

SOCIAL INVESTMENT: CHALLENGES AND OPPORTUNITIES

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1. WHY SOCIAL INVESTMENT
2. A ROLE FOR GOVERNMENT
3. THE BIGGER PICTURE



SOCIAL INVESTMENT IS THE
USE OF CAPITAL TO HAVE A
SOCIAL IMPACT ALONGSIDE
A FINANCIAL RETURN

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THE CHALLENGE

POLICY ISSUES ARE DEEP AND COSTLY



CRIME

In the UK **37%** of prisoners have family with a conviction, **24%** had previously been taken into care

EDUCATION

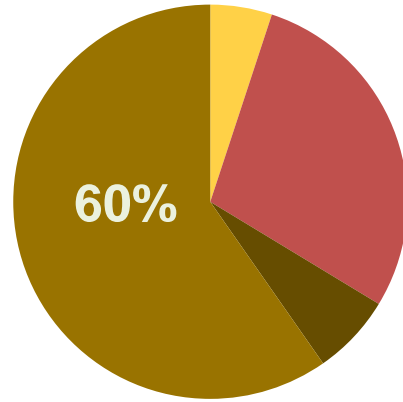
UK children eligible for free school meals are **400%** more likely to be excluded from school than those ineligible

DRUG USE

Heroin users in the UK are **17** times more likely to die prematurely – from both ill health and violent crime

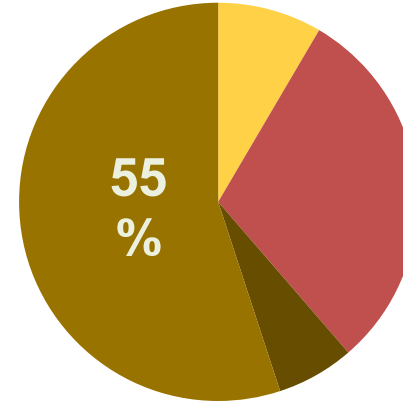
DEVELOPED ECONOMIES FACE SIMILAR, COMPLEX AND CONNECTED ISSUES

PUBLIC FINANCES ARE INCREASINGLY TIGHT



UK 2003/04 (39.4% GDP)

■ Debt interest
■ Capital (PSGI)



UK 2016/17 (39% GDP)

■ Net social security
■ PUBLIC SERVICES

DEVELOPED ECONOMIES FACE SIMILAR, COMPLEX AND CONNECTED ISSUES

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SO WHAT'S NEEDED?



- INCREASED SOCIAL INNOVATION
- PUBLIC SERVICE REFORM
- NEW SOURCES OF CAPITAL

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SOCIAL ENTERPRISE



ECONOMIC GROWTH

Social enterprises contribute over
£55bn each year to the
economy, and employ...



...2 million+ people



NEW SOURCES OF FINANCE

BSC
investment
£56m

Match-
funding

23 Frontline
organisations
supported

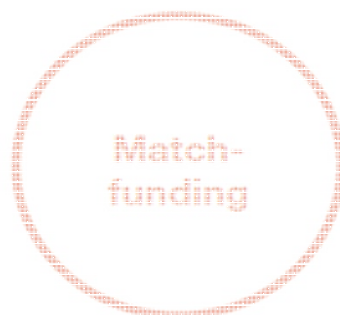
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PUBLIC SERVICE REFORM

1 SIB in 2010



13 SIBs in 2013



The UK has more Social Impact Bonds than the rest of the world put together

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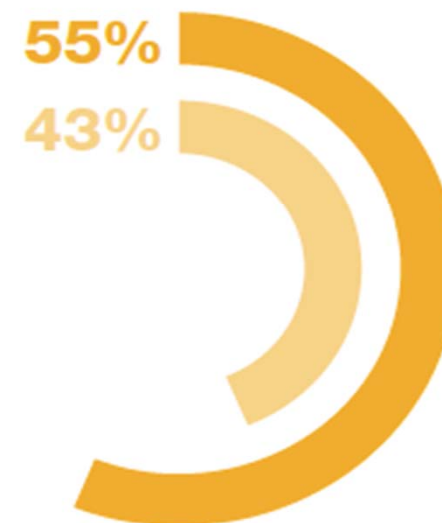
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INNOVATION

Social enterprises developed more new products and services than other SMEs

■ Social Enterprises

■ SMEs



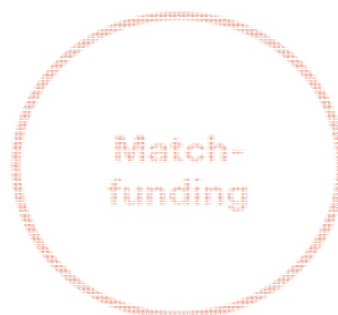
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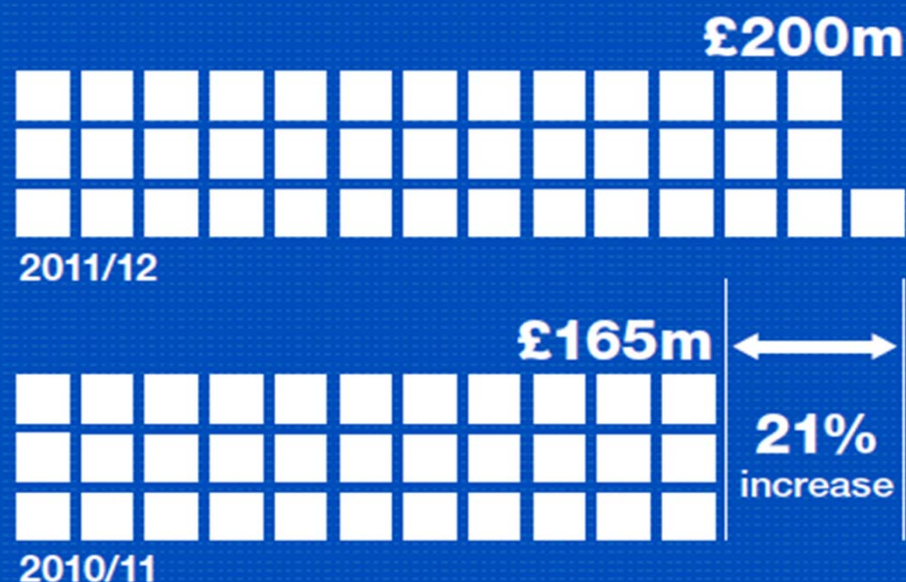


13 SIBs in 2013



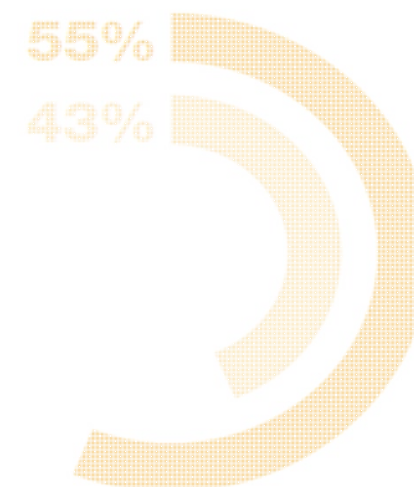
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A growing market



INNOVATION

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ECONOMIC GROWTH

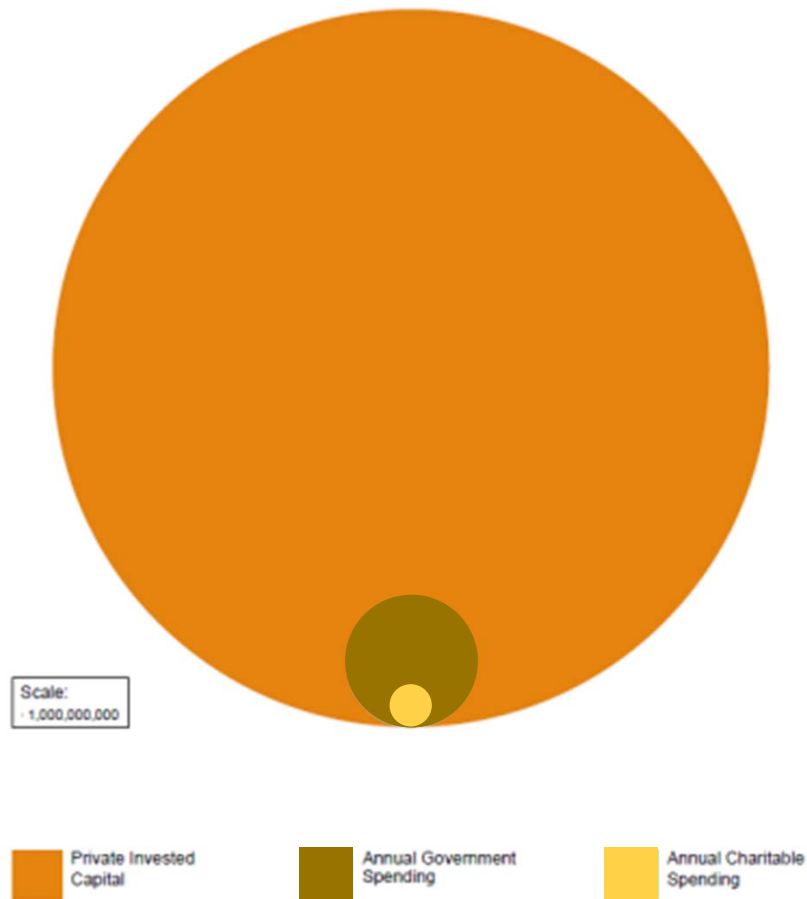
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BUT JUST TO PUT IT INTO SCALE



This diagram demonstrates the scale of different **capital deployments** in the UK

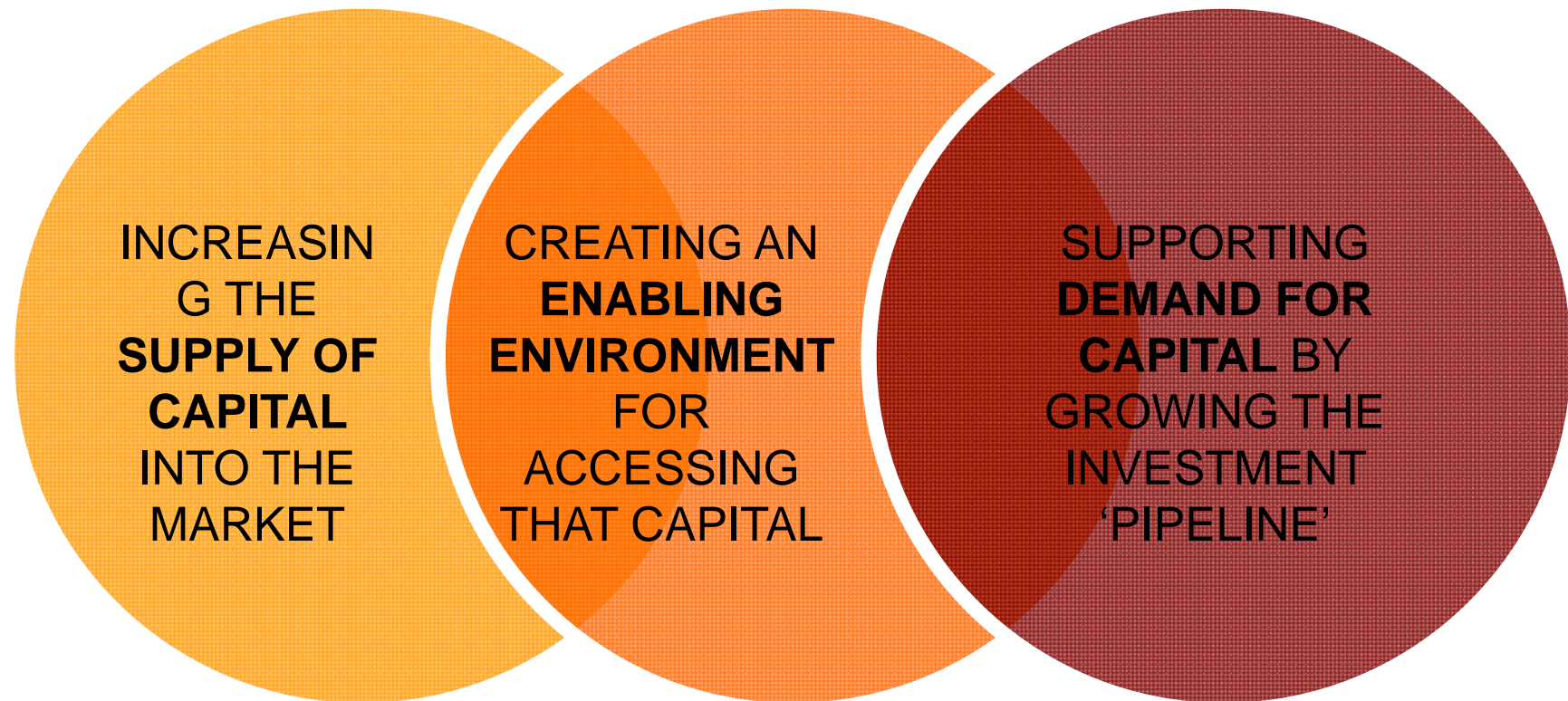
The largest section is private investment capital – **£3.9 trillion of assets** deployed on a commercial basis

The second largest section, **£691 billion**, is annual government spending to deliver social outcomes

The third, **£23 billion**, is the amount of money spent each year on charitable interventions



HOW CAN GOVERNMENTS SUPPORT THE SOCIAL INVESTMENT MARKET?





INCREASING
THE **SUPPLY**
OF **CAPITAL**
INTO THE
MARKET

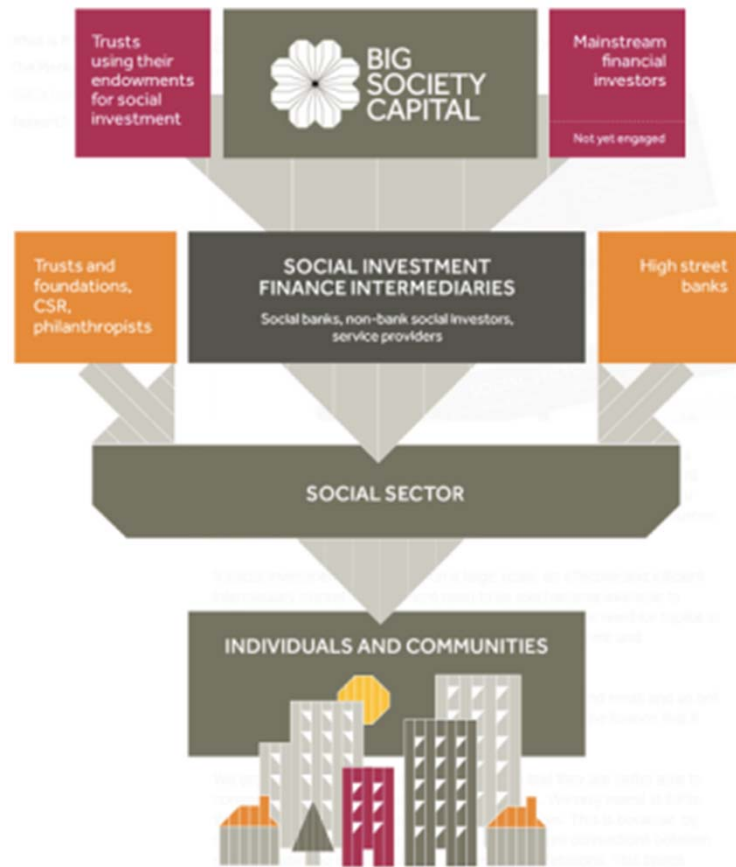
CREATION OF BIG SOCIETY CAPITAL

TAX RELIEF FOR SOCIAL
INVESTMENT

PROMOTION OF UK AS A GLOBAL
HUB



WHAT THIS MEANS: BIG SOCIETY CAPITAL



BSC is a wholesale fund, set up in April 2013. It is **independent** of government.

Invests directly in **social finance intermediaries** rather than social ventures, to catalyse growth of the market.

Capitalised with **£600m of** funds: £400m from dormant bank accounts, and £200m from the UK's largest High Street banks

Acts as **cornerstone investor**, developing financial products and funds that aim to provide risk and working capital to the sector



**SUPPORTING
DEMAND FOR
CAPITAL BY
GROWING THE
INVESTMENT
'PIPELINE'**

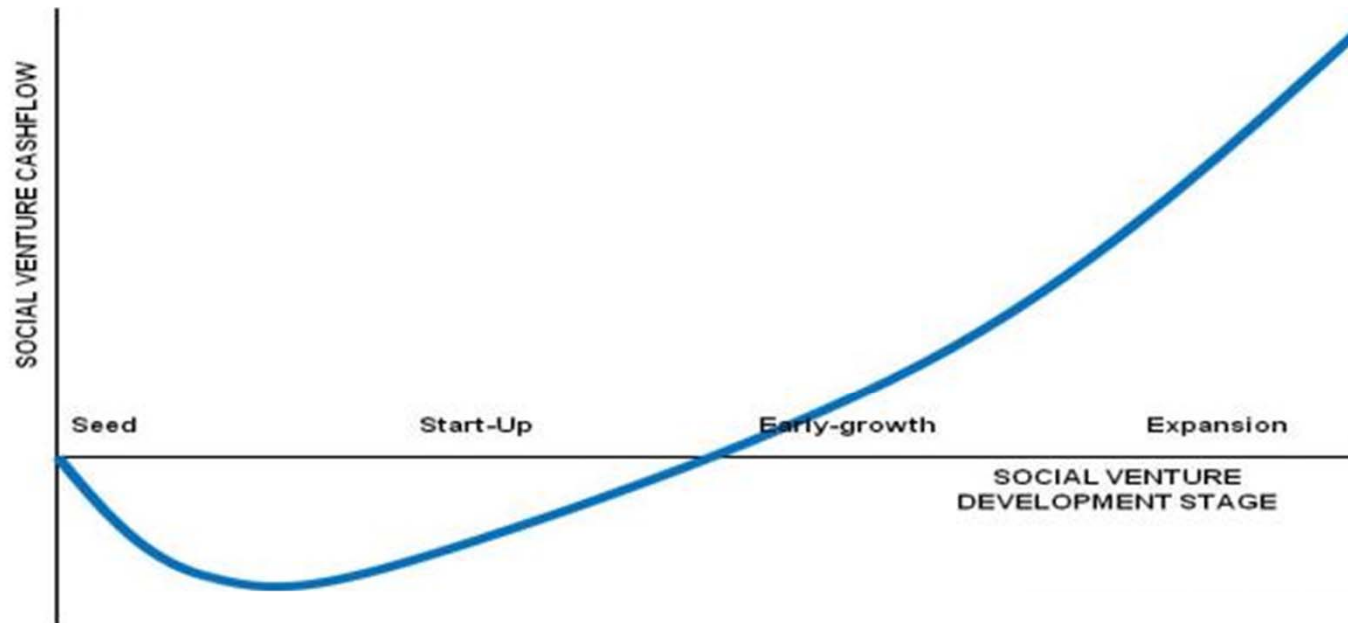
**INVESTMENT READINESS
PROGRAMME**

**SUPPORT FOR SOCIAL IMPACT
BONDS**

OPENING UP MARKETS



WHAT THIS MEANS: CAPACITY BUILDING



SOCIAL INCUBATOR FUND

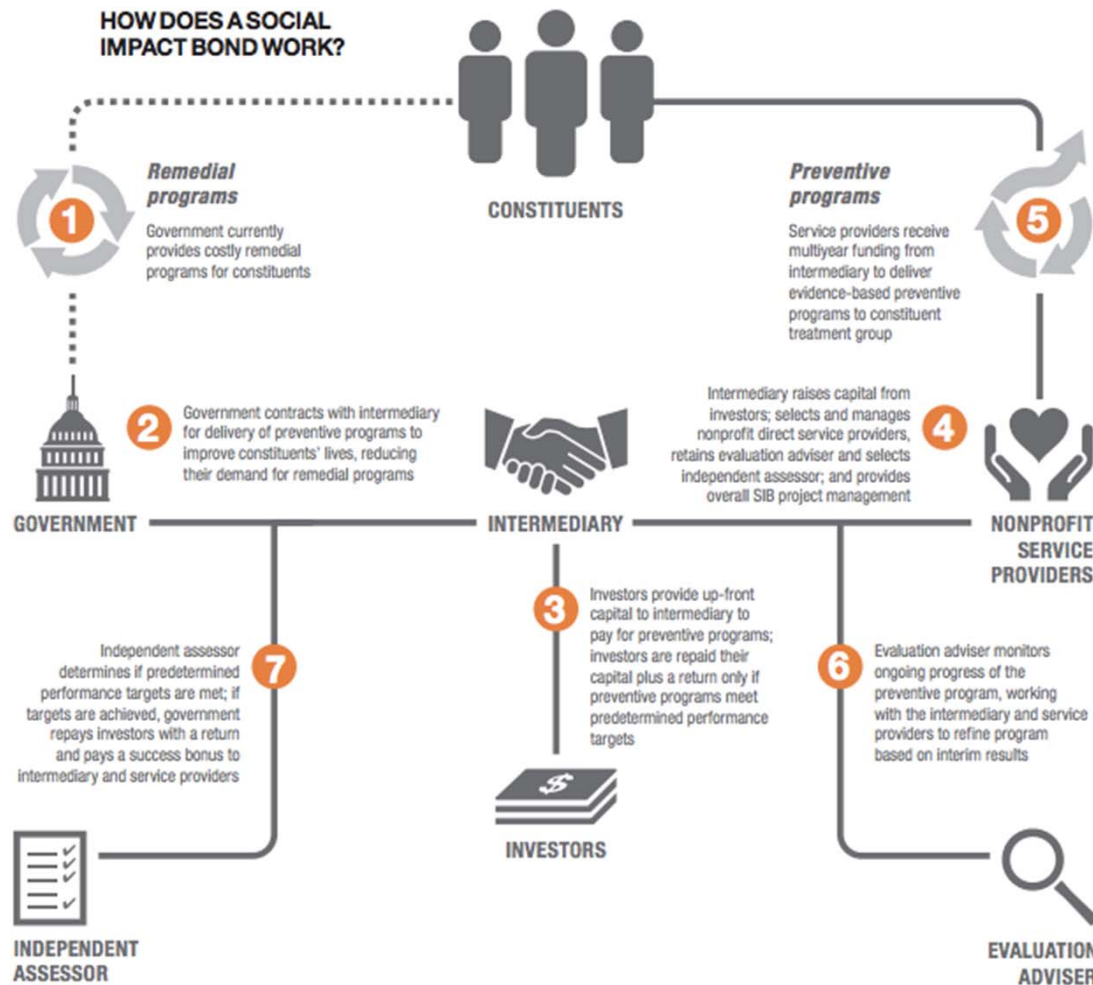
£10m Fund for **early stage** social ventures
Money dispersed via **social incubators**
Up to £15k of investment and other support

INVESTMENT AND CONTRACT READINESS FUND

£10m Fund for **growth** social ventures
Ventures jointly apply with a **support provider**
Grants of **£50k - £150k** for capacity building



WHAT THIS MEANS: SOCIAL IMPACT BONDS



In Payment by Results, the provider only gets paid on **outcomes**. This makes it hard for smaller organisations which may not have access to up front finance

This can be overcome if investors provide **working capital**, receiving any outcome payments that are achieved

Therefore in a SIB all **financial risk** is transferred to investors, and new sources of capital have been made available

Cabinet Office support includes a **Centre for SIBs** and a £20m **Social Outcomes Fund**



CREATING AN
ENABLING
ENVIRONMENT
FOR ACCESSING
THAT CAPITAL

COMMISSIONING FOR SOCIAL VALUE

CREATING PUBLIC GOODS

REGULATORY CHANGES



WHAT THIS MEANS: UK AT THE CUTTING EDGE

NEW INFRASTRUCTURES THAT ENABLE A GLOBAL MARKET

- the first global **social stock exchange** was launched in London in June 2013, with a market cap of over £1 billion
- the UK is leading the global debate on **outcome measures** and ratings

PIONEERING PRODUCTS THAT DRIVE CAPITAL & INNOVATION

- such as the **social impact bond**, the charity bond and the first listed products available for retail investors
- in 2012 there were two social enterprise funds over £10 million; in 2013 close to ten

BUILDING THE WORLD'S LEADING **SERVICE** INDUSTRY

- global **social investment leadership** of specialist legal, accountancy and banking services
- in particular, a strong **cluster of social investment financial intermediaries**



WHAT THIS MEANS: A GROWING GLOBAL INTEREST



**SOCIAL
IMPACT
INVESTMENT
FORUM**

US has world's largest impact investing funds and community finance infrastructure

France has recently launched a commission on the social economy

Germany has a large cooperative community, seeking social investment

Canada is moving rapidly on SIBs, following a task force report on social finance

Japan recently set-up 30 new co-op & social enterprises

EU has an ambitious agenda around social business and impact metrics

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SO WHERE IS THIS HEADING?



“an understanding that market-based tools – imperfect as they are – can be leveraged to help those left behind by global capitalism”

Pierre Omidyar, Founder of e-bay

NEW MODELS ...



OF PARTICIPATION



Societal shifts

Post-2008, a growing recognition of the ability to do good whilst doing well – but is this a permanent development?

OF IMPACT



Social Impact Investing

Increasingly about the amount of social impact, rather than the form of the venture delivering the social impact

OF MARKETS



Responsible Business

Social investment part of a broader reassessment of the role of business and capitalism. Where is long-term value created?



More information available at
**[www.gov.uk/government/policies/
growing-the-social-investment-market](http://www.gov.uk/government/policies/growing-the-social-investment-market)**