

# Fund Management Social Enterprise Investment Fund

2018/19



Annual Report

# Table of Contents

Table of Contents	2
Disclaimer	3
Big Issue Invest: Mission	4
Our Values	5
Letter from the Chair	6
Investment Portfolio	8
Social Enterprise Investment Fund I Timeline	9
Geography of Investees	10
Fund Summary	11
Social Impact Summary	12
Social Impact Methodology	15
Impact Framework	16
Our Work Towards the Sustainable Development Goals	17
Our Learning So Far	18
Sandwell	19
London Early Years Foundation	21
Co-wheels	24
HCT Group Ltd	27
Herefordshire Mind	30
Directors of the General Partner	32
Investment Advisory Committee	33
Fund Management Team	34
Fund Information	35

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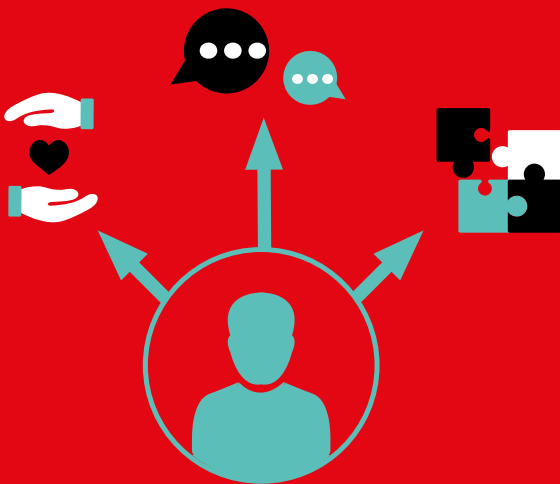
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# Big Issue Invest: Mission



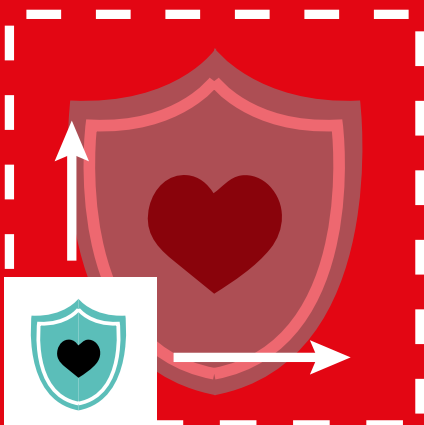
## Big Issue Invest: Mission

To dismantle poverty by creating opportunity through self-help, social trading and business solutions.



## Big Issue Invest Fund Management: Mission

To grow the social investment sector and achieve positive social benefits for vulnerable and disadvantaged groups in the UK.



## Social Enterprise Investment Fund: Mission

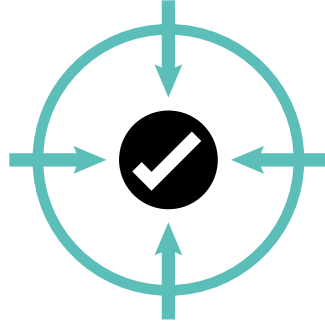
To provide growth capital to early and later stage social sector organisations with the potential for social growth and significant social or environmental impact.

# Our Values



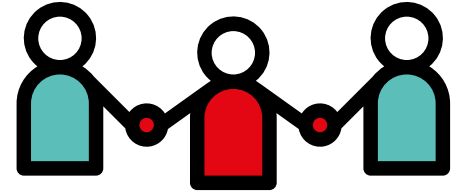
## We believe in prevention

We invest in and partner with organisations that tackle the root causes of poverty and inequality.



## We believe in social enterprise

We create and support business solutions that provide organisations with the tools they need to make a positive impact in people's lives.



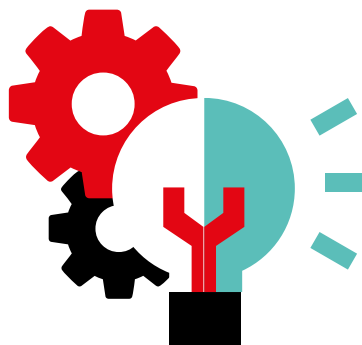
## We believe in working together

We work closely with our investees and seek to build long-term relationships. This enables us to offer tailored support and solutions.



## We believe in doing the right thing

We take risk seriously and manage it prudently. We prize fairness and diversity and always act with integrity.




## We believe in innovation

We are bringing the mainstream to social investment. We strive continually to create new business solutions to deliver social change.



# Letter from the Chair





**This has been another successful year for Big Issue Invest Social Enterprise Investment Fund LP ("SEIF I"), Big Issue Invest's first social investment fund. The Fund is fully invested. It has returned 63% (£5.8m) of its original committed capital to investors and has made its third annual income distribution. This capital has been used to support 21 remarkable social enterprises across the UK which, in turn, are helping support more than 550,000 beneficiaries with much-needed services and products. This pioneering fund continues to lead the way in showing how investing in social businesses can deliver both financial returns and outsized social impact.**

No further capital disbursements have occurred in 2018/19 or are planned from SEIF I, leaving the total amount disbursed by the Fund since inception at £8.73m.

We continued to see full repayments of investments, such as Stramash and Futureshapers and three of the four Big Lottery 'Fair Chance Fund' investments. One further investee, Co-wheels, has made a full repayment of our loan post-March 2019.

As at 31 March 2019, the fund has returned 63% of original committed capital to investors in the form of capital and income distributions. The fund continues to make periodic distributions of capital to investors, having returned £1.8m in the year ended 31 March 2019 and almost £5.4m since inception. The fund made its third annual income distribution this year of £84,600, bringing the income distributions made to date to £399,000.

I am pleased to report that thanks to the success of SEIF I, combined with its successor fund SEIF II and the BII Outcomes Investment Fund, BII Fund Management ("BII FM") is now managing £37m as of 31 March 2019. This makes BII FM one of the leading dedicated social investment impact funds in the UK. I am particularly pleased that the newest Outcomes Investment Fund is gaining real traction. This fund is focusing on investments into Outcomes-Based Contracts (also known as 'social impact bonds'), a new and rapidly growing segment of the social investment market.

This continued success and growth has given both BII FM and the wider UK social investment market a solid springboard for continued expansion of both the supply of and investor demand for investment products that offer both a financial return and positive social impact. While we are pleased with this progress we are also acutely aware that there is still much work to be done to mainstream impact investing in the UK.

I would like to thank the members of the Investment Advisory Committee, our Fund administration team at NCM Fund Services, the investment team at Big Issue Invest, our Non-Executive Director appointees and, of course, the hard working and innovative social entrepreneurs of our investees and their teams for all their achievements during the period.

***Vaughan Lindsay  
Chair***





# Investment Portfolio

Investees*	Investment Type	Beneficiaries	Capital outstanding
Sandwell Community Caring Trust	Fixed Rate Loan & Rev. Part.	Health & Social Care Employment & Training	£543,750
London Early Years Foundation	Fixed Rate Loan	Children	£473,214
Co-Wheels CIC	Fixed Rate Loan & Rev. Part.	Community Transport	£95,276
Fair Chance Liverpool & Knowsley **	Outcomes Based Contract	Homeless people	£29,999
Futureshapers **	Outcomes Based Contract	Young people	£350
HCT Group Ltd	Fixed Rate Loan & Rev. Part.	Community & Transport	£358,327
Herefordshire Mind	Fixed Rate Loan	Physical health & people with disabilities	£1,603,456
Total			£3,104,372

\* as at 31 March 2019

\*\* Investments that have been finalised but the equity is still outstanding



# Social Enterprise Investment Fund II Timeline

2010	<p><b>June</b> <b>Launch of the Social Enterprise Investment Fund II</b></p>	<p><b>November</b> <b>£500,000</b> HCT Group (first investment)</p>
2011	<p><b>March</b> <b>£100,000</b> Cool2Care</p> <p><b>October</b> <b>£50,000</b> Firestation</p>	<p><b>August</b> <b>£100,000</b> MyTime</p> <p><b>December</b> <b>£250,000</b> Housing Action Limited</p>
2012	<p><b>January</b> <b>£500,000</b> 4Children</p>	<p><b>December</b> <b>£460,000</b> Highland Home Carers</p>
2013	<p><b>March</b> <b>£250,000</b> SCA</p> <p><b>June</b> <b>£725,000</b> Sandwell Community Caring Trust</p>	<p><b>March</b> <b>£250,000</b> Thames Reach</p> <p><b>August</b> <b>£700,000</b> Moneyline</p>
2014	<p><b>January</b> <b>£125,000</b> Goodwill Solutions</p> <p><b>June</b> <b>£160,000</b> Co-wheels</p> <p><b>December</b> <b>£81,987</b> capital disbursed to investors</p>	<p><b>May</b> <b>£625,000</b> London Early Years Foundation</p> <p><b>July</b> <b>£927,577</b> capital disbursed to investors</p> <p><b>£805,000</b> Fair Chance Fund</p>
2015	<p><b>March</b> <b>£350,000</b> capital disbursed to investors</p> <p><b>June</b> <b>£48,719</b> capital disbursed to investors</p> <p><b>July</b> <b>£121,528</b> capital disbursed to investors</p> <p><b>August</b> <b>£1,625,000</b> Herefordshire Mind</p> <p><b>December</b> <b>£907,026</b> capital disbursed to investors</p>	<p><b>£1,075,000</b> HCT Group (second investment)</p> <p><b>£350,000</b> Sheffield Futures</p> <p><b>£180,000</b> Stramash</p>
2016	<p><b>July</b> <b>£60,602</b> capital disbursed to investors</p> <p><b>December</b> <b>£512,958</b> capital disbursed to investors</p>	<p><b>October</b> <b>£191,175</b> profit disbursed to investors</p>
2017	<p><b>January</b> <b>£65,963</b> capital disbursed to investors</p> <p><b>December</b> <b>£287,178</b> capital disbursed to investors</p>	<p><b>March</b> <b>£148,465</b> capital disbursed to investors</p>
2018	<p><b>June</b> <b>£1,296,442</b> capital disbursed to investors</p>	<p><b>December</b> <b>£416,043</b> capital disbursed to investors</p>
2019	<p><b>March</b> <b>£84,635</b> profit disbursed to investors</p>	

# Geography of Investees



# Fund Summary

The Social Enterprise Investment Fund II (SEIF II) seeks to provide creatively structured medium-term growth capital to organisations with clear potential for growth, financial sustainability and social impact.

The Fund is a closed-ended limited partnership. Big Issue Social Investments Limited is the General Partner and a subsidiary of Big Issue Invest (BII), part of The Big Issue Group of companies. Since 2005, BII has been pioneering the financing of social enterprises. Big Issue Invest Fund Management (BII FM) is responsible for investment sourcing, due diligence, structuring and monitoring of investments. The Fund's focus is on investing in organisations that are using innovative, socially driven and sustainable business models to improve the lives of the most disadvantaged individuals and communities.

Specifically, the Fund aims to: provide social impact capital financing to eligible social sector organisations with the potential for growth and significant social or environmental

impact; create a professionally-managed, best-in-class investment fund for socially-minded investors looking to make a social difference and secure a financial return on their investment; demonstrate the viability of social enterprise investment to mainstream investors so as to increase the long-term impact.

The fund aims to focus on six core investment themes: employment and training for disadvantaged and marginalised groups; education for children from low-income families and communities; financial inclusion for those unable to access the mainstream; social care, particularly for the elderly and disabled; tackling homelessness; and community and sustainable transport.

Beyond these core impact areas, the fund has a wider socio-economic impact. The impact includes: creating jobs, enabling economic development in disadvantaged areas and raising the bar on employment standards.

## Summary of Business – Support Services Offered by Big Issue Invest

BII has been investing into social enterprises since the inception of SEIF I in 2010 and has gathered nearly a decade of experience and knowledge in providing flexible and patient finance to social sector organisations. BII has been and is working closely with the social sector organisations to finance and support their growth, sustainability and impact ambitions through a close relationship from the initial meeting through to the last day of our investment.

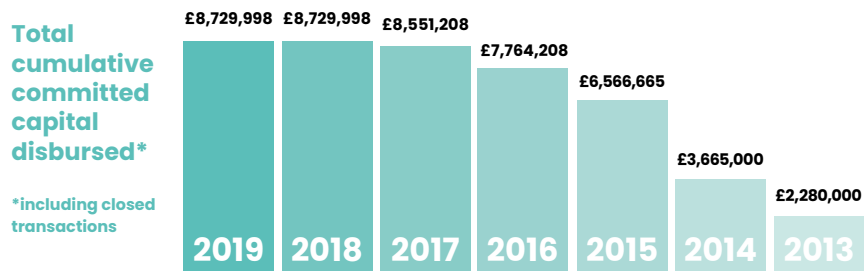
In addition to providing flexible and patient finance to social sector organisations, our investment team provides aftercare and performance management, including board representation and support for the delivery organisation(s) with performance and contract management to facilitate the development and growth of the investee businesses.

**£420,476**  
average investment per investee

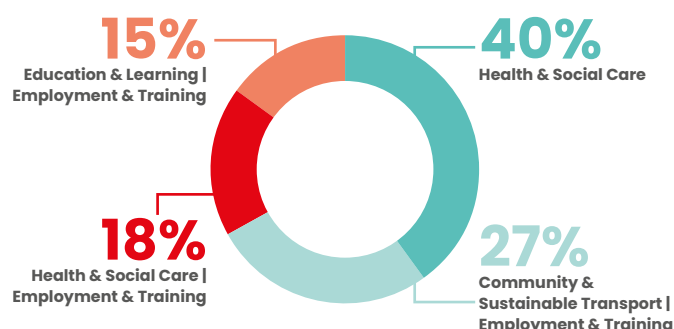
**£8,729,998**  
total invested into current investees

**21**   
different investees funded

number of  
current  
investments **4**



**Current investment portfolio split by social sector**





# Social Impact Summary

The Social Enterprise Investment Fund (SEIF) has invested in a wide variety of sectors across the target social outcome areas that BII focuses on. From a social impact perspective, SEIF has been leading the way for its successor fund – the Social Enterprise Investment Fund II (SEIF II), which continues to evidence positive social impact for vulnerable and disadvantaged individuals and communities across the UK.

Forty per cent of the outstanding portfolio within SEIF is invested into the health and social care sector, supporting investees to provide life-changing care and support to individuals living with physical and learning disabilities through a variety of services. The invested capital that remains within the fund is split across education, employment and training, and sustainable transport, showcasing the wide-ranging impact that SEIF has had and continues to have as investments are being repaid. The purpose of SEIF II builds on the aims of the SEIF by providing finance to social sector organisations for them to scale and deliver their services to as many individuals as possible, while also demonstrating the viability of social investment to mainstream investors, increasing the long-term availability of capital for social enterprise development.

The below impact summaries by sector outline where the SEIF II is currently most concentrated. This demonstrates the long-term impact that SEIF I has had on the direction of future funds of Big Issue Invest and where impact is being directed.

## Financial Inclusion

The SEIF II is invested in a total of four Community Development Finance Institutions, providing loans and advances significantly undercutting the rates provided by high-cost, short-term credit providers. Over the last 12 months these investees have made over £19m of credit available to individuals who would otherwise end up with a high-cost credit provider, pushing them deeper into a cycle of debt. Financial responsibility is built into the operations of our financial inclusion investees and in doing so offer services such as debt advice, encouragement to open a savings account and support to individuals with limited or no credit history advising when to take out short-term loans.

## Health & Social Care

Quality provision of health and social care makes up 57% of the total committed investments in the SEIF II portfolio. Our investees provide this care for many beneficiaries. Two long-term investees in our portfolio, Be Caring, based in the north-east of England, and Cornerstone Community, in Scotland, continue to provide high-quality social care for older people and people with disabilities. Both organisations consistently receive positive reviews from users of their services. Another recent investee,

Smile Together CIC, added to our portfolio in January 2019, is aiming to reduce health inequalities focusing on the provision of dental care to underserved communities in the south-east of England. They also provide preventative education programmes for more than 60 schools in the local area.

## Employment & Training

The focus of the SEIF II is in growing and scaling successful social businesses and charities to improve their capacity and ability to better serve communities and the individuals that they are designed to support. This fund actively seeks out enterprises that are unlikely to be able to access mainstream finance, those operating within underserved markets, and those targeting the most complex societal problems. With a diverse range of services within the portfolio, SEIF II is aiming to be a source of funding for those organisations who have the ability and skills to deliver a fantastic service, but for a multitude of reasons cannot access the finance that larger or more established organisations can. One of the most successful investees in our portfolio is Mental Health and Employment Partnership, which has facilitated the support and employment opportunities for more than 1,800 people with severe mental health needs.

## Community & Sustainable Transport

Aside from these core investment themes, SEIF II has also invested in creative arts education through Big Creative Education and Village Underground, two amazing enterprises working to support young people from deprived areas of North London gain experience and training in the creative arts and music industries. Other areas of impact covered across our portfolio are community transport and tackling homelessness. Transport provider HCT last year provided over 200,000 trips to disadvantaged individuals, while Changing Lives in Newcastle are working with entrenched rough sleepers to provide housing, mental health and addiction support, and future training opportunities. The impact of the fund is extensive and far-reaching in terms of sector, geography and beneficiary.

## Social Impact Areas Covered by SEIF I



**Health & Social Care**



**Education**



**Employment & Training**



**Tackling Homelessness**



**Financial Inclusion**



**Community & Sustainable Transport**







# Social Impact Methodology

**Ensuring that BII is investing into the most impactful social sector organisations and service models is of vital importance to the mission of the fund. To support this, we have an internal impact framework and extensive social due diligence process, through which we assess the depth of service and strength of social need.**

Our impact framework considers a multitude of factors when assessing an investee for social impact. One of our impact pillars assesses how responsible an organisation is on an individual, community and sector-wide basis. This means that through our social due diligence process organisations are checked to ensure they are not acting in an environmentally irresponsible manner. It also informs us of any activities the organisation is undertaking that might negatively impact the community or wider environment in which they are operating.

The first strand of impact assessed by BII in this process is the organisation's impact on people and communities. Using our impact framework, the first step will always be to ensure there is a deep social need for the investment and that it will be used for a social purpose.

The second strand of impact aims to review the potential changes the investment could make on a systemic level. We assess how the organisation works in the wider social sector and what it is about their activities that makes them different, and whether we have the potential to invest in something that could change the way future services are run and the way complex services

are provided for vulnerable individuals. This assessment also involves ensuring the organisation has the capacity to take on an investment and shows us whether providing the capital puts the organisation or their beneficiaries at risk of a detrimental position in the future.

Impact measurement is equally vital to the social due diligence process. It ensures the social outcomes are achieved and provides an evidence base for the social investment and social sector more broadly of how successful social investment can be for both investee and investor. Portfolio monitoring provides new opportunities for charities to develop sustainable models and develop new streams of income or grow their activities so they can reach far more individuals who need their services. The impact on an individual level is measured through regular reporting from our investees and consistent communication is established through portfolio monitoring; at any point in time we are kept abreast of performance or operational issues. BII sits on an advisory board for many of our investee companies which provides both experience and understanding of their activities.

Wider impact is monitored at a fund level to see which social outcome areas BII is leading within and how changes within different social sectors will impact on our investees activities. Learnings are also shared across investees where there are similar delivery models or social aims so that all stakeholders are best placed to tackle any challenges and resolve them successfully.

To ensure that BII is following its mission and the team is investing in contracts that reflect these goals, we have an internal impact framework and an extensive social due diligence process to assess the depth of service and strength of social need (shown below). The strength of the social impact thesis and model is key to a decision of whether Big Issue Invest Fund Management will make an investment or not.

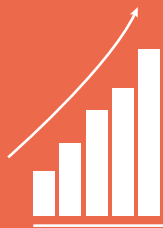
Our detailed social due diligence process ensures organisations can effectively achieve the projected social aims and that each investee has the capacity and experience to take on social investment without there being a negative impact on their long-term sustainability or performance. Organisations seeking investment are also assessed to ensure they are not acting in an environmentally irresponsible manner. The assessment brings to our attention any activities that might negatively impact the community or wider environment in which they are operating. This way we can mitigate and prepare for any potential negative impact that might occur as a by-product of the positive actions they are making within the community.

# Impact Framework

Our impact framework considers a multitude of factors when assessing an investee for social impact. We use a five-pillar internal framework to assess an organisation prior to taking the investment through our investment committee.



The first of these pillars is **Necessary**. Is there a social need for this organisation and its services? Who is the target population that we are aiming to support?



The second pillar is **Effective**. Does the organisation have a strong evidence base to show that they are capable of delivering the services as planned and that this is the right intervention to address the social need?



The third pillar is **Quality**. Does the organisation have a strong process ensuring that services are delivered to a high standard, including feedback from beneficiaries and regular monitoring of services?



The fourth pillar is **Inclusive**. Are the services accessible for disadvantaged and marginalised groups in society and are there any barriers to accessing the services, particularly for people at higher risk of exclusion?



The fifth and final pillar is **Responsible**. Will the organisation and their activities affect the wider community? Are there any unintended negative consequences for those outside of the service including individuals, the community and the environment?

# Our Work Towards the Sustainable Development Goals

Partnerships and shared goals are at the heart of what the Social Enterprise Investment Fund is all about, and why BII aligns with the sustainable development goals (SDGs) of the United Nations so successfully. Being a partner to social sector organisations at differing stages of their development means more than just providing capital. It is being an understanding and supportive investor throughout all stages of the investment process, providing expertise and advice when needed so they can succeed at delivering the frontline work that is especially critical to the sector.

Working across many different social outcome areas, the SEIF I fund's social impact themes naturally have crossover in impact with a number of the SDGs. Our core focuses lean towards the more human categorisations of the SDGs, most specifically in reducing inequalities, ending poverty and creating

sustainable communities. This is because the SEIF I tends to support individuals or communities who are disadvantaged, marginalised or excluded within its investments. Regardless of the sector the fund is investing into, SEIF I shifts focus towards the disadvantages and inequalities facing people within our society who lack access or opportunities in health and social care, education, employment, or access to fair financial products. Creating communities that reflect a fair and sustainable society is key to the work of our investees, and the global SDGs mirror this aim across all the 17 goals.

At BII, we are continuing to find ways to review the impact of our investments and outcomes through the framework of the SDGs as this is a way that we can showcase the extent that our investees are implementing and sustaining change in the UK.

## SEIF I impact themes:





# Our Learning So Far

Big Issue Invest has been investing since 2010 into social enterprises with the aim to support impact growth and sustainability. We have seen organisations grow and prosper which has enabled our investees to create lasting impact, as a result of our direct investment funds SEIF I and II.

The key question we are asking every day is:

**Are we creating as much impact as we can with the funds we have?**

**Below are some key learnings from the investments we have made and challenges we have faced, to ensure we continue to grow and learn as a social investor in supporting our investees**

## 1. Sector Trends

Over the past nine years we have seen our funding towards social sector organisations grow from small to large investments, from £50,000 to £3,000,000. The average transaction size from SEIF I grew from £250,000 to just over £420,000. SEIF II's smallest investment, apart from a joint investment with OIF, is £350,000 and the average committed capital per investee has grown to just under £1,000,000. This change is mainly driven by the demand for finance of larger social enterprises with growth ambitions who have a lack of alternative funding.

## 2. After Care

As an active investor, BII engages with the social enterprise after signing the funding agreement. Besides defining the impact reporting suitable for service delivery, BII also takes on additional board seats or observer seats to support the organisations within our funds. Not only does this mean that we are one step closer to the organisations, it also establishes direct contact and removes perceived barriers from investees. BII has been investing since 2010 into social enterprises with the aim of supporting impact growth and sustainability. We have seen organisations grow and prosper, which has enabled our investees to create

lasting impact, as a result of our direct investment funds SEIF I and II. The key question we are asking every day is: Are we creating as much impact as we can with the funds we have?

## 3. Cross Learning

BII is a holistic investor. We are sector agnostic, which enables cross learning between organisations. Though one could believe there would be little overlap of strategy between investees, we see commonality in interaction with local authorities, impact data gathering and staffing issues as just a few examples. In these situations, BII can directly support or refer to other organisations within the investment portfolio who may be able to help provide insight from similar situations.

## 4. Economic Changes

BII works with each social enterprise in the investment funds to tackle economic changes that may be affecting their given sector. Because of this, BII has realised the need to create working capital facilities to fund new projects and expansion projects.

# Sandwell



# Sandwell

**Date of  
Investment:  
June 2013**

**Amount  
Committed:  
£725,000**

**fixed rate and revenue  
participation loan**

**Target Beneficiaries:**

**Older people, disabled  
people, people with long-  
term health conditions**

**Social Mission:  
To support people who need  
help to live independent  
and happy lives through  
the provision of high-quality  
social care**

## **Investment Overview**

At the time of investment there were 4.8 million people with a health condition or disability in the UK who were not in work. This is a payment by-results contract that was co-commissioned by the Cabinet Office and the Big Lottery Fund, with outcome payments generated by achieving prescribed outcomes linked to three areas: initial engagement, entry into employment and employment sustainment.

## **About Sandwell Community Caring Trust**

Sandwell Community Caring Trust (SCCT) is a registered charity that provides housing and social care services for the disabled and elderly in the West Midlands and Devon. SCCT was established in the mid-1990s as a spin-out from Sandwell Metropolitan Borough Council. SCCT left the local authority with 85 staff, a contract of £1.2 million and a remit to provide better services at lower cost.

## **Recent Developments**

Sandwell Community Caring Trust (SCCT) has maintained impressive impact metrics since investment in 2013, despite a slow decline in income providing a challenging backdrop. This delivery will continue to come under pressure with the National Living Wage increase in April 2019 and austerity across local authorities. A challenging Statement of Financial Activity translates to an underwhelming cash position, but most recent numbers demonstrate that SCCT has appropriate interest cover. SCCT has achieved a total income of more than £13m delivering high-quality care services.


## **Value Add**

SEIF I investment alongside Unity Trust enabled SCCT to acquire the 62-bed residential care home Hall Green in West Bromwich. This care home is a modern, purpose-built home for older people providing residential care and specialist dementia care. It aims to provide an environment which enables residents to maintain, develop and retain their independence, promotes positive attitudes to old age and values diversity. The care home aims to provide a home for life for as long as Hall Green can meet their individual needs.

## **Social impact**

- **What and who:** SCCT has continued to maintain and fulfil its contractual obligations and achieved its targets, securing ongoing provision for the care of vulnerable people.
- **How much:** SCCT currently provides: residential care for more than 145 older people (97 of whom are suffering with dementia); 150 days of day care each week for adults with profound learning and or physical disabilities; and care and support to over 280 adults with learning disabilities in supported living. These numbers have remained constant throughout the year and means that the charity experiences very high levels of occupancy and demand for its services.
- **Contribution (service users):** the number of clients otherwise in hospital or residential care settings is 103, with around £2.3m estimated in cost savings for Clinical Commissioning Groups and local authorities as a result.
- **Contribution (staff):** in 2014 the staff turnover rate was at 4% compared with a 19.6% market average. By 2018 this had increased to 13% (down from the previous year's 20%), which is still significantly below the average. Fifty-seven apprenticeships were supported in 2018.
- **Risk:** the quality of the care that SCCT provides is measured and regulated by the Care Quality Commission and is reflected in their inspection reports on their services; 100% of clients rated their care worker 'good' or 'excellent' while 98% of family members felt less isolated as a result of support.



A young girl with dark skin and hair in two buns is smiling and looking down at a table. She has white foam on her face and hair. A woman with light skin and brown hair in a bun is also smiling and looking down at the table. She has white foam on her orange sweater. The table is covered with white foam, pinecones, and other small objects. The background is a bright orange wall with a blue panel.

# London Early Years Foundation



# London Early Years Foundation

**Date of Investment:**  
**May 2014**

**Amount Committed:**  
**£625,000**

**Target Beneficiaries:**  
**Children and people with low incomes**

**Social Mission:**  
**To change the world one child at a time through the provision of early years education, giving all children from all backgrounds the best chance of being happy, healthy and successful while enabling parents to work**

## **About**

Originally founded in 1903, London Early Years Foundation (LEYF) is a highly-regarded social enterprise that operates 39 nurseries in London with a focus on offering high quality early years education to children from low income homes. LEYF operates a hybrid model with places paid for at market rates subsidising free places for disadvantaged children.

LEYF is highly focused on pedagogy. The LEYF pedagogy focuses primarily on building relationships between staff, children and parents. This creates an enriching environment for children between home and nursery, while also creating a culture of excellence among staff.

## **Investment Overview**

After investment via BII's SEIF I in 2014, BII invested in a second fundraising round into LEYF. LEYF has an established and unique cross subsidy model that enables it to deliver social impact by subsidising its nurseries in disadvantaged areas of London with surpluses from nurseries in more affluent communities. This is particularly pertinent as the government subsidies provided to parents do not cover the costs of free places, and in practice many nurseries are unable to offer these places without parent top-up fees. LEYF's hybrid model therefore maximises their social impact by targeting services towards those children who have no other quality early years option.

Quality of education is of paramount importance with a holistic, tailored curriculum in place with significant input and help from parents and the local community to ensure that children have the best possible early years experience. This focus on quality is demonstrated by the fact that 100% of the nurseries within the portfolio are rated as 'Outstanding' or 'Good' by Ofsted.

## **Recent Developments**

While the market has been challenging in recent years, LEYF has performed robustly while many nurseries across London are closing due to insufficient funding, high risks and a lack of space. LEYF continues to provide much-needed nursery places despite a market downturn. LEYF is increasingly focused on maximising impact via a focus on performance in high-impact nurseries which have higher ratios of disadvantaged children. A balance of fee-paying to non-fee-paying places, and continually enhancing their pedagogy and staffing to ensure children and parents in these nurseries are receiving optimum services, shows their commitment to the cause.

LEYF places high importance on training staff and this has been reflected in improved staff retention. LEYF has also launched a new Early Years Chef Academy, working to help children understand the importance of healthy living.

June O'Sullivan MBE, CEO of LEYF has been nominated as a finalist of 50+ in high places who are changing our country through social enterprise.

## **Value Add**

The key to success in a highly competitive market such as nurseries is driving operational and strategic excellence in a company. BII has worked alongside LEYF management in forming strategic decisions, including collaborating closely with our partners Bain Consulting to identify key areas of growth, and set focused objectives for LEYF moving forward to become a market leading charitable social enterprise nursery.

## Social Impact

LEYF has an established and unique cross-subsidy model that enables it to deliver social impact by subsidising its nurseries in disadvantaged areas of London with surpluses from nurseries in more affluent communities. In the last year 14% of children in LEYF nurseries were on fully funded places.

LEYF creates measurable social impact by:

- Making it possible for children from less advantaged backgrounds to access a specifically designed pedagogy crucial to the delivery of high-quality nursery education.

- Ensuring that staff can help parents from less advantaged backgrounds build their knowledge and confidence to parent their child better.

- Allowing parents who would otherwise have had no childcare pursue employment and/or education.

LEYF nurseries are consistently ranked in the highest bracket for exemplary education, with 61% of their nurseries rated outstanding by OFSTED compared to only 16% across all of England. Recruiting and retaining quality staff is a key performance indicator for LEYF and over the past year they have averaged 15 new hires a month, hitting 103% of their recruitment targets.

## Outcomes



### Occupancy of nurseries

**39**

LEYF nurseries

**1,410**

Children in LEYF nurseries

**14%**

Of children on funded places



### Quality of provision

**100%**

Nurseries with an Ofsted rating of Good or Outstanding



### Recruitment

**15**

Hires per month

# Co-wheels







Co-wheels  
carclub  
[co-wheels.org.uk](http://co-wheels.org.uk)





# Co-wheels

**Date of Investment:**  
**June 2014**

**Amount Committed:**  
**£160,000**

**fixed rate and revenue  
participation loan.  
Repaid as of April 2019**

**Target Beneficiaries:**  
**People with low incomes,  
disabled people**

**Social Mission:**  
**To regulate car usage so  
everyone can have access to a  
car, as and when it is needed**

## About

Co-wheels is the only independently owned national car club operator in the UK, providing low emission, hybrid and electric cars on a pay-as-you go basis for individuals and organisations. Headquartered in the city of Durham, Co-wheels is one of the fastest growing social enterprises the UK, providing a diverse range of locations, from city centres to villages. Some of its car clubs are used by local authorities and universities as pool cars for staff, while others focus entirely on being shared cars for residents. Local ownership of operations is encouraged, which are sometimes run as community car clubs or as social franchises.

## Investment Overview

BII has invested £160,000 into Co-wheels to enable it to further automate and expand its business. A total investment of £160,000 was approved and completed in May 2014, split across two equal tranches. The first tranche was drawn at completion, with the second scheduled for late 2014 to acquire a new software system.

## Recent Developments

BII has successfully exited its investment into Co-wheels, which now delivers car clubs in more than 60 locations across the UK. It has a diverse range of operations, from city centres to villages. Some of its car clubs are used by local authorities and universities as pool cars for staff, whilst others focus entirely on being shared cars for local residents. Co-wheels encourages local ownership of operations, which are sometimes run as community car clubs or as social franchises.

## Social Impact

The Co-wheels model focused on changing attitudes towards car ownership and patterns of car use enabling people to voluntarily 'kick the habit' of car dependency – reducing the number of cars on the road, helping clear streets and improve air quality in communities. This provides financial and health benefits to individuals and increases options for people experiencing transport poverty.

# HCT Group Ltd



# HCT Group Ltd

**Date of Investment:**  
**November 2010**  
**and March 2015**

**Amount Committed:**  
**£1,075,000**

**Target Beneficiaries:**  
**People with physical and**  
**learning disabilities; people**  
**who are long-term unemployed**

**Social Mission:**  
**To enhance people's lives,**  
**provide opportunities and**  
**bring people and communities**  
**together through transport**  
**and training**

## **About**

HCT Group is a flagship UK social enterprise, operating a model which uses the revenues generated from providing public bus services to reinvest in community transport services and skills training programmes. HCT has developed a theory of change for its operations and produces a comprehensive annual social impact report that can be downloaded from its website. The group is continually developing and sharing innovative approaches to maximising and measuring impact.

## **Investment Overview**

The fund's investment into HCT Group has been used to fund new contract opportunities, a depot redevelopment, new fleet and bolt-on acquisitions to enable HCT to continue scaling its impact. HCT has continued to expand, as it builds on its extensive track record of mergers with community transport operators, moving beyond the confines of purely organic growth.

## **Recent Developments**

BII has successfully exited its investment into HCT Group through SEIF I, which has continued to provide public services for the public benefit over the past 12 months, scaling its bus services across London, Manchester, Yorkshire and the Channel Islands. In June 2018 HCT Group completed a landmark fundraising round of £17.8m, allowing it to finance its next growth stage. As well as delivering social impact services across the UK, including adult social care trips and school and college transport services, HCT has also been developing a social impact bond to support young people with special educational needs to travel independently.

## **Value Add**

BII is part of a consortium of funders into HCT that is providing the finance to allow them to scale and grow their transport services with social impact. Partnering with HCT is a two-way benefit as it allows for mutual expertise to be shared and challenges to be faced collaboratively.

## Social Impact

HCT Group is a transport provider with a difference. Its central purpose is to make a positive impact and create value within communities which it does by providing passenger trips to community groups and disadvantaged individuals in London and Manchester. HCT places a strong emphasis on constantly reviewing and improving practice, including its services and impact measurement approaches.

By investing in HCT, BII is supporting the enterprise to scale further, win new contracts and deliver more impactful services that transport people who

otherwise would not have access to jobs, education, healthcare or simply the freedom to be out and about in their community. The rapid scaling HCT has been able to achieve is apparent in its impact indicators, which can be seen below. The enterprise has increased passenger journeys provided to community groups by more than 65,000 compared to last year. Special educational needs contracts have also performed well in the year 2018/19.

Indicator	2016/17	2017/18	2018/19
Passenger trips provided to community groups	97,322	121,604	186,685
Passenger trips provided to disadvantaged individuals	230,804	224,993	155,766





# Herefordshire Mind

# Herefordshire Mind

**Date of Investment:**  
**August 2015**

**Amount Committed:**  
**£1,625,000**  
fixed rate loan

**Target Beneficiaries:**  
People with mental health needs

**Social Mission:**  
To raise awareness and promote understanding of mental health issues, while providing quality support

## About

Herefordshire Mind is an independent affiliate of the national charity Mind and has provided mental health services for 30 years. The ethos of Mind is person-centred with a focus on helping individuals recover from mental ill health. Herefordshire Mind delivers residential care at home support and day care activities to 250 people. Herefordshire Mind is paid to deliver services by Herefordshire Council, NHS commissioning groups and individuals through personal means.

Herefordshire Mind offers a range of short course training, art workshops and physical activity groups, in addition to skills development and leisure activities, designed and delivered by experts, which help to increase a person's confidence and self-esteem.

## Investment Overview

BII funded Herefordshire Mind to develop a 14-bed nursing home in Hereford to provide supported accommodation for adults with mental health issues. The facility was aimed as a care home with nursing provision for individuals over 18 with mental health issues. Residents were expected to come from acute wards, recovery units and from individuals returning from out of county provision.

## Recent Developments

In 2017-18 Mind downsized as a consequence of funding cuts, and Herefordshire Mind entered into a lease arrangement for the vacant property it owns, Miller Court. Under the two-year lease agreement, which is now in its second year, Herefordshire Mind is receiving rental income. From year two Herefordshire Mind has the right to market the property, which BII is currently evaluating together with Herefordshire Mind.



A photograph of two children playing in a large puddle on a paved surface. The child on the left is wearing bright yellow rain overalls and blue rubber boots, splashing water. The child on the right is wearing red rain pants and a blue jacket, riding a small blue bicycle. The background is slightly blurred, showing a wooden fence and some foliage.

# Directors of the General Partner

## **Danyal Sattar**

Danyal joined Big Issue Invest as CEO in December 2018. He has more than 25 years' experience in the social and ethical investment, charitable and impact investment sectors, working on social investment for foundations such as Joseph Rowntree Foundation, Esmée Fairbairn Foundation and Access Foundation as well as for social investors Big Society Capital, Charity Bank and Aston Reinvestment Trust.

## **Parveen Bird**

Parveen has worked at The Big Issue for 15 years in various roles. Starting on a voluntary basis in the publishing and marketing department, Parveen now sits on the Group Board of Directors and on the Big Issue Invest Board. Parveen is also a Trustee of the Big Issue Foundation. Prior to this Parveen worked as a broadcast journalist at GMTV and BBC.

## **Stephen Howard**

Stephen is the Chair of Power to Change, having retired as Chief Executive of Business in the Community after 10 years in post. Stephen brings a wealth of senior management experience acquired in the corporate sector. Stephen has held a number of executive and non-executive roles including Chief Executive of Cookson Group plc and Novar plc. Some of Stephen's other roles include Chair of Thames Reach and Trustee of Big Society Capital.

## **Vaughan Lindsay**

Vaughan has decades of experience as a CEO, executive director and chair, adept at driving innovation and performance improvement in impact investing in social enterprise. Most recently he was Executive Director at LeapFrog Labs, the innovation and knowledge sharing hub of LeapFrog Investments. He was CEO of Dartington Hall Trust, a social enterprise innovation trust responsible for pioneering new initiatives, and an Associate Principal at McKinsey & Company. He is the CEO of Climate Care.

# Investment Advisory Committee

## Georg Stratenwerth

Georg works as a senior advisor to Pillarstone. He spent most of his career in private equity, initially with JP Morgan Partners and then Advent International. He worked as a management consultant at Mercer Management Consulting and Roland Berger & Partner. Georg also serves as a member of the Ashoka support network and is on the Board of Trustees of ClientEarth and CASA, a Big Issue Invest investee.

## Kate Markey

Kate is CEO of London Community Foundation. Prior to this, She was the Divisional Director of Employment Services of The Forward Trust, a social business supporting people in the criminal justice system to make transformational change in their lives. Kate is a board member of ERSA, a Trustee of VoiceAbility, a Fellow of the RSA and a member of the Advisory Council of Big Society Capital. Before joining The Forward Trust, Kate was Deputy Chief Executive of CAN.

## John Gilligan

John has worked in the private equity and venture capital industry for more than 30 years. He started his career in 1988 at 3i Group plc as a financial analyst. He was then a Corporate Finance Partner of Deloitte and latterly BDO for over 20 years. He is currently Director of the Oxford Saïd Finance Lab at Saïd

Business School, University of Oxford. John is also a Visiting Professor at Imperial College Business School and has degrees from Southampton University, Nottingham University and London Business School.

## Jeremy Rogers

From 1998 to 2008 Jeremy was at JP Morgan, where he set up the successful European High Yield and Distressed Debt group. Jeremy was promoted to MD in 2005, becoming the youngest MD at JP Morgan. Jeremy is now Chief Investment Officer for Big Society Capital. He also sits on the Investment Committee of the Lankelly Chase Foundation and is a Senior Advisor to the Rockefeller Foundation's Innovative Finance program.

## John Montague

John has worked in the social enterprise and housing sectors for the last 15 years. John established and grew TREES, a £9m multidisciplinary social enterprise. In 2012 he joined Big Issue Invest to help launch its early stage investment programme, Corporate Social Venturing (CSV). Before this, John led the SPARK programme, a precursor to CSV, in partnership with Big Issue Invest.





# Fund Management

## Team

### **Lars Hagelmann**

#### **Investment Director**

Lars has more than 15 years' experience in direct investment and investment management. He started his career in Berlin with BDO in the Corporate Finance Team before moving to London to work for SISU Capital, sourcing and managing direct private equity investments. Lars worked in the Middle East managing investments into education and healthcare before joining Big Issue Invest as an Investment Director.

### **Mark Lovell**

#### **Investment Director**

Mark has more than 20 years' experience as a CEO, executive chairman and non-executive director of organisations involved in the delivery of public services both in the UK and internationally. Having worked across the social investment market since 2008 he has extensive experience working with commissioners, providers and investors on the development of Social Impact Bonds.

### **Ana Swirski**

#### **Investment Manager**

Ana began her career working at Barclays Wealth and Investment Management, where she worked across clients' multi-asset investment portfolios. While at Barclays she focused on developing investment solutions for clients and researching funds with a social impact focus. Ana is a CFA charterholder.

### **Jonathan Page**

#### **Investment Manager**

Jonathan started his career at Deloitte where he qualified as a chartered accountant, heading up post-transaction valuation assurance work across the EMEA region and managing subsidiary audits of US listed clients. Before joining Big Issue Invest, Jonathan spent two months supporting a social enterprise in Cambodia.

### **Sergio Sanchez Toledo**

#### **Investment Manager**

Sergio started his career in finance control, then moved to PwC where he worked as a systems and processes auditor and further developed his career as a risk management consultant. He combines experience working for commercial, public sector and non-profit organisations in the UK and Spain.

### **Chloe Tye**

#### **Impact Analyst**

Chloe has an MSc in International Relations and Global Issues from the University of Nottingham. During a year studying regional politics in Australia she spent some time in Indonesia volunteering with an education charity. While studying she also completed an internship in international conflict resolution with a social enterprise.

### **William Male**

#### **Trainee Analyst**

William completed postgraduate education in the field of Environmental Geography and International Development. While studying he performed frontline delivery work addressing homelessness in Norwich. He started his career by completing an internship at the Department for International Development as a business analyst.



# Fund Information

## **General Partner**

### **Big Issue Social Investments Limited**

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## **Directors of the General Partner**

### **P Bird, S Howard, V Lindsay (Chair), D Sattar, Manager**

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## **Directors of the Manager**

**Parveen Bird, John Gilligan, Daniel Godfrey, Danyal Sattar, Melanie Tillotson, Vaughan Lindsay (Chair)**

## **Investment Advisory Committee**

**Georg Stratenwerth, Jeremy Rogers, Kate Markey, John Montague, John Gilligan**

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