THE GATHERING
FOR SOCIAL INVESTMENT

COLLABORATIVE SOLUTIONS FOR THE UK SOCIAL INVESTMENT MARKET

A REPORT FROM THE GATHERING 2019

INTRODUCTION

We are pleased to present this report from The Gathering 2019, which took place in Leicester on 11-12 March.

During two days in Leicester, delegates participated in nearly 30 different sessions, including workshops, panels, discussions, debates, 'challenges' and 'conversations for change'.

The content in this publication has been divided into the four key themes of the event: Connecting to the Social Sector, Prioritising Impact, Building the Market, and Future Gazing & Future Shaping, which are colour coded, and we have also indicated the format of each session (see key below).

CONNECTING TO THE SOCIAL SECTOR

PRIORITISING IMPACT

BUILDING THE MARKET

FUTURE GAZING & FUTURE SHAPING

PANEL

DEBATE

DISCUSSION

CHALLENGE

WORKSHOP

EDITORIAL TEAM

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THE GATHERING
FOR SOCIAL INVESTMENT

EXECUTIVE SUMMARY

What are the big questions facing the UK social investment sector? What challenges and opportunities does this emerging industry face? How can we work more collaboratively, using social investment, to solve the challenges our society faces?

These questions inspired the Gathering in Leicester on 11-12 March 2019, the second iteration of an event curated and hosted by the Steering Group to engage the UK social investment sector. This was an opportunity for 150+ active social investors to build networks, listen to new voices, and propose solutions to sector challenges.

The previous event, held at Dartington Hall in 2017, resulted in new initiatives to drive innovation and advance shared projects in social investment.

We present this report as a summary of the key discussions and actions at the event. The intent is to share the ideas and proposed solutions more widely, both with delegates who attended; the broader social sector; and investors, organisations or individuals who want to explore how social investment can be used to support and finance social change.

We invite you to read this report to grapple with the challenges and opportunities the UK social investment sector faces. This is a "warts and all" review of the issues an evolving industry grapples with as it reaches nearly 20 years of operation and almost £2.5 billion in completed transactions.

This was an event with ideas crowd-sourced by the sector, for the sector. During our two days in Leicester, delegates participated in nearly 30 sessions divided into four key themes: Connecting to the Social Sector, Prioritising Impact, Building the Market, and Future Gazing & Future Shaping.

To create space for open and honest discussion, many sessions were run on Chatham House rules. The coverage within this report respects the wishes of participants, so in some cases comments are attributed and in others they are not.

Reflecting on the conference, there are learnings and actions we want to highlight. Our objective is to nudge those individuals who committed to take action, to provoke positive solutions.

Importantly, 92% of the individuals who attended would like to see the conference held again in two years time. We hope that this record will both inspire and help to shape the next event.

What were the key points?

- Flexible, Patient Finance -- A priority is to advance blended or flexible finance, tailored to the needs of high impact social enterprises. This requires greater risk-taking and product innovation to allow for a mix of funding mechanisms across a balanced portfolio.

- Encouraging New Voices – There is an opportunity for the social investment sector to lead by example to adopt best practice in diversity, both in terms of who makes investment decisions, and who receives funding. A further concern for the sector is how to ensure the integrity of impact and allow end-user beneficiaries to be heard.
- Building the Market – Shared market infrastructure is very weak. There is a need to continue to champion and resource the collective networks, local voluntary sector organisations, incubators and social enterprise support agencies that underpin a healthy social investment market.
- Connecting to the Social Sector – There is an opportunity for social investors to foster better collaborations with public authorities as commissioning agents. Similarly, housing associations have the resource and experience to catalyse social impact in communities.
- Place-based Investment – To be done well, place-based approaches require leadership, collaboration, clarity, willingness to fail, and the right skills and local organisations at the table.

The challenges we face as a society are large. We believe that social investment can play a role to make positive ideas happen. Can we provide enough suitable finance to enough high-impact social enterprises to make a difference? Opinions and solutions differ.

In the future, perhaps technology platforms or fintech apps will make social investment intermediaries obsolete. Crowd-funding can democratise finance, putting power in the hands of the people.

It is certain we will fail if we do not listen, collaborate and learn from our mistakes. Ultimately, the answer depends on the actions that each of us take.

The Gathering was designed to build the professional networks and personal relationships required to galvanise social change. We will succeed if engaging with these ideas inspires and equips you take action to collaborate with other investors, charities, and social enterprises to build a better market.

THE GATHERING STEERING GROUP 2019

Jessica Brown, Chair – Connect Fund Manager, Barrow Cadbury Trust

Daniel Brewer – CEO, Resonance

Natalia Fernandez – Investment Manager, Big Issue Invest

Holly Piper – Head, CAF Venturesome

Nick Temple – CEO, Social Investment Business

Julie Wake – Investment Manager, Northstar Ventures

Katie Fish – Big Society Capital (formerly)

VISUAL MINUTES FROM THE GATHERING 2019

'Risk taking', 'impact', 'growth', 'trust', 'funding to fit the needs', 'changing your language', 'leaving every organisation stronger than we found it'...

VISUAL MINUTES
FROM THE GATHERING 2019

...Our guest illustrators captured key learnings and insights during the two days.

Source: More than Minutes

CONNECTING TO THE SOCIAL SECTOR

How do we as social investors connect to the social sector in all its shapes and sizes? From our work on diversity and encouraging new voices, to the collaborations we make with local/public authorities, commissioners and other social sector organisations, to the processes we have in place around making the investment itself – how do we build understanding, diversity and best practice, what are we doing well and what needs to change?

TURBO-CHARGING SOCIAL ENTERPRISE

What can social investors do to help develop a pipeline of social investment-ready social enterprises and community businesses?

Social investors must move away from the concept of investment readiness and instead focus on enterprise development, according to Seb Elsworth, Chief Executive of Access, the Foundation for Social Investment.

Elsworth was speaking alongside Alastair Wilson, Chief Executive of the School for Social Entrepreneurs, which provides support and finance, and investee Fiona Frank, Operations Manager at Halton Mill, a housing a co-working space in Lancashire.

"We are looking at the world backwards when we talk about investment readiness and investment pipelines," said Elsworth.

He added that investors needed to "look through the other end of the telescope" and recognise that "investment readiness isn't the goal for social enterprises and charities, it's building sustainable and resilient organisations".

"Social investors need to look at what they need to get there," Elsworth said, explaining that social investors should help social enterprises and charities to generate more revenue and better understand their business model through enterprise development work.

Alastair Wilson presented the School for Social Entrepreneurs' Match Trading programme as an example of a different way of helping grassroots organisations to develop. The programme, which piloted in 2015-16 and has continued to grow, offers grants that pound-for-pound match the increase in trading income that an organisation has achieved, incentivising growth through enterprise rather than reliance on short-term grants.

"This work was born out of frustration," said Wilson. "Social investment has built momentum and done great things, but I felt that it was missing a lot of our great people solving problems in communities."

They needed to grow their businesses, he explained, but "the idea of offering debt or pseudo-equity was weird and irrelevant to them". He emphasised that many organisations running businesses in low-income communities needed grant support, but "maybe the way we give that grant wasn't that helpful".

The match trading idea, Wilson said, was congruent with their trading ambitions, helped them build a resilient trading base and got them to a "more investable position". "Previously they were cut out of the social investment world," he said.

Halton Mill offers office space as well as classes, performances and events and is run by Green Elephant Cooperative in Lancaster. It joined the Match Trading programme during 2017-18. Director Fiona Frank said the grant support and the accompanying learning programme allowed the company to take "lots of exciting risks". Its trading income grew from £69,000 in 2016/17 to £95,000 in 2017/18, with a four-fold increase in income from its room hire and events.

"You have changed us from being an old engineering factory with people in offices," Frank said to Wilson, "to becoming a key Lancaster events space."

Wilson pointed out that by offering match-trading grants and enterprise support rather than traditional grants during the development phases of a social enterprise, they became stronger candidates for social investment. "We used to throw them over the wall to you in social investment," he said. But now, he added, the standards of financial literacy and understanding of enterprise were much improved.

KEY ACTIONS:

• Social investors should shift their focus from investment readiness to enterprise development.

• Grants (especially those linked to performance) and enterprise support are important tools that make social enterprises stronger candidates for investment and should be developed further.

BOLD COMMISSIONERS

At a time of austerity in public services, there is an even stronger case to work collaboratively. How can we get local authorities to buy into what we do as investors? Who are the commissioners enabling positive change and what can we learn from them or do to support them?

The *Bold Commissioners* session at The Gathering brought together perspectives from both the social enterprise sector and local authority commissioners to discuss the stumbling blocks of public service contracting and how some are forging a path to a better way of working.

The session was informed by Social Business International's work through its E3M network of large social enterprises over the last three years, exploring how better outcomes can be achieved for the end user by 'bold commissioners' willing to push the boundaries.

The challenges of the public procurement process are a persistent issue highlighted when the topic of commissioning arises. However, it was clear from the discussion and examples – such as Leicestershire County Council's approach to re-commissioning its Children's Services work – that the problems in this area do not lie with the procurement regulation itself but with the culture around how it is interpreted, and the willingness of the purse-holder to challenge the status quo. E3M's report from 2016 on *The Art of the Possible in Public Procurement* speaks to this issue in greater detail.

The huge demand and insufficient provision for looked-after children led Leicestershire County Council to look at the challenge differently. It wanted to put end users at the heart of everything it had planned to ensure the best possible journey for a child in care in Leicestershire.

The council identified that a partnership approach was needed to help the local authority act in a more agile way and align better with the needs of those it was looking to serve. The pitch to procurement was a long-term contract, an undetermined maximum value and very broad scope which would enable the collaborating partner to deliver contracts, sub-contract or procure from other organisations in the sector. It required negotiations, reworking the tender and a significant amount of problem solving from the commissioning team – but the result allowed the council to bring a partner on board with the skills, values and expertise to help it fulfil its vision. The message was: it can be done, you just have to be tenacious.

But even with commissioners starting to work differently, other problems for social enterprises still linger on when it comes to with public contracts. One of the most damaging is the issue of late payments.

Social enterprises often suffer major cash flow issues waiting to receive funding for their contracts. The experience of social enterprises in the room was that payment in arrears is commonplace for most public sector contracts, leaving providers trying to cover shortfalls while payments trickle through, sometimes taking as long as three months. This limits the ability of social enterprises to innovate or scale their work, preventing them from taking the next step in their development and in some cases affecting the long-term sustainability of the business.

KEY ACTIONS:

- **There needs to be more recognition that better dialogue between purchaser and provider will lead to better outcomes.**
- **While councils can think differently about how funding is allocated internally to ease pressure on social enterprises providing services, this is possibly where social investment can be most valuable in the commissioning sphere.**
- **If a constructive and ongoing relationship can be established, social investors can act as a critical friend to an enterprise – testing their business models and asking difficult questions, while providing a product that allows them to stabilise and strengthen.**

ENCOURAGING NEW VOICES

How can we make social investment more accessible to a diverse client base? The Encouraging New Voices session shone a spotlight on a number of initiatives addressing a lack of diversity in the social investment sector. The Diversity Forum, Voice4Change, Dartington Hall Trust and Hatch shared their perspectives on what needs to be done to move the sector closer to solving this issue.

The need for greater diversity in the sector was a strong theme emerging from the first Gathering, back in 2017. As a result of the discussions that took place in Dartington two years ago, the Diversity Forum came together with a mission to drive inclusive social investment in the UK, through the convening of sector-wide groups, commissioning research, and knowledge sharing.

With support from the Connect Fund, the Forum released its *Inclusive Impact Report* earlier this year, which reaffirmed that investor diversity continues to be an issue. That is why the Diversity Forum is encouraging people to do more – the accompanying toolkit provided practical guidance to make the sector more inclusive. Similarly, its manifesto is a call to action for the sector to speak openly about limitations and acknowledge knowledge gaps, and has been signed up to by key actors from across the sector including Big Society Capital, Social Investment Business and Big Issue Invest.

The review of BME sector funding, carried out by Voice4Change, identified a number of problems in establishing a pipeline of BME organisations. It was clear social investment was not where they would naturally look for funding. There is still work to be done raising awareness and knowledge of what's on offer and the opportunities available for BME sector organisations in a position to trade and take on repayable finance, before organisations can get into the nuts and bolts of the investment process. The limited infrastructure capacity for the BME sector has evidently impacted on development in this area.

Voice4Change also sees merit in exploring targeted funds; those organisations comfortable considering social investment didn't always feel they had the right path to engage with it. This was a sentiment echoed by Hatch – diverse cultural backgrounds make organisations different simply by virtue of the fact. There needs to be an easy pathway to take small, young social enterprises along the road to social investment – from small amounts, helping them validate their work, through to big tickets once they're thriving in the market.

Dartington Hall Trust's work on the Equality Impact Investing Project, which will be released later this year, argues we need to go beyond individual outcomes and really address the structural inequality if we are going to shift the sector on successfully. The trust has identified a blind spot when it comes to equality and human rights – investors are open to doing more but they don't know what to do. Ultimately this is a problem because there is no such thing as an equality-neutral investor – you're either part of the solution, or part of the problem. There is an acknowledgement that more information and more support is needed for both the demand and supply sides, but there is opportunity for this to be incorporated into mainstream practices. A quick win would be to update the Big Society Capital outcomes framework to effectively consider equality issues, such as gender.

Big Society Capital are continuing to support this work on diversity and were keen to bring together funders like Access Foundation for Social Investment and UnLtd to explore how programmes across the sector can be more sympathetic to these concerns and issues and to begin to address some of the persistent barriers.

The work needed to tackle this issue goes beyond simply making current structures more inclusive, but the need to look at inequality more broadly and develop a coherent, sector-wide approach. The closing message from the session was that if we don't pay attention to these problems, we won't just fail to progress, we will go backwards – "we still need a stone in our shoe to remember to think about diversity".

KEY ACTIONS:

- **There is merit in exploring targeted BME funds; those organisations comfortable considering social investment didn't always feel they had the right path to engage with it. Connect Fund is now speaking with Good Finance about connecting BME organisations with advice and guidance on use of social investment.**
- **There needs to be an easy pathway to take small, young social enterprises along the road to social investment – from small amounts, helping them validate their work, through to big tickets once they're thriving in the market.**
- **A quick win would be to update the Big Society Capital outcomes framework to effectively consider equality issues, such as gender.**

DEMOCRATISING SOCIAL FINANCE

With the chaos caused by the 2008 financial crash paired with continuing development in finance technology, more people have been moving away from traditional savings markets to explore how they can become investors. This session explored this shift towards "democratisation" through a range of different social investment platforms and initiatives.

The idea of "democratising investment" means raising money from retail investors, or "ordinary people". It has emerged in the context of the rapid developments in financial technology, and following the economic crash of 2008 – both of which have pushed people away from the conventional savings market.

The financial collapse led to "disgust with capitalist markets and a search for alternative saving models," explained Hugh Rolo, director of development at community enterprise network Locality.

The introduction of online investment technology has allowed people to invest their own money more easily, "without needing elaborate stock-brokers that people used to need to buy shares or investments," Rolo added.

This session looked at the notion of "democratisation" through three different examples: the development of community shares, the launch of ethical investment platform Ethex, and the work of Power to Change, a charitable trust supporting community businesses…

COMMUNITY SHARES

The term 'community shares' was coined by the Development Trusts Association (now known as Locality) in its 2008 publication Community Share and Bond Issues, which examined how a growing number of community enterprises were raising investment capital from their local supporters.

In 2012 Locality and Co-operatives UK launched the Community Shares Unit (CSU), which continues as a joint initiative between Locality and Co-operatives UK. Its objective is to grow a sustainable market for community shares in a range of community and co-operative enterprises.

According to the CSU, community shares "can save local shops and pubs, finance renewable energy schemes, transform community facilities, support local food growing, fund new football clubs, restore heritage buildings, and – above all – build stronger, more vibrant, and independent communities."

It says that since 2009, almost a 120,000 people have invested over £100m through community shares to support 350 community businesses throughout the UK.

Hugh Rolo told the session that community shares were a good example of a "democratised" market. Firstly, because only community benefit societies and cooperatives – "asset locked, one-member-one-vote" organisations – could raise capital through community shares. "So even if you own 99% of the shares, you still only have one vote," he explained.

Secondly, the data available showed that the people who bought community shares were often ordinary local people buying shares for the first time and "not high net-worth or sophisticated investors".

Rolo added that because investors also gave up any share of capital gain, community shares were not only democratic, but radical. "These are people who are genuinely motivated to invest for social purpose. And that's why we call it truly radical capital: it is not at all equivalent to equity or the conventional capitalist market."

ETHEX

Lisa Ashford, CEO at online positive investment platform Ethex, said the £70m they had raised was also generally from "normal people rather than high net-worth investors".

Part of the attraction of the platform was that people were able invest smaller amounts of money. Ethex also worked hard to connect investors to the enterprises they were supporting.

Ashford cited the platform's Energise Africa campaign where they had joined forces with another platform, Lendahand, to provide UK-based retail investors with opportunities to invest in pioneering businesses that install life-changing solar systems in homes in Sub-Saharan Africa - bringing clean energy and economic opportunities to families.

"We're doing awareness raising and showing how people can get involved in a small way. Energise Africa enables people to get involved more easily and more affordable rate," Ashford said.

She added that 'match-funding' – where institutional partners matched individual investments on a pound-for-pound basis – had also been a strong factor in achieving their targets. In its Energise Africa project again, it had given "more incentive for individuals to invest," and "more confidence to individual investors".

However, she said there was more work to be done to democratise Ethex's investor profile. Though the male/female split was fairly equal, "it's still white, over fifty… so it's about how do we target different segments and personas within the market population?"

One answer could be through making information about it more easily accessible. A 2017 study by Triodos Bank proved many retail investors were keen to invest for good, but "they don't know how to make the first step… they need a lot more information at retail level. How can people access these products in an easy to understand way?"

One answer was "to try and go smaller to go bigger". She explained: "We need to be able to enable retail investors to invest perhaps smaller amounts – through a lot more education and awareness building in order to create a bigger overall impact, because if you want to create more diversity in the market you've got to make it easy for people and perhaps allow smaller amounts to be invested – perhaps through greater technology or more campaigns to raise awareness of how small amounts of money can create big impact when all together."

POWER TO CHANGE

Ged Devlin, head of development at Power to Change, said democratising investment required focusing on a different kind of investor.

"Peer-to-peer crowdfunding initiatives aren't democratising," he claimed. "It's still white males in the south-east of England with massive disposable income."

But through putting the needs of the community first, foundations like Power to Change had attracted a different type of investor. For example, the investor profile for Leeds Community Homes was "young, mostly from Leeds, 60% female and a high percentage sub £35k earners," he said.

Using data well could also support democratisation. For example, through collecting data about Grimbsy and the community, Power to Change enabled the community centre there to attract a more diverse pool of investors.

KEY ACTIONS:

- **Go smaller to go bigger: smaller amounts mean more people can invest.**
- **Make more information more easily available for people.**
- **Use data to work out what people need.**
- **Look after investors pre and post investment.**
- **Use technology to make process easier**
- **Address concerns people have about the issues such as risk – some people remain to be convinced about whether these types of investment are more risky.**

OPPORTUNITIES FOR SOCIAL INVESTMENT & ECONOMIC DEVELOPMENT IN LEICESTER

CASE, the Co-operative and Social Enterprise Development Agency in Leicester, hosted a session to explore the next steps for impact investing in Leicestershire – the 'host' county for this edition of The Gathering. In particular, the discussion considered why the county is currently a 'cold spot' for social investment and how repayable finance, public money and philanthropic funding can be maximised to help achieve social change for the people of Leicester and Leicestershire.

Leicester and the East Midlands more generally tends to see lower levels of social investment than other parts of the UK. Through a Connect Fund grant, CASE and Voluntary Action Leicester are looking to change this by strengthening local capacity to advance enterprise development.

There are some familiar reasons why social investment is overlooked by local voluntary, community and social enterprises (VCSEs): many see seeking investment as a far greater challenge than applying for grants; the management of a loan, or even the delivery of a contract in some instances, can feel too risky and a task they have limited capacity to be able to administer.

There is also a perspective that, until recently, the sector could manage from the generous public sector funding available, meaning they didn't feel the need to challenge themselves or innovate their funding models. Due to the impact of austerity on local government budgets, those organisations have now been forced on a journey to find new funding opportunities – and with that, a shift in their focus from end-user to the needs of other stakeholders.

Given the long-established relationships many VCSEs have with their local authorities, the question was raised as to whether they have an important role to play in helping to develop the pipeline for social investment. Undoubtedly there are ways the unitary authorities can support this process – Leicester, Leicestershire and Rutland Councils could take a more joined-up, strategic approach to contracting with the voluntary sector. They could also consider how to use the limited resource they do have available more creatively, to bring additional social investment in to the area.

But councils also have many other hurdles to clear – grappling with reduced budgets, attempting to move from a reactive standpoint to early intervention and prevention, and deliver statutory services in a modern, efficient and value-for-money way, is no mean feat in a less-than-agile structure that is not set up for quick turnarounds.

From the investors' point of view, they are ready and willing to invest in Leicestershire – they just need the pipeline to be able to do it. There are already a number of investors VCSEs can choose from and they all have slightly different offers. The investors in the room emphasised the importance of organisations demonstrating social impact – the recommendation was to talk to the investor, they'll get a better sense of what the impact is for the end-user. It's also important that organisations have access to the necessary skills – a strong and diverse governing board; a financially savvy contact who can support their investment journey without costing the earth; and in many cases some form of trading history to reassure them there is a model there able to take on investment.

It felt like the many of the key components to take Leicestershire forward already exist – infrastructure organisations looking to upskill the VCSE sector, investors and funders willing to put money in, and local authorities that need to start operating differently to meet the needs of the people. It will be exciting to see how these players come together to enable communities to drive forward change.

KEY ACTIONS:

- **Councils could take a more joined-up, strategic approach to contracting with the voluntary sector.**
- **They could also consider how to use limited resources more creatively, to bring in additional social investment.**
- **VCSEs should talk to investors to establish pipeline and clarify impact.**
- **Potential investees need a strong and diverse governing board; a financially savvy, affordable contact who can support their investment journey; and trading history to prove investment is appropriate.**

OILING THE WHEELS

What are we doing to ease the investment journey for investees? Though many social enterprises and charities are satisfied with their social investment application process, this session discovered that there are some unhappy customers – and explored where some social investors might be going wrong…

Most social investors are in the job because they want to create social impact – but to those receiving the investment, it doesn't always feel that way.

Big Society Capital (BSC) recently collected feedback from a number of investees from across the UK. These were shared at this session of The Gathering, where attendees also heard first-hand accounts from a charity that had taken social investment and a support organisation that had advised on several deals.

In general investees were very satisfied with their experience, although some believed social investors did not "display the same level of passion as their investees about creating impact through business".

Other challenges highlighted could be grouped into three categories…

1. WHY SO COMPLICATED?

Many believed that the application process could be simplified. One investee commented that some questions seemed "random or required a degree of assurance I'm not sure anyone could give".

The support organisation said that many of the smaller social enterprises who came to them seeking advice did not yet have the capacity or the right level of knowledge to fill out the required forms.

One charity CEO shared the "stressful" experience of applying for social investment from two different providers to help secure a mortgage. "I was scared to get it wrong but was also unsure of why they wanted to know everything, and it was almost impossible to get all of the information they wanted from our Trustees," she said.

2. A LACK OF CLARITY

Investees also called for more openness about the process. One contributor said that they would have liked clearer communication about the risk of taking on a loan from an early stage, saying "an early 'no' is much more helpful than a long, drawn-out process which gets your hopes up but leads to a 'no'".

Another recounted that in all of their calculations for the investment, they had subtracted 15% to leave some room for error. What they hadn't been told was that the investors did that anyway. This meant they had to sit down and work out the figures for a second time, making the process even more time consuming.

3. RELATIONSHIPS AND JOINED-UP THINKING

A number of investees described how processes could have been more joined-up, both in terms of their own internal communications and in liaising with partners.

One commented: "The investment manager we worked with helped us explore the possibilities of social investment, introduced us to other lenders and held our hand through much of the process. But they left our investor not long after the loan was agreed. I would say that our relationship is now as transactional as if we had borrowed from what I imagine it must be to borrow from a high street bank. It is a different contact each time and this feels like a pure admin reporting process. In real terms this might influence how likely we are to go back to this lender for another loan in the future – so much of this is about the person and not the organisation."

Another investee shared an experience where two social investors were involved and they had to provide "completely different information" for each: "In the end I gave up trying to give different information and gave both of them everything."

KEY ACTIONS:

• Put the human relationships first

Melanie Mills, Social Sector Engagement Director at Big Society Capital, explains: "So much of people's experience of the process is about the personal relationship and does not attach itself wholly to the organisation they work for. Sometimes investees can feel disempowered, so it's about building an honest relationship where investees feel they are empowered to ask questions."

• Bring your processes into the 21st century.

If there is technology that can speed up or ease the application process, use it. "There is plenty of technology out there that can help with due diligence," comments Julie Wake, Investment manager at Northstar Ventures. "We shouldn't still be asking people to send paperwork for things like ID and verification."

• Ask… why?

Make sure you are not asking for information for information's sake. "There is nothing worse than just doing something because that's the way it's always been done," says Julie Wake.

• Be transparent.

"It's about honest, early conversations about whether doing the investment is going to work, and if the organisation is on the edge of lending – tell them that," says Melanie Mills.

And finally, some advice for the investees…
Take your time choosing your investor! In the words of one investee, "You have got to kiss a few social investment frogs before you find your prince."

IS SOCIAL INVESTMENT DEAD WITHOUT VENTURE PHILANTHROPY?

A CONVERSATION FOR CHANGE

The pipeline for social investment will never materialise if small charities and social enterprises do not have the confidence and skills to look at the options it might offer them. In this 'Conversation for Change', delegates explored if venture philanthropy could be the answer.

Venture philanthropy, which combines flexible funding with skills support, is ideally placed to get grassroots organisations to the next stage, ready for social investment. But it currently makes up less than 10% of grant funding.

On Monday evening at The Gathering, one small room was packed full of people exploring the question: 'Is social investment dead without venture philanthropy?'

Mary Rose Gunn, chief executive of The Fore, which supports dynamic early-stage organisations, set out the problem. She said: "We believe there is a certain amount of stagnation in the charity sector. Big organisations are getting bigger and small organisations are really struggling to survive. This has led to a lack of innovation and innovation is important to solve the problems in our society."

She added that small organisations didn't have the skills and confidence they needed to access social investment. Venture philanthropy, she said could provide them with money, alongside the skills they needed to make the first step.

Participants agreed that, in some cases, traditional grants could hinder the growth of small organisations. Chris West, partner at philanthropic advisory firm Sumerian Partners, pointed out that organisations could get trapped in the "hamster wheel of finding the next grant". Others pointed out that grants were sometimes not proportionate to the needs of the organisation.

On the other hand, one participant highlighted that grant-giving foundations were often short-staffed without the resources to offer anything more than solely grant funding. There was also a mindset shift needed among trustees and staff to consider different types of finance.

One participant shared their experience of introducing 'repayable grants' to charities. A huge stumbling block, she explained, was the way it was described. "The words 'grant' and 'repayable' don't go together," she said. "They come to us at the end of the year and say, we don't need to pay this back because it's a grant. We need to term it differently and tell them why it's a good thing."

Summing up, Gunn said that the conversation had emphasised the massive need for skills support alongside funding. She urged participants to continue to collaborate to take this work forward.

PRIORITISING IMPACT

What do we mean when we say we are prioritising impact? How do we reconcile the tensions between philanthropic capital and commercial capital, and between financial and social return? Are different products such as blended or concessional finance helping us to prioritise impact or are they really just a cop-out? How is impact influencing our behaviour – from the decisions of our investment committees to the way we act when investees get into difficulties?

HOW PATIENT IS PATIENT CAPITAL?

How can we provide more patient, affordable, risk-tolerant and flexible finance to social enterprises?

The social enterprise sector is contributing £60bn a year to the UK economy and employing up to 2 million people. But could those figures be much higher with access to the right opportunities?

Social Enterprise UK figures show it typically takes 15 years for social enterprises to get to the £500,000 turnover milestone – that's much longer than for other sectors such as technology or healthcare.

Why so slow?

Dirk Bischof, CEO of London based accelerator network Hatch Enterprise, suggested a big part of this issue was access to markets. But it was also about access to finance, he said. Instead of following the textbook growth path, a typical, small social enterprise faced constant cash flow problems – and it was unclear who would fund the difficult transition from small, grant-funded enterprise, to one ready to take on major contracts, or one with a strong direct-to-consumer business model.

Many of the biggest success stories appear to have benefited from having big backers early on. One example given was apparently losing £25,000 a month in the early days while it developed its revenue model, but it benefited from a £500,000 investment over three years to help get to scale.

"How many passionate entrepreneurs are we losing, because they run out of steam in the process?" asked Bischof.

Some investors are adapting their approach. Seva Phillips, from Nesta, said the organisation's Arts Impact Fund – which is nearly fully invested – had a minimum threshold of £150,000. That's quite high for many arts and culture organisations, so last October, Nesta launched the Cultural Impact Development Fund, offering £25,000-£150,000 loans, at interest rates ranging from 5.5% to 8.5%. Those rates can be reduced if the organisation achieves pre-agreed social impact targets; organisations can also renegotiate targets during the course of the loan.

Bridges Fund Management, meanwhile, launched its Evergreen fund in 2016, a response to demand from investees for longer-term, patient capital; it's the first patient capital vehicle for investment into both mission-led businesses and social sector organisations.

Scott Greenhalgh, who oversees the fund, explained some of the reasons, as follows:

1. Certain mission-led businesses want a partner with a longer time horizon than the typical fund that seeks to invest for 3-6 years;

2. For some organisations, the idea of an 'exit' sits uneasily with them and may be something they actively don't want – for example, businesses that are (or wish to be) majority employee-owned or social sector organisations will not want a partner that needs to sell after a particular investment period;

3. In addition, Bridges feels that organisations that rely on public money for their income and/or those that look after vulnerable people, benefit from not being focused on a sale of the business after a specified period. A long-term focus generally serves the mission of the business better.

Patient capital doesn't just refer to smaller organisations, though. Large, mature organisations, can also benefit from patient finance – particularly those delivering public service contracts, which may need patient finance because of how the contracts they have are structured (up-front costs may need to be met to set up services but 'payment by results' agreements might delay payments until later).

For organisations that are asset-locked, and so unable to take on equity finance, a solution may be to move part of that organisation's work into a mission-driven business set up especially, and attract investment capital into that from a joint venture funding partner.

Alternatively, as one participant suggested, we should be "getting the best financial brains to look at getting equity investment into asset-locked organisations, rather than requiring asset-locked organisations to turn into something else".

KEY ACTIONS:

How do we get better products into the sector? Some ideas from the session are listed below.

More affordable investment could come from:

- Innovating - we could do much more with things like quasi-equity, convertible notes...
- Linking repayments to profitability, not growth.
- Offering repayment holidays.
- Doing a big education exercise around Social Investment Tax Relief (SITR): it allows investors to take more risk; its impact could be huge, but most people are unaware.
- Doing more to tell a story of social enterprises that moves away from the image as 'credit-unworthy businesses'. Sell their impact more: the power of that story will attract investors

More risk-tolerant investment could come from:

- More investment from retail investors and high net worth individuals, who are often willing to take on more risk.
- Thinking at the portfolio-level: accepting that a portion of your portfolio won't make it – and that's ok.
- Communicating a more realistic idea of likely financial returns in the sector (in terms of comparable risk in mainstream finance).
- Partnered funds: using SITR investments and match-funding these with social investment.

More flexible investment could come from:

- Ensuring investees are consulted when loans/ products are being developed.
- Thinking about management structures and types of investment as well, for example loans converting into equities.
- A key question about flexibility is where the money actually comes from.

More patient investment could come from:

- Recognising that investor motives vary (for example, a family office compared to a pension fund), as well as their liquidity needs. There are opportunities for patient capital in the right places.
- Managing expectations among both investors and enterprises: being transparent about what's a realistic return.
- Enabling more blended capital (for example, both UnLtd and Power to Change have offered grants that lead into more commercial money, or are blended with it). Equity is still a problem for asset-locked businesses, though.
- Important to note that among investees the need for patience varies; and that many need support, not just cash.

DO I WANT YOU IN MY SANDBOX?

In this debate, two 'teams' took opposing (and in some cases deliberately exaggerated) positions to explore how we could resolve the tensions between investors with very different motivations and viewpoints – those focused on philanthropic ("impact first") and commercial ("finance first") capital.

As we consider how to harness the vast amount of capital required to solve the big social and environmental challenges facing the world today, is it commercial or philanthropic capital that will make the difference? And as more mainstream funds come into the 'impact investing' space, who is subsidising who – and who should take the biggest risk?

Speaking in favour of the role of commercial capital, Shamez Alibhai, head of the Cheyne Social Property Impact Fund, said: "We have problems at scale that have been getting worse for generations, so we need solutions at scale. There isn't enough philanthropic capital or government money, so we need a way of leveraging the huge amounts in pension savings and other commercial investments."

However, taking a role in the debate to defend philanthropy, Chris West, partner at philanthropic advisory firm Sumerian Partners, pointed out that charities and social enterprises tackling the most entrenched social problems often had high-cost models with low margins and that the market was fragile and slow-growing. "This market needs long-term support in the form of grants or patient capital that reflects their actual growth trajectory," he said.

The participants highlighted a number of issues that divided the two approaches to investment.

Holly Piper, head of CAF Venturesome, warned people not to devalue the role of philanthropic capital in their quest to leverage more commercial capital into the impact investment market. Commercial capital had its limitations too, several participants pointed out. For example, start-ups in the USA's Silicon Valley were backed by public sector and government money for many years before venture capital entered to help them scale up. In the same way, Alibhai said: "There is the potential to use philanthropic capital as a way of proving new ideas, throwing them to the wind. Then private capital can really help them grow."

From the audience, the chief executive of one UK social investor countered that the Silicon Valley analogy was useful, but "what's not useful when talking about this sector is that none of these businesses will ever become the next Apple, they will never have 30% profit margins". Others agreed, highlighting that well-known social enterprises that had successfully grown, such as The Big Issue, had benefited from large amounts of patient capital backing them before they took on any type of investment.

Commercial capital had advantages too though, the audience recognised. It outpaced philanthropic organisations in its decision-making and – although sometimes it could be expensive – had a set of incentives attached to it, ensuring results.

The participants spent some time drawing up some guiding principles for using commercial and philanthropic capital, emphasising their distinct, but potentially complementary roles. Principles for using commercial capital included:

- Embedding good governance in all investee organisations
- Working for "fair returns" on capital (rather than outsized or subsidised)
- Seeking to understand areas of likely tension when making an investment into a social organisation

Principles of using philanthropic capital included:

- "Leaving every organisation stronger" – repaying social investment should be an indication that investee organisations are stronger and better able to deliver impact
- Risk-taking – philanthropic capital should be used to take higher financial risks
- Transparency
- Using "rigour as well as emotion" in the investment decisions

The debate ended on a positive note, acknowledging that the level of understanding around 'impact capital' had grown considerably. Alibhai said: "In 2013, people didn't understand impact capital. Now we are starting to see that shift. Insurance and pension funds are starting to ask for impact capital. I'm really optimistic that in the next three to five years, we are going to see more capital playing an impact role."

KEY ACTIONS:

Speaking after the event, Jessica Brown, of Barrow Cadbury Trust, said: "There is increasing recognition of the importance of the values that underpin different approaches to 'impact first' versus 'finance first' investing. It is important to be able to state what 'impact' means in social investment, and what values, principles and best practices investors should follow, otherwise we have a danger of 'impact' meaning nothing, or being simply the latest label being used to market mainstream financial funds."

Find out more:

- Impact Strategies: How Investors Drive Social Impact. EVPA researched different approaches to 'investing with impact' and 'investing for impact', exploring different investors' return expectations and risk appetite.
- Members of the Global Impact Investing Network operate with five key values and guiding principles in mind.

BRACING FOR IMPACT

How do we deal with failure? When an investment is not going well, how do investors make the trade-off between financial and social return? This frank discussion covered difficult choices and how we can develop shared values and best practices for an impact first approach to investment.

When your investees go quiet, perhaps it's time to pick up the phone and find out what's going on.

In the 'Bracing for Impact' session at The Gathering, delegates took part in an open and honest discussion about what happens when social investments go wrong.

Sharing stories of painful failures, several people highlighted the importance of communication.

One investor said of their investee: "They went quiet and this was a red flag, but none of us picked it up at the time." The investee, a social enterprise which had £3m of social investment to repay, had cashflow problems and was struggling to manage its interest repayments. However, the group of investors – which had only requested annual reporting – didn't find out until several months down the line.

Developing trust between investees and their investors was crucial, delegates concluded. And if things started to go wrong, then being honest and working creatively together could allow solutions to be found.

Another investor, who supported a charity to develop a trading subsidiary to sell a product in the commercial marketplace, emphasised how important due diligence was and the need to seek specialist analysis where necessary. "The investee couldn't compete in the commercial market and not much impact was created," she said. "We should have commissioned specialist support at the beginning."

Working together, the delegates began to co-design a decision tree of what to do when projects begin to go wrong, considering the perspectives of beneficiaries, investors, social investment intermediaries and the investees.

KEY ACTIONS:

The session hosts, Holly Piper of CAF Venturesome and Daniel Brewer of Resonance, committed to take forward work on the decision tree, which will be shaped and reviewed by the sector over the coming months.

NOTHING ABOUT US WITHOUT US

We invest into enterprises that measure their impact – but how do we know we've got it right? Who owns 'what good is' anyway? And how can we make sure our investments leave end users more capable for their own future? This discussion explored ways to ensure the end users or beneficiaries of our investments get a say and get empowered.

The gulf between social impact investors and the communities in which they invest needs to be bridged to ensure that investments meet the real needs of the investees.

"Nothing About Us Without Us" was the theme of one of the final breakout sessions of The Gathering. Co-host of the session, Cliff Prior, CEO of Big Society Capital, pointed out that the slogan had its roots in the 1505 constitution of Poland and was later taken up by disability rights activists during the 1990s.

The idea that no policy should be decided without the full and direct participation of members of the groups affected by that policy applied equally to social investment, Prior emphasised.

"We are a long way from the action," he said, adding that it was important for social investors to hear the voice of beneficiaries.

In a wide-ranging discussion, participants explored the challenges that social investors faced in trying to understand more closely the needs of beneficiaries and how they could be overcome.

Sarah Forster, CEO of The Good Economy Partnership and co-host of the session, illustrated how large-scale, government-backed investment programmes can sometimes generate a lot of data, analysing performance against targets, but this, she said, was "tick-box accountability" with no data about actual outcomes.

"There's a difference between data and insights," she said. She explained how one pilot programme had asked beneficiaries of a project in Ghana three simple questions about how their lives had changed as a result of the project to discover if social investment was actually doing good on the ground.

Investors, however, were sometimes too focused on metrics to value qualitative information, participants noted.

Another example raised during the discussion was a social investor that sent questionnaires out to members of a community to find out what difference the money was making. Few people, however, completed and returned the form. A breakthrough came when a vicar hosted a picnic and persuaded community members to chat about their experiences.

Building these trusted relationships, participants emphasised, was important, but there was a cost to investors of time and money.

One participant highlighted that "good" was sometimes defined very remotely: in the case of social impact bonds, for example, the government decided what the outcomes should be. On the other hand, social investors might assume that grassroots social enterprises would do the right thing for their communities, but this high level of trust wasn't necessarily justified.

In conclusion, Prior said: "There's a strong view that this is important, but it's difficult and there is a cost burden attached to it."

KEY ACTIONS:

- **Session host Cliff Prior of Big Society Capital suggested that collaboration between social investors could develop thinking on how to better reflect beneficiaries' views and called for interested participants to pass their names to him at the close of the session.**
- **Since The Gathering, Helen Goulden, CEO of The Young Foundation, who was one of the participants in the session, has committed to lead a working group on end-user engagement in partnership with Big Society Capital.**

WHOSE IMPACT IS IT ANYWAY?

What are we all doing to raise the bar on impact? What's the difference between our own ideas (and claims) on impact and the impact priorities of our investees? And are we giving enough thought to the real impact on the people who really matter?

From board members to investors, various stakeholders in the impact investment process can forget some quite important people – those they set up the investment to support.

This is where measuring and managing social impact comes in, argued Adam Richards, a manager at Social Value UK at this workshop session at The Gathering.

The room was divided into four tables, each representing a stakeholder in a hypothetical impact investment: the board, the investors, the management team, and the service users.

Each was asked to imagine that their investment had been used to support a 12-week employment programme – 'Employ-Ability'. The investor would be looking for a 3% financial return, and some social impact aligned to the UN Sustainable Development Goals.

The tables were asked to devise a list of questions they would ask to assess the effectiveness of the investment after 12 months.

Questions from each table were broad but as they presented their lists to the session, it became clear that the board, management team, and investors had forgotten someone – the service users themselves.

"No one went to ask the service users table what they wanted," Richards pointed out.

He continued: "The well-intentioned management team said 'We know best, we know what to ask,' and that's a pitfall: people don't involve the people whose lives are affected."

Because of this, he said, not only can the experience of service users be forgotten in decision-making, but they can be left without anyone to hold accountable for their experience.

Richards said awareness and action was growing over the importance of considering and engaging with users and all stakeholders when measuring and managing impact. But, there was still "a lack of power for those end users – they don't have the ability to hold people to account, whereas other stakeholders really do", he said.

"If the board don't provide sufficient information to the investors, then the investment can be removed. But if people's lives aren't changed as they hoped – what power do they have?"

KEY ACTIONS:

- **Asking service users for feedback** – there is a need to think of the best way of getting feedback, and the power dynamics involved, to make sure that questions are framed in a way that is more likely to result in honest answers.
- **Having a key framework of impact questions to ask from the beginning of the process** – it might be useful to develop a 'top 10' set of impact questions that are consistent but cover different perspectives.
- **Enough precision for the decision** – different levels of detail are needed from each stakeholder depending on what you are trying to achieve, so be precise enough with your questions.
- **Remember there's always work to be done.** Always scrutinise and consider changing your own practices to get the best results. There are many fantastic examples of people's lives being changed by social enterprise – good impact management can help us do that more and do it event better.

THE 'DAN SHOW'

The 'Dan Show', with hosts Daniel Brewer (Resonance) and Danyal Sattar (Big Issue Invest) aimed to challenge the audience to leave Leicester with a different way of thinking or even concrete plans to start doing something differently. As Brewer said: "It's not just about what The Gathering can do for you – it's about what you decide to do as a result."

The hosts introduced a quickfire debate – inviting selected participants to share their views on the various themes, with live polling among the whole audience to take the pulse on some major questions concerning social investors.

Below we share some snippets from each of the themes, and reveal how the audience voted.

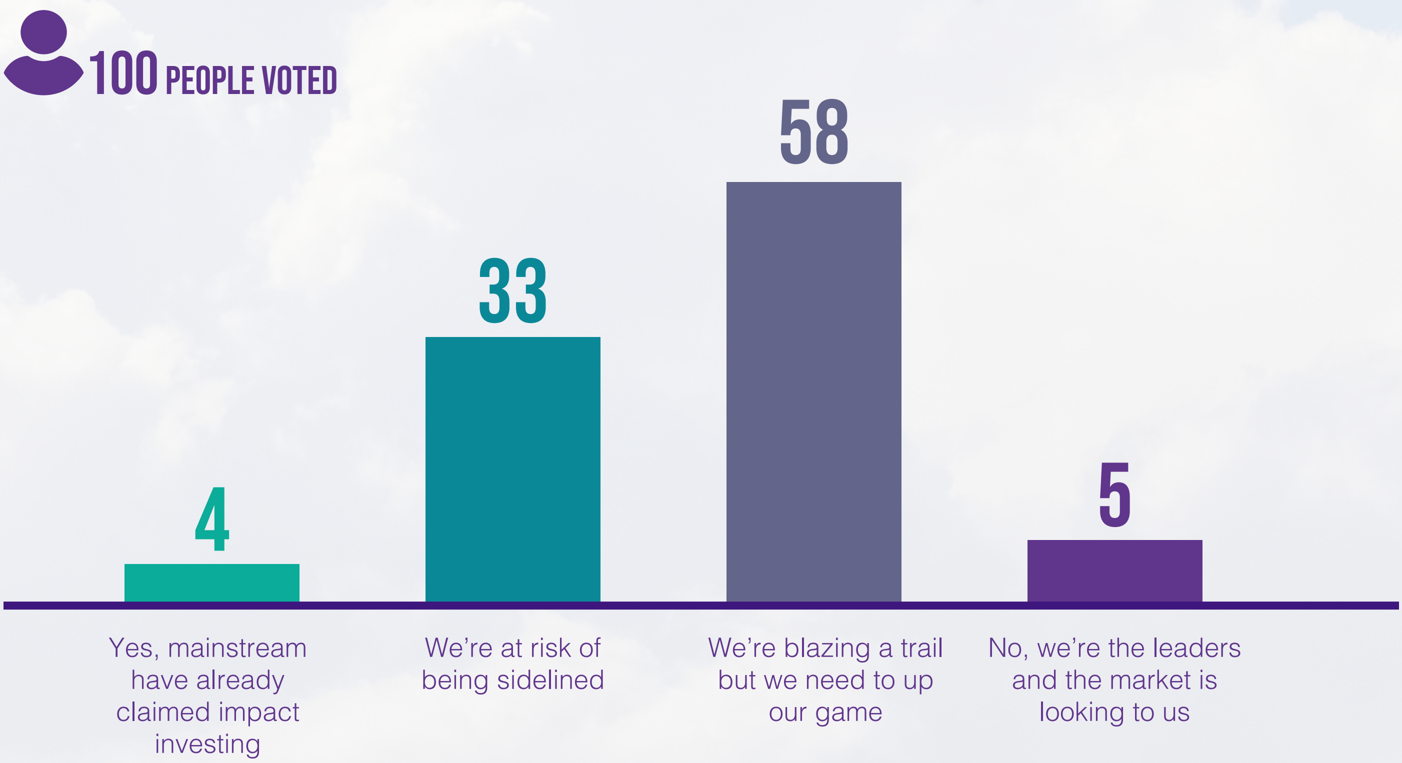
ARE WE ALREADY ALL HISTORY?

Have mainstream investors already claimed impact investing, or are we still leading the pack?

"We're blazing a trail, but we need to up our game. We 'swim with sharks' by working with mainstream investors… but we're asking them questions they'd never thought about, like: what's your theory of change? Influencing mainstream capital is systems change. I don't think we should fight them." **– social impact advisor**

"Funding [for social businesses] shouldn't be top-down, it should fit their needs - but that leaves you with a set of really quirky products that you then need to sell to the person on the street. Trying to sell a complicated product to an ordinary investor…[There's a risk] that mainstream investors will come in and fluff over the social bit." **– ethical investing platform**

"There's definitely a big, growing interest in socially responsible investment… people get excited by a product that has a story to it… But that level of mainstream interest doesn't filter down to the kinds of issues we're dealing with. There'll always be a need for those who call themselves social investors - those prepared to take a bit more of a risk" **– social investor and support organisation**



THE GATHERING FOR SOCIAL INVESTMENT

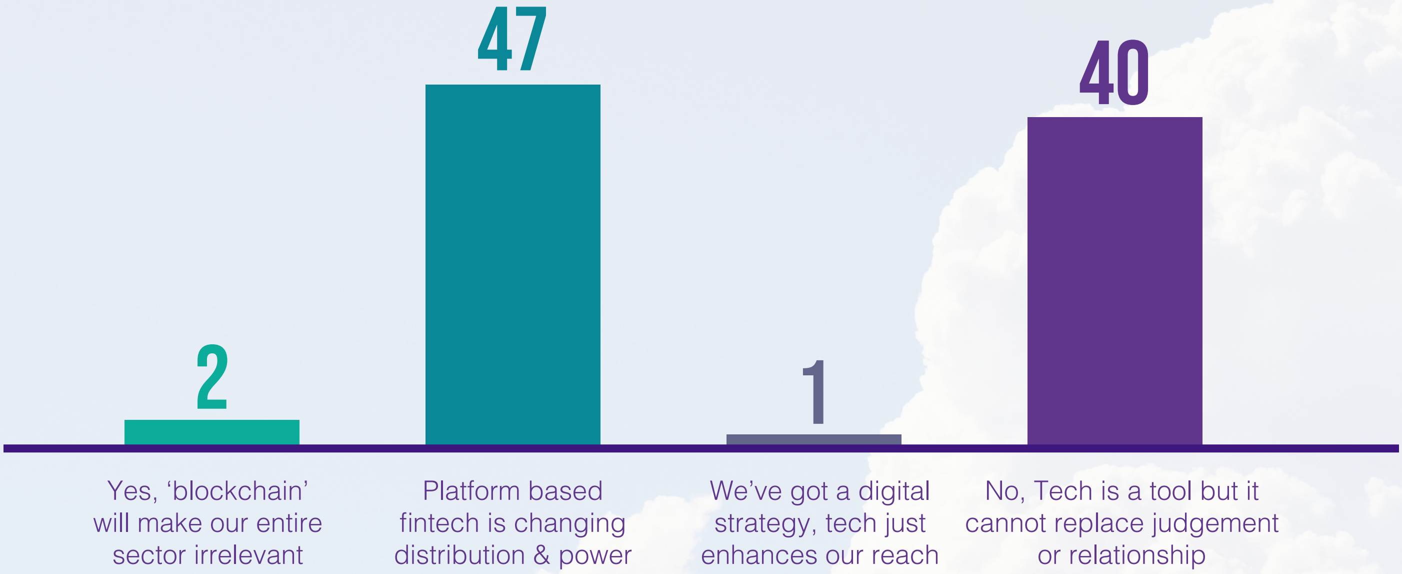
ARE WE LIKELY TO GET 'UBERED'?

Will an app one day make us all irrelevant?

"Yes! It's whether we can create the thing that creates the disruption, rather than it coming from outside with a different set of values. Uber really focused on users in a way taxi companies hadn't. It's not about tech, but about the focus on users - that's what to bear in mind. Disruptors aren't those with the coolest technology. We need more understanding of what people want from social investment." **– tech for good investor**

"Technology won't replace the power of people. Look at self-checkouts in supermarkets – there's still always a space, even if it's small, for that desire for human interaction." **– financial institution for social investment**

90 PEOPLE VOTED



FAITH, BELIEF AND EVIDENCE: HOW SHOULD WE MAKE OUR DECISIONS?

We tell ourselves we make investment decisions based on evidence; but are we actually relying more on faith and judgement than we realise or like to acknoledge? And maybe that's ok.

"How you balance trying to kickstart a new market versus supporting someone with very little track record? It's a judgement call we're always trying to make…. We look at values alignment. Unless we're as comfortable as we can get with that, we won't invest." **– financial institution for social investment**

100 PEOPLE VOTED

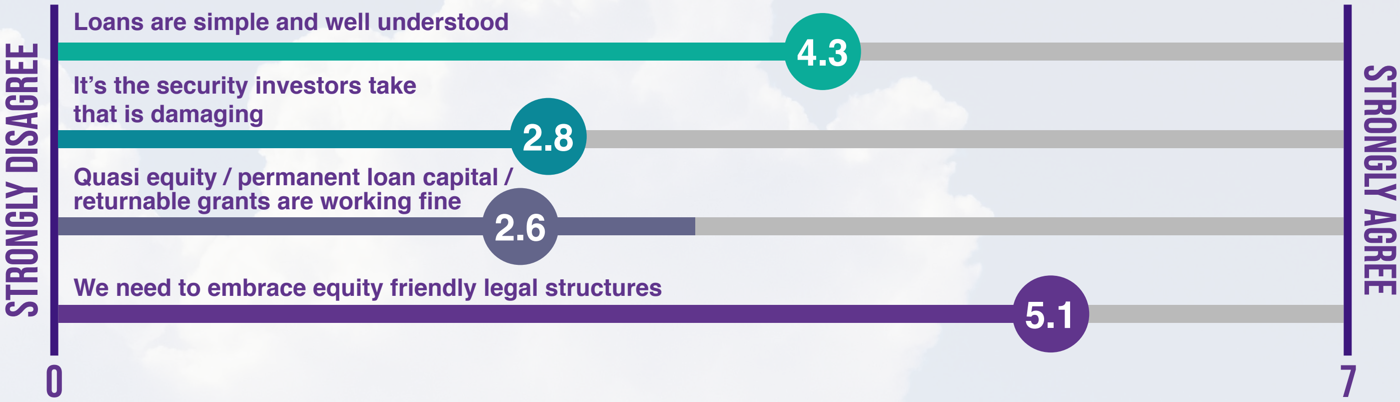
THE GATHERING FOR SOCIAL INVESTMENT

IS OUR ADDICTION TO DEBT MAKING US WEAKER?

"It's not that it makes us weaker - a lot of debt is a good thing, it means there's more capital out there. But we're limited. We need to try so much harder on equity-like investment and blending from grants into equity. We can't be satisfied with current provision. 95% of our own investment in social ventures is debt." **– social enterprise support organisation**

"Debt has an important role, but we're not thinking enough about what an organisation needs and when. Debt can move it to a certain point, but there's not enough of a pathway to bring it to scale, make it sustainable or whatever the goal is." **– social investor backed by housing associations**

89 PEOPLE VOTED



WHAT'S THE BEST INTERVENTION THAT GOVERNMENT COULD USE TO STIMULATE SOCIAL INVESTMENT?

"None of these! Or rather, all of them, but more important is convening the right people to work together in a focused way. Government can bring focus, convening power and energy to something." **– foundation**

"We've come far, but there's lots more to do. We're never going to have a fully functioning market without support. Social investment is just part of the mix. It's really difficult to implement capacity building if you don't have infrastructure, and it needs to be regionally available." **– financial institution for social investment**

90 PEOPLE VOTED

BUILDING THE MARKET

What does the 'market' look like for social investment? How does it function, what is the role for different stakeholders, and what must we do to make it stronger? What attempts are being made to build a secondary market? Are we any closer to attracting institutional investors?

BUILDING THE SOCIAL INVESTMENT INFRASTRUCTURE

How do we make social investment work better? Who's doing what to build the infrastructure, how does it fit together, and how do we know it's really helping? Who should be involved, who pays for it, and how do we build a collective sense of what's most important?

Social investment has come a long way, but most of it has focused on products and product development. This risks an under-investment in the 'infrastructure' or 'plumbing' that helps the social investment market operate more effectively. This includes things like collective work on data (to improve information on what works); shared management systems (helping intermediaries save costs and work smarter); advocacy work (helping the whole social investment sector); and local infrastructure (helping connect social investment and the organisations it is intended for).

Jessica Brown, from the Connect Fund – which was set up to help strengthen the social investment market – talked about the projects that the fund had been supporting, including Singlify (a management information system) and the open data standards project, which is hoping to help achieve for social investment what 360 Giving has done for philanthropy.

Andrew O'Brien from Social Enterprise UK, which chairs the Social Investment Forum, gave an overview of their work in convening intermediaries to work together and undertake joint policy work in particular.

Carol Botten from Voluntary Organisations' Network North East (VONNE) explained how most voluntary, community and social enterprise organisations in the country were still a long way from taking on investment – or even from figuring out a sustainable business model. Most had never met a social investor, she said – and most were located far from London, where the majority of investors have based themselves.

Botten also talked about how local-level infrastructure organisations are themselves struggling to survive, and that it is easy to dismiss social investors when facing such pressures. Converting these people and their organisations to champions of the social investment cause could have a huge impact, though. Social investors could proactively champion local infrastructure organisations, which could help change the dynamic. Similarly, looking at peer-to-peer support, and more product development that speaks to and learns from investees, would help close the gap, be it perceived or real.

The discussion then ranged more widely: for example, into how social investment intermediaries themselves require support, and on the ongoing need for a relationship to government – not only to respond to relevant consultations on regulation, but to reach out beyond the Department for Digital, Culture, Media & Sport (DCMS), and also to advocate for the patient capital and subsidy the market requires.

There was also concern expressed that many projects funded by the Connect Fund and others might not be sustainable, might not yet have a business model or would still require ongoing grant funding – and it was not clear where that might come from in all places. The question was asked as to what might be done collectively by interested parties and – put bluntly – who would pay for this infrastructure work in the medium-term?

Overall, people felt that there were several different conversations to have here – one was about the 'plumbing' of social investment, and how that is built, improved and maintained; one was about the need for pre- and post-investment support for charities and social enterprises; and one was about the disconnect between social investment and the wider sector, and the associated pressures on local infrastructure organisations.

KEY ACTIONS:

- Work together to update and share a **social investment infrastructure map.** This should help raise people's understanding of the many projects currently in progress.

- Look carefully at **what's already working well, and what's not.** For example, the Growth Fund from Access has been distributed more quickly than expected. On the other hand, dealflow data is everywhere but data on how much individual investors have drawn down is elusive. Such information would help us see who's doing their job well.
- **Convene a conversation** now between relevant players, using the map as a starting point, on how to prioritise and collectively resource key parts of infrastructure.
- Revisit leadership of the **Social Investment Forum** (currently chaired by Social Enterprise UK); encourage smaller funds in particular to get involved; and consider whether a more formal structure is needed to represent the sector, and what capacity it needs.
- Relevant people need to **get together to make a strong case for investment in infrastructure,** including in local-level infrastructure organisations – who may not necessarily be doing social investment themselves but can champion it among small enterprises with little knowledge (and perhaps distrust) of social investment.

PLAYING THE LONG GAME

Both internationally and in the UK pension funds are starting to think about allocating capital to impact but based on money actually commited, the UK is lagging behind its European counterparts. At the first Gathering in Dartington in 2017, investors and advisers came up with an idea to promote impact investment to pension funds. At this year's Gathering, delegates heard about what progress had been made.

When social investors working in the pensions sector met at the first Gathering two years ago, they discussed the concept of a collaborative platform focused on social and environmental impact investment and decided to take it forward.

Two years on Pensions for Purpose is up and running, and successfully showcasing thought leadership in the sector: Playing the Long Game brought together investment managers, intermediaries and others to consider the next steps.

Opening the session, Pensions for Purpose director Karen Shackleton talked about the development of the platform following the initial discussions at Dartington. She said: "From a standing start, I'm proud of what we've managed to achieve."

The platform now has over 40 paying members, 'Influencers', who are investment managers, lawyers and consultants using the platform to disseminate 'thought leadership' in the form of research, blogs and case studies about impact investment. Members include "mainstream" fund managers such as Aberdeen Standard and Baillie Gifford as well as "social impact fund managers" such as Bridges Fund Management and Resonance.

There are also over 60 'Affiliate' members, these are asset owners, independent investment advisers and government representatives – who sign up to access exclusive content via the site. They also receive a monthly e-mail highlighted three featured articles that have been loaded onto the platform in the previous month.

Pensions for Purpose is a not-for-profit initiative but needs to cover its costs through membership; so, while most content is public, some of it is restricted to members.

As well as creating the platform, Pensions for Purpose has been spreading the word about impact investing, with examples of investment opportunities from across the impact investing spectrum, through conferences aimed at pension funds. The Investing with Impact conference run with DG Publishing in November 2018 attracted over 120 people.
The discussion referenced recent surveys of pension funds which demonstrated growing interest in impact

investing, particularly from local government pension schemes; however, there are challenges in terms of turning these good intentions into money allocated beyond ESG and into impact, particularly opportunities impacting individuals. Challenges include scale of available opportunities, risk/return of impact investment opportunities and comfort with unknown investment managers who are often most focused on impact.

KEY ACTIONS:

- **More work is needed to offer the kind of products that would meet asset owners' fiduciary and scale requirements**
- **Fund managers from the social sector need opportunity to showcase their USP in impact investing at mainstream pensions conferences not just specialist ones.**
- **Pensions for Purpose to consider how to engage Defined Contribution pension scheme as well as Defined Benefit**

PUTTING SOCIAL ENTREPRENEURS AT THE HEART OF SOCIAL INVESTMENT

Social investment is so often led by the market and the needs of the investor, rarely the needs of the entrepreneur. So how do we establish a more supportive and inclusive market for social entrepreneurs wishing to access investment?

As the UK social investment market matures and grows, social investors face the ongoing challenge of meeting investees' needs, both in terms of providing the right products and engaging effectively with social entrepreneurs.

This session, hosted by UnLtd, saw three social entrepreneurs explaining their journey through the world of investment and offering reflections on the process.

The first, who runs a tea company working with refugees, had funded the development of their organisation through a mix of grants and investment. This included personal investment, a business loan from a mainstream bank and three lots of funding from UnLtd. Their experience of talking to social investors was that the discussions didn't seem to focus much on the social impact side of things, prompting the thought that, "Maybe refugees isn't the flavour of the month."

The second, who runs an organisation providing careers support, talked about the need for investment to be offered on flexible terms. He'd had difficulties with investors who wanted to tie the business into long-term finance when, at the time, he needed investment over a shorter period. The major investment success for the organisation had been securing a loan to match support from UnLtd's Big Venture Challenge.

The third entrepreneur, whose organisation provides behavioural mentors in schools, had received three social investments – ranging from £15k to £115k – from two social investors (one of whom had invested twice). Despite this success she agreed that, in discussions with social investors, social impact had not seemed to be the priority: "I still to this day have never been asked for anything more than outputs from investors: how many kids have you worked with?"

Questions from the floor prompted further exploration of the investee experience. One of the entrepreneurs noted that while support programmes such as Big Venture Challenge had previously been very investment focused – with participants feeling like they were in a competition to see who could raise the most – UnLtd and other support providers were now recognising that investment shouldn't be 'over-glamourised'.

Another investee reflected that social investors had taken a big gamble on them when making their initial investment: "I don't know if I would've given money to me as a 20 year-old".

A collective burst of ire was directed at impact measurement consultants funded by support providers and investment readiness programmes. One entrepreneur said they had been encouraged to take advice to develop "complicated measurement systems that are not useful at all" and that once the consultants had left, "all of that advice has been put in the bin". The entrepreneurs were focused on measuring impact but all had developed their own methods of doing so which were relevant to their beneficiaries and customers.

The session rounded up with a discussion on how social investors are or aren't funded to support social entrepreneurs through the investment process. This included acknowledgement of the thin margins that social investors have to operate on – alongside an explanation of the funding available via the Access funded scheme, Reach Fund.

KEY ACTIONS:

- **Avoid prioritising investment for its own sake.**
- **Make sure impact measurement support is relevant to organisations' needs.**
- **Both social investors and support schemes should develop flexible models for engaging with social entrepreneurs.**

PREACHING TO THE UNCONVERTED: MOVING BEYOND THE GUARDIAN READER

A CONVERSATION FOR CHANGE

How do we improve public messaging on social investment? To become mainstream, maybe we also need to speak to those who will only invest because there will be serious consequences for their own self-interest if they don't. Evita Zanuso of Big Society Capital chaired this 'Conversation for Change' – a more informal discussion – at the Gathering with Amir Rizwan of Comic Relief and Rod Schwartz of ClearlySo

The investors outside our immediate circle can be turned off by the language we use to talk about social investment. Should we adapt it to convince them?

The term "social justice", for example, can be off-putting to some: it implies there's been an injustice which some may disagree with. Instead, we should use terms like "fairness". Or, for example, follow the lead of Global Impact Investing Network (GIIN) CEO Amit Bouri, who has written in the Financial Times about the 'time value of impact' and the financial cost of inaction – clearly adopting a language that speaks to FT readers.

But are there risks to simply dropping references to core values like social justice? Will they lose weight as a result? Indeed, as Rizwan put it: "If our language is putting them off, then what is their motivation anyway?"

There's a danger of others "co-opting social cause agendas", he argued, by jumping on the easy-to-grasp, bite-size ideas that can be easily funded – but don't lead to systematic change. Short term, that might mean more money coming in, "but if [those investors] are not radically changing their approach, that's a problem." And dropping these core values would be "doing a disservice to all those who've spent decades trying to change a deep-seated issue."

Social justice is a particularly tricky one, since it's about understanding your own privilege first and then acting, said Rizwan. Investors who aren't prepared to acknowledge that may not be the kind of organisations we want involved.

And, as others argued: if we're adapting to the mainstream, who then plays the role of outliers or challengers?

But if we refuse to speak the language of the mainstream, will social investment ever succeed?

A quick poll among the audience at the start of this session showed that opinion was divided, with roughly 60% in favour of adapting our language. By the end of the debate, most of the room had been convinced.

Some time ago, ClearlySo made a decision to target mainstream investors because there simply aren't enough social investors, realising that impact investment won't be taken seriously until "we can see it from the moon". Gradually, the organisation developed a reputation as the home of for-profit investors – and had to adapt its language accordingly.

This is logical, said Schwartz, just as you can't "just shout louder in English" to a foreigner. Even within one group of investors, you'll adapt your language from one to another.

"The world right now is one full of capitalists with certain values – if we want to create impact need to talk their language or we'll fail," argued Schwartz. That's not only about short-term wins: it's also about communicating effectively now, and taking responsibility for educating and explaining to others, and bringing them gradually round to our way of thinking.

KEY ACTIONS:

How should we tackle this issue? Some suggestions that arose in the conversation included:

- Talk about social justice/equality in a way that means something to someone working in finance: **find other ways to articulate it** rather than rejecting the whole concept. For example, make it personal (your kids are growing up in a polluted city; or income inequality drives up levels of violence in your own neighbourhood, etc.).
- Bring newcomers on board with something accessible – get them onto the "first rung" of the ladder – and **then help them move up**, even if it takes a long time, by continuing to challenge them to think deeper; for example, about whole system change (while accepting that some people will never be interested in this way of thinking).
- Recognise that when it comes to ethical/ responsible investing, **some audiences respond with the heart, others with the head** – and you'll probably always have to adapt your language to speak to one or the other. Trying to do both at the same time may not work.
- Use **compelling metaphors** to better explain what you do in a way that people can relate to. ClearlySo sometimes explains itself as "a way of creating 100 JustGivings".
- Changing your language is just pragmatism if you want to raise money, argue some, but what's important is **having internal checks and balances** in place so that the core mission is clear to all staff.
- Finally, some argued that given the scale of social problems we face, such as homelessness in the UK, social investment alone will never be enough. **Bringing others on board is therefore essential.**

THE RULES OF THE ROAD FOR IMPACT INVESTING

2019 is the year when the rules of the road for impact finance are set out on a global scale – the International Finance Corporation (IFC) has proposed "principles", the Global Impact Investing Network (GIIN) has "characteristics". From the point of view of UK social investment, what would we want to see in the rules of the road? What are the principles that give impact real integrity and the opportunity to achieve for both our mission and our sustainability and growth?

Impact investing is experiencing a period of explosive growth, with the market now estimated to be worth over $500 billion. While these are exciting times for the sector they also bring the risk of loss of integrity and impact washing – meaning that lots of investors use the term without doing anything specific to achieve impact.

Cliff Prior of Big Society Capital and Jess Daggers of Nesta hosted a session on 'The Rules of the Road for Impact Investing', which considered these dangers and the steps the UK sector is taking to tackle them amidst several international initiatives.

The session began with Prior drawing an analogy between impact investment and driving on UK roads: while the number of 'car miles' driven per year in the UK more than trebled between 1960 and 2010, the number of people killed on the road dropped by 75%. This was because more effective rules for road safety were developed and observed.

For Prior, the challenge was to achieve the same with impact investment – to grow the market while developing clear and effective rules for understanding what it is and whether it is working.

The session leaders provided an overview of some of the initiatives currently being developed to ensure that impact investing can be effective and meaningful. In particular the sets of standards developed by IFC and the GIIN.

The IFC's Operating Principles for Impact Management, officially launched in April 2019, aim to "establish a common discipline and market consensus around the management of investments for impact and help shape and develop this nascent market".

The GIIN's 'Characteristics of Impact Investors' outlines a series of actions that impact investors can pledge to take, based on: intention to contribute to positive impact, informed decision making, managing impact and contributing to shared approaches.

In the discussions that followed, attendees explored the pros and cons of the specific sets of standards on offer and of the standardisation process in a general sense. Attendees also discussed the suggestion by the IFC that independent verification of compliance with their principles should become the norm.

Challenges included "shoehorning everything we invest in into that impact structure" and the reflection that "definition is good but the [specific] definitions may not be what you want". One attendee raised the point that "the GIIN rules don't say anything about additionality".

A key recurring theme from the group discussions was the need for standards to recognise the voice of service users and other end beneficiaries of investments. The session leaders felt that the IFC and GIIN standards were significant in that they took this into account while some other available standards systems did not.

KEY ACTIONS:

- **For the UK sector to consider its attitude to these standards: 'Should we sign up to them or challenge them or develop our own?'**
- **For attendees to keep discussing the issue through regular meetings and/or email discussion.**
- **Since the Gathering several intermediaries and sector organisations have flagged up the crucial gaps in the principles which have been published – and the UNDP is setting out SDG impact standards which insist on full stakeholder engagement.**

FUTURE GAZING & FUTURE SHAPING

How can we imagine and shape the future of social investment? What's happening both within and outside our direct field of vision and how will it influence our work?

AWAKENING THE SLEEPING GIANTS

Housing Associations are experts at tackling on a wide range of local issues, and other sectors would love to collaborate more closely with them – including social investors. Four housing association 'giants' have launched a new social investment fund – the Community Interest Partnership – that will provide funds for charitable organisations and social enterprises that create positive social impact within their communities. But other housing associations have not been so proactive. Are housing associations really sleeping or just not well understood by social investors? What opportunities are there for collaboration and innovation?

From mental health care to domestic abuse support, the work of Housing Associations to develop local communities extends much further than providing a roof over people's heads. So, it makes sense to partner more closely with other sectors – including the social investment market. Some of this work has begun – but there is still a long way to go.

HOUSING ASSOCIATIONS: THE LOCAL EXPERTS

Housing Associations have the knowledge and experience to address a range of social issues – from healthcare to homelessness – from a local and personal level. And this ability is something that other sectors, including the social investment market, would love to tap into.

The Housing Associations' Charitable Trust (HACT) and the recently formed Community Interest Partnership (CIP) are examples of Housing Associations building links across sectors. The CIP is an investment fund created by four of the UK's largest Housing Associations (Orbit Group, Clarion Housing Group, L&Q and Peabody Trust) to enable social enterprises and charities to grow, while HACT – which aims to develop more efficient UK housing practices – has been building more links between social housing and healthcare.

DOZING OFF

However, there is still much work for Housing Associations to do to escape their own echo-chamber. While "sleeping giants" may be an unfair generalisation, some have perhaps "dozed off" where building collaborative relationships both between each other and outside the sector is concerned.

And strengthening ties between the social investment market and Housing Associations is one area which has great potential to greatly increase impact.

"There is a real desire from social investors and Housing Associations to work together, and they often have the same goals," said Futures Programme Director at the National Housing Federation James Green – but, he continued, "we haven't quite cracked how we can work together to do that".

"Everyone finds collaboration hard," added Green. "Not just Housing Associations. Taking the right partners to identify shared problems on ground and work out practically how to collaborate is really hard to do."

KEY ACTIONS:

How can the social investment market and housing associations work together more closely?

- **Through finding shared values.**

James explained "It's about falling in love with the problem – what's the shared problem these organisations want to solve? That's what we find has been most helpful in collaboration."

- **By making it worth each other's while.**

"It should be values AND value," added one investor. Housing Associations and social investors should also work out how they can further each other's development, and be valuable to each other in more ways than one.

- **Becoming more visible on both sides is also important.**

  - Firstly, many social investors don't understand Housing Associations, and the breadth of services that they offer. One investor said: "Housing Associations have suffered as being seen as different things to different people, they are both connectors and service providers, so where do the investors fit in?"

  - On the other side, Housing Associations might not realise how diverse social investment can be. Another investor commented: "From small social enterprises to million pound investments, social investment is very diverse. How do we make that transparent and accessible to Housing Associations? Maybe not another leaflet or guide… but what's an effective medium? There are things working, but how do we talk about it?"

IMPACT IN THE CITY

There has been lots of talk about 'place-based investment' – what is happening in practice on the ground? With Bristol as the central case study, this session explored how a collaborative approach to investment in places has the potential to promote systemic change, that goes beyond outcomes-driven interventions, and the conditions needed to make this happen in practice on the ground.

In recent months, Bristol has been somewhat of a front-runner in terms of place-based investing. Through supportive public and social infrastructure, it has established City Funds – a new impact investment tool looking to mobilise resources locally and advance the role of impact investing to address structural inequality and tackle entrenched poverty.

The development process of this fund did not come without challenges but the stakeholders involved outlined what they believed to be the five key conditions for place-based initiatives to succeed. Leadership; collaboration; clarity; a willingness – and permission – to fail; and the right skills, organisations and structures all need to be present to successfully catalyse a change at both a citywide and community level.

In the example of Bristol, there has been strong leadership from the City Mayor, whose office has been a cornerstone in the creation of the City Funds, alongside Quartet Community Foundation and Bristol and Bath Regional Capital. These lead stakeholders have worked to build relationships of trust across both the community and business sectors in the city, to foster an approach of collaborative working. This has included gatherings every six months around the broader One City Plan to use the collective power of Bristol's key organisations to reach a shared vision for the city.

It is the One City Plan that has given the fund its clarity. There is recognition that a place-based approach needs to be adaptable – "the plan must be a living and breathing document" – allowing the city to align with emerging needs and new priorities. But there is merit in laying down an aspiration and vision for all involved to aim for as a collective. And with that, there must be a shared willingness to try new approaches and permission for those to fail. If you continue to work the same way, you will achieve the same result. To change the tale of two cities in Bristol they must innovate, and with that comes the risk of failure.

Big Society Capital has recognised the power of place too. The learning it has gathered from place-based initiatives globally highlighted that while funds like this aren't a solution to problems in and of themselves, they have the capacity to grow to a sizable scale, capable of instigating change in some areas.

Bristol still has some major hurdles to clear in order to create a fully place-based solution owned and driven by communities themselves. There is still work to be done to shift the mindset of some in the community sector to see the opportunities available through investment but this must be backed by enterprise development support to be effective.

As with the social investment landscape more broadly, diversity needs to be improved. Research from the Black South West Network, supported by the Connect Fund, found that while 92% of BAME-led organisations want to generate and grow their income, this is not reflected in the number of organisations receiving investment. Accessing finance, challenging negative stereotypes and networking opportunities are all still issues of concern for BAME-led organisations.

The City Funds approach will be hard to measure – not only is it very broad but places don't develop in linear fashions, especially given changing political and societal contexts. Bristol will need to capture good stories that convey what this type of approach looks and feels like in practice. But for now they feel they have the right ingredients in place to move social investing into the city.

KEY ACTIONS:

- **Place-based investment initiatives should consider five key conditions when developing funds: Leadership; collaboration; clarity; a willingness to fail; and ensuring the right skills, organisations and structures are present.**
- **Positive action must be taken to improve diversity around accessing finance for BAME-led organisations.**
- **Place-based initiatives must consider how they measure success.**
- **Work is needed to shift the mindset of the community sector to embrace investment opportunities.**
- **This work must be backed by enterprise development support to be effective.**

HEADLINES OF THE FUTURE

In this session, delegates discussed their biggest hopes and fears for social investment – in the form of potential headlines in the sector magazine, Pioneers Post. Working in groups, they used collage to create a series of imaginary headlines, and then voted on their favourites.

WHAT ARE THE HEADLINES WE'D MOST LIKE TO SEE IN FIVE YEARS' TIME?

MOST POPULAR:

Social investment solves rough sleeping crisis says PM

OTHERS:

"SITR to solve homelessness"
"App uses blockchain to disrupt impact investment"
"Pension funds divest from fossil fuels to social investment"
"Billions for social investment raised from leading women investors"
"Ethical investment funding overtakes mainstream funds"
"Meg dazzles in Dior, divests from oil and invests in Charity Bank"
"What are you waiting for? Invest social, it really matters"
"The mainstream future is good social business"
"FTSE carbon footprint up 5.259 points"
"Pioneers Post 100 Impact List"
"UK poverty defeated"

WHAT ARE THE HEADLINES WE'D BE MOST FEARFUL OF SEEING?

MOST POPULAR:

Fury grows over major charity collapse following social investment debacle

OTHERS:

"Social impact heroes let whole country down"
"Social investment ponzi threatens global impact investments"
"Community shares caused collapse of City"
"Fears as social property fund supports human slavery, finds national enquiry"
"Up in smoke: Terrorists target impact investors at The Gathering"
"Big Society Capital days are numbered"
"Retail investors done up like Kepa"

APPS, PLATFORMS AND UNINTENDED CONSEQUENCES OF THE TECH REVOLUTION

How healthy is the tech for good sector? Who's helping to fund it? And what should we be focusing on when it comes to data? This session, hosted by Vinay Nair from Lightful – with Paul Miller from Bethnal Green Ventures, Lisa Ashford from Ethex and Maarten Rooney from Singlify – explored some of the issues around social ventures in the tech space.

"More and more founders are wanting to address social problems," said Paul Miller, managing partner and CEO at Bethnal Green Ventures (BGV), an early stage investor in ventures that use technology to improve people's lives, and which has invested in over 100 companies since 2012.

The quality of these start-ups is also better than ever, he said, thanks to a maturing tech scene in the UK. In addition, with the big tech sector suffering its annus horribilus recently, some are leaving large firms to start their own more purposeful venture.

Part of the draw is that tech has become so accessible. "You can move so quickly if you leverage existing technology – you don't need to spend lots of money or time building something new," said Maarten Rooney, cofounder of Singlify, a start-up that has created an investment management system for social investors. Singlify's technology is built on the Salesforce platform, allowing it to get quickly to market without the need to raise huge amounts of funding or put a large development team in place.

FUNDING GROWTH

Easy enough to get started then, but how easy is it to grow?

Companies that have had startup funding from BGV have gone on to raise £64m of follow-on investment – but less than half of that appears to come from self-identified social or impact investors. Partly that's about availability: there are far more tech seed funds available than impact/social investment seed funds, meaning many BGV alumni go for more conventional funding.

Many startups raise £150,000-£300,000 through SEIS (Seed Enterprise Investment Scheme) tax relief after BGV, but it takes "too long", said Miller, and few social investors get involved at that stage: "They get beaten to it by angels, who are willing to move faster."

Ethex, which allows individuals to invest directly in ethical businesses, doesn't usually get approached by many tech companies, said CEO Lisa Ashford, possibly because they "get snapped up by VC-type money" before looking into ethical investing options.

Social investors could play more of a role in addressing the 'missing middle' (post start-up) phase, but this requires a very patient approach and perhaps a different approach to risk and return, since in a portfolio of 10 companies, maybe eight will fail.

On the other hand, social ventures can struggle to win over mainstream investors. Early on, Rooney approached fintech venture capitalists, he said,"but they weren't immediately interested in investing as our addressable market was too small… They wanted a 10x return within a couple of years. We know we can build a sustainable business, but not at that rate." (Ultimately, Singlify found a funder in the Connect Fund, which aims specifically to invest in growing the social investment market.)

Individuals can also provide a big source of capital. Ethex has used its platform to raise £70m from individual investors, and Ashford said Ethex users have "got used to a certain type of product": typically they like the renewable energy sector and investment opportunities that offer tax relief. But investing in a tech startup, she said, is "a completely different proposition" that requires a different mindset.

BGV is launching a new fund for individuals using the EIS (Enterprise Investment Scheme) and SEIS tax reliefs; this will allow people to invest in the same companies but on an annual basis. It has prompted a lot of interest already.

Lightful, a technology company for social good that offers a social media management platform and wider digital consultancy specifically for charities, social enterprises and foundations, successfully raised over £4m, partly through SEIS and EIS. CEO and co-founder Vinay Nair said entrepreneurs need to understand what investors are interested in. "We talk about impact, and investors want you to talk about the business model and understand how growing impact positively reinforces the financials."

Who is investing in the investors? When BGV started out, said Miller, "it was really difficult to get anyone interested in investing in tech for good." It's still tough to raise institutional capital, he added, but at least today "people definitely understand it better."

FINDING THE RIGHT STRUCTURE

Tech for good companies face a tricky decision when it comes to choosing a legal structure, and often face pressure to set themselves up as companies limited by shares (CLS). "Technology moves so fast so you need to be able to pivot quickly, depending on what's happening around you," said Ashford. Choosing an asset-locked structure, such as a community interest company (CIC), means potentially missing out on significant investment to help scale.

BGV only supports companies limited by shares, partly because of this. "We've found that it's easier to raise that quick money if you're a straightforward CLS," said Miller.

Yet social investors still feel uneasy about supporting CLS companies because they are seen as susceptible to mission drift.

"We can see that the company is doing something good but it's also quite commercial. Is that ok? It should be fine, but how do we get comfortable with that?" asked Ashford.

BGV has an approach for mitigating against this, said Miller, which involves the ability to easily divest from companies should they deviate from their stated social or environmental purpose. Singlify, meanwhile, found the solution in using Purposely, a tool that helps CLS companies adapt their company articles to reflect its social values. And one participant pointed out that – given that some major technology firms are actually increasing inequality – a cooperative form, where users become co-owners, would be another way to ensure it really is tech for good. (Cooperatives can also take on equity in the form of community shares.)

A DATA WASTELAND?

Despite advances, some in the sector see social enterprises and investors as still living in a "data wasteland", with many of us lacking the necessary skills or using data that's hard to capture.

In fact, those who have the best sense of how people's lives are changing are the big tech companies (one of the reasons some argue it's best to engage with them, not avoid them).

There are some bright spots. Ethex shares aggregated investor motivation data and investor behaviour data for companies looking to list offers on the platform. BGV ventures typically integrate data into their business model, said Miller: "Once they get to scale, they get to point where can recommend changes to services based on data they've gathered."

The work of global social investor Acumen on data is particularly significant: the organisation is trying to better understand the end impact of ventures on beneficiaries, and is currently at the stage where it can collate data and create benchmarks for different sectors, not just investee companies in its own portfolio.

KEY ACTIONS:

- Investors should embrace **the full spectrum of 'tech for good'**. It's easy to get pulled into what's fashionable, but technology is a very broad sector – from companies building more sustainable, long-lasting mobile phones to software technology for off-grid solar home systems helping to support last mile distribution – so keep an open mind.
- **Engage with, rather than turn our backs on, the big tech firms**, all of which have recently started for-profit tech for good programmes. They're also playing a very important role in driving down the cost of starting a start-up.
- The **VC sector** is in "complete flux"; it's worth engaging with people here too, and helping to shift them towards more investing for impact.
- **Patient capital** is needed for tech companies to do good – they typically need investment for a 10-year period rather than five years.
- Social investors should consider what role they can play in **turning data into a public good.**

WINNERS TAKE ALL

A CONVERSATION FOR CHANGE

In this early evening discussion at The Gathering, social investors explored the challenges raised by Winners Take All, Anand Giridharadas's book on the wealthy elites and social change.

Anand Giridharadas's book Winners Take All has provoked significant debate and, in some cases, soul searching within the philanthropic and social change sectors.

Giridharadas uses the term 'Elite Charade' to describe a range of activities led by rich, powerful people designed to tackle social problems in ways that – in the author's view – avoid any challenge to their own wealth and power.

The book challenges business leaders such as Facebook boss Mark Zuckerberg for trying to make the world a better place through philanthropy while, as Giridharadas sees it, making the world worse through his core business activity: "Zuckerberg wants to cure diseases but his business is his plague."

Unsurprisingly, impact investors are among those singled out for criticism in the book and Alice Millest, of the European Venture Philanthropy Association (EVPA) and Arts Ventures, initiated a discussion on what messages it could have for the sector.

The discussion looked at the topic from a range of angles, including the relationship between investment and power, and whether it is possible to have 'clean' sources of money. For some, persuading rich investors to put money in social investment was part of a longer process with one participant asking: "How do we start from something that's possible today and nudge it to utopia?"

There were differing views around whether or not it would be better for wealthy individuals to pay more tax rather than put money into social investment. And discussions also considered how social investment could be channeled to create "a better form of capitalism" that provided more equal outcomes to begin with – leading to a reduced need for taxation or philanthropy. It was thought this could include measuring the impact of mainstream businesses or creating a takeover fund to take private businesses in the social sector.

While not explicitly stated, the underlying conclusion seemed to be that social investors shared many of Giridharadas's concerns – but felt that, with a combination of pragmatism and a strong focus on social impact, it was possible to find ways to repurpose some wealth and power for social good.

“It is certain we will fail if we do not listen, collaborate and learn from our mistakes. Ultimately, the answer depends on the actions that each of us take.”

THE GATHERING STEERING GROUP 2019

THE GATHERING STEERING GROUP 2019

Jessica Brown, Chair – Connect Fund Manager, Barrow Cadbury Trust

Daniel Brewer – CEO, Resonance

Natalia Fernandez – Investment Manager, Big Issue Invest

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