

EXECUTIVE SUMMARY

Welcome to Social and Sustainable Capital's second annual Impact Report. Publishing this gives us the chance to reflect on our work as a social investor over the last 12 months. We aim to share some of SASC's own developments and present some outstanding achievements by the organisations we support.

SASC offers flexible investment to charities and social enterprises which support people and communities across the UK. Our aim is to help them achieve greater social impact. Four years since the launch of our first fund, we have now invested £19m into organisations which are tackling some of the UK's most intractable issues. These organisations provide vital support and services to vulnerable and disadvantaged individuals, families and communities. We feel lucky to be able to work with exceptional entrepreneurs who demonstrate vision, passion and commitment for what they do; and who inspire others to do so, too.

Our Community Investment Fund (CIF) offers long term flexible funding to community organisations in England. This funding helps them grow local assets and respond to local needs. Our blended finance partnership with Power to Change continues to work well: in the last year, two more community businesses received a blended grant and loan investment from CIF. As part of contributing to what is a rapidly developing market, we have also set out some thoughts on the potential for social investors and grant makers to blend financing for greater impact and have included a response from Dawn Austwick, CEO of Big Lottery Fund, on the grant makers' perspective – we'd welcome your contribution to this debate.

Our overall portfolio has seen record growth over the last 12 months

Our Third Sector Investment Fund (TSIF) started more slowly than we expected. We responded to this by consulting in depth with a large number of social sector organisations across the UK. The resulting conversations helped us shape changes and in July 2017 we relaunched the fund. TSIF now has a longer investment period of up to 12 years, more flexible repayment terms than many social investment funds and higher levels of support from the SASC team throughout the investment process. To date, the relaunch has been a success: higher levels of investment suggest that TSIF now better meets sector needs.

Our overall portfolio has seen record growth over the last 12 months. Investment volume more than doubled as we made a further eight investments. Two of these are follow-on investments to organisations we have already supported, including the Hull-based housing charity, Giroscope. Three organisations have now repaid the investment we provided. We believe evidence of their impact helps to validate our

investment approach. Harrogate Skills 4 Living Centre, for example, was the first organisation that CIF invested in. When we first invested, HS4LC was a small community organisation providing day care services to adults with learning disabilities in Harrogate. It has now diversified its income streams and increased its impact through ownership of two care homes, securing its long term sustainability and now able to take on commercial finance. We have also supported two more payment by results programmes (PbR) using our flexible and cost effective approach.

From a sector perspective, community energy continues to be an area where we see growing demand for social investment. In 2017 we made our biggest investment to date in the newly formed Heart of England Community Energy. This project will see disadvantaged local groups in Warwickshire benefit for many years to come from the financial surplus that community-owned solar farms generate. Our investment in the domestic violence charity Hull Women's Network showed the need for a financing structure that will fund organisations working with society's most vulnerable tenants. As a result, we have developed an innovative funding structure to support organisations working with vulnerable people who need safe and affordable housing.

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The last year has been exciting for SASC but we aim to keep learning. The TSIF relaunch aside, we have also drawn lessons from our involvement in financing PbR initiatives and about issues that can arise when social sector organisations partner with the private sector to deliver their mission.

As our portfolio evolves, positive results from our investments begin to materialise. This allows us to refine our impact framework to reflect the way we seek to achieve our mission. We think it is vital to be able to identify and measure clearly how we are making a difference to the market and to the organisations we support. In this report we have set out the pillars of our impact framework, along with further detail on how we will monitor and measure the social impact of our investees going forward. We think of this as an evolving process and would be delighted to receive feedback about it.

Looking ahead, we have much to be excited about. We will be launching a post-investment support programme for investees; bedding down an enlarged investment team; and planning for raising and launching new funds. We are motivated by the chance to go on developing the SASC platform and helping to bring positive change to the lives of people and communities across the UK. We hope that by sharing our own work, knowledge and lessons we can inspire others to join us on this social investment journey. Thank you for all your support over the last year. We look forward to building on these foundations in the year to come.