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Social Investment
Exploring the Options

Core Types of Investment

For many, the term social investment just equates to repayable finance—which in its simplest form is quite correct! However, look beneath the surface and you will see that social investment isn't just one thing. Instead, it offers a range of opportunities and options, some of which may begin to look less scary than the prospect of just paying money back!

The first breakdown is to look at social investment in terms of two key types of investment—borrowing or giving equity in your organisation. This is where voluntary organisations begin to consider options much like small businesses looking to grow. Both types are defined below, with further breakdown on the following page.

Borrowing

This is where your organisation will take on debt (the borrowing) which you agree to pay back over a fixed period of time. There will usually be interest to pay on top of the original investment, but for some investments this rate could be set at zero.

Equity

This is where you agree to give shares in your organisation to investors. As your organisation makes money, you provide a return to those investors with shares based on the percentage of equity you have given them.

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Borrowing

SECURED LOANS
Where your organisation takes a physical asset it owns, such as a building, to secure new finance.
The organisation pays back the loan over a fixed period with interest added.

UNSECURED LOANS
Similar to a secured loan, but the money offered isn't backed by a physical asset. An investor will agree to loan you're a set amount and an agreement to pay back, with interest, agreed over a fixed period of time.

CHARITY BONDS
More suited to large organisations, and similar to a loan, your organisation receives money which it pays back after a fixed period, with an agree % of interest of the money borrowed paid each year up to the date of repaying the original amount.

BLENDED FINANCE
Where an investor offers you both a grant, which does not need to be paid back, as well as a loan which will need to be paid back over an agree period of time, and usually with interest.

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Equity

COMMUNITY SHARES: COMMUNITY BENEFIT SOCIETIES
Offering an investment in your organisation to local people. This type of investment is for community benefit society's or co-operatives. In return for investment, they own part of the organisation and have a say in how it is run along with other shareholders.

CROWDFUNDING
Much like crowdfunding where you seeks donations from individuals, you can consider requesting loans through crowdfunding, agreeing to pay this back over a fixed period, with or without interest. This could be a way of attracting a number of investors offering small amounts each.

EQUITY
Offering shares in your organisation in return for an investment. The organisation would agree what % an investor owns based on the amount invested. Investors would then receive returns on their shares and also have a say in how the organisation is run.

QUASI-EQUITY
This is a performance-related investment where you don't give up equity in the organisation. Instead, investors offer finance in return for agreed returns based on things like income drawn down or profit for the year, and paid over an agreed period of time.

Other Types

SOCIAL IMPACT BONDS
Payment by results, where your organisation would receive funds to deliver a commissioned service from an investor. The investor would then get their finance back, plus interest, if the service is successful and provides agreed returns.

SOCIAL INVESTMENT TAX RELIEF (SITR)
A fairly new incentive from the Government where Investors are offered a tax break for investing into charities or social enterprises. The tax relief rate is currently set at 30% off their next income tax bill. There are strict rules to adhere to when using SITR.