

# Executive Summary

The role of the "third sector" in combatting disadvantage and building a more cohesive society has never been more important. Its ability to respond to need and pioneer new approaches – beyond the reach of both the public and private sectors – is almost universally acknowledged.

Yet its ability to play this vital role is undermined by financial fragility. The third sector is fragmented, under-capitalised and, in aggregate, unable to invest in sustainable growth and development. Funding is chronically insecure and often focused on current projects rather than investment in organisational capacity or infrastructure.

The Commission on Unclaimed Assets was established in October 2005 to study how funds released from dormant bank accounts could be used to generate the maximum public benefit.

In a consultation paper published in July 2006 it recommended the establishment of a Social Investment Bank that would help put the third sector on a more robust financial and professional footing. This report draws on the subsequent, wide-ranging consultation both to provide a fuller account of the Commission's findings on third sector needs, and on how a Social Investment Bank might help meet them – as well as to provide a blueprint for the institution's funding, goals and governance.

The report concludes that:

- 1) **If the third sector is to continue to grow and meet its goal of supporting marginalised communities in a way that neither the state nor the private sector can, it urgently needs greater investment and professional support. Suitable capital should be available for organisations at all stages of development, from charities without trading revenue all the way to social enterprises that reinvest some or all of their profits in their mission and commercial businesses with a social purpose.**
- 2) **An independent Social Investment Bank should be created using the capital from dormant accounts to develop the social investment market on a scale that can support the UK's vibrant and diverse but under-capitalised third sector, including social enterprise, community development and voluntary organisations.**
- 3) **The Social Investment Bank should be small, adaptable, innovative, and able to take risks. It should bring together the best of the financial and social sectors. It should act as a "wholesaler of capital" working through existing and new financial intermediaries, assisting their development and encouraging their growth.**
- 4) **The Social Investment Bank would undertake four initial activities:**
  - a. **Capitalise present financial intermediaries and fill gaps in the marketplace where lack of capital is restricting social impact;**
  - b. **Develop the provision of advice, support and higher-risk investment so as to accelerate the growth of demand for repayable finance;**
  - c. **Develop programmes of sustained investment in specific markets such as community regeneration and financial inclusion;**
  - d. **Support existing and new intermediaries in their efforts to raise private capital. These activities should attract significant additional finance into the sector.**
- 5) **The most effective way of providing significant capital to the third sector is by facilitating access to private finance as well as to the broader capital markets. Since financial returns are likely to be below mainstream rates of return, we recommend that tax incentives should be used more broadly to encourage the flow of capital into social investment. Community Investment Tax Relief (CITR) should be significantly extended.**
- 6) **The Social Investment Bank should be an independent institution answerable to the third sector, with a governance framework that is effective, representative and compliant with best practice.**