



# **Quadrennial Review Progress Update October 2021**

Following the Quadrennial Review in August 2020, Big Society Capital committed to a number of actions responding to the review's recommendations under the three broad themes of Mission, Culture and Investment. This document provides a brief overview of progress against those commitments after a year.

# Mission

## **1. Pricing of Capital. We will consult and research how to better communicate our approach to pricing.**

We have taken practical measures to improve this area. Following research on what social enterprises wanted, we have launched a set of online tools specially designed to better explain for enterprises the costs of taking on social investment with [a video](#) and created [a new cost of capital calculator](#) to help investees work out the costs for themselves. We have also consulted through our advisory board and through our stakeholder survey what further information other groups would like to see. For investors, the feedback has been they want to see actual numbers around the expected returns from different types of social investment. With our new strategy launched, we are now exploring how we could be even clearer about returns from different segments of our portfolio, while balancing transparency with our responsibilities to individual investees.

## **2. Rate of Return and Shareholder Structure. We will consult with shareholder banks and the Oversight Trust on any potential changes.**

We have continued to progress this action. We have been consulting with the shareholder banks and the Oversight Trust (OT) and discussing with the Big Society Capital Board. We are keeping our OT link Director updated with progress.

## **3. Flexible Finance. We will support Access to consult with managers and investors to develop flexible patient products and help find other investors.**

We have continued to play a leading and supportive role on flexible and blended finance initiatives where appropriate.

We are supporting Access on developing its Flexible Finance for the Recovery programme to develop products which are patient and flexible, which has now launched its first two funds. At the same time, we have partnered with the Association of Charitable Foundations (ACF) to fund and launch a Catalytic Capital Project to understand how best to attract investors who will offer patient and flexible capital. We are also collaborating on 'The Individual Impact Investing Commission' hosted by the Beacon Collaborative, due to report next year, aimed at understanding and overcoming barriers to individual investors providing patient and flexible capital.

## **4. Investment Focus. We will carry out a strategy refresh and consult with our advisory board and others.**

After consulting with staff, main board, advisory boards and wider stakeholders, we completed a refresh of our organisational strategy setting clear objectives around growing the reach and scale of four distinct parts of the social investment ecosystem – social and affordable homes, social lending, social outcomes and impact venture. We launched [the new strategy](#) publicly in September – setting an overall goal of at least doubling the whole social impact investment market by 2025. New [market size statistics](#) suggest we are currently on track to meet these stretching goals.

## **5. Government Influence. We will step up policy engagement across Government to build awareness around social impact investment and its role in 'levelling up'.**

This has been a major focus over the last year. After working collaboratively with other social investors, we succeeded in influencing HM Treasury earlier this year to extend Social Investment Tax Relief by two years which would have otherwise been phased out in April. In addition, the Government agreed to include features of the Coronavirus Business Interruption Loan Scheme (CBILS) that were beneficial to the social sector in the successor guarantee scheme: we had co-ordinated influencing efforts on this with others in the sector. In recent months, we have significantly stepped up our engagement across Government around the role of social investment in the levelling up agenda and also the potential for outcomes commissioning to help with public service reform. We have built relationships with a number of interested parliamentarians and continued to build links with local and regional government in particular through our work leveraging in investment for the Everyone-In homelessness project.

Longer term, we have agreed to expand our efforts on improving government relations.

## **6. Stakeholder Engagement. We will review our communications and investor engagement strategies to see what improvements can be made.**

We overhauled our brand and communications strategy 18 months ago in 2019/20 and so Spring 2021 was a good time to review the impact of these changes and understand what further iterations might be needed. To do this, we carried out a survey in April 2021 with a mix of qualitative and quantitative research to understand how Big Society Capital and social impact investment are understood among our stakeholders and the wider social investment sector. 364 stakeholders responded and we were able to use the last stakeholder survey in 2018 as a baseline to measure change.

The headlines showed understanding of social impact investment had improved considerably (65% very familiar up from 37%) and participants feel better informed (53% well informed up from 10%). It also showed better awareness and understanding of Big Society Capital (73% know us quite well) and increased appreciation (34% rated Big Society Capital as highly successful up from 14%).

However, most found the process of social investment difficult (63% across all groups), while some groups lack confidence in social investment (57% Investees have low confidence). The research identified a number of shared recommendations from stakeholders around clearer communications, standardising processes, improving flexibility of funding, easier data sharing and improved learning and support. We are feeding these into our engagement plans for next year.

## **7. Investor Growth. We will expand the investor base by launching new social investment products.**

Our investor engagement this year has been dominated by the launch of the world's first diversified private impact market investment trust – the Schroder BSC Social Impact Investment Trust (SBSI) - on the London Stock Exchange, raising £75 million. Our priority has been ensuring that the Trust is delivering for its investors and then building on that initial momentum with further raises to expand the investor base. In addition, we launched our Ideas for Impact programme which is seeking to develop future funds and other products which will attract other investors and increase wider awareness. We are also working with partners in each investor segment to build awareness of and interest in social impact investment. Key investor growth initiatives include working with the ACF on trusts and foundations, with a dedicated group of universities on deployment of university endowments, and with the Beacon Collaborative on wealthy individual investors.

## **Culture**

### **1. Advisory Groups. We will review our current advisory board and identify it how can be better used.**

Following a review of our wider system for gathering insight, we decided to maintain and develop our main advisory board and build any future expansion of advice and input around the four pillars of our strategy. Now that strategy has been completed and published, we will consider how best to gather external guidance from within each of the four investment systems we are focusing on. We will be launching the first of these shortly to listen to leading voices within the social lending and social enterprise sectors. The main advisory board has been revitalised and feedback has been positive that members now feel well-informed and well-utilised while recognising that this had not always been the case. We are also incrementally updating membership of the board with a focus on diversity of background and perspective.

### **2. Diversity – System. We will consult on ways in which to widen access and encourage diversity through the social investment system.**

We have made significant progress on improving approaches to diversity.

System tools - following consultation with the sector, Big Society Capital has now created and launched an updated Outcomes Matrix which integrates equality and diversity throughout. The matrix is a widely used online tool enabling enterprises to plan and measure their social impact. This new release saw Big Society Capital and the Good Finance team engage with frontline organisations, fund managers and equalities experts to make key changes to reflect latest understanding on equalities. This included updating our language to shift thinking away from existing power structures and dynamics. Furthermore, we have taken a more intersectional approach to account for organisations working with people with complex and connected issues.

In addition, we have launched the [Addressing Imbalance project](#) in partnership with Good Finance – an outreach programme which aims to work alongside charities, social enterprises and networks to improve access to information, knowledge and resources on social investment among diverse groups. Examples include providing training for people from diverse backgrounds to join investment committees.

Investment strategy - we are conducting an audit to gauge the approach to EDI that exists within our investment process and within our portfolio management, including looking at what data we are collecting and how we report on this. At the same time, our new investment system leads are working to understand how EDI principles can be embedded across their areas. We are also carrying out research including a survey and interviews, to understand concerns and issues around EDI at the due diligence phase of our work.

Data collection – this is vital to understanding the issues and Big Society Capital is part of ongoing work with the sector-wide EDI data working group – with other foundations and social investors. The group is focused on better understanding how and what EDI data is most meaningful to collect at fund manager level and investee level to understand where the gaps are for this and the potential resources that might be needed to support this.

### **3. Diversity – Internal. We will work with consultants on an internal review of culture and processes.**

Over the last year, Big Society Capital has focussed on diversity culture and processes following an internal review. We have published two reports which set out our approach.

Firstly, [our EDI action plan](#) - developed with independent external consultants as well as extensive staff input - which we see as a key part of our 2025 strategy. We published this both to be transparent about our approach, but also as a way of encouraging and influencing the wider social investment sector.

Secondly, our [ethnicity pay gap report](#), meeting our commitment to transparency on our ethnicity pay gap, measuring our progress in preventing discrimination and bias, including equal access to jobs and career progression for all.

In terms of specific changes this year, we now have a dedicated staff lead on EDI who is allocating additional time to EDI, continuing existing work and leading on some positive, new initiatives. These include developing a reverse mentoring scheme internally as well as our training offer for staff more widely to support EDI. We have recently delivered training on topics such as allyship with a training partner called Otherbox and delivered Power & Privilege training for line managers. Other notable steps include expanding our apprenticeship scheme which has now taken on three young apprentices from diverse backgrounds, alongside two interns through the 1000 Black Interns programme which we were a founding member of.

Finally, our board is discussing the opportunity to bring in new board members following EDI principles.

#### **4. Social Sector Insight. We will explore a structured secondment system to place staff into social sector organisations.**

We already run a number of structured secondment programmes including On Purpose and the 2027 Programme where colleagues from social sector organisations come and work at Big Society Capital bringing their insight and experience into the organisation. Due to the effect of the pandemic, we have decided to pause creating new secondment programmes externally until the situation has settled but will look at this again next year.

#### **5. Lived Experience. We will seek more input from those with lived experience.**

We have been seeking to ensure those with lived experience have a voice. As a first step, we appointed Lisa Hilder - a leading figure in running women's refuges and respected in the wider social sector - as a new member of our Investment Committee this year and she has already added considerable value. As a next stage, we launched the User Voice project to continue the momentum from the 'Nothing about Us without Us' report we commissioned on user voice within social investment. This project aims to find practical ways to bring perspectives of people and communities closer to the source of decision-making and power. The first phase of this work has now been completed which was an internal review of practices and processes to understand attitudes and barriers to involving user voice in our work. We are now sharing our findings internally and externally and work is taking place to understand where we can go with this in the long term as part of our wider engagement and EDI approach.

An example is the initiative called 'ICs of the Future' - where we are collaborating to develop training for people with diverse voices and experiences to increase their confidence and skills to join investment committees and providing a pool of such people to work within the social investment sector.

#### **6. Cost effectiveness. We will keep our budget and expenses under close review.**

We expect to remain within our planned operating budget for 2021 and work on the 2022 budget has commenced. In 2021, Big Society Capital will generate fee income from client initiatives (SBSI) for the first time. An important issue is that Big Society Capital's operating cost base is likely to increase in the short term as up-front investment in new (client) initiatives is required, while the associated fee income will take longer to generate. As part of the target rate of return discussions, we are assuming that our average medium-term net operating costs are equivalent to around 1.5% of our capital base.

Fee levels paid to Fund Managers are also a key element of Big Society Capital's wider cost base. These are benchmarked as part of Big Society Capital's due diligence and approval process.

# Investment Process

**1. Investment Feedback. We will review our investment process, use surveys, create a regular feedback mechanism for organisations going through this to drive improvement.**

We have reviewed our approach to portfolio management and fund manager development in light of the new strategy and plan to roll out changes to how both are managed and delivered in Q4. We have built in feedback processes for all support and training processes offered this year and are conducting a survey of all intermediaries to capture their feedback on what they find most valuable.

**2. Diversity in Investment. We will carry out a review of whether and how our investment process could help promote access to investment for diverse communities.**

We have carried out an internal review with our investment system leads to include addressing inequality where relevant as an integral part of our investment system plans - and where appropriate set goals around this. We are also investigating where we can gather more information through intermediaries balanced by what is possible for them in order to include equality issues in our investment decisions.

**3. Intermediary Capitalisation. We will keep performance of intermediaries under review and in particular consider whether further capitalisation is needed.**

We keep the performance of intermediaries under review as a matter of routine. Our investment into Zamo is specifically targeted at helping intermediaries achieve transformational growth through access to institutional capital. Zamo has already signed two deals so far – the first with Social and Sustainable Capital (SASC) into Social and Sustainable Housing (SASH) which achieved the final close target of >£70 million (and is working with them on Fund 2) and recently Ascension Ventures. In addition, we worked with Access to secure £2 million of funding made available by Government to provide capitalisation for intermediaries who were negatively impacted by COVID and who need direct support themselves, and sit on the steering committee to administer that funding.