Company registration number: 06402143

SOCIAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

SOCIAL FINANCE LIMITED

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The directors present their report and the financial statements for the year ended 30 September 2021.

Directors of the company
The directors who held office during the year were as follows:

D Anderson - Chairman

O M Barder

D W Blood

E J Bolton (resigned 19 January 2021)

M B Christie

A G Clinch

T H Eccles

H Edwards

R Gillespie

S E Gordon

M A Harrison

V J Hornby

D A Hutchison

D N Robinson

P S W Wheeler

Principal activity
The principal activity of the company is that of providing analysis, financial advice and services to those seeking to deliver improved social outcomes.

Review of Business

Social Finance is committed to making change happen in a range of challenging social problems in the UK and internationally. Since the onset of the pandemic, it has been heartening to see the value our partners place on our support as they wrestle with the social challenges that have been cruelly exposed and exacerbated by the pandemic and the resulting social dislocation and disruption to services. In particular, our partners value the range of tools we can bring to understanding a problem and the evolving underlying need. They value our support in developing a response anchored in that understanding and sufficiently robust and accountable to deliver lasting change. We bring a blend of data science, investment analysis, social research, user research and programme design and oversight to help our partners achieve strong social outcomes. In addition, our focus on outcomes underpins an adaptive approach that enables delivery to flex in response to external factors. In these exceptionally challenging and unpredictable times - the approach Social Finance has adopted to pursuing lasting change remains as relevant as ever.

Our partners are drawn from the public, private and philanthropic sector. During the period under review, they operated in a period of substantial stress facing rapidly growing demand for their support and uncertainty over the resources they had at their disposal. Government borrowing rose over the period to levels not seen in peacetime and the UK economy faced the largest economic contraction in 300 years. There was considerable uncertainty over how the economy and other support systems would respond once various stimulus programmes ran their course and, throughout the period, there was a lack of clarity from the centre of government on its own priorities which made decision making difficult. Despite this, the demand for our support across all three sectors continued to build steadily through the year, driving growth in our pipeline of contracted work. An internal Covid-19 working group provided space for reflection, testing that our focus was aligned with the evolving priorities of our partners. This allowed us to navigate the uncertainty in the macroeconomic environment and invest in recruitment which we had stalled the previous year in the early months of lockdown. There was relatively less disruption in our international work and the interest of the donor community continued to deepen in innovative financing mechanisms as a way of attracting risk bearing capital and increasing the effectiveness of aid spend. Our acknowledged expertise in outcome based approaches, outcome funds and the structuring and delivery of impact bonds places us well to contribute in this area.

We made progress during the year in our ambition to become a more diverse and inclusive workplace. During the year we put in place a Race Equity Advisory Group to stimulate, challenge, signpost and support the organisation towards its ambition. We developed a Race Equity Impact Report reviewing past and present projects to identify barriers and enablers to embedding race equity in our work. We embarked on a series of internally facilitated training sessions for the team described as "Unlearning Racism" - and adopted Be Applied consistently in all our recruitment to minimize the risk of unconscious bias. Diversity and Inclusion is the first main item of our Board agendas. There is more work to do and we will continue to develop our plans in this area. Becoming a recognised anti-racist organisation is a key step if we are to have the impact we are determined to have on the social issues we seek to address.

Despite the challenging conditions during the year, we sustained earned income and surplus at the levels achieved in the previous year. Project related income covered 95% of our overhead costs (2020: 95%). We are encouraged by this resilience.

Staff numbers grew to 89 FTE employees and seven FTE consultants at the year end (2020: 86 employees and one FTE consultants). A further nine employees and one consultant (2020: eight employees and one consultant) were employed as part of the IPS Grow contract within our Health and Employment Partnerships.

Review of individual team activity

Social Finance is configured as a series of teams aligned with specific clusters of partners who share our ambition for lasting change and are prepared to pay for our support. These clusters include endowed foundations, central and local government, the health system and international aid donors. While each cluster engages in different ways, each team brings the best to bear of Social Finance's expertise to support our partners in driving change. Across all our teams, we focus on problems where outcomes are poor, where there is an ambition amongst a number of stakeholders for change, and where we have access to deep expertise in the relevant social issue. In all our work, we are determined to demonstrate that lasting change is possible and at a meaningful scale.

Government and Enterprise

During the year we separated our data and digital activities from our core advisory work which was renamed Government and Enterprise. Although the two activities provide advice to our partners in local and central government and focus on similar social issues, there are distinct differences in the way the business is originated, the rhythm of delivery and skills needed. Managing and staffing growth within the same team was no longer feasible. The Government & Enterprise team works across the landscape of public bodies and services in the UK from central to local government and also supports social enterprises and investors. The team has identified a number of core focus areas: housing and homelessness, those suffering multiple disadvantage, children with additional needs, employment and skills, and community wealth building. Alongside our expertise in outcomes based commissioning, the team is also exploring new models of community based commissioning and ways of including lived experience in shaping the design and delivery of services.

During the year, the team expanded significantly its work with central government. It was successful in its bid to provide the support and advice contract for the government's £64m Changing Futures programme. The programme is designed to support 15 local areas to design and test new approaches to working with people experiencing multiple disadvantages such as mental health issues alongside homelessness and contact with the criminal justice system. The programme has created an opportunity to test new ways of driving systemic change within the statutory sector, for example through a much stronger focus on co-production and by supporting areas to address inequity of access to services for people from ethnic minority backgrounds. Earlier in the year, we were awarded an 18 month contract with the Centre for Social Impact Bonds to work across Whitehall and city regions to develop programmes to develop business cases with a sharper focus on outcomes in the run up to the Spending Review in autumn 2021. We made further progress in building our work with central government with the award in September of an assignment to support the Department of Work and Pensions in exploring opportunities to increase the supply and quality of housing for benefit claimants. We continued to explore new models of commissioning with support to the Essex Recovery Foundation to enable community based commissioning of the county's £9m annual spend on support for those suffering drug and alcohol addiction.

Within our focus on housing, we secured support from Rothschild and Guys and St Thomas' Charitable Trust to continue our work to develop a fund to support those on low incomes into affordable accommodation. We also made progress in identifying a local authority design partner for the fund. Other notable achievements in this area included supporting a housing association, Thames Reach, to secure the largest grant (£8.6m) awarded by the MHCLG Next Steps Accommodation programme. We supported two significant private sector organisations to think through how aspects of their activities could better support need in the communities in which they operate. The provision of expert analysis and support for social investment continues to be an important strand of our work. Following the launch in August 2020 of the social impact bond we structured for the Skill Mill, enabling the organisation to scale up its work supporting young ex-offenders into employment, we secured funding for the project to launch in an eighth local authority. Early signs are that the project is having a positive impact on re-offending.

Data and Digital
There was strong growth in demand from our partners for our support over the period. This reflects the attraction of our distinctive offer which combines data and digital skills with an understanding of the underlying social challenge and a shared focus on better outcomes.

Our work focused on three key themes during the year. First, the increasing desire by central government to support a bottom-up approach to change how local government engages with data and technology; second, increasing collaboration between local areas to identify and solve common problems using data analysis and digital tools to improve decision making and outcomes; and third, improve the capacity within local authorities to analyse and use data. The National Government Data Strategy published in the year highlighted the strategic importance of data for the UK and underlines the opportunity for Social Finance with our focus on better use of data in the delivery of services with an emphasis on capacity building, improved data sharing and data ethics.

In line with the first theme, we worked closely with the Welsh Centre for Public Digital Services, supporting them in their first discovery project, their first alpha and then first beta designed to improve the front door of social care in three Welsh authorities. Elsewhere, during the year we supported four long standing partners to unlock £3.2m from central government to build capability and systems at the local level to support the use of data to improve services for families with complex needs. We were also invited to join the evidence committee supporting the Care Review sponsored by the Department for Education which gave us an opportunity to influence how data and evidence can inform systems change and best practice. In line with the second theme, increasing collaboration between local areas, we developed a demand modelling tool to support local authorities to understand the pandemic's impact on children's social care. Over 50 local authorities accessed the tool, and we undertook an evaluation to understand how the insights influenced decisions. We also developed three multi authority collaborations around shared data models and tools, including working across London to enable cross council data sharing and analysis of the experiences of children in care. In line with the third theme, deepening capacity in the market, we developed a scheme whereby local authorities were able to deploy their unused apprenticeship levy to fund training that we put in place with providers for their staff to develop their data analytical skill set. The scheme launched with 39 apprentices - nearly twice the number originally expected. We're now supporting 65 analysts in 42 councils to build their data science skillsets. In terms of building our own capacity to deliver, we also tested working with private sector providers who bring deeper pools of data capability but who value our understanding of the statutory sector and specific social challenges.

There is emerging demand for our data and digital capability in the health sector, which supports Social Finance's wider activities. During the year we were appointed by the Wellcome Trust to run a mental health data challenge to understand better the causes of anxiety and depression. This followed an assignment with Public Health England's data team to ensure they have access to datasets needed to inform public health decisions. Our approach to user research and co-production provides an important lens into understanding health inequalities. The team collaborated with the Care and Wellbeing Fund managed within the Health and Social care team (see below) to help the Fund's project in Bradford rethink how it understands the experience of race and religion in end of life care. We are also in close dialogue with Social Finance entities in Israel, the Netherlands and US reflecting growing interest in our data and digital work internationally.

Our ability to meet the growth in demand for our support was constrained throughout the year by the resource available in the team. It has been difficult to expand the team significantly through recruitment given the demand in the marketplace more generally for data and digital skills. We are also keen to use recruitment to improve the diversity of the team.

Health and Social Care

The Care and Wellbeing Fund (CWF) is a £12m investment partnership with funding from Macmillan Cancer Support and Big Society Capital. It is independent of, but managed by, Social Finance and aims to bring an outcomes focus to improvements in primary and community care. During the year, the CWF succeeded in completing investments in dementia care, end of life care and primary care, despite the challenges presented by Covid-19 in the health sector. These challenges were compounded by the considerable uncertainty which prevailed during the period over the way in which the NHS would be resourced into the future. As a result, the forecast deployment of the fund in its investment period was scaled back during the year from £11m to £8.5m.

CWF's existing investments performed well, benefiting in a number of cases from the fact that the services were designated critical to their communities as the system wrestled with the pressures of the pandemic. Significant progress was also made towards two final investments focused on improving end of life care in the community, each with the ambition of improving patient experience and reducing the strain on acute provision. In Somerset, an innovative service was launched that sees Marie Curie trained volunteers help those in the last phase of life ensure their wishes, regarding care, are recorded via an Advance Care Plan. In Bradford, despite significant pressures on the system, we made considerable progress developing a seven day rapid response nursing service in an area with high levels of deprivation and unmet need. The service aspires to improve access to end of life care for local ethnic populations for whom traditional hospice care is not their preferred option. The Fund also supported the development and launch of a three year enhanced dementia care service in Hounslow, a hybrid health and social care community service - the first of its kind - supporting people living with dementia and their carers to remain independent. Across all our end of life and dementia care services, we developed data dashboards to give a better understanding of the extent to which ethnic groups are accessing services in order to build awareness of areas of inequality in terms of experience and outcomes.

As part of our support for primary care, we made further progress with CWF's planned investment in a community wellbeing hub at Cruddas Park - a GP practice in a socially deprived area in Newcastle. This will create much needed space to allow greater community engagement, a factor that is vital to improving timely, place-based care. We also advised Barnardo's on the scope to integrate a focus on health into their strategy and reflects a wider interest among charities to work with us to rethink their approach to working with the health system.

Finally, building on the insights gained from the CWF, we worked during the year with Macmillan Cancer Support to design and set up a follow-on £16 million social investment fund to be administered within Macmillan. This fund will provide investment to partners across the UK, allowing Integrated Care Systems to innovate and deliver outcome-based end of life care services in communities. Expressions of interest launched in May met with a strong response. End of life remains an area in which equality of provision remains very poor. This has been heightened by the pandemic and is an opportunity to increase care in the community and reduce pressure on acute provision.

Health and Employment Partnerships
Our Health and Employment Partnerships (HEP) team supports disabled people and people living with health conditions to have an equal opportunity to thrive through lasting and fulfilling employment. The team are a world leader in the development of the evidence-based Individual Placement and Support (IPS) model, which has traditionally focused on supporting people with severe mental illness to find paid work. There are three main strands to the team's activity. First, the Social Impact Bond (Mental Health and Employment Partnership, or MHEP) has continued to perform well through the Covid-19 pandemic and is on track to deliver a positive return to investors. MHEP has now supported over 1400 people into work since inception in 2016 and more than 500 since the beginning of the pandemic. Unfortunately, without further government outcomes funds, MHEP will reduce operations in 2022 as service contracts start coming to an end. MHEP has played a valuable role in proving the viability of IPS services under demanding payment-by-results contracts. It has also provided flexible funding for IPS services targeted at new cohorts, such as people with drug & alcohol addictions and people with learning disabilities. One of these, the West London IPS service for people with drug & alcohol addictions, won a prestigious Municipal Journal award in 2021 in the "Transforming Lives" category.

The second strand of activity is supporting the scale-up of IPS services across NHS mental health teams, delivering on the ambition of the NHS Long Term Plan to support 55,000 people with severe mental illness to access IPS each year by 2023/24. Our support for this is delivered through IPS Grow, a national infrastructure programme led by Social Finance and backed by NHS England and DWP. IPS Grow has re-focused its efforts this year on quality assurance "fidelity" reviews and technical support. This culminated in the launch of the new IPS quality assurance framework by NHS England and IPS Grow in November. The initial IPS Grow contract was scheduled to end in December 2021. In September, NHS England and Improvement called for expressions of interest for a three year, £6 million follow on programme starting in January 2022. Social Finance responded and we are hopeful that our work in this area will continue.

IPS Grow has had a significant focus on ensuring that IPS services provide equal access and outcomes to people from different ethnic backgrounds. For example, race equity, and equality and inclusion more generally, are now a core part of quality assurance reviews. This includes reviewing service data to check that the access and outcome rates for people from different demographic groups are representative of the populations accessing mental health services. IPS Grow also partnered with Dr Rachel Perkins to publish a research paper in BJPsych Bulletin on equality of access and outcomes for Black, Asian and minority ethnic communities.

Over the past year, the IPS Grow programme was extended to support the expansion of IPS in drug & alcohol teams. This supports the government's ambition, publicly stated in its new 10 year drugs plan, to roll out IPS for people in treatment for drug & alcohol use across England. This is a major new expansion of IPS, strongly supported by the HEP team, which continues to put England in the leading position globally for the deployment of evidence-based employment services.

The final strand of work consists of advisory projects to extend and expand high-quality employment services for different groups. This year, we worked with Social Finance Netherlands and other European partners to develop scale-up plans for IPS in five countries. This collaboration was funded by the European Social Catalyst Fund and is a positive signal of our ability to collaborate with Social Finance Netherlands on European-funded programmes. We completed assignments in Scotland, reviewing the provision of supported employment, and Ireland, supporting the re-commissioning of their contracted public employment services. We have also continued to partner with the West Midlands Combined Authority on the development of IPS in that region.

Impact Incubator

The Impact incubator is where Social Finance realises big ambitions with charitable foundations. We create practical approaches that weave together communities and different sectors, delivering lasting change for people at the local and national level. We start with the reality of people's experiences and combine this with a deep understanding of the systems that surround all of us. Through partnerships, we build deep relationships to make sure the impact of our work continues into the future.

The Drive partnership was established to change the way that statutory and voluntary agencies respond to high harm perpetrators of domestic violence and abuse. 2021 was another significant year for Drive, which saw the programme directly shaping the Domestic Abuse Act and the Home Office's new funds to support perpetrator responses. The partnership expanded its services into several new areas in England, with delivery supported by a significant new grant from The National Lottery Community Fund. It also launched a new early intervention and accommodation pilot in London. We are grateful to our partners SafeLives, Respect and Lloyds Bank Foundation England and Wales for their ongoing support and commitment to this groundbreaking initiative.

Black Thrive was set up in May 2017 to address inequalities in mental health provision for black communities in Lambeth, south London. During the year we supported the spin out of Black Thrive into a fully independent entity, Black Thrive Global, which is now scaling the approach to other areas.

We continued to support the independent charity Reset, which we helped establish in 2018, in its mission to support and grow the refugee community sponsorship movement in the UK. Sponsorship has now welcomed over 650 refugees into the UK and continues to grow, with a new pilot starting recently supporting skilled refugees to move to the UK to take up employment. In the same policy area, we successfully supported the Home Office to launch the £14m for a Refugee Transitions Outcomes Fund, and are commissioned to run a learning programme for providers.

Our work on maximising access to education seeks to create inclusive schools, introducing contextual decision making to reduce the number of children at risk of, or receiving, school exclusions. Our partnerships with Gloucestershire and Cheshire West and Chester councils progressed well this year and we secured significant financial support from both. We are also very grateful for the ongoing support of Porticus Foundation and remain a key partner in their national IntegratED programme which offers us a national platform to create impact at scale in this critical issue. In both regions, we conducted co-productive approaches with local partners, alongside direct engagement with children and young people which has directly impacted the design of our local model. Alongside the place-based work, we carried out data analysis into the impact of Covid-19 on exclusions, which generated interest nationally with policymakers and the media. In our programme around violence impacting young people we partnered with BBC Children In Need and the Youth Endowment Fund, to lead co-production work with young people in several areas around the UK. Notably, we worked with young people in Tottenham to create a film 'We Can Speak for Ourselves' which challenges the reductive and racialised narrative that surrounds violence impacting young people. In addition to the initiatives outlined above, the Impact Incubator also worked to develop several other earlier stage programmes, and has promising workstreams around the experience of LGBTQ+ young people in the care system, and the increasing prevalence of intimate image abuse. We also carried out detailed work for the charity Motability, supporting them to identify strategic opportunities for impact at scale.

We acknowledge and thank our foundation partners who continue to support the Impact Incubator with *multi-year grant commitments, a proportion of which were drawn in the year:*
• £100k and £150k (two separate grants) Comic Relief
• £500k Esmée Fairbairn Foundation
• £2,025k The National Lottery Community Fund
• £300k and £200k (two separate grants) Paul Hamlyn Foundation
• £200k Treebeard Trust
• £225k and £150k (two separate grants) Tudor Trust

In line with specific reporting requirements set out in grant agreements, in the year to 30 September 2021, of the sums referred to above, Social Finance drew down:
• £78k of the Comic Relief grants, with the total amount spent, including closing a brought forward £20k expenditure accrual
• £557k of The National Lottery Community Fund grant, and £71k was brought forward from the previous year, against which £466k was spent and the balance was deferred into the next financial year
• £100k of the Paul Hamlyn Foundation grant, against which £54k spent and the balance was deferred into the next financial year

We also acknowledge and thank partners for their additional programmatic grant commitments to Social Finance for work on specific Impact Incubator initiatives, some of which are multi-year commitments:
• £104k BBC Children in Need
• £35k Comic Relief
• £373k Fidelity Foundation
• £235k Garfield Weston Foundation
• £60k John Ellerman Foundation
• £15k Lloyds Bank Foundation for England and Wales (via SafeLives)
• £100k and £200k (two separate grants) Porticus Foundation
• £60k Rayne Foundation
• £38k Sebba Charitable Trust
• £60k Tudor Trust
• £38k Unbound Philanthropy
• £140k Youth Endowment Fund
• £70k Westminster Foundation

International
Although the pandemic continued to cast a shadow over our International work in 2021, Covid-19's direct health impact varied significantly by region and country. Lower income countries in sub-Saharan Africa with a younger urban demographic have not been affected as badly as feared; middle income countries such as India and South Africa have fared significantly worse in the second and third waves.

Yet the socio-economic disruption due to Covid-19 is ongoing and severe in all lower income countries. Educational attainment, progress against disease such as malaria and employment levels have all stalled in many countries where we work. While crisis mode Covid-19 response has preoccupied funders and governments, there continues to be significant interest in our traditional areas of work. Education, employment & livelihoods and access to basic services remain priorities for many donors, and the issue of refugee migration is garnering increased attention. Total official aid is at an all time high (despite the UK's retrenchment) and we have continued to engage new partners.

Some long running engagements continued during the year, including the West Bank employment impact bond (extended due to Covid-19), and our management of the Liberia Education Advancement Program (LEAP). Our work in South Africa on a HIV impact bond for adolescent girls, several years in the making, continued towards a launch early in 2022. Our 'Kangaroo Mother Care' maternal and neonatal health impact bond in Cameroon closed successfully in the latter part of the year, with over 1,200 at risk babies benefitting from the programme.

The year also saw a structural shift in the team's focus beyond outcomes-based instruments - such as impact bonds - to a broader set of innovative finance themes. These have explored linking private and public investment in new ways, with a direct link to social impact. Projects have been undertaken with a wide range of funders on a wide range of topics, including the International Committee of the Red Cross (humanitarian), World Bank (energy access; road safety), Foreign, Commonwealth & Development Office (employment; landmine action), Save the Children (new funding solutions), Humanity United (responsible recruitment) and USAID (health). Themes have included early stage enterprise investments, smart enterprise subsidies, blended finance facilities, and structured concessional loans. There is also increasing funder interest in data and technology. This has enabled closer working with our Data and Digital team, via projects funded by the UK and Dutch governments, to explore the role of digital technologies to track outcomes.

This is a sign of a positive maturing of the market, with funders seeking to find the best funding solutions for the problem at hand. Our growing track record in innovative finance is an important diversification beyond the impact bond focus that characterised the team's early years. This is reflected in the wide range of work undertaken during the year with over 30 separate assignments completed or in train. We continued to dedicate effort to external communications and market-building. The welcome support from Blue Haven has enabled us to produce a range of high quality output, including the publication of eight reports/longer thought pieces, and hosting of / participation in over 15 webinars. This has reinforced Social Finance's profile as a thought leader and partner of choice. Equally important, this funding has allowed us to reflect internally on the ways local communities can be empowered in the delivery of development programmes as part of Social Finance's broader race equity agenda.

Emerging strategic themes

During the pandemic, we decided to pause the development of a refreshed corporate strategy while we explored how our business could best respond to the stresses of the new environment. Our Covid-19 working group chaired by David Robinson and Derrick Anderson was crucial to testing the relevance of our offer to our partners as they confronted the realities of the public health emergency and the social dislocation caused by successive lockdowns. This work confirmed that our focus on the experiences of children and young people, and issues like domestic abuse, mental health and community based health care were closely aligned with the priorities of our partners.

During this process two key themes emerged, which will inform our future strategic direction. First, we see increasing opportunities for collaboration between our teams on pressing social issues such as the needs of children and young people and mental health. One example is an integrated approach by our Impact Incubator and Data and Digital teams to issues affecting young people, including challenges such as serious violence and growing problems like school exclusion. A second theme is the increasing commitment to put user voice and lived experience at the heart of our work. This deepens understanding of social problems and helps ensure solutions which engage individuals, communities and commissioners - and hold each accountable for their success. This is now taking shape in our work in the form of a strand of our work called CYP Amplify, which is funded by foundations, to build a strategic coalition that brings together foundations, local government and communities centred around empowering children and young people to shape solutions and supporting the system around them to adapt and change. Similarly, our support for the Government's Changing Futures programme is an opportunity to embed co-production and lived experience in decision making and service delivery across 15 participating areas.

As part of all our work, we continued to deploy the learnings developed over the previous two years in our Accelerator project which resulted in a framework to explore how organisations can consciously plan for social impact at scale, supported by a series of publications. By putting these insights at the heart of our work and sharing them for the benefit of others, we hope to enhance the delivery of our mission by both sharpening our own focus on impact at scale and influencing the broader social change landscape.

During the year, in common with the experience of a number of organisations, we faced an increase in staff turnover relative to levels experienced pre lockdown. We have successfully attracted a number of new recruits at all levels with a wide range of experience which has supported the rise in headcount over the year. It has proved, however, more challenging to meet our hiring ambitions in the data and digital field given the competition for talent with those skills more widely in the economy. In the year, we also consulted widely with staff on the future of work in the light of the trend to a more flexible working environment and more extensive use of hybrid working. This combined with a move to new premises on more advantageous lease terms, supports our ability to invest in other aspects of the group's infrastructure. During the year we strengthened our risk and compliance through the appointment of a senior colleague with considerable experience in these areas.

Governance and Financing

The Board of Social Finance met six times in the year. In order to support David Blood's desire to devote more time to specific initiatives in the run up to the COP26 Conference in Glasgow, Derrick Anderson assumed the role of chair on an interim basis for a year commencing at the AGM in January 2021. We are very grateful for Derrick's willingness to contribute in this way. Standing items at the board meetings include a review of progress with our strategy to improve diversity and inclusion, a business activity report, incorporating a record of risk and compliance activity and a review of HR activity. We also review any developments relating to GDPR, IT and Information security which has included updates on our progress linking various management information systems into a single integrated database. At each meeting, the Board also reviews revised forecasts of the progress of the business against the budget. During the year, we successfully met the deadline in March 2021 for completing the requirements of the Senior Managers and Certification Regime. The Board also reviewed the work on a refreshed narrative for Social Finance which supported a revised brand and vision for the organisation. Outside of the formal board meetings the Board met with individual teams to benefit from a more detailed discussion of their individual strategies and activities.

The company manages cash on a weekly basis and benefits from a £1 million working capital facility provided by Big Society Capital. Social Finance drew down a portion of this facility in July and fully repaid the amount during the course of September 2021. We continue to benefit from the relatively long term and phased maturities of our liabilities. Our £300k loan from the Esmée Fairbairn Foundation matures in April 2023, our £300k loan from the Golden Bottle Trust matures in May 2025 and our £1m revolving credit facility from Big Society Capital matures in September 2024. We are in the process of negotiating a three year extension of the maturity of these facilities. In order to simplify the group's share structure, during the year, we took the decision to redeem the entire class of preference shares in our share structure held by the Hadley Trust, a charitable foundation which supported the organisation at its launch. The cost of this totaled £165,286 which was met by retained surpluses.

We also gratefully acknowledge the support we received from the Linbury Trust and Blue Haven who provided £125k and $150k of core funding in the year. The flexibility of this funding is of critical importance as we invest to strengthen the business and manage uncertainty.

Outlook

Despite the continuing high level of macroeconomic uncertainty, stresses in public finances and pressures on our partners' resources, we have been encouraged that our partners continue to value the way in which we are able to support them address the challenges they face. This is reflected in a strong and growing pipeline of activity across each of the strands of our work and gives us confidence that we will have many opportunities to support the delivery of better social outcomes in a range of important areas of need in the year ahead.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on 18th January 2022 and signed on its behalf by:

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D A Hutchison

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of Social Finance Limited (the 'company') for the year ended 30 September 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 Section 1A 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud
Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, FCA compliance, data protection, anti-bribery and employment law;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

....

Alison Kerr FCA (Senior Statutory Auditor)
For and on behalf of Albert Goodman LLP, Statutory Auditor

Goodwood House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

Date: 20 January 2022

SOCIAL FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Turnover	3	8,893,546	8,859,565
Administrative expenses		(8,764,990)	(8,741,065)
Operating profit		128,556	118,500
Income from shares in group undertakings		12,500	25,000
Interest payable and similar charges		(33,389)	(34,086)
Profit before tax		107,667	109,414
Profit for the financial year		107,667	109,414

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

SOCIAL FINANCE LIMITED

(REGISTRATION NUMBER: 06402143)

BALANCE SHEET AS AT 30 SEPTEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	5	85,943	78,824
Investments	6	4	5
		85,947	78,829
Current assets			
Debtors	7	1,742,559	1,411,007
Cash at bank and in hand	8	2,054,449	2,417,923
		3,797,008	3,828,930
Creditors: Amounts falling due within one year	9	(1,985,979)	(1,953,164)
Net current assets		1,811,029	1,875,766
Total assets less current liabilities		1,896,976	1,954,595
***Creditors**: Amounts falling due after more than one year*	9	(641,929)	(641,929)
Net assets		1,255,047	1,312,666
Capital and reserves			
Called up share capital	10	900,013	1,000,013
Capital redemption reserve		100,000	-
Profit and loss account		255,034	312,653
Total equity		1,255,047	1,312,666

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Board on 18th Jan 2022 and signed on its behalf by:

D Anderson
Chairman

D A Hutchison
Director

SOCIAL FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Preference share capital £	Ordinary share capital £	Capital redemption reserve £	Profit and loss reserve £	Total £
At 1 October 2020	100,000	900,013	-	312,653	1,312,666
Movement in year:					
Surplus for the year	-	-	-	107,667	107,667
Total comprehensive income	-	-	-	107,667	107,667
Purchase of own share capital	-	-	-	(165,286)	(165,286)
Other share capital movements	(100,000)	-	-	-	(100,000)
Other capital redemption reserve movements	-	-	100,000	-	100,000
Total movement for the year	(100,000)	-	100,000	(57,619)	(57,619)
At 30 September 2021	-	900,013	100,000	255,034	1,255,047

	Preference share capital £	Ordinary share capital £	Profit and loss reserve £	Total £
At 1 October 2019	100,000	900,013	203,239	1,203,252
Movement in year:				
Surplus for the year	-	-	109,414	109,414
Total comprehensive income	-	-	109,414	109,414
At 30 September 2020	100,000	900,013	312,653	1,312,666

1 General information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:
87 Vauxhall Walk
London
SE11 5HJ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation
These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

These financial statements are prepared on a going concern basis which the directors have concluded is appropriate following a detailed forecasting process, taking account of both the expected position and also allowing for the potential impact on earned revenue of the continuing macroeconomic uncertainty and the stressed position of the public finances. The Directors report sets out the working capital financing available to the company and also describes how the company successfully managed the disruption of the pandemic which continued in 2021.

Turnover recognition
Turnover represents invoiced sales of services (net of value added tax), grants and donation income. Income from sale of services is recognised in the period to which the services were delivered. Grant and donation income relating to a specific project is recognised by matching the relevant expenditure. If there is no specific project involved, the income is recognised when receivable.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tangible assets
Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation of tangible assets
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	33% straight line
Short leasehold improvements	over the life of the lease

Investments
Investments in subsidiaries are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors
Trade debtors are amounts due for work undertaken in the ordinary course of business. Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts as recorded.

Other debtors include accrued income which is accounted for in line with the turnover recognition accounting policy.

Creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are measured at the transaction amount and are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Deferred income is accounted for in line with the turnover recognition accounting policy.

Borrowings
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Reserves
Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period profits and losses.

Capital redemption reserve records the nominal value of shares repurchased by the company.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021 £	2020 £
Fees and commission	6,607,024	5,805,617
Programmatic grants	1,891,522	2,778,948
Donations	395,000	275,000
	8,893,546	8,859,565

4 Staff numbers

The average number of persons employed by the company (including directors) during the year was 105 (2020 - 101).

5 Tangible assets

	Short leasehold improvements £	Plant and machinery £	Total £
Cost or valuation			
At 1 October 2020	-	262,562	262,562
Additions	15,773	40,612	56,385
At 30 September 2021	15,773	303,174	318,947
Depreciation			
At 1 October 2020	-	183,738	183,738
Charge for the year	438	48,828	49,266
At 30 September 2021	438	232,566	233,004
Carrying amount			
At 30 September 2021	15,335	70,608	85,943
At 30 September 2020	-	78,824	78,824

6 Investments

	2021	2020
	£	£
Investments in subsidiaries	4	5

Subsidiaries	£
Cost or valuation	
At 1 October 2020	5
Disposals	(1)
At 30 September 2021	4
Carrying amount	
At 30 September 2021	4
At 30 September 2020	5

7 Debtors

	2021	2020
	£	£
Trade debtors	1,133,374	917,735
Other debtors	129,555	115,216
Accrued income	479,630	378,056
Total current trade and other debtors	1,742,559	1,411,007

8 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	2,054,449	2,417,923

Included in cash at bank are amounts recieved in advance for work not yet undertaken of £901,931 (2020: £643,203).

9 Creditors

	2021 £	2020 £
Due within one year		
Trade creditors	221,469	111,457
Taxation and social security	449,826	697,015
Other creditors	393,068	478,571
Deferred income	921,616	666,121
	1,985,979	1,953,164
Due after one year		
Loans and borrowings	641,929	641,929

Creditors of more than one year includes a loan of £41,929 (2020: £41,929) which is being repaid with the proceeds of outcome payments from the associated project. Social Finance's responsibility to repay the loan is limited to the outcome payments actually received.

10 Share capital

Allotted, called up and fully paid shares

	2021 No.	2021 £	2020 No.	2020 £
Ordinary shares of £1	13	13	13	13
Founder shares of £100,000	9	900,000	9	900,000
Preference shares of £0 (2020 - £1,000 each)	-	-	100	100,000
	22	900,013	122	1,000,013

Ordinary shares have full voting rights with no dividend entitlement. Founder shares have no voting rights with no dividend entitlement. The preference shares, which were redeemed in the year, had no voting rights with a dividend entitlement solely in the event that dividends were payable and declared. The directors have no intention of declaring dividends reflecting the "not for distribution" nature of the company.

During the year, the entire class of preference shares, (100 shares at £1,000 par value), were redeemed at a total cost of £165,286 including a redemption premium of £65,286. For further details please see the Statement of Changes in Equity (page 19).

11 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The total amount of financial commitments not included in the balance sheet is £499,800 (2020 - £630,594). The commitments represent the future minimum lease payments under non-cancellable operating leases.

12 Related party transactions

Other transactions with directors

During the year the company received a grant totalling £225,000 (£150,000) from a director, all of which has been included in this year's turnover.

The company has taken advantage of the exemption from disclosing transactions with wholly owned subsidiaries.

13 Parent and ultimate parent undertaking

The company has no parent company with all the ordinary shares being held by the directors.