The Commission is an independent body set up to consider how unclaimed assets could best be used to benefit society.

The commissioners are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Ronald Cohen (Chair)</td>
<td>Chair, Social Investment Taskforce, Bridges Community Ventures and The Portland Trust, and Honorary President, Community Development Finance Association</td>
</tr>
<tr>
<td>David Carrington</td>
<td>Consultant, former Chief Executive of The Baring Foundation</td>
</tr>
<tr>
<td>Andrew Gowers</td>
<td>Head of Corporate Communications, Lehman Brothers Europe and former Editor, <em>Financial Times</em></td>
</tr>
<tr>
<td>Susan Hitch</td>
<td>Acting Chair, Balance Foundation</td>
</tr>
<tr>
<td>Bernard Horn</td>
<td>Former Group Board Member of Nat West Bank</td>
</tr>
<tr>
<td>Ed Mayo</td>
<td>Chief Executive, National Consumer Council</td>
</tr>
<tr>
<td>Baroness Jill Pitkeathly</td>
<td>House of Lords, former Chair of New Opportunities Fund</td>
</tr>
<tr>
<td>Julia Unwin</td>
<td>Consultant, Deputy Chair of the Food Standards Agency</td>
</tr>
<tr>
<td>Danielle Walker–Palmour</td>
<td>Director, Friends Provident Foundation</td>
</tr>
</tbody>
</table>

Observers to the Commission include representatives from the Treasury, the Department for Communities and Local Government, the Home Office (now relocated to the Cabinet Office), the British Bankers Association and the Building Societies Association.

The Commission would like to thank Unity Trust Bank for sponsoring this document, and Joseph Rowntree Foundation, Joseph Rowntree Charitable Trust, Esmée Fairbairn Foundation, Carnegie Trust, the Scarman Trust, and London Metropolitan University for their financial and in-kind support.

See inside back cover for details of advisors and the secretariat.
The United Kingdom is a wealthy country. Yet the increases in wealth over the last 25 years and the interventions from Government have not been able to reverse severe inequalities in income and prosperity. Those on the margins live in a society characterised by accelerating rates of change and new forms of poverty and deprivation. This calls for sustained action and an ambitious vision for the future. We need to reconnect disadvantaged and marginalised communities with enterprise and wealth creation. We cannot afford our youth to be brought up without hope or expectation as young people offer the best hope for breaking the cycle of deprivation and exclusion.

The social sector, often referred to as the third sector, is well-placed to meet this challenge. Its organisations have a significant presence in affected communities and provide essential services and support. But funding for the sector is often restrictive and inflexible, stifling creativity and growth.

A more sophisticated funding system is needed for the third sector to thrive and for it to provide the necessary support to enable these communities to prosper.

The release of unclaimed assets from UK banks, building societies and other financial institutions provides a unique opportunity to boost the third sector. The Commission has been looking at spending options for the unclaimed assets. We believe that using the assets as a traditional endowment or spending the capital over a shorter period would have little impact on disadvantaged communities.

Our strong sense is that this is a sector that needs to be grown patiently over a longer period of time. Too much money too soon would result in poor decisions and wasted funds.

We propose using the unclaimed assets to set up an independent financial institution that would act as a wholesaler and distributor for the third sector. We have called it the “Social Investment Bank”. It would work with specialist distributors directly and indirectly to channel this capital where it can have the biggest impact. We want it to provide financial and advisory support to the third sector to help expand its activities. We want to create a marketplace that develops its own dynamic momentum and turns social investment into a recognised asset class.

An effectively funded third sector could make a major contribution to regenerating our deprived communities, improving financial inclusion and realising the potential of our disadvantaged youth.

Unclaimed assets are monies that have been untouched by their owners in financial institutions for a considerable period of time. Countries including the US, Ireland, Australia, New Zealand and Spain have legal frameworks in place for putting these assets, including dormant accounts, to productive use. The Commission on Unclaimed Assets has been set up to propose recommendations for the UK.

In parallel, a British Bankers Association (BBA) and Building Societies Association (BSA) organised industry working group are developing proposals for a regulatory and legislative framework on dormant accounts, in consultation with the Government. This is still a work in progress. The Commission will review these proposals and will focus on three main issues:

- **Consumer protection**: account holders must always be able to claim their assets, including any interest due, regardless of when they come forward to claim them.

- **Effective regulation**: the proposed regulatory framework needs to be sufficiently robust to ensure compliance without placing an unnecessarily onerous administrative burden on financial institutions.

- **Unrestricted capital**: whilst any transferred capital would be subject to a future claim by account holders, the capital should be free of other ties so that it can be used to leverage other resources for disadvantaged communities.

An effectively funded third sector could make a major contribution to regenerating our deprived communities, improving financial inclusion and realising the potential of our disadvantaged youth.
Introduction

Last December, the Treasury reached an historic agreement with the UK banking sector on the issue of unclaimed assets. A 15 year definition for dormancy was proposed – the point at which funds could legitimately be used for other purposes. It was also suggested that the funds, once released, should be focused on engaging young people, financial education and inclusion and community regeneration. Agreement was reached on a major new campaign to re-unite account holders with their funds, coupled with a further commitment that account holders will always be able to get their money back with interest at any point in the future. Assessments vary on how much money is actually left in dormant bank and building society accounts, but estimates start from several hundred million pounds upwards, which could be increased by the unclaimed assets of other financial institutions such as insurance companies and National Savings.

The Commission was set up at the initiative of the Scarman Trust, drawing together a group of experts from the banking, finance, consumer protection and third sectors. This group, together with government observers, sought to examine the challenges arising from the proposed plan. It brought outside expertise to inform our analysis of the main topics. We reviewed international precedents and received reports from the financing, accounting and third sectors.

Without enterprise and wealth creation, we cannot build resilient and sustainable communities and individuals. The Commission believes that unclaimed assets provide an excellent opportunity to support the third sector in addressing social needs in the UK.

We considered three main issues: reuniting customers with their money and consumer protection (working with the National Consumer Council); the transfer of unclaimed assets to a new entity; and the best use of unclaimed assets, which has been the major focus of our work.

We reviewed the scale and depth of deprivation in the UK and thought hard about how best to address the problems facing society today. The UK has enjoyed a long period of sustained growth, yet many people have been left behind. The acceleration in growth has created increasing gaps between rich and poor. Poverty has become more concentrated, and inequalities in wealth and income more marked. Some of the UK’s poorest urban and rural areas have become no-go areas for investment.

Government and third sector interventions are vital. But without enterprise and wealth creation, we cannot build resilient and sustainable communities and individuals. The Commission believes that unclaimed assets provide an excellent opportunity to support the third sector in addressing social needs in the UK.
The Commission asked the Young Foundation to look at social trends in the UK. The conclusions are overwhelming:

- In 2004/05, 11.4 million people in Great Britain were living in households below the income poverty threshold. This represents a drop of 2½ million since 1996/97 but is still much higher than in the early 1980s.

- Children are one and a third times more likely to live in a low income household than are adults. Almost two million children live in households where their carers do not work.

- 1.1 million young people do not work and are not in education or training.

- Four million people do not have enough money to buy fresh fruit and vegetables or two meals a day.

- Eight per cent of households have no bank accounts, savings or investments.

The study summarises 40 needs, some of which have been enduring facts of British life for decades, others of which are new. The Commission is focusing on three clusters of need:

- **Classic poverty** Poverty of power, money and place; the poor, the elderly, the young, the disabled and mentally ill, single parents.

- **Destitution** Asylum seekers, trafficked people, modern slaves, undocumented migrants, none of whom benefit from state support.

- **People without support** Those who do not benefit from family support or access to other sources of support.

---

### Engaging Young People

While most young people will thrive and make a successful entry into adulthood, there is evidence that this transition is more complex than it once was. Young people who were exposed to risk factors in their early years, and those growing up in disadvantaged circumstances, experience accelerated transitions to adulthood. These young people are at greater risk of social exclusion – unemployment, teenage pregnancy and parenthood, homelessness and offending.

Research indicates that how young people spend their time outside of school is a key element of this transition from youth to adulthood. However, parents and young people agree that what is provided for young people in this area could be improved. 43 per cent of adults said that activities for teenagers were in greatest need of improvement in their local area, ahead of crime (29 per cent), public transport (27 per cent) and affordable decent housing (16 per cent).

This message came out even more strongly in young people’s responses to the Government’s Youth Matters consultation which asked young people about what they wanted from things to do and places to go. Young people responded with a desire for more services and activities that were safe, accessible, affordable and inclusive, with a focus on the needs and interests of all young people. They also expressed a wish to be more involved and in control of decision making about improving provision for them.

Making this vision a reality is important for all young people, but particularly for those at risk of social exclusion who could benefit most from taking part in positive activities but are least likely to do so.
Another study, conducted in 2004 by the Institute for Public Policy Research, focused on disparities of income and wealth between people in the UK: 11

- Inequality of income increased dramatically during the 1980s but there has been no significant increase since the early 1990s. In 2002/3, the bottom ten per cent still had two per cent of total income, while the top ten per cent received over 29 per cent of all disposable income.

- Wealth is far more unequally distributed than income across the population. The proportion of wealth held by the most prosperous one per cent of the population was 22 per cent in 2001, increasing from 18 per cent in 1990. The proportion of wealth held by the top ten per cent has increased from 47 to 56 per cent over the same period (although these are not necessarily the same people).

We looked carefully at the causes of deprivation. Some causes are inevitable and some are avoidable. Economic and technological development has left many people and communities in both urban and rural areas with redundant skills and poor employment prospects. Globalisation has exacerbated this phenomenon, as lower skilled jobs are exported abroad while economic migration continues apace. Weakening institutional and family support structures, demographic changes (such as ageing populations and smaller families) and discrimination can cause acute distress for communities and individuals, particularly those with limited resources.

The image of the UK that emerges from these facts and figures is complex. The prosperity gains from the UK's economic growth have not been shared out evenly across the population. There are severe concentrations of deprivation and poverty, reinforcing the problems facing disadvantaged communities. 12 Those who can leave, do. Those who cannot, face a range of problems including unemployment and poor job prospects, higher rates of crime, drugs, poor education and training, extremism in religion and politics and inadequate access to support and services. Our particular concern is young people who find it hard to succeed in these circumstances and who represent the best opportunity to reverse current trends.

Financial Inclusion

Low income communities are often excluded from mainstream financial products. They lack access to banking services, affordable credit and free money advice. As a result they are frequently unable to make savings that come from having a bank account, and often use alternative credit sources which do not provide appropriate financial advice and normally charge higher interest on credit, leading to higher debt and further deprivation. The supply of free face to face debt advice also falls far short of demand. Financial exclusion is a major barrier for building sustainable and wealth creating communities.

Appropriate products and services to tackle the problem of exclusion are emerging. Banks now offer basic bank accounts and Community Development Finance Institutions (CDFIs) and credit unions are doing valuable work to increase the supply of affordable credit. Both credit union and CDFI sectors have experienced significant recent growth, and, along with other non-profit organisations are also doing a great deal to provide money advice where it is most needed and to take forward initiatives to improve financial capability and literacy. CDFIs also fund small businesses and social enterprises that do not have access to mainstream finance at affordable rates. Capital in the CDFI sector has reached £450 million. CDFIs have financed more than 18,000 businesses and individuals, sustained 88,000 jobs, created 11,000 new jobs and levered in £285 million from private sources. However, credit unions and CDFIs both require further support to extend their coverage and develop professional services.
The public and third sector agencies play the most significant role in neighbourhoods of multiple deprivation and among members of marginalised communities and groups outside the formal labour market. They provide services that meet expressed needs and alleviate the symptoms of poverty. But often these interventions do not address the underlying characteristic shared by poor neighbourhoods or poor people: the lack of wealth. Indeed, for many beneficiaries of the services that these agencies deliver, it is still necessary to be poor and remain poor in order to qualify to receive them. This creates a system of perverse incentives and rewards.

What distinguishes the most effective third sector organisations is that they pursue the opposite approach, building on resources and creating opportunities. This works on two different levels: they build the assets of their own organisation and they also build the assets of those they seek to serve.

Organisations that work in this way aim to help people achieve measurable gains: growth in human capital (health and skills); in financial capital; in ownership of, or access to, physical assets; and in social networks. This approach will commonly involve organisations developing strong co-operative relationships with other organisations (ideally across all sectors) in order to offer the rounded support that allows people to begin to escape the multiple deprivation outlined so starkly in the previous section.

The third sector is well-placed to open up a new front in the battle against poverty by developing its core activities and by using a wide range of new asset-based approaches.

Case Study: Reversing the decline

The Isle of Gigha In 2002 the people of Gigha in Scotland completed a remarkable buy-out of their island through a community land-owning trust – the Isle of Gigha Heritage Trust. They raised over £4 million from the Scottish Lottery Fund and Highland and Islands Enterprise to complete the sale. Since acquiring the island, they have developed a wide range of schemes to build community wealth and enterprise. Their most ambitious project so far is a renewable energy farm – Gigha Renewable Energy Ltd – which serves local energy needs and sells energy profitably to the national grid. Other schemes include Gigha Trading Ltd which enables commercial development on the island, increased dairy production from local farms and local tourism. The Trust has a five year development plan for the island that focuses on debt repayment, affordable housing, agricultural restructuring, social infrastructure, economic growth and sustainable development. The buy-out has reversed the social and economic decline of the island. Gigha’s population is growing, the school roll is rising and new businesses are opening.13

The third sector in the UK is made up of organisations such as charities; social enterprises including co-operatives and mutuals; and community organisations and enterprises. Approximately 170,000 charities are registered but the broader not-for-profit sector is estimated at 500,000 organisations (mostly small) in total.14

Official estimates are not fully reliable and certainly under-estimate small and often informal, local community groups. It has been suggested that there are about 600,000 local community entrepreneurs active across the UK.15

There are 80 CDFIs that invest primarily in enterprises in disadvantaged areas, around 400 credit unions providing personal savings and loans, and around 400 multi-activity ‘local community anchors’.16

Some social enterprises are very large. There are 1,800 housing associations with revenue budgets in excess of £8 billion and capital assets valued at over £65 billion.17 Some housing associations are using their substantial assets to help broaden community development.
Our consultation with the third sector has revealed a striking picture of chronic under-investment. Many funders do not cover core costs, restrict grants to specific projects rather than building up the capacity of community organisations and only provide support for short periods of time, typically three years or less. This means that organisations suffer from overstretched and low paid management, scant reserves and a lack of funds for new product development or organisational growth.

Many organisations, particularly small ones, have an aversion to loan finance. Many are unaware of more sophisticated financing tools on offer, such as quasi-equity or lease financing. We can address these issues by raising market awareness and ensuring that technical support and capacity building are properly funded.

There is a range of specialist distributors emerging to bridge the funding and support gaps in the sector. Their achievements need to be built on, not supplanted. Nevertheless, there are clear gaps in the range and scale of financing products currently on offer. Outreach and marketing programmes are generally weak and there is a lack of high-quality development support. Meanwhile, cooperation between investment intermediaries, for example on co-investment or referral, has hardly begun.

Government has worked with the third sector to improve the latter’s ability to negotiate robust contracts for the provision of public services. It has also advocated the large-scale transfer of public-owned land and buildings into ownership by community-based organisations. If the third sector is to take advantage of these opportunities to grow, innovate, and take on significant responsibilities for further service delivery it will require a more varied and sophisticated funding approach.

**Case Study: Youth engagement**

**YouthBanks** are run by young people, for young people, providing small grants to fund good ideas to benefit their local community. Young people themselves make the decisions about who should receive the money and how their YouthBank is managed and run. Not only do local community initiatives benefit, but YouthBank membership offers enormous personal development opportunities to the young people who participate. New skills, self-confidence, decision-making experience and showing that they are active participants in their community are just some of the benefits.

**Case Study: Reinvesting into the community**

**Action for Business Bradford Ltd (ABL)** is a community-based regeneration organisation based in Manningham, Bradford. ABL was set up in 1992 and since 1996 has been running the Carlisle Business Centre (CBC) – a managed workspace with a total of nearly 100 offices, workshops, stores, craft units, and conferencing and training facilities for rent and hire by small private businesses and community and voluntary organisations. In 2003 ABL bought the Carlisle Business Centre, raising the finance for the purchase through a combination of commercial loans, a mortgage from the local authority and a patient capital investment from Adventure Capital Fund. ABL is now an asset-based and income-generating enterprise, reinvesting its revenue into the community.
Given that investment and entrepreneurship go hand in hand in the third sector as much as in the mainstream economy, attracting capital and resources to finance social activity is key to its success. That is why we are proposing setting up a "Social Investment Bank".

We recommend setting up an independent financial institution that would have a long term dynamic effect on the third sector’s ability to increase wealth and reduce poverty across the UK. We have looked at international examples and have been impressed by financial organisations that use sophisticated financial tools successfully to fund the growth and the expansion of social activity. The Commission would like to build on this experience.

There is a demand for an institution that is capable of using tax credits and other incentives provided by the Government in order to attract capital and then distribute it through financial intermediaries in the third sector. The "Social Investment Bank" would act as the dynamic gatherer and mobiliser of such capital for the sector.

It would be flexible about the support and investment it provides and the type of organisations that it works with, as our research has shown great variation from community to community. Support would be for the long term and include technical assistance alongside funding. It would aim to address under-investment in local organisations, enabling local action, self help and enterprise. It would build links between disadvantaged communities and the providers of capital, services and support. It would aid the growth of the social investment market by working with government, foundations and the private sector, to capitalise present funding gaps, and act as a wholesaler and packager of capital.

Our proposal is that the capital from unclaimed assets would be used to provide the equity for the "Social Investment Bank" and that leveraging this equity would enable it to multiply its investment several times. Even the lowest estimate of several hundred million pounds would become more than £1 billion of potential investment for the sector.

Its equity base would allow it to attract private investment into the sector through a range of financial tools. It would credit-enhance portfolios of securities or the balance sheets of social organisations by providing guarantees to them. It would borrow and 'on-lend', allowing it to recapitalise organisations such as CDFIs, credit-unions, micro finance lenders and other specialist investors. It would provide loans or equity to intermediaries and, in due course, would seek to issue tax-credit-enhanced bonds.

Case Study: Financing and technical support
Local Initiatives Support Corporation (LISC) (established in 1979) helps nonprofit community development organizations transform distressed neighborhoods into healthy and sustainable communities across the USA. LISC mobilizes capital from corporate, government and philanthropic sources through grants, loans and tax credits. LISC provides local community development organizations (CDCs) with a range of financial and technical assistance including loans, grants, and equity investments; local, statewide, and national policy support; and technical and management assistance.

Through a combination of tailored local support and financial acumen, LISC has enabled $7.1 billion of investment into deprived areas. Its investment capital has grown from $9.35 million to over $900 million in 2005. It has capitalized on US tax credits, in particular the low-income tax credit and the New Markets credit, to raise over $600 million. LISC has announced that it intends to provide a further $1 billion in community-focused grants, loans and equity investments in 2006.23

The "Social Investment Bank" would be active in helping to seed and grow new and existing organisations. It will generate demand for its services, and provide organisations with development grants, capacity building and long term technical support. It will provide financing tailored to the needs of individual organisations and will work with third sector funders to encourage greater co-operation among them and improved marketing of their services.

The "Social Investment Bank" will be a new institution that combines the strengths of the social investment world with the knowledge of sophisticated financial tools and capital markets. It should follow a hub and spokes model. Its hub will provide specialist expertise to raise finance. Its local branches will provide transaction support and close links with the local communities and the organisations that serve them. Its success depends on blending third sector knowledge and financial expertise.

In summary, the "Social Investment Bank" would play a leading role in creating new investment capital markets that turn social investment into a recognised asset class.
How it Could Work

The “Social Investment Bank” could leverage its resources and tailor its products for markets and communities that are presently under-served such as the financially excluded, marginalised communities and disadvantaged youth. The examples below illustrate different financial products the “Bank” could offer.

- **Equity for Social Enterprises**
  Finding equity or quasi-equity investment for enterprises with a social mission is often difficult. The commercial nature of the operation precludes most grant funding while the financial returns are too low for commercial investment.

  The “Social Investment Bank” could provide equity or quasi-equity investment through a specialist intermediary who, in turn, could provide the necessary due diligence and support. In many instances providing a proportion of the capital at attractive rates can enable the remainder to be raised on commercial terms.

- **Lending in Low Income Communities**
  The well documented lack of affordable loans in low income communities causes an estimated £500 million in additional interest charges each year. CDFIs and credit unions are working in this area at a community level but still lack coverage.

  The “Social Investment Bank” could support these intermediaries through a variety of mechanisms. For a CDFI or credit union, this support could include helping develop a sustainable business model through a mix of technical support and quasi equity investment. At a later stage in their development the “Bank” could refinance their loan book, providing them with further lending capacity. Later still, the “Bank” could seek capital markets investment through a bond issue, enhanced with tax credits such as the Community Investment Tax Relief (CITR). The capital raised could be passed on to the intermediaries on favourable terms.

  Another route to lending in low income communities could involve a partnership between a Housing Association and a commercial bank that could provide packaged versions of the commercial bank’s lending products to the Housing Association’s tenants. The commercial bank could provide the back office support for processing the loans. The “Social Investment Bank” could act as an equity investor in such a project, potentially enabling additional capital from other sources.
Financial Tools

The funding needs of the third sector vary greatly – depending on organisation’s size, scale, income level and stage of maturity. The range of funding should vary accordingly. The “Social Investment Bank” would work with specialist intermediaries, providing a wide variety of financial tools. The “Bank” would be innovative and would look at new and tailor-made products for the creation of a third sector market. The following are examples of the funding and finance tools that could be offered to third sector organisations:

- **Grants**: for developing organisations or for those where the social impact could be high but the financial returns are low or too high risk for other forms of finance. Grants will remain essential to many organisations.

- **Quasi-equity**: for organisations where social impact could be high and there is potential for the money to earn some return through a form of revenue sharing.

- **Equity**: for organisations where the investment has the potential to produce significant revenue and returns or for organisations that invest high-risk capital in disadvantaged communities.

- **Lease financing**: for capital purchases, for example computers or vehicles.

- **Loans**: for organisations with a steady cash flow or assets that can be used as security.

- **Refinancing loan books**: for organisations that would benefit from further lending capacity.

- **Bonds**: for organisations with lower risk and long-term steady financial outlooks.

- **Financial Advice**: for organisations seeking sustainability and growth or for organisations interested in programme related investments.

- **Promoting Enterprise in Disadvantaged Communities**

Entrepreneurs in disadvantaged communities, considered ineligible for commercial funding, need loans and support packages. These products could be provided by local or national specialist intermediaries.

Experience has shown that many potential entrepreneurs even in low income areas can put together a small sum, either as cash or in-kind. The “Social Investment Bank” could give a loan guarantee to match this investment and could help secure further commercial lending. Specialist intermediaries interested in providing this product would have to secure local funding, potentially with the “Bank’s” help, so that they can provide the support that the entrepreneur is likely to need.

- **Community Ownership**

Community organisations seeking the transfer by Government of under-utilized land or buildings in the local area need advice and financial support.

The “Social Investment Bank” could provide a range of products to support the transfer process such as development grants to resource the project planning and management capacity adequately, advice on different revenue streams, partners for finance and for property management, and direct funding for those elements of the asset transfer where alternative funding is not available.
This report sets out the Commission’s key findings and its vision. We are now seeking stakeholder views before publishing a final report before the next Budget. The final report will provide further details on consumer protection, reunification and the regulatory framework for unclaimed assets, and propose pilot schemes for the “Social Investment Bank”. We are eager to hear your views on all aspects of our work. In particular, we would like to understand the following issues better:

- Where do the investment gaps and financing opportunities for third sector organisations lie, and how can we meet them?
- Are there significant barriers to third sector organisations accessing current and emerging sources of capital? Do third sector organisations have the financial knowledge, business strategy and planning capacity required? If not, to what extent should a “Social Investment Bank” seek to develop this capacity, or should it support other organisations to do so?
- How are current changes to funding structures impacting on third sector organisations?
- What are the advantages and disadvantages of working with and through specialist distributors?

We need to consider the most appropriate organisational and financial structure for the “Social Investment Bank”. We would like to formalise its governance, aims and performance management framework.

We would also like to hear from you if you have wider concerns relating to how customers are reunited with their assets or about the transfer of these monies.

Part of the consultation exercise will take place online on the Commission’s website www.unclaimedassets.org.uk. Guidance on the consultation exercise will be available on the website. We would like to receive your responses by 1st December 2006. Your submissions will be considered alongside other available evidence when consolidating our proposals. All submissions will be treated confidentially. If we are interested in attributing your views in any of our published material, we will get in touch. You can indicate on the form if you are happy for us to contact you.

We are also planning national and regional consultations over the coming months to discuss the challenges ahead. These consultations will be a further opportunity to present your views and learn more about our ideas. We would particularly like you to attend if you think you could help further any of our discussions. Please contact us at the address below or sign up to the mailing list on our website.

If you have any queries, please contact the Commission on Unclaimed Assets secretariat at:

Matthew Pike or Toby Eccles,
The Commission on Unclaimed Assets,
London Metropolitan University,
31 Jewry Street, London,
EC3N 2EY

Or contact us by email at info@unclaimedassets.org.uk

www.unclaimedassets.org.uk

Next Steps
Glossary

Asset Class
A specific category of assets or investments, such as stocks, bonds, cash, international securities or property, that are reasonably grouped together for classification purposes because they exhibit sufficiently similar characteristics of risk and return. Asset managers and financial advisers tend to allocate investment portfolios between recognized asset classes, depending on the level of risk and potential return they are targeting.

Community
A group of people who have something in common. This might be the place they live, common heritage, religion or ethnicity, or other shared characteristic such as a profession or a set of circumstances.

Community Anchor Organisation
A third sector organisation that provides a hub of activities for people living within a particular area (e.g. neighbourhood or village) or who are part of a local community of interest (e.g. youth, people with disabilities or from black and other minority communities).

Their activities, and those of the organisations and groups with which they are associated, create a marketplace of opportunities and multiple pathways for engagement for the people whose needs and aspirations they seek to meet. They can range in scale from substantial organisations with annual turnovers in excess of £5 million running 70 or more projects to a village hall serving a community of 120 people. The important role that these organisations can play within their communities has been recognised in Firm Foundations, the Government’s framework for community capacity building.

Community Development Finance Institution (CDFI)
CDFIs are sustainable, independent organisations which provide financial services with two aims: to generate social and financial returns. They provide loans or investments along with business support to individuals and organisations whose purpose is to create wealth in disadvantaged communities or under served markets. For more information on the range of communities they serve and financial services they provide see the website of the Community Development Finance Association (cdfa) www.cdfa.org.uk

Community Investment Tax Relief (CITR)
The CITR is a tax relief scheme introduced as a result of the recommendations of the Social Investment Task Force and aims to encourage investment in Community Development Finance Institutions (CDFIs) by providing tax relief at a rate of 5% per year on investments or loans made to accredited CDFIs. The terms and conditions are set out on the website of the Small Business Service of the Department of Trade and Industry www.sbs.gov.uk

Credit Enhancement
The process of reducing credit risk by requiring collateral, insurance, or other security to provide the lender with reassurance that it will be compensated if the borrower defaults. A social investment institution might leverage additional capital at lower than project risk by acting as guarantor for a portion of the capital.

Credit Unions
Credit Unions are not-for-profit financial co-operatives owned and controlled by their members and providing usually better than market value, savings and loan products. For more information on the range of communities they serve and financial services they provide see the website of the Association of British Credit Unions Ltd (ABCUL) www.abcul.org

Dormant Accounts
When there have been no transactions on a personal savings or current account for a set period (usually at least a year) and the bank hasn’t heard from the account holder - it will write to the last address, the account is considered dormant and will be treated differently from a live account.

Endowments
Resources held by a charitable foundation or provided to a third sector organisation to help ensure the long-term future of an organisation. In the case of a permanent endowment, these resources must be invested for the benefit of future beneficiaries and only the income generated by the investment can be spent on current beneficiaries. In the case of an expendable endowment, these resources can either be invested or spent on current beneficiaries.

Intermediary
This report uses the term intermediary or specialist distributor to refer to organisations that provide funding or advice to third sector organisations, or to individuals and organisations in deprived communities. These organisations could be geographically focused, such as a community foundation or credit union, or focused on a specific niche such as start-up grants to social entrepreneurs or equity to enterprises in low income areas.

Lease Financing
A financing alternative if you are seeking funding for capital purchases such as computers or vehicles without the up front cost. The lessee retains ownership of the item while you make monthly payments. You can often purchase the equipment at the end of the lease for less than market value.

Low Income
Poverty and low income can be measured in different ways. The UK Government and the EU refer to low income as being below 60 per cent of contemporary median income. The indicator used in the report mentioned refers to low income households – those below 60 per cent of contemporary median income after deducting taxes and housing costs.

Microfinance
Microfinance has evolved internationally as an economic development approach intended to benefit low-income groups. The term refers to the provision of financial services to low-income clients, including the self-employed. In the UK, microfinance organizations primarily provide loans but the terms worldwide covers the provision of financial services more generally, including savings and credit, insurance and payment services.

Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, service providers, small restaurant operators, artisans and small cottage industries. Usually their activities provide a stable source of cashflow and income (often from more than one activity).

Quasi Equity
An investment that combines the characteristics of equity and loans. It is usually in the form of a loan but gets repaid after all other debt if the borrower fails. It either is not secured with collateral has a junior collateral position to other lenders. Instead of simply earning an interest rate, quasi equity usually has equity-like features such as sharing in surpluses or revenue and, where appropriate, being convertible to equity.

Social Enterprise(s)
Drawing on the UK Government’s definition, a social enterprise is a business with primarily social (or environmental) objectives whose surpluses (or profits) are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

Social Investment
Financial transactions intended to achieve social objectives as well as financial returns.

Specialist Distributor
See Intermediary
Glossary (cont’d)

**Tax Credits**
In UK law a tax credit is counted as a payment already made towards taxes owed. Tax credits can be set up by government to correct particular incentives, such as Working Tax Credit which addresses the disincentive to work when expected wages are little more than unemployment benefits. An example relevant to this report is the Community Investment Tax Relief (CITR).

**Tax Credit Enhanced Bonds**
Where an organisation issues debt for purposes which the Government has incentivised through tax credits. The issuer of the bond should therefore be able to claim tax relief and this can allow them to issue the debt at a lower rate than would otherwise be possible. An example would be a bond issue for on-lending to CDFIs, which could benefit from the CITR.

**Third Sector**
The third sector refers to those organisations which are led by a social or environmental mission rather than just by profit. It is a diverse group which the UK Government sees as including voluntary and community organisations, charities, social enterprises, faith groups, cooperatives and mutuals.

**Unclaimed Assets**
There are many types of unclaimed financial assets. The initial focus of the commission is on retail accounts held by individuals. These are mostly small amounts left in bank and building societies that typically have been forgotten and left dormant. They are considered unclaimed once they have been dormant for a defined period of time and the bank has made best efforts to reunite their owner with them. It is an important principle for the Commission that even after all of this, should the owner return to claim the assets they will always have a right to them.

Endnotes

2 The sections on Building a Fairer Society in the Pre-budget Report, 2005 and in the Budget 2006 set out, and then confirm, how the banking industry has ‘set in train work to develop a scheme to enable unclaimed assets to be reinvested in society.’ See [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)
3 Also from the Pre-budget Report, 2005, see Endnote 2.
4 The Young Foundation Report (2006) *Mapping Britain’s Unmet Needs* is available on their website [www.youngfoundation.org](http://www.youngfoundation.org)
7 National Association of Connexions Partnerships (2004), *Experiences of Young People who are NEET, NEET research project available on their website [www.nacp.co.uk](http://www.nacp.co.uk).
11 See Endnote 1.
12 There are different ways to measure and look at disadvantaged areas. One way is to look at the 10 per cent of ‘super output areas’ (these are smaller than wards and made up of between 1000–3000 people) that suffer the highest rates of deprivation on different weighted factors. See [www.odpm.gov.uk/indices](http://www.odpm.gov.uk/indices)
13 For further information: [www.gigha.org.uk](http://www.gigha.org.uk)
14 The number of charities can be found in the UK Voluntary Sector Almanac 2006 published by the National Council for Voluntary Organisations (NCVO). The NCVO believe that there are about 100,000 community groups and the overall third sector includes about 400–500,000 organisations.
15 This figure is an estimate created in *Low Flying Heroes: Micro-social enterprise below the radar screen*, Alex MacGillivray, Pat Conaty and Chris Wadhams (ref, 2000).
16 More details on CDFIs are available from [www.cdfa.org.uk](http://www.cdfa.org.uk). Details on credit unions can be found at The Association of British Credit Unions Ltd website [www.abcul.coop](http://www.abcul.coop). Details of Community Anchor Organisations can be found in Stephen Thake (2001) *Building communities, changing lives*, published by York Publishing Services for the Joseph Rowntree Foundation.
19 ACEVO – Association of Chief Executives of Voluntary Organisations – published, for example, the report of a Commission into Surer Funding for third sector public contracts, [www.acevo.org.uk](http://www.acevo.org.uk).
21 Further information on the ACF can be found on [www.adventurecapitalfund.org.uk](http://www.adventurecapitalfund.org.uk)
22 This information is taken from LISC’s 2006 annual report, [www.lisc.org](http://www.lisc.org)
The following group have contributed enormously to the work of the Commission through providing advice on matters such as policy, communications and finance. We are very grateful for their support.

Michele Giddens  Bridges Community Ventures  
Alisa Helbitz  Sir Ronald Cohen's Office  
Bernie Morgan  Community Development Finance Association  
Geraldine Peacock  Chair of the Charities Commission  
Stephen Thake  London Metropolitan University  
Andrea Westall  Consultant Policy Analyst, Researcher and Writer  
Toby Wyles  Bowmark Capital  

Finally, we are grateful for the contribution of a senior group whom we have consulted in preparing our proposals.

Jonathan Bland  Chief Executive, Social Enterprise Coalition  
Stephen Bubb  Chief Executive, ACEVO  
Clare Dove  Director, Blackburne House  
Stephen Dunmore  Chief Executive of Big Lottery Fund  
Stuart Etherington  Chief Executive, NCVO  
Keith Hollender  Chief Executive, the Unclaimed Assets Register  
Ben Hughes  Director, Bassac, and Community Sector Coalition  
John Lowe  Chairman, ACEVO  
Phil Mundy  Chair, Salford Money Line  
Jeremy Oppenheim  Chairman, Unltd  
Tony Pender  Trustee, Carnegie Commission on Rural Development  
Peter Wheeler  Chair, Future Builders  

Matthew Pike is Secretary to the Commission. Toby Eccles and John Gillespie form the secretariat.