

# Mary Duffy

Chair of advisory group for Imagining the Future – a scenario planning initiative for Scotland's social services

National Head – BBC Children in Need

# Overview

- The nature of demand/need
- How demand and supply can connect around purpose
- Linking (social) infrastructure and social impact

Social infrastructure and especially social outcomes are key indicators of the condition of a society.

Demand for capital to support provision is high.

Definitions of appropriate finance vary.

Finance views of investment readiness are mixed.



- BBC Children in Need - UK grant maker
- Over £900 million Euro to support work with children
- Grant makers are early warning for pressure in the social system
- Government looking to grant makers to plug gaps in public sector funding

POST WELFARE

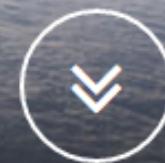
NEW NORMAL

YESTERDAY

FULLY INTE

# IMAGINING THE FUTURE

a creative exploration



POST WELFARE

NEW NORMAL

YESTERDAY

FULLY INTEGRATED

# THE NEW NORMAL WORLD

<http://content.iriss.org.uk/itf/>

# Demand - UK

- UK spending plans for 2015-16 aim to save £13.6 billion
- Infrastructure investment plans for England across next 4 years include:
  - more than £21bn in schools
  - £3.3bn for affordable housing
  - £4.7 billion in health and social care (£1.4bn in hospital developments)

# Demand - Scotland

- Different social policy context. Open to different types and sources of finance and to form new partnerships.
- £383m school building/refurbishment investment since 2011 (£197m from government); affordable homes investment £1.3bn in 2012-2016.
- Significant opportunities following 2014 Independence Referendum.

# Demand and supply can connect

- Is it enough to provide good pensions if the area where most pension beneficiaries live does not benefit from their investments?
- Long term purpose could also be seen to be about mitigating costs and risks to those local authorities.
- “Over the long term you can help the local economy, through supporting growth of local council tax receipts and mitigating other local welfare or social housing costs. This is a more holistic view of fiduciary duty than the narrow perspective focused only on returns.”

(Owen Thorne, Merseyside Pension Fund)

# Demand and supply can connect

- ‘Local authority pension funds: Investing for growth’ was published by the Local Authority Pension Fund Forum (LAPFF) in 2013. It looks at how pension funds can invest to derive wider economic benefit, including linked to ‘place’ (eg social housing).
- The Investing 4 Growth initiative was launched in 2013 by five local government pension funds. These funds are together seeking investments that have an economic impact as well as positive social and environmental outcomes in the UK (£190m Euro).

# Demand and supply connect

- The Pensions Infrastructure Platform (PIP) was set up in 2012 - ten pension funds. PIP aims to be a vehicle for pension funds to invest in UK infrastructure assets, for long-term returns.
- Strathclyde PF said PIP provides 'a very clear example of how the investment made by our members in their own futures also helps to support jobs, investment and the wider economy'.
- Latest news on PIP is mixed...

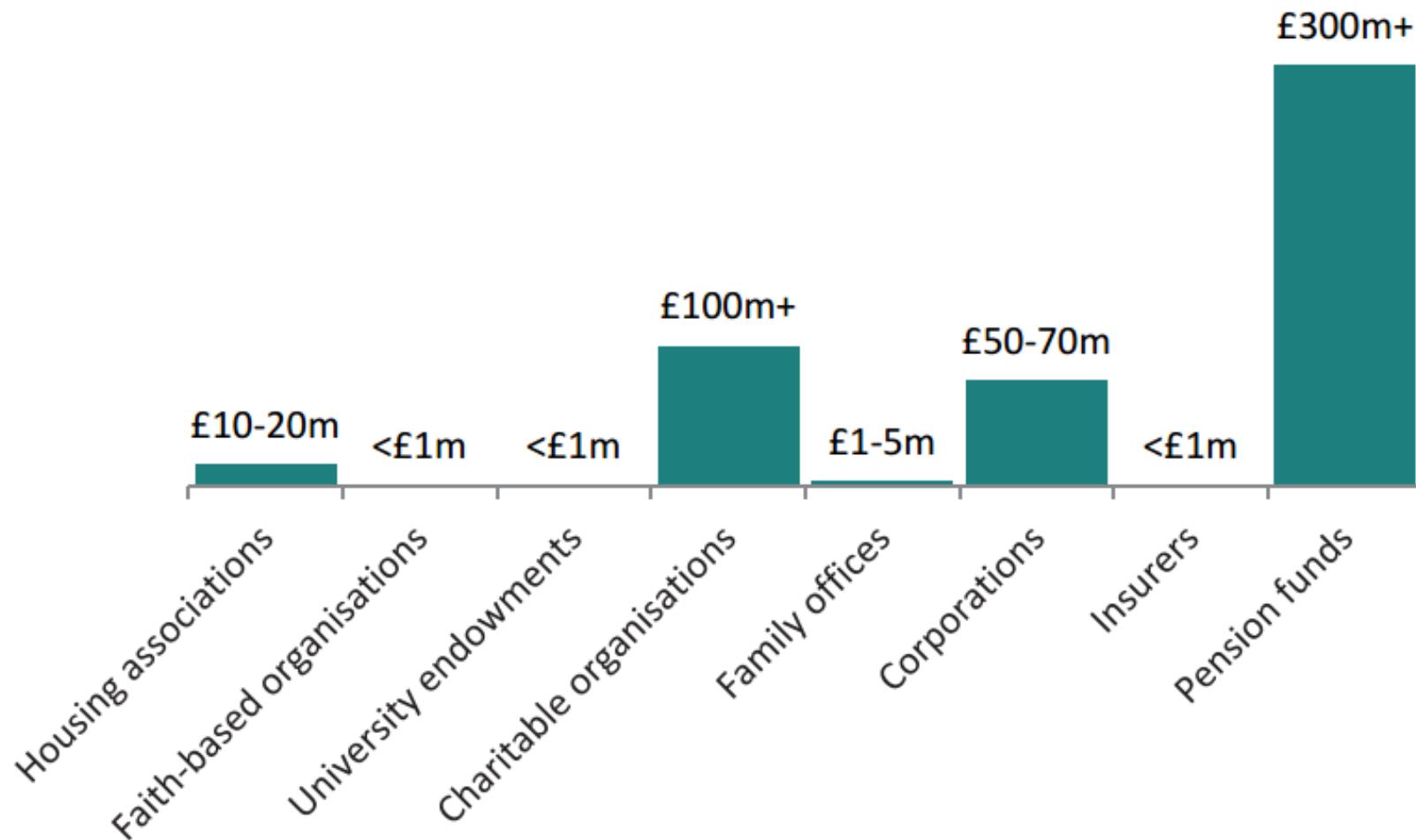
# Linking infrastructure to impact

- Infrastructure and service delivery are closely linked and interdependent
- Social outcomes are crucial
- Who funds the chain from infrastructure to citizen outcomes?

# Social investment

- UK market worth >£2bn, financed by government, social banks and Social Investment Finance Intermediaries, mainly as secured lending.
- Interest from angel investors, charities, corporate foundations, pension funds and housing associations.
- Two investment opportunities:
  - Risk finance capital to support social sector organisations, est £5bn.
  - Investment capital for ‘established social industries’, est £5bn.

**Figure 1: Estimated commitments by UK institutional investors to social investments to date<sup>12</sup>**



# Public Social Partnerships Fund - Scotland

- PSP Fund of £100m (15% government, 15% grant makers, 70% debt finance).
- Loans to local authorities to support service development in partnership with the social sector.
- Government pays back on basis of prevention savings.
- Direct push back against Social Impact Bond approach - different philosophical stance on social investment

# Challenges to engaging – supply/demand

- Size of investable opportunities – too small, too big (or not there at all!)
- Perceived returns – too high, too low
- Perceived risk – political/regulatory stability; public perception
- Insufficient mutual understanding – lack of those who can communicate across demand and supply sides
- Valuing social outcomes – a hard job