



# BIG ISSUE INVEST SOCIAL ENTERPRISE INVESTMENT FUND II L.P. ANNUAL REPORT

For the year ended 31 March 2016



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# LETTER FROM THE CHAIR

NOVEMBER 2016

Dear Limited Partner,

It is my pleasure to present you with this first Annual Report of the Big Issue Invest Social Enterprise Investment Fund II LP (the 'Fund'). The objective of the Fund is to provide growth capital to early and later stage social sector organisations and deliver financial and social returns to investors. This report provides an update on our investment activities over the period from the first close of the Fund on 28 October 2015 to the financial year-end of 31 March 2016 and includes detailed profiles of the financial and social performance of each of the Fund's investments.

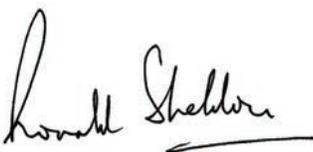
Benefiting from a ready pipeline of investments developed by the Big Issue Invest team in anticipation of first closing, the Fund has had an excellent start to investing. In the five month period from first closing at the end of October 2015 to the end of March 2016, the Fund entered into investment contracts totalling £5.3 million with five different social enterprises and projects. Of these commitments, £3.9 million was disbursed by the financial year-end. Since the end of the period, a sixth transaction has completed for £500,000 and further drawdowns by a number of investees has brought the total amount invested by the Fund to date to £4.7 million or 23% of the £21 million committed capital.

Our six investments to date have been made into impact areas of social care, early years education, financial inclusion, mental health and employment. These investments are described in greater detail in this report. This strong start for 'SEIF II' has been enabled in part by the momentum created by its predecessor fund, 'SEIF I', which invested over £8 million into 21 different social enterprises.

Fundraising to bring the total amount of the Fund to £30 million is ongoing and we hope to achieve a final closing by the end of the current financial year. Our efforts to raise the balance of funds to our target level can only be helped by the example set by our diverse group of initial investors at the first closing. Your support for our efforts is much appreciated.

We 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 good work during the period.

Yours sincerely,



**Ron Sheldon**  
Chair of the General Partner and of the Investment Advisory Committee



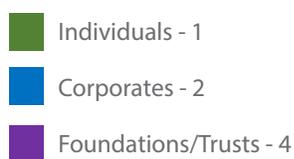
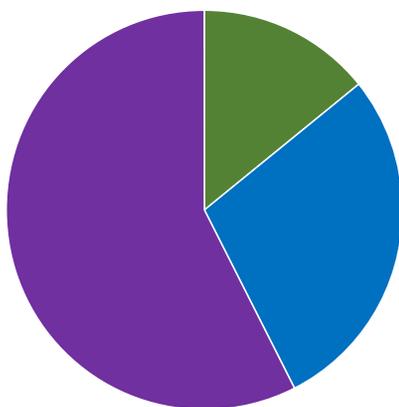
# FUND DESCRIPTION

The Social Enterprise Investment Fund II (SEIF II) is the successor to the Big Issue Invest Social Enterprise Investment Fund (SEIF I) which is fully committed. SEIF II achieved a first closing in October 2015, raising £21 million from seven Limited Partners. SEIF II seeks to provide creatively structured medium term growth capital to social enterprises with a clear potential for growth, long-term financial sustainability and high social impact.

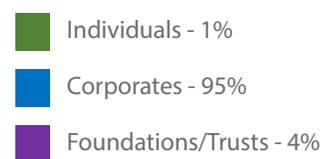
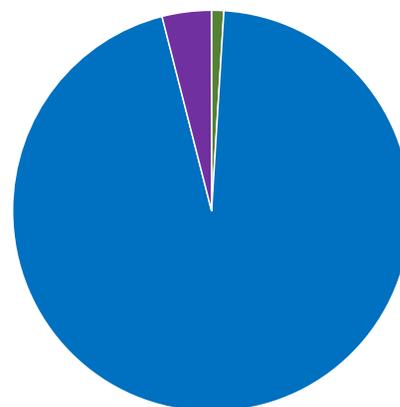
SEIF II (the 'Fund') is a close-ended limited partnership. Big Issue Social Investments Limited is the General Partner and a subsidiary of Big Issue Invest, part of The Big Issue Group of companies.

Since 2005, Big Issue Invest has been pioneering the financing of social enterprises. Big Issue Invest Fund Management is responsible for investment sourcing, due diligence, structuring and monitoring of investments.

Investor type by number



Investor type by value





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. We are particularly interested in backing organisations that tackle the underlying causes of social problems.

The Fund is invested in organisations seeking to achieve social outcomes in the following six areas:

- Employment and training;
- Education and learning;
- Health and social care;
- Tackling homelessness;
- Financial inclusion;
- Community and sustainable transport.

Many of the organisations the Fund has invested in are delivering impact in multiple ways, cutting across outcomes areas. HCT, for example, provides sustainable community transport whilst also delivering training programmes to support long-term unemployed people back in to work.

Beyond these core impact areas, the Fund also has a wider socio-economic impact and is:

- Creating jobs;
- Enabling economic development in disadvantaged areas;
- Raising the bar on employment standards.



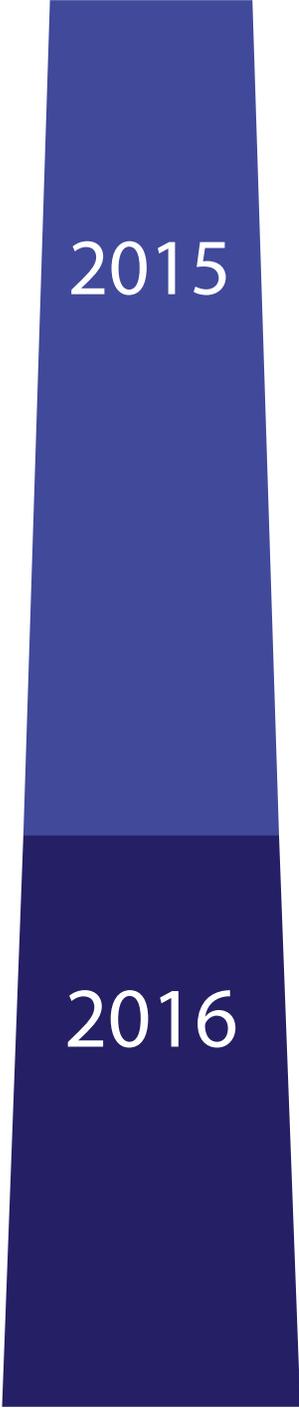
# INVESTMENT PORTFOLIO

THE FOLLOWING INVESTMENTS WERE HELD/APPROVED AS AT 31 MARCH 2016:

Investee	Investment Type	Committed Capital
CASA One Limited	Fixed Rate Loan	£820,000
East Lancashire Moneyline	Fixed Rate Loan	£2,050,000
London Early Years Foundation (LEYF)	Fixed Rate Loan	£750,000
Mental Health and Employment Partnership (MHEP)	Social Impact Bond	£400,000
HCT Group	Fixed Rate Loan & Revenue Participation	£1,300,000
Street UK	Fixed Rate Loan	£500,000
Total		£5,820,000



# INVESTMENT TIMELINE



October 2015

Launch of the Fund

November 2015

Mental Health and Employment Partnership £400,000

East Lancashire Moneyline £2,050,000

London Early Years Foundation £750,000

CASA One Ltd. £820,000

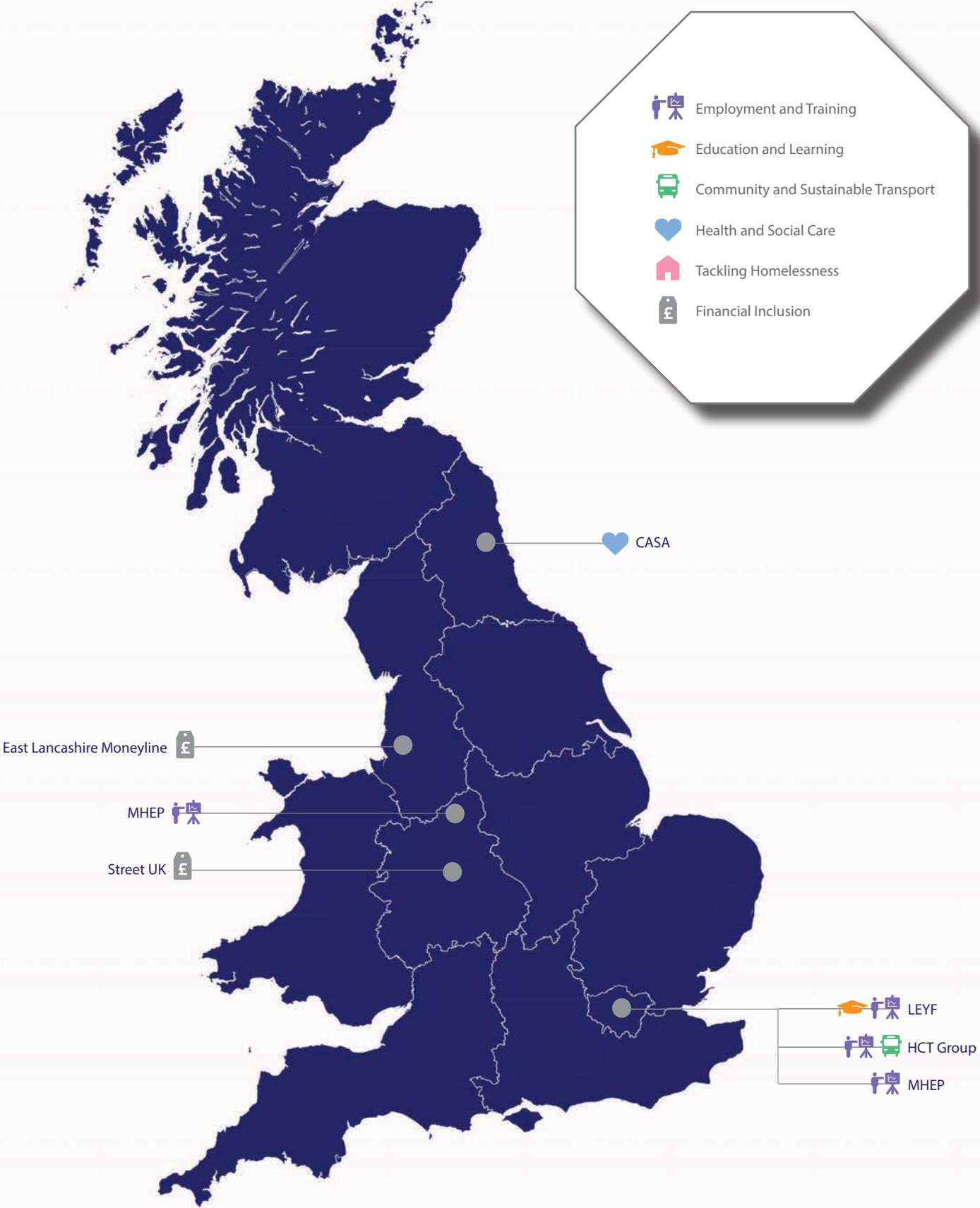
December 2015

HCT Group £1,300,000

March 2016

Street UK £500,000

# GEOGRAPHY OF INVESTEES



# FUND INFORMATION

## General Partner

Big Issue Social  
Investments Limited  
113-115 Fonthill Road  
London  
Great Britain  
N4 3HH

## Directors of the General Partner

Ron Sheldon (Chair)  
Stephen Howard  
Nigel Kershaw  
John Montague

## Manager

Big Issue Invest  
Fund Management Limited  
113-115 Fonthill Road  
London  
Great Britain  
N4 3HH

## Directors of the Manager

Ron Sheldon (Chair)  
Sarah Forster (resigned June 2015)  
John Gilligan  
Daniel Godfrey (appointed August 2015)  
Nigel Kershaw  
Edward Siegel (appointed June 2015)

## Investment Advisory Committee

Ron Sheldon (Chair)  
Mairi Johnson  
Kate Markey  
John Montague  
John Pulsinelli  
Jeremy Rogers  
Edward Siegel  
Georg Stratenwerth

## Limited Partnership Registration Number

LP016824

## Registered Office

113-115 Fonthill Road  
London  
Great Britain  
N4 3HH



# INVESTEES OVERVIEW

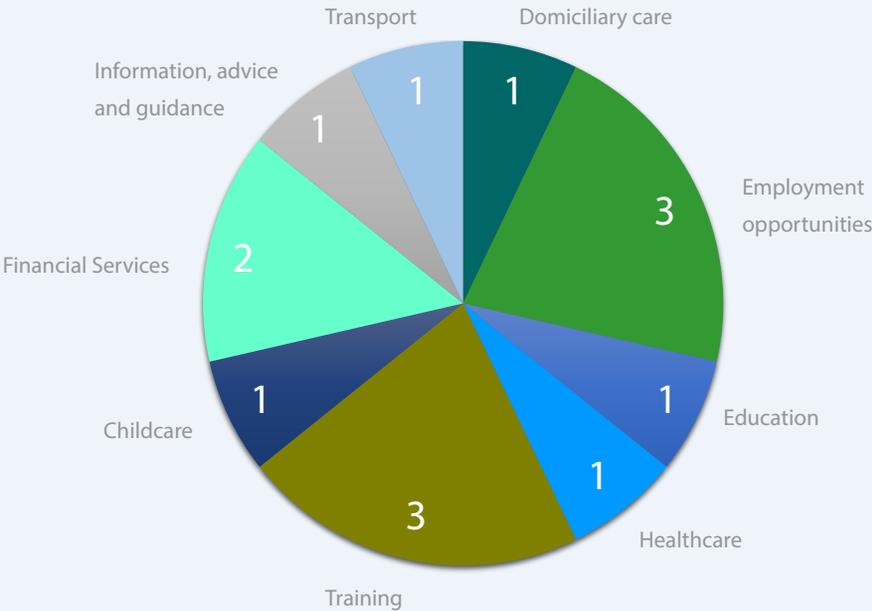


6 CURRENT INVESTEES



THESE INVESTEES ARE COLLECTIVELY OFFERING 9 SERVICES THAT SUPPORT BENEFICIARIES ACROSS THE UK.

NUMBER OF INVESTEES OFFERING THE FOLLOWING SERVICES



INVESTEES ARE TACKLING A RANGE OF SOCIAL PROBLEMS AND ARE FOCUSING THEIR EFFORTS ON DIFFERENT SOCIAL GROUPS.

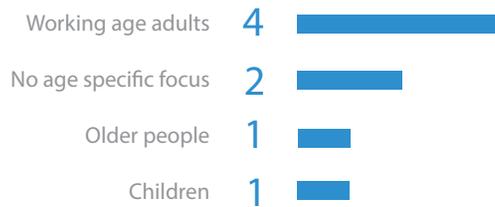
#### NUMBER OF INVESTEES SUPPORTING THE FOLLOWING GROUPS\*

\* Investees often focus on multiple target groups



#### NUMBER OF INVESTEES FOCUSING ON THE FOLLOWING AGE GROUPS\*

\* Investees often focus on multiple target groups



#### NUMBER OF INVESTEES FOCUSING ON THE FOLLOWING OUTCOME AREAS\*

\* Investees often target multiple outcome areas



# SOCIAL OUTCOME AREAS



## EMPLOYMENT AND TRAINING

### Why is this a priority?

Unemployment in the UK is at its lowest in 11 years<sup>1</sup> but there are still significant problems in the labour market that are contributing to poverty and inequality. Youth unemployment is a particular concern. It peaked in 2012 and is now on the decline but remains unacceptably high with 11.8% of 18-24 year olds unemployed<sup>2</sup> and 10.5% of 16-24 year olds lacking any qualifications.<sup>3</sup> It's not just employment that counts, but quality employment. Three in 10 people living in income poverty who move into employment remain in income poverty even once they are earning.<sup>4</sup>



## EDUCATION AND LEARNING

### Why is this a priority?

Education is the single biggest lever at a young person's disposal to help them secure quality employment, a good income and all the attendant health and wellbeing benefits. The attainment gap between children from different socio-economic groups starts early with poorer children, those with Special Educational Needs and children from certain ethnic groups lagging behind in school readiness. High quality early years education is particularly important for setting children on a course to academic success<sup>5</sup> but it's never too late to intervene; children can be effectively supported to success at any age.



## HEALTH AND SOCIAL CARE

### Why is this a priority?

Health and social care services affect us all but there is a 'social gradient' in health; meaning that access to services and quality of care are problems which affect more disadvantaged members of society. The social care system in particular is struggling to deliver under the pressure of funding cuts and demographic change and has widely been considered to be 'in crisis' for some years now. Recently, the Care Quality Commission has publicly declared concerns about the state of the social care market and declared it to be close to 'tipping point'. New cost effective models of delivery that work for both providers and service users are urgently needed.

<sup>1</sup> UK Labour Market statistical bulletin, Office for National Statistics, September 2015

<sup>2</sup> Youth unemployment statistics, number 05871, House of Commons Library, September 2015

<sup>3</sup> 2011 Census Analysis, Local Area Analysis of Qualifications Across England and Wales, Office for National Statistics, March 2014

<sup>4</sup> Poverty and Employment Transitions in the UK and EU, 2007–2012, Office for National Statistics, March 2015

<sup>5</sup> Literature Review of the Impact of Early Years Provision on Young Children, With Emphasis Given to Children From Disadvantaged Backgrounds, Melhuish, E., Institute for the Study of Children, Family and Social Issues, National Audit Office



## COMMUNITY AND SUSTAINABLE TRANSPORT

### Why is this a priority?

Personal transport is a vital component of our social and economic infrastructure, keeping us connected with friends, family, work and leisure. However, the mainstream transport system doesn't work for everyone. People who can't afford a car, who are older, disabled or find public transport difficult to use can find themselves locked out of opportunities because they lack realistic transport options. Sustainable community transport aims to fill these gaps by providing a wider range of transport options that are both user and environmentally friendly.



## TACKLING HOMELESSNESS

### Why is this a priority?

Homelessness is a big, complicated issue. It is often triggered by personal crises like the loss of a job or breakdown of a relationship. However, there are also wider structural causes like the high cost and low availability of rental property. Rough sleeping is the most visible form of homelessness but it is a much wider problem encompassing people living in hostels, B&Bs and sofa surfing with friends. Lack of a secure base is often wrapped up with a range of other problems including social isolation, health problems and unemployment.



## FINANCIAL INCLUSION

### Why is this a priority?

Financial inclusion means having access to the financial services we all need to manage our money, absorb unexpected costs and smooth out big expenses over time. Nearly two million adults in the UK don't have a bank account<sup>6</sup>, potentially locking them out of useful services like overdrafts and short-term affordable credit. Financial exclusion affects all sorts of people, often those with low and unstable incomes. One of the results of financial exclusion is the 'poverty premium,' where low income families pay up to £1,300 a year more for goods and services<sup>7</sup> – an unnecessary additional charge on those who can least afford it.

<sup>6</sup> Improving the Financial Health of the Nation, Report of the Financial Inclusion Commission, March 2015

<sup>7</sup> The UK Poverty Rip-Off: The Poverty Premium 2010, Save the Children, January 2011

# REVIEW OF INVESTMENTS



## Care and Share Associates (CASA) One Limited

### Date of investment

November 2015

### Investment

£820,000

£683,300 outstanding at 31 March 2016

### Target population

Disabled people (physical disabilities), disabled people (learning disabilities), long-term unemployed



Health and social care

### Social mission

As well as improving the quality of life for its service users through the provision of high quality care that allows them to stay in their own homes, CASA recruits and invests in the long-term unemployed in low income communities, employs over 850 people, and seeks to have a wider benefit on local communities.

### Number of people benefitting

CASA supported 1668 clients in the 12 months from August 2015 to August 2016 and employed 850 staff, including 651 carers, many of whom were previously long-term unemployed.

### Business overview and investment thesis

Care and Share Associates (CASA) is the leading employee-owned domiciliary care company operating in the North of England. Established in 2004 as a social enterprise, CASA has a track record of generating strong year-on-year revenue growth, margin improvement and impact.

The company is employee-owned which contributes to higher standards of care. All of CASA's branches have been rated by the Care Quality Commission as 'Good' or equivalent. The company invests heavily in training and employs a dedicated staff engagement officer. Staff turnover, a key driver of service quality, is significantly below industry average.

CASA provides domiciliary care in some of the largest metropolitan areas in the North of England, namely, Newcastle, Manchester, Leeds, Knowsley and North Tyneside. In each area, the company works closely with Local Authorities and Clinical Commissioning Groups to deliver wide ranging comprehensive home-based health and social care services to older people, disabled people (including children) and

those with learning difficulties. At the heart of its ethos, CASA believes in supporting people to live in their own homes, in the way they choose, with as much independence as possible.

### Recent developments

The positive work that CASA is performing in the community has been recognised recently with CEO Dr Guy Turnbull triumphing at the national finals of the Ernst & Young Entrepreneur Of The Year 2016 awards (October 2016). The judges praised Dr Turnbull's strong clarity of direction together with his success in developing a highly innovative business model that meets not just his customers' demands but also those of his employees.

CASA has recently won a contract to deliver home care services to people with complex needs in Doncaster from October 2016. Dr Turnbull also has ambitious plans to double the size of the company over the next five years.

Simon Whiteside, Director and North East Entrepreneur Of The Year Leader at Ernst & Young, said, "CASA works in one of the



“ B is a young man who was in a hospital secure wing. He was institutionalised and socially isolated. We worked with psychologists, doctors, and family to enable him to leave the secure ward and live in his own flat. Initially it was expected that B might not cope in the community; however, over a period of time and with joint working, the transition was quite smooth. B was introduced to activities that he was used to in hospital such as art and drama therapy. Now B is still in his tenancy, has many friends, and lives a full life. He works at an elderly day centre and loves making tea and coffee for the people who attend. He goes to pottery classes and the cinema weekly. There is now a good relationship between B and his family.”

most challenging sectors within the UK economy. Faced with deep cuts in available resources, domestic social care for the elderly and the vulnerable is proving very hard to maintain. Guy’s own personal approach to his business, his customers and his staff is both exceptional and innovative. He is a well-deserved winner.”

#### Social impact

CASA has recently developed its own internal employment academy to help ensure a strong pipeline of staff to deliver

quality care whilst supporting people who have been unemployed back in to employment. Over the next year of the investment the organisation will focus on developing further outcome measures in these areas to help monitor its impact as a trainer and employer.

The table below summarises CASA’s performance over the final quarter of FY 2015/16, following investment from SEIF II in late 2015.

Indicator	Value Q4 2015/16	Notes
Total number of visits	231,599	Taken together these indicators give a sense of the scale and reach of the organisation which is growing rapidly.
Total hours of care delivered	214,321	
Number of service users	TBC	
Late calls	6749 (<3% of visits)	These measures have been chosen as key indicators of quality of care. CASA aims to keep its care consistent and punctual as a marker of good service.
Missed calls	33 (0.01% of visits)	
Client satisfaction	-	Indicators for client and staff satisfaction are under development with the support of Big Issue Invest.
Staff satisfaction	-	

“ J is an 82 year old lady with dementia, living in sheltered accommodation. After an illness J was required to be fitted with a stoma bag. At first this was a struggle for her and she would refuse to eat and drink. One agreed outcome was that she would manage this herself. Our Clinical Lead and the Stoma Nurse agreed a plan to meet that outcome. Our carers provided support and guidance, managing each task in small steps, with a monthly review. Over time, various attachments were suggested and monitored by her carer. The outcome is that she can manage herself, enabling her to have a greater sense of independence and dignity. The Stoma Nurse would not have had time to achieve this without our positive and pro-active involvement.”

 @CASAOneLtd  
www.casaltd.com



## East Lancashire Moneyline

### Date of investment

November 2015

### Investment

£2,050,000 fixed rate loan

£1,537,500 outstanding at 31 March 2016

### Target population

People with low incomes



Financial inclusion

### Social mission

The relief of poverty by providing appropriate financial services, promotion of financial inclusion and debt advice services.

### Number of people benefitting

Moneyline served 3,374 new customers in 2015/16.

### Business overview and investment thesis

Moneyline, established in Blackburn in 2002, provides unsecured personal microfinance loans to marginalised customers unable to access mainstream financial services. Loans are provided responsibly and transparently at far cheaper rates than customers would be able to access from mainstream 'doorstep' lenders. Moneyline also provides savings accounts together with debt advice to promote financial independence and help customers break the cycle of indebtedness. The business operates from multiple branches across the North West of England and Wales and since inception in 2001 has made over 108,000 loans totalling more than £57 million in value and generating £6.5 million in savings deposits. The Fund's capital is being used to help fund growth in the loan book, reaching more customers and reducing their reliance on unethical and high cost lenders.

### Recent developments

Despite some funding constraints at the end of 2015 limiting Moneyline's loan book growth during its busiest season, since SEIF II's investment, the business has experienced a steady increase in lending volumes alongside a reduction in levels of bad debt. The last couple of years have seen significant customer growth driven by a shrinking payday lender market

as increased regulation has forced out a large number of the more unscrupulous operators and forcing those remaining to fundamentally change their business models and lending practices. Moneyline is able to demonstrate an ethical, responsible and transparent alternative to payday lenders and it continues to build on its position as one of the leading Community Development Financial Institutions (CDFIs) in the UK playing a significant role in shaping how the market develops.

Having implemented an operational restructuring, involving repositioning branches and reshaping the regional management team to drive efficiency, management is now focused on achieving an ambitious three year plan to grow the loan book via geographical and technological expansion, drive profitability and strengthen the team.





### Social impact

Moneyline has been tracking key social impact indicators to report back to their board and investors. The most recent data is described below. Lower outputs in 2015/16 are a result of funding constraints in the latter half of 2015, before completion of the latest financing round in which SEIF II was the lead investor.

Following SEIF II investment we expect to see results pick up in 2016/17. Despite limitations on growing the loanbook Moneyline has managed to maintain a high level of savings for customers as a result of their more affordable pricing policy.

Indicator	2013/14	2014/15	2015/16	Change 2014/15 to 2015/16
Number of new customers	4,431	5,651	3,374	Down 40%
Percentage of female customers	70%	73%	73%	No change
Gross lending £	£8,692,220	£8,738,269	£8,313,655	Down 4%
Number of loans issued in 2015/16	17,754	19,295	16,767	Down 13%
Average loan value	£476	£440	£496	Up 12%
Interest savings vs. home credit	£3,009,237	£2,686,447	£2,863,585	Up 7%



[www.moneyline-uk.com](http://www.moneyline-uk.com)

## London Early Years Foundation (LEYF)

### Date of investment

November 2015\*

### Investment

£750,000 fixed rate loan

£250,000 outstanding at 31 March 2016

### Target population

Children, people with low incomes



Employment and training



Education and learning

### Social mission

LEYF's mission is to "change the world one child at a time" through the provision of early years education; giving children from all backgrounds the best chance of being happy, healthy and successful and enabling parents to work.

### Number of people benefitting

In 2015/16, 3,992 children attended LEYF nurseries. 43% of those children are estimated to be benefitting as a direct result of the 'free nursery hours' that LEYF is able to provide (i.e. it is unlikely that they would be attending nursery if it weren't for LEYF provision).

### Business overview and investment thesis

LEYF is a highly regarded social enterprise that operates 36 nurseries in London with a particular focus on offering high quality early years education to children from low income homes. It operates a hybrid model with places paid for at market rates subsidising 'free' places for disadvantaged children. Local authority funding is intended to pay for 15 hours nursery care for all three and four year olds and 40% of the most disadvantaged two year olds. However typically the amount paid per child does not cover the cost of a place. Many nurseries either do not participate in the scheme or charge for additional hours, making these 'free' places either inaccessible or unaffordable to the most disadvantaged children and parents. Therefore the hybrid model allows LEYF to maximise its 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 (compared with an average in London of 64%).

### Recent developments

LEYF faces a number of challenges in its marketplace, the major one being the requirement introduced in 2014 that all childcare students and apprentices have a GCSE Level A to C in English and Maths in order to complete their Level 3 Diploma in Childcare. As a result there has been a 72% drop in students enrolling in Level 3 courses and a 96% drop in apprentices. June O'Sullivan, LEYF's Chief Executive, is the leading voice within the childcare sector to get this requirement removed.

\* LEYF is also a SEIF I investee since May 2014.



## Social impact

The LEYF theory of change is based around four key drivers of child development: dosage (i.e. hrs of weekly attendance), duration (i.e. total months of attendance per child), quality of provision and quality of home learning environment. LEYF describes these four levers as the 'Magic Sum' and has developed a set of weighted KPIs to track progress in each of these areas.

LEYF tracks a more detailed scorecard on a monthly basis, which is reviewed on an ongoing basis by the Board's social impact sub-committee. For further details of the organisation's social performance contact Big Issue Invest.

The 'Magic Sum'	Progress towards the 'Magic Sum' in 2014/15	Progress towards the 'Magic Sum' in 2015/16	Change from 2014/15 to 2015/16
Dosage: optimal target for child development is 15–30 hours per child per week	Average hours per week attended: 24.8	Average hours per week attended: 24.5	Decrease away from optimal dose
Duration: optimal target for child development is > 36 months per child	Average number of months attended by leavers: 12.3	Average number of months attended by leavers: 14.4	Increase towards optimal dose
Quality of provision	92.3% of LEYF nurseries rated 'Good' or 'Outstanding' by OfSTED  88% parents willing to recommend LEYF to others	100% of LEYF nurseries rated 'Good' or 'Outstanding' by OfSTED  88% parents willing to recommend LEYF to others	Improved performance
Quality of home learning environment	LEYF is developing measurement tools in this area	LEYF is developing measurement tools in this area	N/A



[www.leyf.org.uk](http://www.leyf.org.uk)

## Mental Health and Employment Partnership

### Date of investment

November 2015

### Investment

£400,000 Social Impact Bond

£135,000 outstanding at 31 March 2016

### Target population

People with mental health needs



Employment and training

### Social mission

To support people with mental health issues into meaningful employment as a fundamental component of their treatment.

### Number of people benefitting

Aiming to engage 2624 people over a three and a half year period.

### Business overview and investment thesis

Mental Health and Employment Partnership (MHEP) is the first Social Impact Bond (SIB) designed to support individuals with severe mental health issues into fulfilling work as an integral part of their treatment plan. Over three and a half years, the programme aims to work with 2,623 people across a minimum of three local authorities (currently the London Boroughs of Haringey and Tower Hamlets plus Staffordshire). This is a payment-by-results (PbR) contract co-commissioned by The Cabinet Office and Big Lottery, with outcome payments generated via achieving prescribed outcomes linked to three broad areas: initial engagement, entry into employment, and employment sustainment.

There are 4.8 million people with a health condition or disability in the UK who are not in work. The employment rate of working age adults who are accessing secondary mental health services is just 7%, however 90% of these people state that they would like to work. While unemployment in the UK has fallen overall, the number of people claiming Employment and Support Allowance and Incapacity Benefits has risen by 15%. MHEP is utilising an intervention based on Individual

Placement and Support (IPS) principles, whereby work is used as a fundamental part of a person's treatment, rather than the traditional model of treatment and stabilisation followed by employment. IPS is based around a set of eight simple principles which include a focus on rapid job search, securing paid work, employment support integrated into clinical teams and provision of ongoing in-job support. As an intervention, IPS is well evidenced and has seen significantly better results than, for example, the Work Programme.

SEIF II made an investment of £400,000 into the MHEP Special Purpose Vehicle (SPV) in advance of mobilisation in April 2016.





### Social impact

Key target outcomes (and the basis of payments to investors as well as the service delivery partners) include the following, with higher payments relating to longer-term, more sustained outcomes:

- Successful engagement of a new user;
- Job entry (<16 hours per week);
- Job entry (> 16 hours per week);
- Job sustainment for 26 weeks (<16 hours per week);
- Job sustainment for 26 weeks (>16 hours per week).

The initial investment was made in November 2015, in advance of the programme beginning operation in April 2016, therefore there are no outcomes to report for 2015/16. In addition to measurement of outcomes for payment purposes, the programme is being subjected to rigorous evaluation by the Behavioural Insights Team (BIT) - a social purpose research company co-owned by the Government and NESTA, dedicated to redesigning public services. BIT will take a 'differences-in-differences' approach, comparing the distance travelled between participants on the programme and a matched cohort (i.e. a group with similar characteristics) who were not on the programme.





## HCT Group

### Date of investment

December 2015\*

### Investment

£1,300,000 fixed rate and revenue participation loan  
Full amount outstanding at 31 March 2016

### Target population

Older people, disabled people, people with low incomes, long-term unemployed



Community and Sustainable Transport



Employment and training



Photo: Ronnie Hughes

### Social mission

HCT's mission is to enhance people's lives, provide opportunities and bring people and communities together through transport and training. HCT's primary focus is: provision of community transport services to enable access, increase independence, reduce isolation and support people to lead active and fulfilled lives, including people with disabilities, the elderly and young people. Their secondary focus is: delivering skills, training and job opportunities.

### Number of people benefitting

HCT delivered a total of 242,960 individual passenger journeys over the course of 2015/16 and delivered a range of other services to disadvantaged individuals.

### Business overview and investment thesis

HCT is one of the most highly regarded social enterprises in the UK, operating a model which uses the revenues generated from providing public bus services to reinvest into community transport services and skills training programmes.

### Recent developments

The Fund completed an investment of £1.3 million into HCT in December 2015. As part of this process, the Managing Director of Big Issue Invest, Edward Siegel, has joined the Board of Trustees, augmenting the existing expertise that exists and helping to further embed the relationship with the Fund. Capital is to be used to help fund future growth opportunities, the redevelopment of the depot at Walthamstow, the funding of new vehicles and some small acquisitions.

The financial year to March 2016 saw a slight drop in revenue to £44.1 million and net profit to £389,000. This dip in performance is mainly attributed to the impact of traffic congestion on its London red bus services as a result of the construction of the Cycle Superhighway and Crossrail. HCT's contract with Transport for London includes a performance incentive/penalty regime and their income has been reduced as a direct result of the congestion. With these two major infrastructure projects coming to an end, they are hoping traffic congestion will now start to ease.

During 2016, Joyce Moseley's term as Chair came to an end and Sir Vince Cable, the former Secretary of State for Business Innovation and Skills was appointed as the new Chair.

\* HCT Group is also a SEIF I investee.



Photo: Chris Bahn

Travel training equips disabled people with the skills and confidence to travel independently on public transport, providing a step change in independence. For many disabled people, being dependent on specialist transport hampers access to what's needed to lead an independent life. In 2015/16, HCT trained 126 people to ~travel independently in Leeds and London.

The Learning Centre's primary goal is to support people who are unemployed in building the skills and confidence to move into sustainable employment. In 2015/16 203 people successfully got jobs as with the help and support of the HCT Learning Centre.

**Social impact**

The HCT Group places a strong emphasis on monitoring, evaluating and developing its social impact. HCT is a leader in the social enterprise sector in terms of impact measurement and reporting, producing high quality annual impact reports that demonstrate their social value and highlight learning to be taken on board for the year ahead.

HCT tracks a suite of indicators to understand its impact in different areas and regularly reviews its data collection to ensure the correct information is being tracked in the right way. A summary of key indicators is outlined below.

Passenger trips are tracked through the internal booking and logistics systems and collated to monitor impact every month. Outcomes are measured using a rolling annual cycle of focus groups and user surveys. Learning Centre data is gathered for returns to partners such as the Skills Funding Agency (SFA), colleges and others. Environmental data is collected and analysed as part of day-to-day transport operations and economic data is generated by a monthly analysis of payroll and supplier information.

Indicators	2013/14	2014/15	2015/16	Percent change 2014/15 to 2015/16
Profit invested back in to community activities	£0.1m	£0.1m	£0.1m	No change
Passenger journeys provided to community groups	197,832	179,800	174,058	Down 3%
Passenger journeys provided to individuals	275,568	224,324	242,960	Up 8%
Individuals trained to travel independently	-	106	126	Up 18%
Individuals gaining qualifications as a result of training/support by HCT	760	634	497	Down 21%
Unemployed people gaining jobs as a result of training/support by HCT	81	114	203	Up 78%



## Street UK

### Date of investment

March 2016

### Investment

£500,000 fixed rate loan

The first £250,000 was disbursed in April 2016

### Target population

People with low incomes



Financial inclusion

### Social mission

To offer an affordable alternative to high cost providers of credit on a sustainable basis.

### Number of people benefitting

In 2015, Street UK provided 6473 loans, advancing more than £2.3 million with the average loan amount being £369.

### Business overview and investment thesis

Street UK was established in Birmingham in 2000 to support financially excluded people in the West Midlands through the provision of short-term credit and related services. They are differentiated from high cost payday lenders by:

- Carefully assessing affordability ;
- Under-cutting competitors with much lower rates;
- Not compounding interest, therefore lowering the risks of spiralling debt;
- Providing financial education and signposting of vulnerable customers to debt advice to help break the cycle of indebtedness.

A typical customer is a low income, lone parent looking to secure short-term credit to meet a looming financing crisis such as a need to buy a school uniform or repair white goods. Since it was founded, Street UK has advanced more than £15 million, making over 31,000 loans. In 2015/16 women accounted for 72% of the total number of loans advanced, 52% of clients were unemployed with an average client paying a 95% APR with Street UK versus an APR in excess of 400% with some of the other payday lenders.

Street UK has a diverse revenue stream through provision of other associated services; Home Repair and Improvement Loans and Mortgages (through Street UK Homes Ltd), in conjunction with Local Authorities; a back office loan administration service (through Street UK Services Ltd) which is sold to third parties.

The Fund's loan has been used to increase the company's loan book via the expansion of their online channel which will ultimately lead to lower client acquisition costs and facilitate an ultimate reduction in cost to clients.

### Recent developments

The online offer was launched in the spring of 2016 with the hope of distinguishing between two groups in the target marketplace. The in-branch team remains dedicated to helping those who are most vulnerable and on the lowest incomes. Staff take their time to get to know clients personally and the clients receive credit at the lowest rate Street UK offers.

The online offer has a higher APR (201% compared to 95% in-store) and aims to attract clients who are in a relatively stronger financial position. Though these clients can afford a higher interest rate it will

still be a fair rate; they are considerably under-cutting most of their online competitors.

A month after the launch of the online lending service, Google announced a ban on adverts for loans payable over fewer than 60 days (this was their acknowledgement of the dangers of payday lending). With most clients coming from Google AdWords this impacted the online business causing a fall in the number of loans advanced. Street UK refocused their product offering to exclude such loans (they were not a significant element of the portfolio) to be able to continue to advertise on Google and reach a wider audience.

### Social impact

In 2015/16 Street UK published its first ever social impact report, examining the extent to which it is achieving its goal of extending financial inclusion. Some of the key findings are highlighted below.

Customer surveying revealed a strong need for the service being provided, with results showing:

- 61% of clients felt they couldn't cope with their debt in the past;
- 68% have felt intimidated by loan providers in the past.

Loans are mainly used to support 'lumpy expenditure' associated with maintaining wellbeing and a good quality of life, for example:

- Home improvements (23%)
- Christmas expenses (18%)
- Holiday expenses (12%)

The idea behind Street UK is that by offering a similar but competitive and ethical service, customers can be diverted away from predatory high cost lenders. Street UK's investigations suggest they are succeeding in this area. When surveyed, 53% of Street UK customers say they would have gone to a high cost lender if Street UK didn't exist, one in four clients had at least one previous loan with a high cost lender and the average debt for clients at high street branches is £1000.

Indicator	Value in 2015/16
Number of loans advanced	6,473
Amount advanced	£2,300,000
Interest savings for customers (compared to home credit)	£1,500,000
% of customers agreeing that Street UK's advice and support helped them manage their finances better	73%

Before coming to Street UK, Laura had previous loans from other lenders, but she decided to try Street UK after walking past one of the branches. Since that first loan five years ago, she has had five different loans –the majority of which have contributed towards holidays. "I don't see the bad side of Street UK – apart from the long paperwork. I always pay back on time because it goes out by direct debit. I always come back to see Will. I remind him that, despite my bad credit history, I've shown that I can repay my loans and he does what he can to help me.

"Street UK has shown me things that I've ignored". During her application process she realised that she had debt she had forgotten about. When asked if Street UK has had more than a financial impact on her life Laura answered, "Yes a positive one. It's not just a loan company. I'm not really a saver, but I pay £12 a week towards my loan and get a little bit back when I need it."



 @streetUKloans

[www.street-uk.com](http://www.street-uk.com)

# DIRECTORS & INVESTMENT ADVISORY COMMITTEE

## DIRECTORS OF THE GENERAL PARTNER

### [Ron Sheldon \(Chair\)](#)

Ron was a Managing Director of Advent International, a leading private equity firm until he retired. Ron has over 30 years' private equity experience. He worked with Advent International for 15 years. Previously, he co-founded Trinity Venture Partners and had various investment roles at 3i. Ron serves as Chair of the General Partner Board and the Investment Advisory Committee.

### [Stephen Howard](#)

Stephen recently joined Thames Reach as Chairman having recently retired as Chief Executive Officer of Business in

the Community after 11 years. Stephen has held a number of executive roles including Chief Executive Officer of Cookson Group plc and Chief Executive of Novar plc. Stephen was recently appointed Chairman of Power to Change and is also Chairman of the National Schools Partnership.

### [Nigel Kershaw OBE](#)

#### **Executive Chair, The Big Issue Group**

Nigel is a leading social entrepreneur and advocate of social enterprise. He has first-hand experience of building social enterprises as profitable businesses since 1974, including as

Managing Director, Executive Chairman and Chairman of The Big Issue since 1995. In 2010, Nigel received an OBE for his services to social enterprise.

### [John Montague](#)

#### **Managing Director, Big Issue Invest**

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

## INVESTMENT ADVISORY COMMITTEE

The Investment Advisory Committee is comprised of [Ron Sheldon](#), [John Montague](#), [Edward Siegel](#) and:

### [Mairi Johnson](#)

Mairi has a diverse background spanning entrepreneurial ventures, finance and technology in the healthcare, finance and banking industries. Mairi was Executive Director for Healthbox in Europe. Her professional experience also includes tenures as an Executive Director at Goldman Sachs and as an Associate at Lehman Brothers.

### [Kate Markey](#)

Kate is Managing Director of Blue Sky, a social enterprise that employs ex-offenders to deliver contracts won from

local authorities and private companies. Kate previously worked at the social enterprise support organisation CAN. Previous to this, Kate was an Executive Director of The Big Life Group in Manchester.

### [John Pulsinelli](#)

John has spent his career running high-technology businesses. He then began applying his business skills, honed from 33 years' experience in the private sector, to a portfolio of interests that includes the social enterprise sector.

### [Jeremy Rogers](#)

Jeremy was at JP Morgan from 1998 to 2008 where he set up their successful European High Yield and Distressed

debt group. Jeremy was promoted to MD in 2005, at the time the youngest MD in JP Morgan. Jeremy is now Chief Investment Officer for Big Society Capital. He is also involved with social enterprises Ashoka and Pilotlight.

### [Georg Stratenwerth](#)

Georg is Special Partner at Advent International. He joined Advent's Frankfurt office in 2003. Prior to Advent, Georg worked for JP Morgan Partners as head of their Munich office, focusing on industrial buyouts and growth equity transactions. Before JP Morgan, he worked as a management consultant at Mercer Management Consulting and Roland Berger & Partner.

# BIG ISSUE INVEST INVESTMENT TEAM

## BIG ISSUE INVEST INVESTMENT TEAM

### Edward Siegel

#### Managing Director

Edward has over 30 years' experience in private SME and social enterprise investment. He spent the early part of his career in commercial banking, mainly with Credit Suisse. Prior to joining BII in November 2008, Edward was Vice President and Head of the Small Business Banking practice at ShoreBank International, the international consulting division of ShoreBank, and headed the company's London office.

### Madeleine Thornton

#### Social Impact Manager

Madeleine joined Big Issue Invest in June 2015. Her role at BII is to support investees in develop their social impact practice and to lead on the measurement, analysis and reporting of BII's social impact. Madeleine began her career working in housing and social security before moving into the charity sector. Prior to joining Big Issue Invest, she was responsible for evaluating services at the children's charity Buttle UK.

### James Salmon

#### Investment Director

Prior to joining the Big Issue Invest, James was a Director at RBS, working within the leverage finance team, responsible for originating and executing transactions of private equity backed UK mid-market corporates. Before RBS, James was at PricewaterhouseCoopers where he qualified as a chartered accountant.

### Annie Minter

#### Investment Manager

Annie joined Big Issue Invest in 2014. Before this Annie spent over four years at Kreos Capital, a growth finance investment fund, where she was involved in screening, due diligence and ongoing monitoring of investments from both a debt and equity perspective. Annie has been involved in most of Big Issue Invest's Social Impact Bond investing to date.

### Lars Hagelmann

#### Investment Director

Lars has over 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 BII as an Investment Director.

### Daniel Wilson-Dodd

#### Investment Director

Daniel has over 15 years' experience working for Deloitte in audit, tax and transaction services. Prior to joining Big Issue Invest in 2011, Daniel worked in the constituency office of an inner-city London MP, gaining practical experience of social issues and working closely with a number of social enterprises. Daniel leads Big Issue Invest's social enterprise lending business.



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