Evidence based learning to grow the social investment market

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U.K. Government
GOVERNMENT INCLUSIVE ECONOMY UNIT (GIEU)
We want to help build a country where society’s most difficult social issues are being addressed by private investment, responsible business, and social enterprises in partnership with innovative public services.

We are a diverse team of around thirty people with a range of backgrounds and experiences. We work across government as a bridge between the private and public sectors.

Our key objectives

- Growing investments with a positive social impact
- Championing new public service delivery initiatives
- Encouraging responsible business as a force for good
GIEU is part of the **Department for Digital, Culture, Media & Sport (DCMS)**

We target two of DCMS’ **strategic priorities:**

**Growth:** grow an economy that is creative, innovative and works for everyone

**Participation:** maximise participation and social action in a ‘shared society’

GIEU is one of three units in the **Office for Civil Society.** OCS focuses on the sphere of activities whose primary purpose is to deliver social value, and which are independent of state control.

**OFFICE FOR CIVIL SOCIETY**

- **Government Inclusive Economy Unit**
- **Youth & Social Action Team**
- **Strategy & Partnerships Team**
Government Inclusive Economy Unit

GIEU works to build a country where society's most difficult social issues are being addressed by private investment, responsible business, and social enterprises in partnership with innovative public services. We seek to harness the strong momentum and interest from the business and finance sectors to contribute to an inclusive economy that works for everyone.

Dormant Assets
Unlocking, expanding and deploying sources of dormant funding for good causes

Responsible Business
Harnessing the potential of profit and purpose to solve societal challenges

Public Service Mutuals
Creating a different future for public service delivery through employee-led enterprises

Social Impact Bonds
Improving public service delivery with a focus on improved outcomes

Social Impact Investment
Increasing the quality, impact, and opportunities for private capital to address social challenges

Our Five Programs

Our 3 Key Objectives
1. Growing investments with a positive social impact
2. Championing new public service delivery initiatives
3. Encouraging responsible business as a force for good
### OUR FIVE PROGRAMS

| Social Impact Investment | Support access to different types of finance for social enterprises and charities
|                         | Identify policy priorities where other government departments can partner with social impact investors
|                         | Create new blended investment funds, e.g. a fund providing loans to cultural organisations with a social impact
|                         | Increase availability of social impact investment products to individuals

| Social Impact Bonds | £80m Life Chances Fund committed to make SIBs a mainstream tool for commissioning
|                     | New SIBs at scale addressing e.g. homelessness, NEETs launched by government departments
|                     | Clear evidence and political will to scale SIBs for the next parliament

| Public Service Mutuals | Facilitating the creation of new mutuals in key sectors, including health & social care and youth
|                       | Supporting the future scale, sustainability and diversification of the mutuals sector
|                       | Building the evidence base on the benefits and impact of mutuals
|                       | Developing & influencing future government policy

| Responsible Business | Partnerships that focus on responsible business, e.g. mental health
|                      | Stronger markets for social enterprise and responsible business
|                      | Tools for responsible businesses to embed purpose
|                      | A transparent framework for responsible business
|                      | Stronger enterprise-based approaches to financial inclusion

| Dormant Assets | Establish an expanded dormant assets scheme, to include a wider range of financial assets
|                | Facilitate the reform of the reclaim fund, with increased capability
|                | Oversee the allocation of £330m of dormant asset funding into high impact initiatives
|                | Build future confidence in the way in which dormant assets have been spent with a public impact review

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For example, the Reconnections SIB works with elderly people to reduce loneliness.

To date, 545 participants saw an average reduction of 1.22 points on the UCLA loneliness scale.
HIGHLIGHTS:
KEY ACHIEVEMENTS & WIDER IMPACT

Responsible Business

The Inclusive Economy Partnership is working to help low–middle income families by tackling financial exclusion, poor mental health, and transition to work for young people. To date, it has awarded grants of circa £20k to 18 innovations.

Public Service Mutuals

85% of Mutuals surveyed have a happier and more contented workforce than when in the public sector, contributing to lower absences and greater productivity. 90% report faster decision making than pre-spin out, leading to more responsive, innovative public services. £1.6bn of public services currently delivered through Mutuals, with 7% annual turnover growth.

Dormant Assets

Over £360m of funding from dormant assets has been allocated to good causes across the UK. In England, this funding has been deployed by Big Society Capital and has resulted in 2,000+ vulnerable people now living in appropriate housing and 250,000+ people now living in places that benefit from community energy. A further £330m will be deployed into high impact initiatives building financial inclusion, tackling homelessness and supporting disadvantaged young people before 2020.
The Youth Engagement Fund is a £16 million Payment by Results fund. It aims to help disadvantaged young people aged 14 to 17 to participate and succeed in education or training. This will improve their employability, reduce their long term dependency on benefits, and reduce their likelihood of offending.

The funding is provided through social impact bonds (SIBs) with investors funding innovative initiatives to prevent young people from becoming NEET (not in education, employment or training). Government will only pay if the initiatives are successful and lead to positive outcomes. The Youth Engagement Fund is jointly funded by the Cabinet Office, Department of Work and Pensions and the Ministry of Justice.

The $100m (£65m) Dementia Discovery Fund was launched in 2015 to invest in early-stage, novel treatments for Alzheimer’s, Parkinson’s disease and other forms of dementia.

The fund aims to reverse the decline of private investment in dementia research, building new collaborations between leading global pharmaceutical companies and investments from the public, private and civil sectors.

With an initial £15m contribution from HMG, the fund generates socially positive financing, with the potential to deliver significant returns for the economy and wider society, as well building the UK’s reputation as a global hub for innovative investment for social impact.

ICRF spent £13.2m and supported 155 ventures. Off the back of this support, ventures raised over £230m in investment and contracts, meaning every £1 spent on ICRF unlocked £18 in contracts and investments.

The fund piloted a model for improving the contract and investment readiness of social ventures by pairing them up with specialist advisors who could provide targeted business support. This support helped ventures become more self-reliant, and ensured they will require less support in the future.
GIEU seeks to **harness the strong momentum** and interest from the business and finance sectors to contribute to **an inclusive economy that works for everyone**

We have closely collaborated with the private sector on a number of projects, including:

- **The Inclusive Economy Partnership** brings together senior leaders from business and civil society alongside government to tackle major societal challenges such as financial inclusion and transition into work.

- **An Industry-led Taskforce** with over 50 senior finance representatives commissioned by government to look at how we can ‘grow a culture of social impact investing in the UK’.

- **The Dormant Assets Commission** reported on the opportunities to expand the current dormant assets scheme in 2017. The 2018 government response to the report has led to the appointment of four senior industry champions to spearhead the scheme’s expansion.

- **The Dementia Discovery Fund** – combining £100m funding from large pharma companies, including Pfizer, Takeda, and GSK together with the Department for Health and Alzheimer’s UK – was launched to finance dementia research and the development of new drugs. In 2017, the fund attracted $50 million investment from Bill Gates.
CROSS-GOVERNMENT COLLABORATION

As a cross-government advisory unit, we work closely with other government departments, including:

The Ministry of Justice, the Department for Education and the Ministry of Housing, Communities & Local Government on Social Impact Bonds

DCMS’ own Arts Team on blended finance projects and Libraries Team on Mutuals

HM Treasury on mainstreaming social impact investment

The Department for Business, Energy & Industrial Strategy and the Cabinet Office on encouraging responsible business

HM Treasury and the Department for Work & Pensions on the expansion of the Dormant Assets Scheme

The Department for Work & Pensions on the government response to the Law Commission report on pensions and social investment

The Department for International Development on the Sustainable Development Goals and institutional investor work

The Department for Education on Mutuals in Children’s Service
Imagine you could support a local cause you care about through your savings account while still getting the financial returns you need to support your retirement. We call this ‘social impact investing’. There are already some financial services firms in the UK who offer these kinds of investment products.

For example, Columbia Threadneedle has a fund that invests in areas such as affordable housing, e.g. Golden Lane Housing, which provides supported housing for people with learning disabilities. The fund now has £100 million assets under management and has provided an annualised return of 6.6% to its customers.
WHY DOES IT MATTER

SOCIAL IMPACT INVESTING

Creates partnerships, often between public and private sector, bringing together money and expertise to tackle key social challenges

For example, the Dementia Discovery Fund is an almost $200m fund created through a partnership between government, major pharmaceuticals and charities to invest in innovative dementia research with the aim of finding a cure for the disease.

As social challenges are becoming more immediate and pressing, people want to make a personal contribution to tackle these issues - 56% of people are interested in purchasing social impact investment products, yet only 9% have actually made such an investment.

Enables individuals to invest in line with their values and have a positive impact on society

Research shows that 62% of people with a pension say they would increase their contributions if they knew their investments were doing social good.

Encourages individuals to engage more effectively with their investments
Increase government’s participation in co-investment models to channel more private and philanthropic money towards tackling social challenges

01

Work with financial services industry and regulators to strengthen competence and confidence to assess social impact investments for their clients

02

Encourage businesses to increase visibility of their non-financial impact (i.e. social impact), in partnership with the Department for Business, Energy, & Industrial Strategy (BEIS)

03

Increase the effectiveness of the UK’s social impact investment market infrastructure to ensure money flows to social ventures

06

Develop clear evidence of how investment products can have a social impact and generate a financial return

05

Work with the financial services industry to support the development of products for people to have a social impact through their investments

04
SOCIAL IMPACT BONDS
The Centre for SIBs focuses on tackling complex social issues, like homelessness or youth unemployment, through the use of Social Impact Bonds - in short “SIBs”.

A SIB is an innovative funding model, where a socially-minded investor provides up-front funding to an organisation with a social mission, such as a charity or social enterprise, to deliver a service. Once the service achieves results, public sector commissioner(s) will make payments and the social investor will be reimbursed. For example, payments would be made if a young person has started a job or if a homeless person has been supported into housing.

**Make SIBs a mainstream tool for commissioning public services**

**Take SIBs to the next level of scale by exploring and maximising new opportunities for SIBs**

**Use and continue to build an evidence base by monitoring and evaluating SIBs and disseminating this learning**

**3 main objectives:**

- **Local engagement and funding:** we provide funding to help local government commissioners pay for outcomes in SIBs and foster collaboration between central and local government.

- **Cooperation across central government:** we work with other government departments to develop ideas for new SIBs and scale their use in particular policy areas. In the last Parliament, the Centre for SIBs partnered with DWP and MoJ to launch the Youth Engagement Fund and with MHCLG to launch the Fair Chance Fund, which have achieved fantastic results for young NEETs and young homeless people.

- **Evidence building and sharing:** In 2016, we launched the Government Outcomes Lab, a partnership with Oxford University, tasked with building the evidence base and providing practical support on outcomes-based commissioning.

**What do we do?**
There are several reasons for using a SIB

- **Improve services** and outcomes for some of the most disadvantaged members of society. For example, the Fair Chance Fund SIBs focused funding for homeless young people on the individual, not on the service.

- **Stimulate innovation** that can help solve entrenched social issues. For example, the SIB at Peterborough prison was set up to reduce re-offending using a new through-the-gate service.

- **Channel external** investment into early intervention that might otherwise not be funded. For example, the Ways to Wellness SIB in Newcastle delivers flexible social prescribing to help people manage their long-term health conditions to prevent them from escalating.

- **Foster cross-sector** collaborations and partnerships and bring together expertise from a range of partners to solve complex issues. For example, the Peterborough SIB involved 17 social investors and actively prioritised a collaborative approach to providing a holistic service to participants.

- **Get the best** value for taxpayers’ money, because Government only pays for results. In the Reconnections SIB, for example, Worcester County Council and co-commissioners only pay when service users’ loneliness scores have fallen below a certain level.

The funding committed to SIBs is set to double over the next two years. £111m has been committed to SIBs since 2010, with a further £280m on track to be committed up until 2019. SIBs have been applied across a wide range of social challenges from mental health to children in care, homelessness to youth unemployment, and social isolation to long term conditions.

There are now over 40 SIBs in the UK and the rest of the world looks at us as the leader in this area.
Local engagement and funding

In 2016, we launched the £80m Life Chances Fund, which aims to help those people in society who face the most significant barriers to leading happy and productive lives. The Fund contributes to outcome payments for locally commissioned payment by results contracts which involve socially minded investors - i.e. SIBs.

The Fund has six areas of policy focus; drug and alcohol dependency, children’s services, young people, early years, healthy lives and older people’s services.

CASE STUDIES of successful projects

In numbers...

The Fund contributes on average around 30% to outcome payments, leveraging a contribution of around £187m from local commissioners.

£267m total value

Since its launch in July 2016 – an unprecedented level of demand.

200 applications

More than £45m committed to disadvantaged young people and children, as well as people with drug and alcohol dependencies.

20 projects

Cooperating across central government

We developed the Fair Chance Fund with the Ministry for Housing, Communities and Local Government (MHCLG). The Fair Chance Fund is comprised of seven SIBs supporting young homeless people to achieve accommodation, education and employment outcomes.

In numbers...

In a project accommodating 1909 young homeless people. Many overcame significant challenges such as drug abuse and gang violence.

86% success

£267m total value

Since its launch in July 2016 – an unprecedented level of demand.

200 applications

More than £45m committed to disadvantaged young people and children, as well as people with drug and alcohol dependencies.

20 projects

86% success
The Centre for SIBs can provide advice and support to other government departments looking to explore SIBs as a means of delivering better value for money and achieving better outcomes.

We can provide:

- **Advisory support** to other government departments in developing ideas for new SIBs and scaling their use in particular policy areas.
- **Access** to our SIB evidence base, metrics and case studies.
- **A network** of contacts in the Social Investment and VCSE sectors.
- **A network** of contacts of SIB experts, academics and commissioners.
The Investment Contract Readiness Programme (2012-2015)

Social ventures have a crucial role to play in driving economic growth, public service reform and tackling social problems. However many that could benefit from taking on social investment are not yet sufficiently developed to access this capital, or use it to its full potential.

These social ventures need support to enable them to take advantage of investment opportunities so they better serve communities and people most in need. Office for Civil Society created the Investment Readiness Programme in response to this need. This programme has two elements:

- **The £10M Investment and Contract Readiness Fund (ICRF)** which helps more established social ventures access social investment of at least £500,000, or win contracts over £1m; and
- **The £10M Social Incubator Fund (SIF)** which provides investment and support to early stage social ventures through social incubators. The SIF is match funded by the private sector

ICRF, managed by Social Investment Business, was a staggering success, helping to unlock £233m in investments and contracts for charities and social enterprises. The fund provided grants to 155 ventures to help them grow and increase their impact.
## Social Incubator Fund recipients

<table>
<thead>
<tr>
<th>Incubator</th>
<th>Office for Civil Society funding</th>
<th>Geographical focus</th>
<th>Sector focus</th>
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<tr>
<td>Bethnal Green Ventures</td>
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<td>Technology</td>
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<td>Big Issue Invest CSV</td>
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<td>Dotforge Social Enterprise Accelerator</td>
<td>£1,115,500</td>
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<td>Technology</td>
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Annex
PUBLIC SERVICE MUTUALS
The **Mutuals Team** is helping to reform public services by putting staff at the heart of organisational decision making and service delivery.

For example, instead of a care home or a library being run by the local council, or a mental health service by the NHS, staff are empowered to take control of the service and operate it independently for the good of their customers, colleagues and communities. We call these organisations **public service mutuals**, or **mutuals** for short.

As a team, we work in **four main ways:**

- **Designing and delivering programmes** to support the growth and development of the sector.
- **Building the evidence** base for public service mutuals.
- **Developing and influencing** government policy to help mutuals to develop and thrive.
- **Advocating and promoting** the mutual model across England.

For example, instead of a care home or a library being run by the local council, or a mental health service by the NHS, staff are empowered to take control of the service and operate it independently for the good of their customers, colleagues and communities. We call these organisations **public service mutuals**, or **mutuals** for short.
There are approximately **115 mutuals across England** delivering £1.6billion of public services. They operate across many service areas, from health and social care to culture, leisure and building control

Mutuals **directly support their local economy** - they’re typically social enterprises, and in the past year, 93% of their collective profits were reinvested into the organisation, its mission or its local community

Mutuals **enable staff to have a tangible say** in the way their organisation is run. This mutual culture and ethos has translated into 85% of mutuals stating that staff are happier and more engaged than they were when working in the public sector

By being **independent, mutuals have less bureaucracy**, allowing them to make faster decisions. As a result, two thirds of mutuals claim to be delivering more innovative, responsive and better quality services

Not only are they empowering staff and delivering better services, but they’re **commercially viable and more productive** too. Since becoming independent, staff absence has fallen by one third, and mutuals grew at an average of 7% over the past year
WHO IS DOING IT?

Mutual Examples...

PossAbilities left Rochdale Borough Council in 2014 to support people with learning disabilities, dementia, brain injury and young people leaving care.

Over the last four years, they’ve doubled in size and now turn over more than £11 million per year and employee 550 staff. They invest heavily in learning and development, and have seen staff absence drop by over 50% since spinning out.

As an independent organisation, they’re able to respond quickly to opportunities and develop more innovative services, such as their urban farm and wellbeing centre, which is run by people with learning disabilities.

This success is reflected by them being one of the 1% of organisations recognised as “Outstanding” by CQC.
Chiltern Rangers left Wycombe District Council in 2013 to deliver habitat management across Buckinghamshire, and have grown their turnover by 50% in that time.

By being independent, they've been able to find new ways of rewarding volunteers in meaningful ways which has encouraged over 3,000 volunteers, offering 9,500 hours of time, over the last year.

As a small and nimble organisation, they can respond to opportunities quickly, such as developing Forest Ranger Schools which provide practical opportunities for children to learn more about wildlife and habitat management.

In 2017, they won the Queen’s Award for Voluntary Service, recognising the huge contribution they’re making to their community.
Spiral Health CIC is a mutual in the North West of England, operating in health and social care. It left Blackpool Teaching Hospital NHS Foundation Trust 6 years ago with a contract to deliver intermediate care.

By generating ideas from its staff, it is now running 3 residential care homes, physiotherapy out in the community as well as delivering intermediate care.

It has just taken on its first social loan from Big Issue Invest, to help solve Lancashire’s bed blocking crisis by enabling elderly patients to leave hospital and be looked after in care homes.
HOW CAN WE HELP?

The Mutations Team has a package of support available to aspiring and growing public service mutuals

These programmes include:

1. The Mutations Support Programme 2, offering £2.2 million of professional advice and support for new mutuals to emerge, and to early stage mutuals needing support to grow and diversify

2. A Mentoring Scheme, providing the leaders of new mutuals with a mentor who has run a successful social business

3. The Partnerships Support Programme, a pilot programme offering consultancy support to mutuals to forge partnerships with other organisations to enhance growth

These programmes are underpinned by comprehensive research to build the evidence base for mutuals

This will enable us advocate for the model and increase awareness, understanding, development and commissioning of mutuals
Thank you

Contact details