted activity, and by no means resulted in an exhaustive list or a fully representative sample. Still, the sample presented a wide range of social enterprises operating across the city.

Firstly, it was encouraging to find a wide range of sizes of social enterprises operating in Bristol. For example, where financial information was available, annual turnover ranged from £23,000 to £4 million. The sector is by no means dominated by a few larger players.

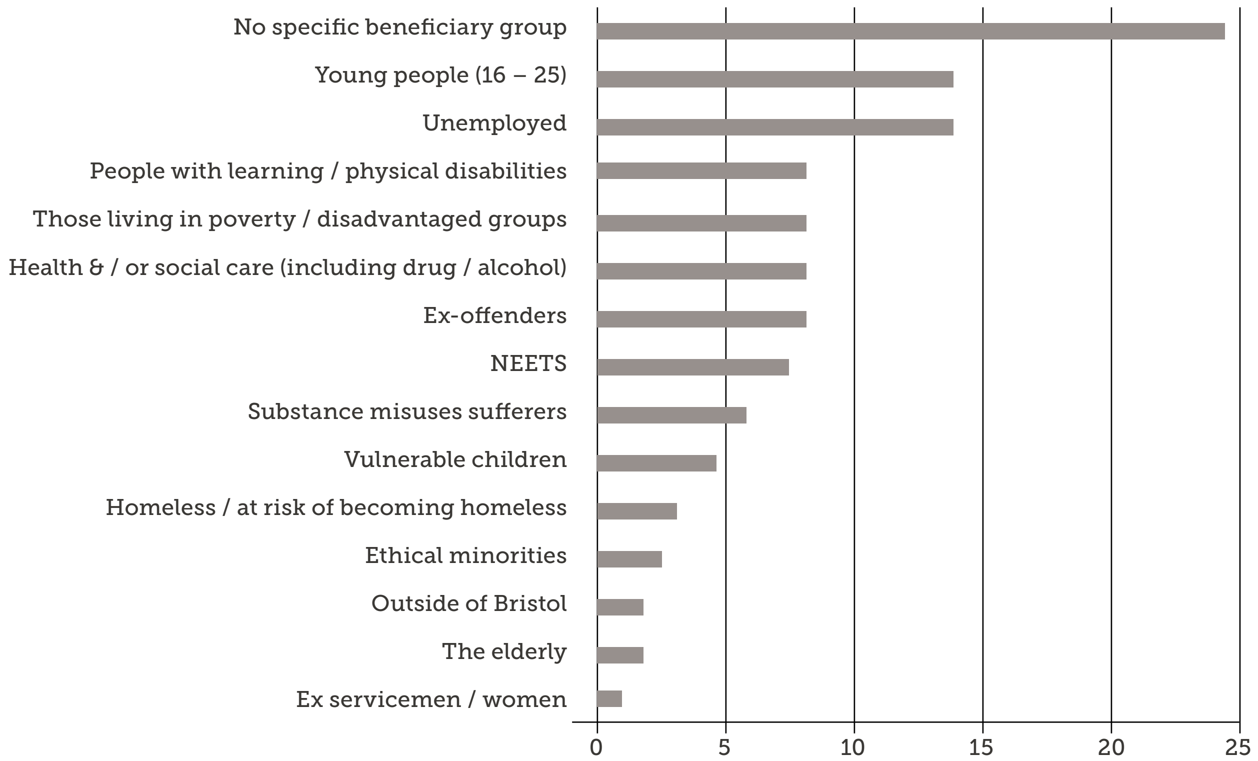


We also found that over one third of enterprises were focused in one of three key sectors: Food & Beverage; Health & Wellbeing; and Education & Training.



In terms of intended social impact, the majority of social enterprises were working to provide some form of training, work experience or education, with fewer providing actual employment opportunities. There were also a considerable number of enterprises working for environmental benefit – enterprises only generating environmental benefit, with no social benefit, were not considered as potential investees.

Finally, in terms of target beneficiary group, almost one third had no specific focus. Where there was a focus on a specific group, the largest focus was on Young People and the Unemployed.

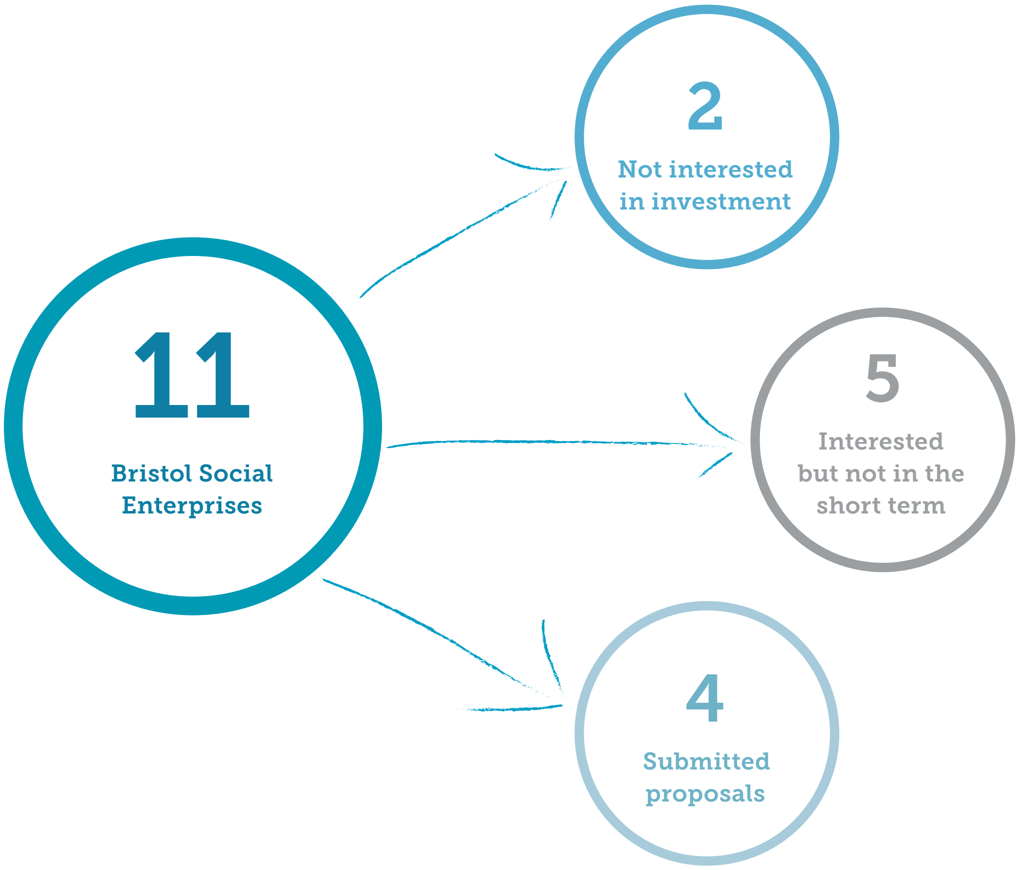


2.3 The Filtering Process

From a desktop review of the 87 enterprises, 25 were shortlisted based on their intended social impact, the strength of their business proposition, and time they had been operating for. We then went on to meet 11 of these for more in depth discussions of specific investment propositions. These 11 were selected as being the most relevant for the pilot stage considering the size of the enterprise, its track record, and how possible it appeared to scale the business in the short-medium term.

Of these 11 enterprises:

- 2 were not interested in exploring social investment;
- 5 were interested in exploring social investment and some had specific plans in terms of what investment was needed for, but would not be able to submit an investment proposal in the short term; and
- 4 enterprises felt ready to take on investment in the short term and submitted investment proposals for consideration.



From these, 2 enterprises were finally selected to proceed to an Enhanced Due Diligence stage. Again, it should be stressed that these two ventures were not selected as the most successful examples of social enterprise in Bristol. It was crucial to bear in mind not only the strength of the business and its pitch but also the fact that we: i) were looking for investment opportunities to explore in the short term; and ii) had an initial investment pot of less than £200,000 from the small group of investors we were working with, as part of the pilot stage.

These two ventures presented exciting growth and development opportunities that required small-scale investment in the immediate to short term.

2.4 The Enhanced Due Diligence Process

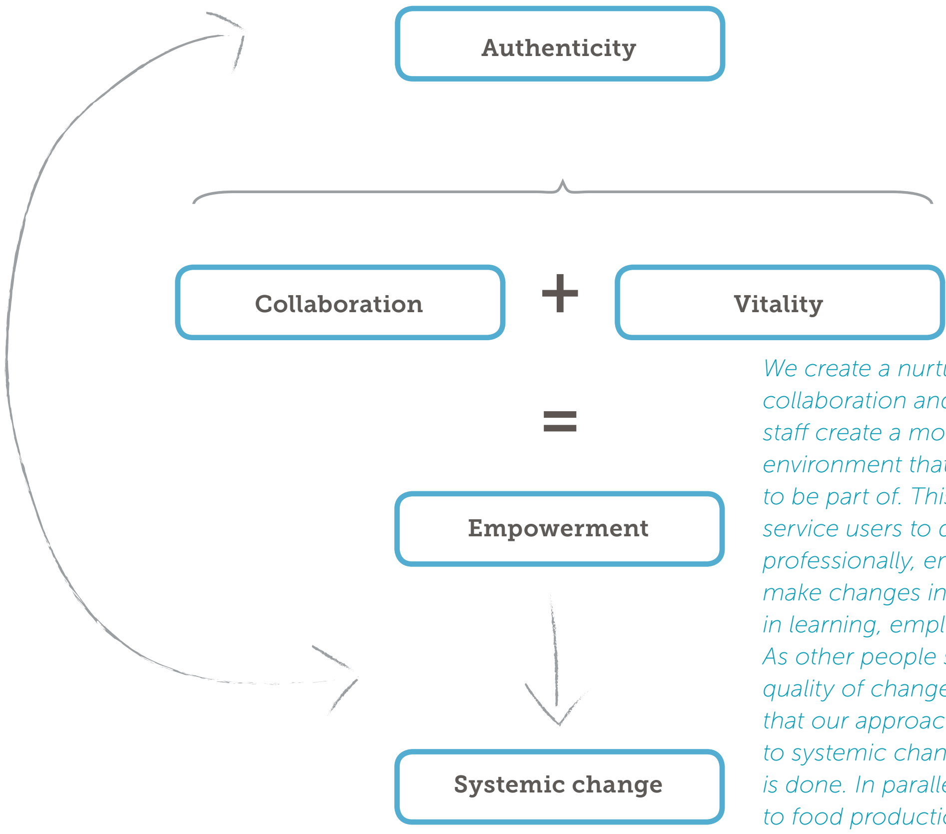
The Enhanced Due Diligence process that the final two ventures were taken through, looked at the following key areas:

a) Business Model

A Business Model Canvas session was completed with each of the ventures. This sessions helps the management team articulate what their key value proposition is, what activities are most crucial for getting there, what stakeholder groups are crucial to this process and what channels are used to reach these groups.

b) Social Impact

We held a "Transformational Index" session with each of the final two. This is an interactive workshop that we hold with all of our ventures clients to help them explore their social impact. The session is akin to a "psychometric test" for a business, which results in a presentation of their Theory of Change. For example, one of the ventures arrived at the following 'social impact cycle' as the output from this session:



We create a nurturing atmosphere of collaboration and vitality; the efforts of staff create a motivating and energising environment that apprentices want to be part of. This enables them as service users to develop personally and professionally, empowering them to make changes in their lives and progress in learning, employment and enterprise. As other people see the authenticity and quality of changes in excluded groups that our approach enables, it contributes to systemic change in how rehabilitation is done. In parallel, the systems related to food production change, as a more equitable business model becomes more widely adopted.

The venture is then supported to consider what indicators could be used to track whether each stage of this process is happening as planned, and how to go about measuring each of these indicators in the shorter and longer term.

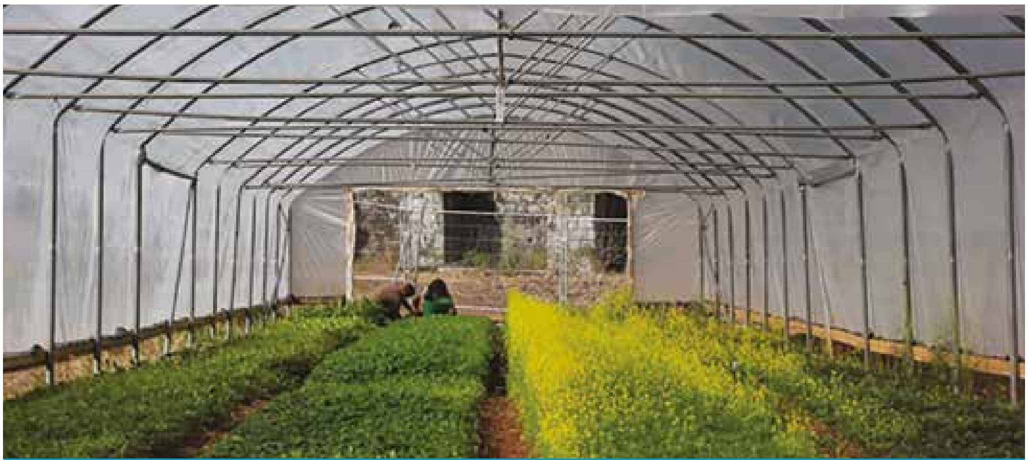
c) Financial Model and Projections

Each venture was then taken through a financial modelling session exploring pricing, costs, sales and growth expectations. We used the output of these sessions to develop a three year financial model. This model highlighted where investment was needed and how the business would service any debt taken on over this period.

The outputs of these three sessions were presented as part of a detailed Due Diligence Report which was reviewed by the small group of investors that have been involved in this process.

2.5 The Final Two Investments

After independently reviewing the final Due Diligence reports, the investors decided to make formal investment offers to both ventures. Both investment offers have now been accepted, and investment has now been drawn down by one of the ventures. Please see Case Studies 1 and 2 for more details.



CASE STUDY ONE
The Severn Project CIC

Investee	The Severn Project gives use to previously disused land in Bristol to grow quality salad leaves and herbs which are sold to restaurants across Bristol and Bath. The business has already secured a solid customer base including local high-end restaurants, and demand is growing rapidly. In order to meet this demand, investment was required for new polytunnels.
Social Impact	The business uses a social innovation model to provide opportunities to those facing barriers to the workplace, such as people recovering from drug and alcohol misuse, people with poor mental health and those with offending backgrounds. By providing apprenticeships, training, education and employment the project offers sustainable and long term opportunities."
Investment	Unsecured Loan: £80,000 to expand production capacity
Expected Return	Circa 9% CIRCA IRR (without SITR – investments in businesses where the core income generating activity is agricultural are currently not eligible)

Image © Jackson Drowley

CASE STUDY TWO
FareShare South West

Investee	FareShare South West diverts surplus food that the food industry would have disposed of to organisations serving people in need, for a fee. They have also developed a catering arm, where surplus food is used to provide a fine dining experience at festivals and large scale events, as well at general catering services at smaller scale events. The organisation provides the additional service of taking away all food surplus from other food vendors at events they attend, which will be redistributed as part of their core model. Investment was required to scale their catering arm, and to grow their community food membership base.
Social Impact	As well as tackling food waste, the venture provides high quality, nutritious food, alongside education around how to use this to create healthy and balanced meals to those living in food poverty. They also provide volunteering, training and employment opportunities for vulnerable people through their warehouses and distribution activities.
Investment	Unsecured Loan: £70,000 to expand catering arm
Expected Return	14.5% CIRCA IRR, with Social Investment Tax Relief (please see Appendix 1 for more details on SITR)

Again, it should be noted that the final two deals were selected for the purposes of this Pilot study. As part of a wider Fund, we would be seeking to balance smaller investments like these with larger scale deals within the overall portfolio that are less time intensive per £ invested.

2.6 Learning from the Pilot Stage

1. Numerous social enterprises have both social and financial return potential

In the search for investable propositions in Bristol, we were presented with a wide range of social enterprises operating in the city. Whilst not all of them would be deemed 'Investment Ready' at this stage, we were encouraged to find such a large number of social enterprises delivering social value in key impact areas. Furthermore, they presented real potential to deliver both social as well as financial return to prospective investors. This provides strong evidence of a healthy "pipeline" of potential deals for a locally focused impact investment fund.

2. There is demand for social investment

Not only this, but we met with a significant number of social enterprises who were very open to the idea of social investment and were interested in taking the conversation further. Of the 11 we discussed social investment opportunities with in more detail, only 2 were not interested in taking on social investment. The 5 that did not submit propositions were interested in submitting an investment proposal in the near future, but just did not have the capacity to explore a more detailed pitch and arrange taking on investment in the short term, within the time constraints of this Pilot phase.

It was also interesting to find that, whilst several of these organisation had numerous ideas in terms of developing their business models and social impact, seeking social investment to support their growth strategy was not something they had actively explored before. For many, whilst taking on investment was something they were interested in, they hadn't pulled together a clear development proposal or considered pitching for investment. So when grant support was not available to develop the ideas on the table, many of the ventures continued to operate in the same way, and had not put their growth strategies into action.

Our meetings with the enterprises, where we simply raised the question as to whether social investment would be of interest, seemed to open up investment to be considered as an option. It sparked creative discussions in terms of the direction of the businesses, and the potential for growth. Overall, these meetings gave an initial indication that the existence of a Bristol focused Social Investment Fund could potentially:

- Make Bristol-based social enterprises more aware of social investment opportunities, and consider this option as more relevant, or more open to them;
- Encourage Bristol-based social enterprises to develop their plans for growth more intentionally. Rather than being discussed as 'blue sky thinking', we hope that the existence of a dedicated Social investment Fund so close to home, will encourage enterprises to develop this thinking into clear growth plans and investment proposals; and
- Ultimately, support social enterprises with strong, creative management teams to flourish, and put their strategies for growth and development into action sooner than would otherwise be the case.

3. Investment readiness support needed

It was clear that the 9 organisations that were considering social investment, either in the short or medium term, would require some form of investment readiness support. The organisations we reviewed tended to have only budgets for the year in place for example, rather than any kind of models that look ahead, create targets for growth or projections going forwards. The final two organisations required rather time intensive support to pull together a clear proposal in terms of what the business and their growth plans look like, as well as calculating the specific amount of investment that the business required to expand (both ventures thought they required more investment than was actually shown to be necessary from an initial modelling exercise). This investment readiness support requirement is something that will need to be considered in the structure of the Fund for Bristol.

4. Social Investment Tax Relief is highly valuable

Please refer to Appendix 1 for a full explanation of Social Investment Tax Relief (SITR) including background to its implementation, eligibility and the types of relief available.

As highlighted in Case Studies one and two, the second investment is eligible for Social Investment Tax Relief, whilst the first is not. This is because investments in businesses where the core income generating activity is agricultural, are currently excluded from receiving any forms of tax relief (due to EU subsidies that are associated with this type of activity, despite not being accessible in this case).

Benefits for both parties

For Investment 1, the cost of capital to the enterprise is 5% per annum for half of the investment, and 2% of any revenue generated for the other half. This results in an expected CIRCA IRR of 9% for investors.

Compare this to the second, SITR eligible investment, which is interest only at 5% per annum for 3 years and amortising at 7% per annum for a maximum of 3 years thereafter (the loan can be repaid in full any time in the latter 3 years). Still, because of the income tax relief investors can access, the expected CIRCA IRR to investors in this case is 14.5%.

SITR makes the deal more attractive for both the social enterprise (capital is lower cost and more flexible), as well as investors. The advantages for both sides encouraged us to look into SITR in more detail, and to consider how a Bristol based social investment fund could be structured in a way that would allow these benefits to be generated across the portfolio.

SITR Funds are explored in more detail in the following section.

3. Fund Structure

Throughout this design and development period, there have been four key options considered in terms of Fund structure:

1. General Pooled Investment Fund - individuals and/or institutions invest in a managed Fund structure. The Fund Manager decides where the funds are invested, within a specific remit. Tax breaks would not be available.
2. Social Co-investment Fund - The Fund raises capital from institutions and 'co-invests' alongside individual 'angel' investors. The individual investor makes an independent decision to invest both finance and skills, becoming actively involved in the enterprise rather than investing from afar. Tax breaks could be available for the individual "angel" investors since their investments are direct into the enterprise, but not for investors into the Fund.
3. Investor Club - A group of investors meets regularly to consider investment opportunities sourced by a Deal Arranging Body. The investors come to collective agreements as to what they invest in as a group, selected from the deals proposed. Tax breaks would be available as investments are directly from investors, but the group would have to organise itself and come to collective decisions.
4. Social Investment Tax Relief Fund - Investors place money in a pooled arrangement, similar to an EIS Fund, which is managed by an independent Fund Manager who decides where capital is to be invested, within a specific remit. All funds must be deployed within 2 years of the fund close. The fund is structured in a way that means the tax relief discussed in Section 2 is available on all investments, provided the funds are deployed into SITR compliant businesses.

3.1 A SITR Fund

As mentioned above, the two investments that we have arranged over the last few months have clearly highlighted the advantages that can be gained through SITR. Overall, SITR presents a valuable opportunity to support the development of the social investment market in both Bristol and beyond. This is for several reasons:

a) Supply of Investment

We expect that SITR will see investors become more open to investing in high impact social enterprises, including the earlier stage, small-scale ventures that find it most difficult to secure investment.

SITR makes social investments more competitive relative to:

- Private Equity Social Investment Funds, where investors cannot currently access tax relief, and returns are thus lower (typically CIRCA IRRs of 4-6%); and
- Mainstream (not-for-impact) equity investments, already benefiting from EIS. SITR applies to debt, offering defined exit routes and levels of return unlike the equity investments that are eligible for EIS.

b) Demand for Investment

We expect that SITR will increase the pool of charities and social enterprises that are able to take on investment, whilst still offering investors a risk adjusted return. This is because the cost of capital required to offer an investor a given expected return will effectively be less for the social enterprise. This also has the potential to strengthen social enterprises and increase the net available funds to re-invest for social impact.

As mentioned above in Section 1, structuring an SITR Fund, as opposed to numerous SITR compliant deals, presents still further benefits to both investor and investee. Investors reduce the risk of any one SITR compliant investment further due to risk diversification across a whole portfolio of investments, and the cost and efficiency savings of a Fund structure reduce the costs associated with structuring each investment deal.

In the case of SITR, there is also the added benefit for investors who are more easily able to utilise a larger proportion of their £1,000,000 investment limit. A maximum of only circa £275,000 of any independent investment into a social enterprise can qualify for tax relief, but £1,000,000 qualifies for tax relief if invested in an SITR Fund which goes on to deploy circa £250,000 into 4 separate SITR compliant enterprises (please see Appendix 1 for more details) . The investor benefits from a greater tax relief, and more capital is made available for social enterprises overall.

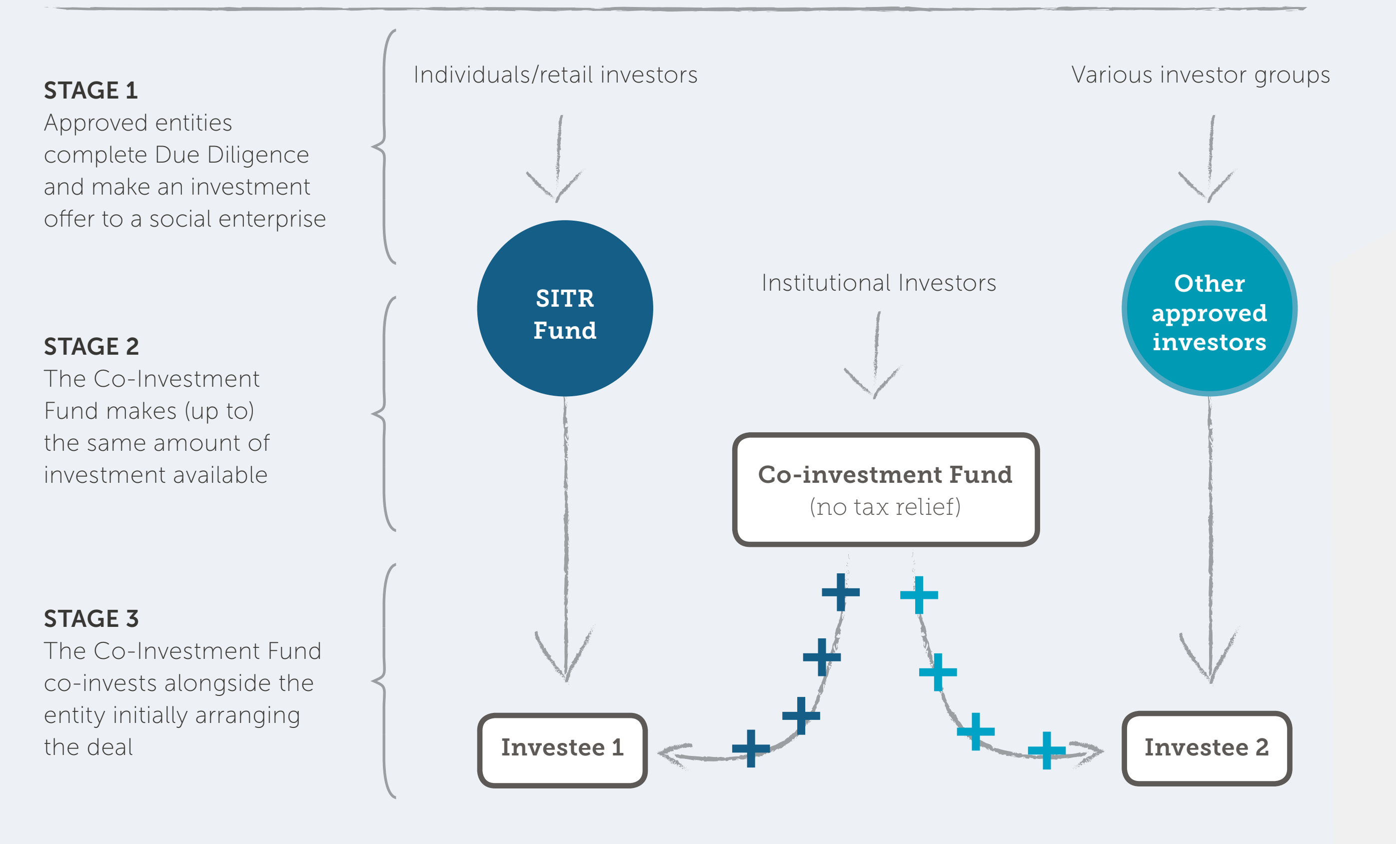
3.2 Investor Involvement

From the outset, whatever the Fund structure, the intention has been to encourage investors to engage with investees beyond financial investment. This may include investors offering a mentoring role, specific skills, or perhaps even contributing as a Non-Executive on the Board of the investee social enterprise. We hope that this will firstly provide additional support for the venture in terms of skills and experience, but also the opportunity for the investor to become exposed to (and more committed to) the social mission of the company. To encourage such involvement, each investor will be given the opportunity to contribute skills into a pool of support, as part of the fund raising process. The investors will be able to indicate where their professional expertise lies, how much time they could contribute, and what kind of ventures they would be most interested in working with. Those offering their services (on either a pro bono, reduced rate, or paid basis) will be met briefly to confirm their experience and suitability. As Fund Manager, Resonance will then have discretion as to which investees the investors' skills are matched to. If investors do not wish to become directly involved with a venture, at the very least they will receive the social impact report of the Fund, with case studies detailing some of the investments made and overall data evidencing the social impact that has been generated.

3.3 A SITR Fund + a "Co-investment Fund"

In addition to an SITR Fund, Resonance also proposes the development of a 'Co-investment Fund' for Bristol. This co-investment fund would invest alongside various approved investors (one of which could be the SITR Fund), rather than only investing alongside individual angel investors as outlined in the definition of a 'Social Co-investment Fund' in section 3. This would be to both make the relatively small investments that are possible from an SITR fund (due to the circa £275,000 cap on investment in individual enterprises) go further, as well as to attract a set of institutional investors who are not able to benefit from SITR.

The Co-investment Fund would commit to match any investment made into Bristol (or perhaps a wider geography, such as the Local Economic Partnership area) based social enterprises, if made by the SITR Fund (or another investor/fund). This would mean that the size of investment deal that a SITR fund could look at would double to circa £550,000. Such a Co-Investment Fund would conduct a vetting process on a pool of Investors, rather than every prospective social enterprise investee. Instead of repeating the detailed due diligence which the SITR Fund had conducted on the enterprise, the Co-Investment Fund would merely test each deal for eligibility against pre-defined criteria. This would enable the Co-investment fund to be run on a very cost



effective basis but also to have significant reach. All due diligence costs involved in sourcing independent deals, managing the portfolio and monitoring and reporting social impacts remain the obligation of the SITR Fund.

The Co-Investment Fund would raise investment from institutional or public sector investors who are not able to benefit from a tax relief. Acting as a Co-Investor enables the investors to benefit from all the hands-on investment management and post investment support required for the SITR Fund, without having to directly build its own investment management capacity.

This structure has numerous benefits:

1. It unlocks additional investment from institutional investors – attracted by the prospect that all investment leverages at least equal investment from elsewhere. A wider range of investors is engaged and a wider number of investees can be accessed, meaning the social investment market is supported in a holistic way.
2. It ensures more investment deals can go ahead. The smaller amounts available from approved providers (such as the SITR Fund) may not have been enough to meet a business' investment needs alone. Under this structure however, any investment offered by the approved provider is 'matched' by the Co-Investment Fund.
3. Fund Management fees are kept to a minimum meaning the cost of capital to social enterprises is as low as possible (even for those that are not SITR compliant), as efficiency gains are maximised.
4. It supports the development of a wider social investment infrastructure, encouraging investment providers to work in partnership, rather than a number of uncoordinated efforts working independently.

3.4 Working with a Local Impact Fund (LIF)

LIFs are being developed as a mechanism for unlocking EU money for the purposes of social investment, through Local Enterprise Partnerships (LEPs). Investment from the European Regional Development Fund can be accessed through these funds (though there are numerous restrictions around how this money can be used, and it will only be released on a matched basis), as well as grant finance from the European Social Fund. Such grant finance could be used to fund much needed investment readiness and incubation support for earlier stage prospective investees.

Linking the structures above together, the idea of a Co-Investment Fund for the West of England LEP area could be the way a LIF was implemented in this area, and could itself be highly complementary to the Bristol SITR Fund.

4. Input from Prospective Investors

As part of the Pilot Study, an event was held in Bristol with a group of 35 prospective investors (whether that be financial investment or non-financial investment through, for example, the contribution of time and expertise). The event gave us an opportunity to explore the Fund concept through discussion groups, and 17 of those attending also provided more direct responses through an online survey. Whilst this gives us a small and not necessarily statistically representative sample, it was encouraging to see that the majority of respondents showed a willingness to invest in some way at such an early stage. There was a sense from the group that developing an Impact Fund would be a preferred route in attempting to 'dismantle poverty' in the city. Some key findings are summarised below. The remaining responses to survey questions are presented in Appendix 1.

✓ Willingness to Invest

	YES	NO	NO RESPONSE
Would consider making a direct investment in Social Enterprise, rather than through a pooled fund	71%	29%	0%
Would consider investing in a Pooled Fund	65%	29%	6%
Would consider investing time/skills	71%	29%	0

✓ Overall Preference for a Pooled Fund over Direct Investments

The reasons respondents gave for a preference in investing in a Pooled Fund as opposed to considering direct investments in individual social enterprises included:

- As a new investor, respondents valued the prospect of the investment being managed on their behalf;
- With a key theme and focus, a Fund structure would mean that investors and impact would be more aligned, and so impact can be delivered at a City wide level;
- A Pooled Fund enables risk diversification; and
- The feeling that their individual investment would be too small to make a difference alone – so the opportunity to invest alongside others would motivate them to make the investment.

✓	FUND	DIRECT	BOTH	DON'T KNOW	NO RESPONSE
Preference for Fund/direct investment?	41%	18%	12%	12%	17%

A minority of respondents still preferred the idea of offering investment to individual enterprises, outside of a Fund structure. This was mainly because they were concerned about maintaining control over the types of enterprises they invest in and the social impact being delivered. We thus anticipate that communicating clear criteria in terms of what a Fund would be seeking to invest in and the overall purpose of the Fund in terms of social impact (as well as reporting on that), will be of paramount importance when attempting to engage investors.

✓ Type of Fund

The Fund structure which proved most popular out of the four that were proposed, was an SITR Fund. The perception was that tax breaks would attract more capital on the whole. The second most popular approach was a Co-investment Fund.

	SITR FUND	INVESTOR CLUB	GENERAL POOLED INV FUND	CONIVESTMENT FUND
Fund Structure – which is the best idea?	47%	12%	18%	23%

This said, several respondents also stressed the importance of maintaining direct involvement from investors, even if an 'investor club' or 'co-investment fund' structure was not taken forwards. This was deemed crucial to ensure:

- Intellectual capital is harnessed - contributing time, skills and experience to support social enterprise development, not just finance;
- The power of relationship between investor and enterprise is used positively; and
- The investor is fully invested in seeing the venture (and it social mission) succeed due to their more direct involvement

✓ Tax Relief Would Encourage Investors to Invest in Higher Risk Deals

It was also interesting to see that, whilst respondents did not feel that tax relief was essential in terms of them making the decision to invest for impact, it could mean that they would consider higher risk investments, and a lower cost of capital for social enterprises.

How important would tax relief be in your investment decision?	DIRECT INVESTMENTS	INVESTMENT IN A POOLED FUND
Tax relief is essential in terms of whether I invest	6%	6%
Tax relief would mean I could accept lower return/higher risk	48%	41%
Tax relief would mean capital could be more patient	23%	12%
Tax relief would not influence my investment decision at all	6%	6%
No response	17%	35%

✓ Majority of Respondents were considering Small Scale Investments

Size of Investments Considered	DIRECT INVESTMENT	INVESTMENT IN A POOLED FUND
LESS THAN £20K	47%	53%
£20 – 50,000	6%	0%
£50 – 100,000	6%	0%
£100 – 200,000	6%	0%
£200,000+	6%	6%
NO RESPONSE	29%	41%

Additional points raised at the event, which will be considered in the Fund development process, are also listed overleaf:

Key Questions Raised

- **How will we ensure the Fund tackles the problems that communities are actually facing, and results are actually achieved?** This is something that Resonance closely monitors across all of the Funds it manages. Social impact assessments will form a crucial part of both the investee selection process, and loan conditions will stipulate that investees must report on key social impact indicators throughout their loan period, as well as developing a social impact framework within 12 months of draw down (as was the case in the two investments already arranged). The Fund itself will also produce a Social Impact Report, which will be made publically available. Those interested can visit the Resonance website for examples of Social Impact Reports we have produced for other Funds we manage.

- **How will the Fund determine whether an enterprise is 'social'?** In a similar way to the pilot study, we will define clear criteria in terms of the social impact that prospective investees will need to be involved in generating and evidence that will need to be produced. Please refer to Appendix 3 for an example of how we screen applicants to our existing Funds in terms of demonstrating social impact.

- **How will we ensure the Fund creates citywide momentum in the direction of 'dismantling poverty', rather than just making a number of unrelated investment deals?** We are confident that the city focus of the investments will ensure that the impact of the Fund remains intentional and concentrated. This is also why we are continuing discussions with potential partners with the view to developing the 'Co-investment' structure discussed in Section 3.3. We hope that this will see the social investment market in Bristol develop in a holistic way, with multiple partners united for one unifying cause of dismantling poverty across the city.

- **How will we ensure investors do not just invest at arms length, get involved with supporting the venture and value the social impact the enterprise is generating?** This is explored in Section 3.2.

Additional Points of Feedback to Consider

- Impact Themes: some felt that a more focused 'impact theme' such as health or education could be more effective in terms of social impact, because efforts would be more targeted. However, this argument would need to be balanced against the potential for a fund to be so narrowly defined in terms of geography and sector that it could not achieve an efficient and viable scale, or achieve diversification benefits for investors.

- Stage of Venture: there was a desire to ensure the Fund does not just support the 'same old organisations' that are less risky, but already are able to access opportunities to develop. There was a concern that the cost of capital would be too high for earlier stage, riskier ventures, but there was a clear desire to ensure this initiative supports their development in some way, even if through non-financial support. We hope that the subsidy effect of the proposed SITR element of the Fund will help ensure the inclusion of some earlier stage, riskier deals within the portfolio.

5. So What Next?

As a result of the learning that we have developed over the last 10 months or so, we have concluded that a SITR Fund would be an effective solution to the problem that we set out to address. It seems that an SITR Fund could provide the solution in terms of the final "pull" needed to direct the wealth of Bristol towards tackling the social issues that persist in the city. Not only that, but an SITR Fund means that social investment and scaling successful models for impact is something that many more of the enterprises we discovered could consider, due to the lower cost of capital it facilitates. The next step in this journey then, is bringing together the framework for a city focused SITR Fund, making Bristol home to the very first of its kind. We hope that once this structure is in place, we will be able to work in partnership with others to explore additional co-investment opportunities to further develop the social investment market in Bristol.

5.1 Remaining Obstacles

After securing the first two social investment deals and rounding off the Pilot Phase of the Fund development process, the key priority is to secure a clear pipeline of future investment deals. With the advent of SITR, it is now also important to confirm that the deals in the pipeline are SITR compliant. This stage will be crucial in terms of demonstrating there are a sufficient number of investable propositions in Bristol in order to deploy an SITR Fund within the two years required.

We are now looking for 4 key types of social enterprises operating in Bristol, see table below.

5.2 Next Steps: Route Map

We are currently working through the following route map with the intention of launching the UK's first SITR Fund in Bristol in early 2015. We hope that the Fund will begin to be deployed in April 2015.

Enterprise	Turnover	Investment Need	Investment Use
1. Early Stage Growth	£0.1 – 1m	£0.2m growth capital	Grow an existing revenue stream
2. Established organisation	£1m+	£0.2m growth capital	Grow an existing revenue stream or roll out a piloted product
3. Established organisation	£1m+	£0.5 – £1.5m growth capital	Grow an existing revenue stream. SITR compliant investment would be a valuable part of the total capital needed
4. Large organisation/ commissioner with an operational arm with spin out potential	£1m+	£0.2 – £1m growth capital	Grow operations through spinning out a new social enterprise. SITR compliant investment would either be the whole, or a valuable part of, the total capital needed

PHASE 1: SCOPING **SEP – OCT 2014**		
Objective	**Key Questions to address**	**ACTION**
Identify Indicative SITR Compliant Deals	What is the size of the demand for social investment from SITR compliant social enterprises in Bristol? Could £2-£3m be deployed in 2 years?	• Identify indicative deals from existing landscape of enterprises sourced • Widen the landscape looking for more larger scale ventures and assess demand for investments, as well as SITR compliance • Overall, we need evidence of at least 20 organisations which could take on £0.25m of SITR compliant investment, and which have not reached their state aid de minimis limit
Explore viability of partnering with a Fund Platform	What are the key activities that will need to be performed by an independent Fund Platform? Who is the best partner for our Fund?	• Identify 2-3 Fund Platform organisations (running EIS platforms) with whom Resonance could partner, to launch, promote and run an SITR Fund (1 already being explored)

PHASE 2: FEASIBILITY **OCT – NOV 2014**		
Objective	**Key Questions to address**	**ACTION**
Create outline Fund financial model	What would the financials of the fund look like? What key assumptions should be made for key variables including fund life and size, cost of capital to enterprises, and the cost of due diligence? What will the expected investor return be?	• Finalise key assumptions for the Fund in terms of costs and deployment and calculate expected investor returns • Develop a financial model for the Fund • Present upside and downside scenarios
Confirm the technical viability of the Fund and finalise preferred structure	What kind of agreements will need to be drawn up as part of the Fund, and what compliance issues need to be addressed? Which structure will allow us to deploy capital most efficiently?	• Test various structures with lawyers (currently being appointed) and compliance advisor (already appointed) • Finalise solutions to ensure compliance issues around holding investor money, managing for retail clients and promoting the Fund are appropriately addressed
Secure initial investor demand	How many investors from the pool we have liaised with are committed to investing in the short term, through this SITR Fund structure? Do they meet SITR requirements? How big is the current pool of 'committed' investments?	• Finalise an additional group of 5 lead Bristol based investors • Verify the pool of investment that could be secured from known Bristol investor group in the short term • Define remit of investees, type of deal, type of organisation, geographic boundaries etc.
'Road test' with investors and advisors	Would this kind of product be something wealth managers and High Net Worth investors, who have not necessarily been part of the initial 'Fund vision', be interested in and able to work with?	• Meetings with key advisors and wealth managers to present product.

Look to develop potential Fund Partnerships	Can we partner with other investors or fund concepts as co-investors? Could others benefit from the leverage or due diligence efforts of the SITR Fund?	• Continue discussion with SIB to explore the partnership opportunities with Local Impact Funds and leveraging EU investment. • Explore other ways in which institutional investment could come alongside SITR Funds to stimulate a wider social investment market in the Cities in which SITR Funds operate. • Identify, map and cost additional operational partnerships and resourcing necessary to deliver the Fund's deployment and portfolio management programme
Secure non-financial investments	What non-financial support can we make available as part of the SITR Fund?	• Identify and map a pool of non-execs or professionals who are interested in contributing support to investee organisations to help them realise their proposed growth plans. This may be on a paid or pro bono basis.

PHASE 3: FUND CONSTRUCTION **NOV 2014 – JAN 2015**	
Objective	**ACTION**
Finalise legals	• Draw up legal framework for the Fund with legal partners • Prepare and negotiate legal agreement with key operational partners • Prepare and negotiate legal agreements for investors and investees to enter into, building on the structure already developed when arranging the initial two investment deals
Develop Promotional Literature	Draft Information Memorandum for the Fund, including subscription documents (with lawyers)
Set up Fund platform	Structure the holding account / fund platform with final chosen platform provider.
Establish Fund Deployment Process	• Draw up final investment criteria which can be shared externally with prospective investors • Develop simple application process and clear ask in terms of initial information required from applicants

PHASE 4: FUND LAUNCH & DEPLOYMENT **JAN – APR 2015**	
Objective	**ACTION**
Fund Marketing & Promotion	• Produce IM and distribution throughout Bristol and other investor networks • Hold investor evenings to market to investors directly • Market the Fund offering through social enterprise communities (such as Bristol & Bath Social Enterprise Network • Market to investors through advisors, where possible
Investment Raise	• Work to support due diligence with investors and advisors to secure circa £3–4m Fund Close
APR 2015 – 2017	
Fund Deployment	• Conduct Due Diligence on enterprises who submit proposals for investment • Support enterprises in applying to HMRC for SITR compliance • Select final investees and deploy capital

PHASE 5: POST FUND DEVELOPMENT **APR 2016 onwards**		
Objective		**ACTION**
Impact Monitoring of Investments	What changes has the investment facilitated in terms of growth of social impact?	• Loan conditions will require investees to report on a minimum number of specified social impact metrics (specific outputs or outcomes relevant to the business) • Analyse output and outcome metrics from investees to produce overall Fund social impact report
Financial Monitoring of Investments	Is the investment performing as expected from a financial perspective?	• Loan conditions will require investees to report on on-going financial performance • Analyse financial data from underlying investment to produce overall Fund accounts
Fund Replication	What other cities could benefit from this type of Fund?	• Replicate the model across the UK, with Bristol providing learning and an example of a thriving social investment market

6. Conclusion

With the learning of the last year of landscaping, sourcing and deal arranging, as well as meetings with a wide range of individuals gathered, we remain confident that a Social Investment Fund for Bristol presents an exciting opportunity for the city.

Most importantly, we have learned:

1. Prospective investors we have interacted with appear more willing to invest as part of a pooled vehicle relative to considering direct social investment deals – particularly if tax relief opportunities are available.

2. Bristol has presented a wide range of enterprises working to deliver impact in some of its most deprived communities, which have considerable potential for both scaling their impact, as well as generating financial returns.

3. There is clear demand for social investment. Moreover, presenting concrete social investment opportunities saw enterprises begin to articulate their plans for development more clearly and intentionally.

4. Investment Readiness Support will be needed for a considerable proportion of investees, as we anticipate that many will not have considered business development or financials post the next 12 months.

5. SITR offers benefits for both investors and investees. The two deals we have already arranged clearly highlighted not only the 'returns boost' for investors, but most notably the effect SITR had in terms of making the cost of capital cheaper for the social enterprise.

6. A SITR Fund appears to be the most effective structure to consider for both the investors and investees.

7. There remains an opportunity to consider a wider 'Co-investment Fund' structure, of which the Bristol SITR Fund becomes a part. It may even be possible to access EU funding as part of this structure. This would ensure that a wider range of investors are accessed, larger investment deals can be done and, most crucially, that all social investment efforts in Bristol are executed as part of a coordinated, focused partnership.

With our legal partner in place, we are now proceeding to the Scoping and Feasibility stage of the development of a SITR Impact Fund for Bristol. Fund launch is scheduled for early 2015, and there will be two years to deploy the capital that is raised. We will then look to replicate this city focused, SITR Fund concept in a second UK City, from April 2016.

We look forward to these SITR Funds unlocking significant amounts of capital which social enterprise can apply for the dismantling of poverty and, most importantly, to the positive social impact that is generated for the people of Bristol and beyond.

Appendix 1

Social Investment Tax Relief

Social Investment Tax Relief (SITR) has been introduced by Government to encourage individuals to support social enterprises, and to help social enterprises access new sources of finance. SITR is very similar to the Enterprise Investment Scheme (EIS), which gives individuals tax relief if they invest in companies limited by shares (i.e. making equity investments). However social enterprises and charities that are Limited by Guarantee cannot take on equity investment, and so are not EIS compliant. SITR is attempting to level the playing field: companies Limited by Guarantee, as well as Charities, can now become tax relief compliant, as unsecured debt investments now qualify for SITR tax relief.

Eligibility

SITR applies for certain social investments made on or after 6 April 2014, as long as the investment is held for a period of 3 years. The investee must have a defined and regulated social purpose, be a registered Charity, Community Interest Company or Community Benefit Society, have fewer than 500 employees and less than £15 million of gross assets. Certain activities such as agriculture and property development are currently excluded.

Investment Sizes

An individual investor can claim SITR on up to £1,000,000 of social investments in any one year. However, the relief available on any one investment must not exceed €200,000. This means the maximum any one enterprise can raise under SITR amounts to circa €345,000, or approximately £275,000 (the total investment an enterprise receives could be larger, but the investor would only be able to claim SITR on £275,000 of the investment). Any other de minimis aid received by the organisation in the last 3 years must also me deducted from this £275,000 threshold. There is currently an initiative underway to increase this cap, although the result of this will not be announced until later next year.

Investor Tax Relief

Through SITR, the investor can receive:

- A reduction in their income tax bill for the year by 30% of the investment made. For example, an individual investing £100,000 into an SITR compliant social enterprise can reduce their income tax liability for the year by £30,000 (assuming their annual income tax bill is this large).
- Capital gains deferral on any kind of asset disposed of between 6 April 14 – 5 April 19, if the gain in question is reinvested in SITR compliant organisations.
- Capital gains relief on the disposal on any investment where Social Investment Income Tax Relief has been received, if the investment has been held for at least three years.

Appendix 2

✓ Additional Investor Survey Responses

- What do respondents hope to get out of social investment?

	DIRECT INVESTMENTS	INVESTMENT IN A POOLED FUND
CITY WIDE IMPACT/FACILITATING CHANGE	1%	6%
FINANCIAL RETURN	6%	0%
FINANCIAL RETURN PLUS IMPACT	12%	23.5%
NO RESPONSE	35%	47%
OTHER	2%	23.5%

'Other' included:

- Seeing Social Enterprises realise their commercial potential
- Being able to become personally involved with a Social Enterprise
- The knowledge of caring for people in need

✓ Expected Return from Investment

	DIRECT INVESTMENTS	INVESTMENT IN A POOLED FUND
COMPARABLE WITH MARKET AFTER TAX BREAKS	6%	0%
2 – 5%	29%	29%
MINIMAL – SOCIAL RETURN MORE IMPORTANT	6%	6%
RETURN OF CAPITAL	6%	6%
RETURN OF CAPITAL PLUS TAX BREAKS	0%	6%
SMALL LOSS ACCEPTABLE	12%	6%
DEPENDS ON RISK	12%	6%
NO RESPONSE	29%	41%

✓ Term of Investment That Investors Would Consider

	DIRECT INVESTMENTS	INVESTMENT IN A POOLED FUND
3 – 5 YEARS	23.5%	29%
5 YEARS	23.5%	6%
5 – 7 YEARS	6%	0%
NO REQUIREMENT	6%	6%
NON-SPECIFIC RESPONSE	12%	18%
NO RESPONSE	29%	41%

✓ Type of Non-Financial Investment Considered

- Business mentoring (2)
- Creative Problem Solving
- Legal Advice (2)
- Tax Advice
- Financial Strategy, Planning and Accounts (2)
- Management and Leadership Mentoring
- HR and People Issues
- Charity based experience – specifically fundraising and youth work

TIME RESPONDENTS WOULD CONSIDER INVESTING	
BECOMING A BOARD MEMBER	12%
MENTORING ROLE	6%
A FEW HOURS PER MONTH ON AN ON-GOING BASIS	12%
ONE OFF-SESSIONS	12%
NO RESPONSE	58%

✓ Sector Preferences (Multiple Selections Possible, % of Responses)

	FINANCIAL INVESTMENTS	INVESTMENT OF TIME/SKILL
NO SECTOR REQUIREMENT	47%	23.5%
HEALTH	12%	12%
EDUCATION & TRAINING	12%	12%
FINANCE	0%	12%
PROPERTY	6%	18%
TECHNOLOGY	6%	6%
RENEWABLE ENERGY	12%	12%
RETAIL & WHOLESALE	6%	12%
MANUFACTURING	6%	12%
WAREHOUSING & DISTRIBUTION	6%	18%
RECYCLING & WASTE MANAGEMENT	12%	18%
TRANSPORT	0%	0%
OTHER	6%	6%

One respondent made the suggestion of sequential themes, e.g changing every 3 years

✓ Impact Area Preferences (Multiple Selections Possible, % of Responses)

	DIRECT INVESTMENTS	POOLED FUNDS	TIME & SKILLS
NO 'IMPACT TYPE' PREFERENCE	29%	23.5%	35%
LONG-TERM UNEMPLOYED OR NEETs	23.5%	18%	23.5%
EX-OFFENDERS	18%	18%	18%
THOSE WITH SUBSTANCE MISUSE ISSUES	18%	18%	18%
DISADVANTAGED CHILDREN	23.5%	23.5%	18%
PEOPLE WITH PHYSICAL OR MENTAL DISABILITY	12%	12%	12%
THE ELDERLY	6%	6%	6%
THOSE CLASSIFIED AS LIVING IN POVERTY	29%	23.5%	18%
THE ENVIRONMENT	6%	6%	6%
OTHER	23.5%	18%	6%

'Other' includes: Housing, Young People and ensuring people 'feel loved'

✓ Reasons for Not Being Interested in Investing in Social Enterprises

	DIRECT INVESTMENTS	POOLED FUND
DON'T CURRENTLY HAVE CAPITAL TO INVEST	12%	6%
HAVE CAPITAL BUT NOT INTERESTED IN INVESTING IN SOCIAL ENTERPRISES	6%	6%
NOT LOOKING FOR INVESTMENT OPPORTUNITIES GENERALLY	0%	0%
NOT CONVINCED BY THE CONCEPT PRESENTED	6%	6%
OTHER	6%	12%

'Other' includes:

- "preference for retail oriented fund "
- "social element dominating the investment case too much"
- "looking at foreign investments with my "fun capital""
- "Struggle to see how so many agendas can be met"
- "Preference for direct investments"

Appendix 3

Social Impact Screening of Potential Investees: An Example

These criteria are used to assess prospective investees for our Community Share Underwriting Fund, which underwrites asset-backed community share issues. Criteria for a Bristol Social Investment Fund would be developed to reflect the specific remit as detailed in Section 2, but the table below is provided as an example of the assessments we have effectively used elsewhere.

Measure	Why does this matter ?	How do we measure it ?	Negative Screen
Unlocking retail investors confidence	Will individual investors be empowered to invest directly into social enterprises with which they have a common interest ?	Amount raised in share offer - number of individual retail investors participating	Community Share Offer (CSO) offering investors inappropriate level of risk and narrative
Catalysing momentum for community benefit	Will local communities benefit from increased levels of ownership and involvement in common assets ?	Percentage of investors from local community - number of volunteers involved from local community - additional community engagement	No evidence of local support for project
Ambition of communities enhanced	Will the project's success contribute to greater ambitions for future projects in that community and others that see it?	Number and size of potential "follow on" projects - increase in probability of achieving	No plans for further community benefit projects
Community transformation	Will the project bring benefit to the community, both in terms of social cohesion and direct benefits ?	Project specific measures (jobs, green energy etc.) - revenue streams created for local projects	No use of surpluses for wider community benefit (e.g. coops without community benefit policy)

Glossary

De minimis Aid

De minimis aid refers to small amounts of state aid that do not require European Commission approval. The total de minimis aid which any single recipient can receive is €200,000 over a 3 year period. Anything below this amount is considered by the European Commission as having negligible impact on trade and completion, which is why approval is not required. Within the 3 year period, an organisation must consider any form of public assistance as part of their state aid allowance, including grants, loans and subsidised contracts.

EIS

The Enterprise Investment Scheme (EIS) was launched in the UK in 1994. The scheme offers tax relief to investors in small businesses that are not listed on the stock exchange. As investments into such business often carry a higher risk than quoted, larger scale companies, the tax relief offers a form of compensation to encourage individuals to channel capital to these businesses. EIS tax relief is only available on equity investments (i.e. the investor must be buying shares in the company). 2012 also saw the launch of the Seed Enterprise Investment Scheme (SEIS), which focuses on start up businesses.

LEP

Local Enterprise Partnerships (LEPs) are a voluntary partnership between local authorities and businesses, which focus on stimulating economic growth and job creation in the local area. They make decisions regarding priority area for investment in the area, such as roads, buildings and local facilities.

LEPs were established by the Department for Business, Innovation & Skills in 2011, and there are now 39 in operation across the UK. LEPs were able to apply to have an 'Enterprise Zone' which can take advantage of tax incentives and local planning regulations. 24 such zones have been created across the UK.

SITR

Social Investment Tax Relief (SITR) is similar to EIS, explained above, in terms of offering tax relief to those who invest directly in businesses in the UK. For SITR, however, the enterprise must be operating as a social enterprise and generating social impact. Specifically, the business must be a Community Interest Company, a Community Benefit Society with an asset lock, or a Charity (which can be a company or a trust). The second crucial difference is that tax relief is available on debt investments (as such organisations do not tend to be limited by shares and so cannot sell shares to investors, as would be needed to qualify for EIS)

Theory of Change

Theory of Change is a methodology used by organisations working for social change, as a tool for planning and evaluation. An organisations' Theory of Change begins with long-term goals or intended outcomes, and works backwards to identify what conditions and inputs are required to get there, continuing to work backwards. The result is a process of 'pre-conditions' that must be in place to eventually reach intended outcomes. Indicators are also developed so as organisations can track whether certain pre-conditions and outcomes are being achieved along the 'Outcomes Pathway'.

0845 0043432
info@resonance.ltd.uk

Resonance
42 St Thomas Road
Launceston
PL15 8BX

www.resonance.ltd.uk
@resonanceltd

resonance