

Warrington BC

APSE Presentation 21 November 2019

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Public Sector Social Impact Fund



A Public
Sector & City
Partnership

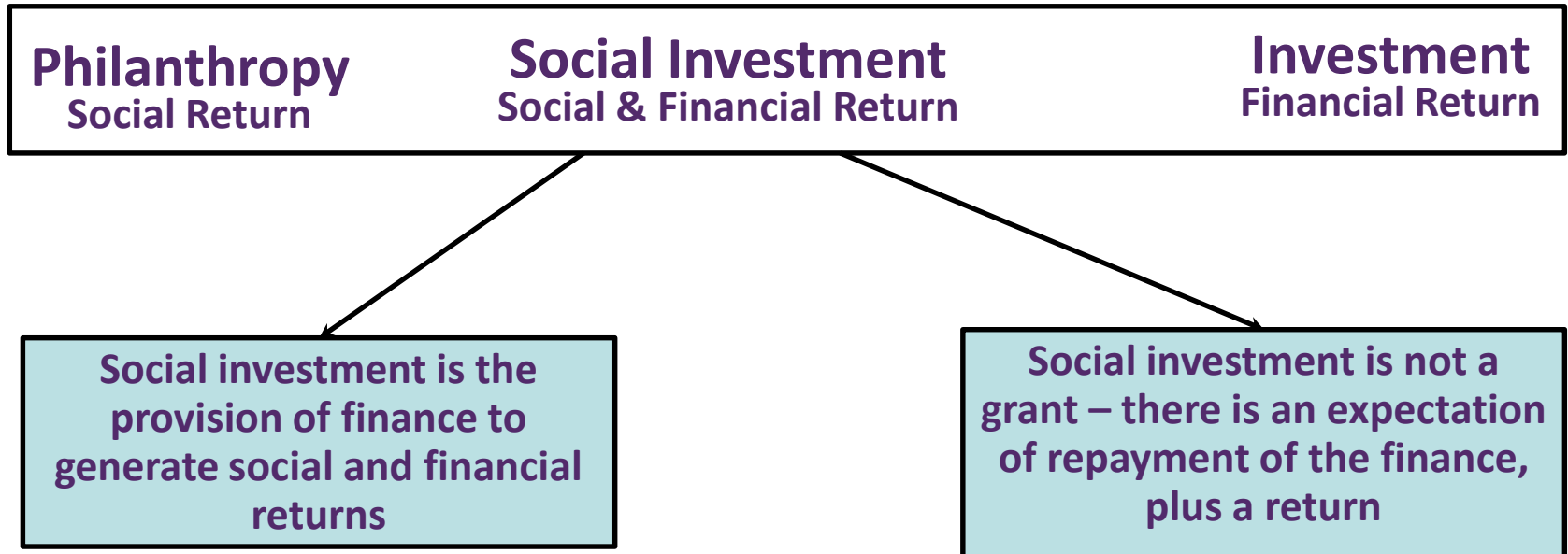
Overview

- What is Social Impact Investing
- Background
- Why Need for Fund / Why you should invest
- Evidence

What is Social Impact Finance?

Values-Based Investing	Environmental, Social, Governance (ESG)	Shareholder Activism
Microfinance	Social Enterprise	Social Impact Portfolio
Corporate Social Responsibility		Zero Profit
		Positive Screens
Financial First	Impact First	Socially Responsible Investing (SRI)
Negative Screens	Venture Philanthropy	Patient Capital
Strategic Philanthropy	Non Profit	Conscious Consumer

What is Social Investment?



Where Did it Come From?

1744 - "Use of Money" Sermon
"We are...to gain all we can without hurting our neighbor."
- John Wesley, Founder of Methodism

1971 – Pax World Fund
Inspired by the social unrest of the 1960s, the fund integrated social and environmental factors into the investment process.

1983 – Grameen Bank
Nobel Prize Winner Muhammed Yunus launches Grameen Bank to provide credit to the poor, launching the microfinance industry.

1700 s

1920 s

1970 s

1980 s

1990 s

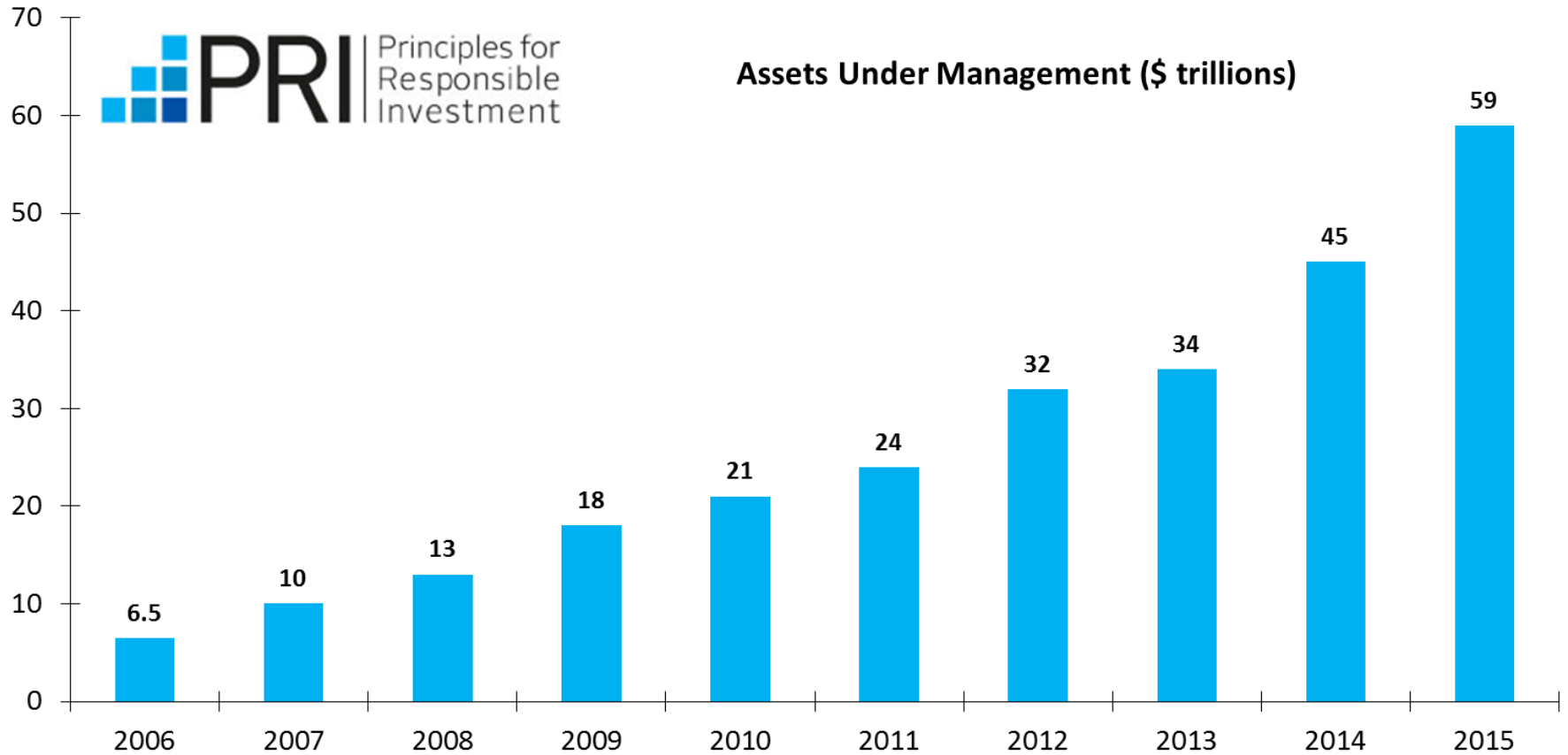
2000 s

1928 – Pioneer Fund
First mutual fund to implement a screen for alcohol & tobacco companies.

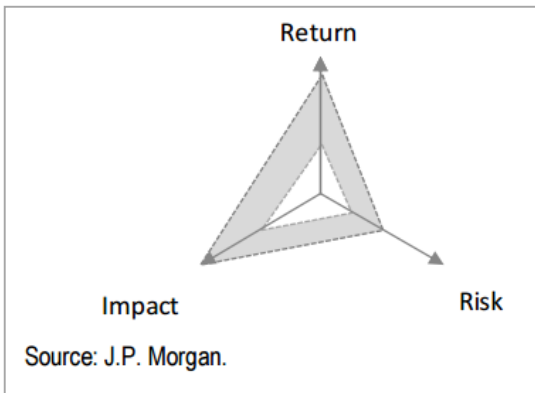
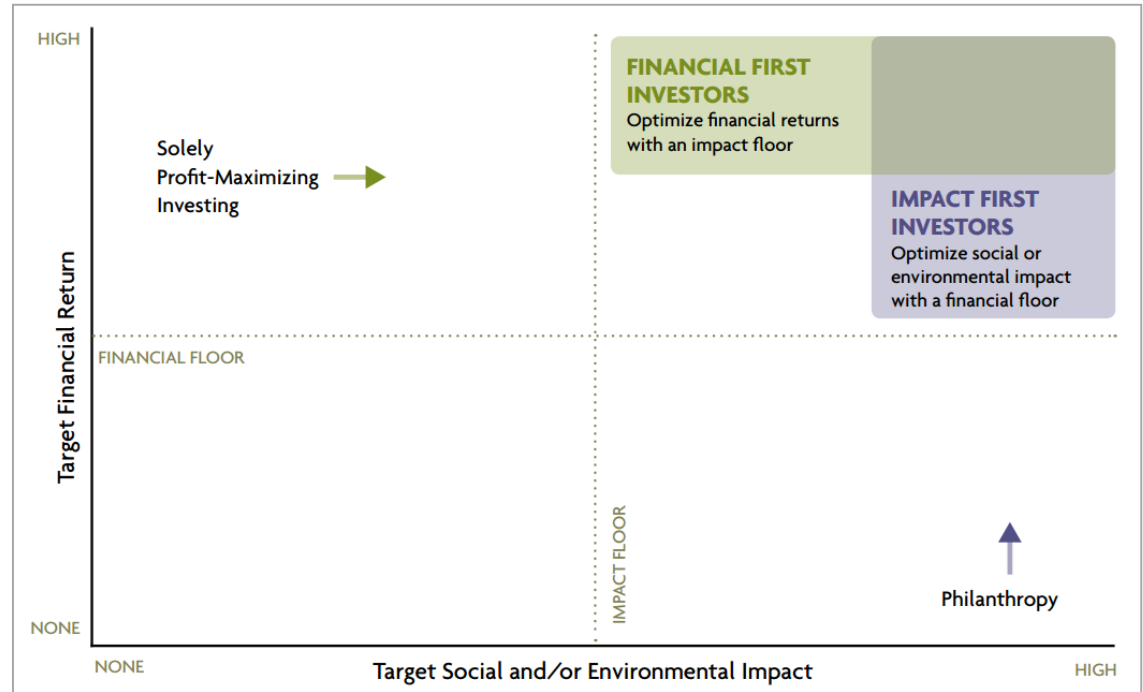
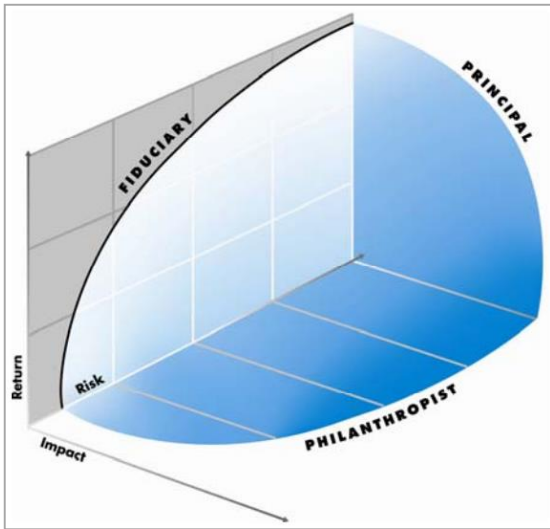
1977 – Sullivan Principles
Rev. Leon Sullivan drafts principles that form the basis of a campaign urging American corporations to divest from apartheid South Africa.

2007 – Rockefeller Foundation
The term "impact investing" is coined at Rockefeller Foundation meeting to describe emergence of investment practices focused on generating social impact alongside financial return.

A Lasting Trend



Social finance Landscape



Background

- WBC – successfully investing in field for many years
- Joint Investment Bonds with Other Authorities
- Demand from other LA's
- Relationship with Altana

The Social Challenge

Health

Social isolation

Youth
unemployment

Homelessness

Ageing
population

Education

Green Agenda

Adoption

Financial
exclusion

Fair Trade



Public



The image is a screenshot of a BBC News article. At the top, the BBC logo is on the left, and navigation links for 'Your account', 'News', 'Sport', 'Weather', 'iPlayer', 'Sounds', and 'More' are in the center. A search bar is on the right. Below this is a red banner with the word 'NEWS' in white. Underneath the banner is a horizontal menu with categories: 'Home', 'UK', 'World', 'Business', 'Politics', 'Tech', 'Science', 'Health', 'Family & Education', 'Entertainment & Arts', 'Stories', and 'More'. The article's breadcrumb trail is 'England > Local News > Regions > Gloucestershire'. The main headline is 'Climate protesters halt Gloucestershire County Council meeting' in a large, bold, black font. Below the headline is the date '13 February 2019'. To the right of the date are social media sharing icons for Facebook, a plus sign, Twitter, Email, and a 'Share' button. Below the icons is a photograph showing a group of people in a council chamber. Some people are standing and talking, while others are seated at desks. The text of the article is to the right of the photo. The first paragraph reads: 'Climate change protesters glued themselves inside a council chamber, bringing a meeting to a halt.' The second paragraph reads: 'The Extinction Rebellion group called on Gloucestershire County Council to allocate 10% of its budget to fund "climate emergency action".' The third paragraph reads: 'When it declined the campaigners "charged" the authority in a mock trial with "criminal negligence", found it "guilty" then glued themselves inside.' A red circle is drawn around the word 'guilty' in the third paragraph, and a red arrow points from the right edge of the screenshot towards the word.

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Climate protesters halt Gloucestershire County Council meeting

13 February 2019

f + Share

Climate change protesters glued themselves inside a council chamber, bringing a meeting to a halt.

The Extinction Rebellion group called on Gloucestershire County Council to allocate 10% of its budget to fund "climate emergency action".

When it declined the campaigners "charged" the authority in a mock trial with "criminal negligence", found it "guilty" then glued themselves inside.

Climate Emergency Resolutions

The number of Local Authorities who
have declared a 'climate emergency'
is...

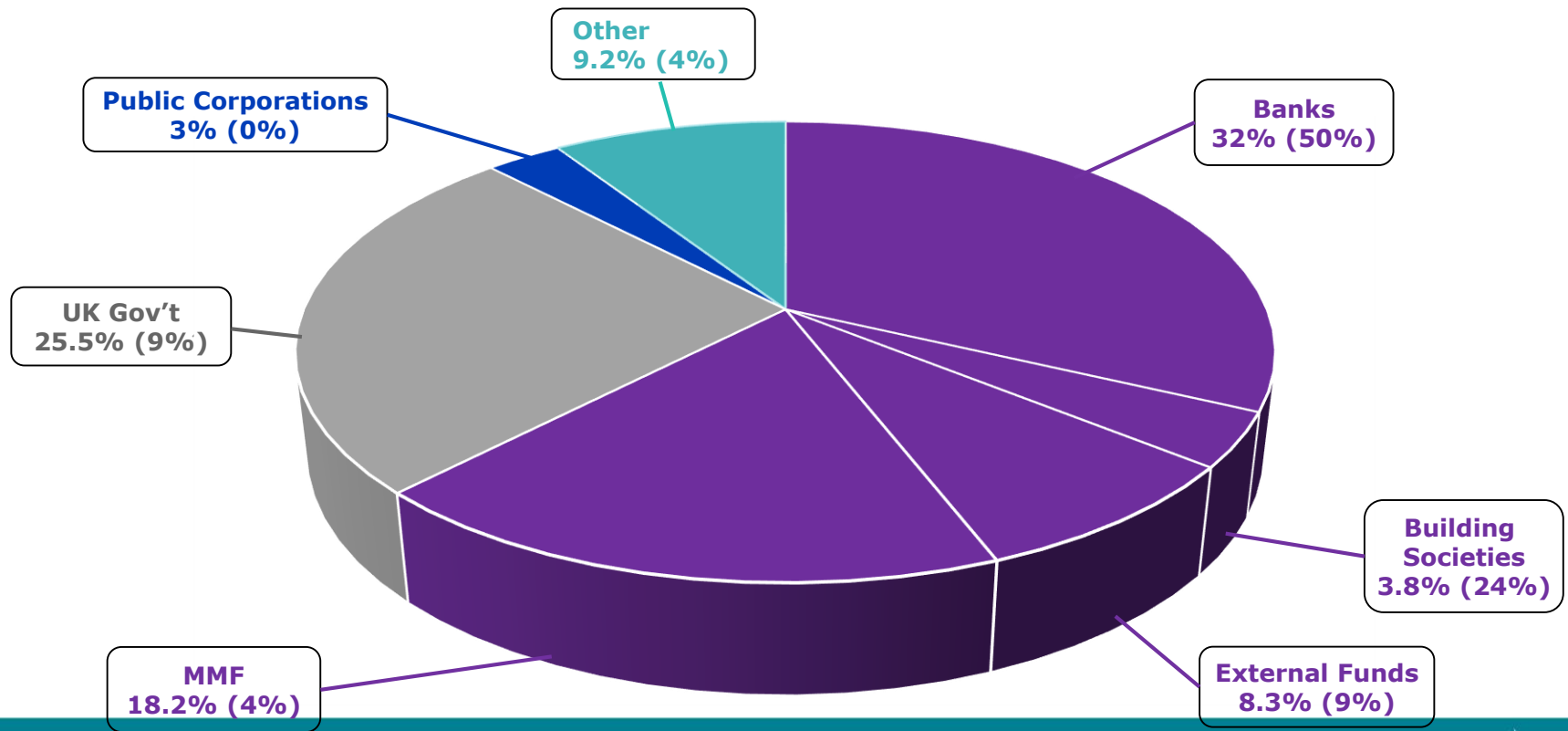
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<https://www.climateemergency.uk/blog/list-of-councils/>



Public Sector Investments

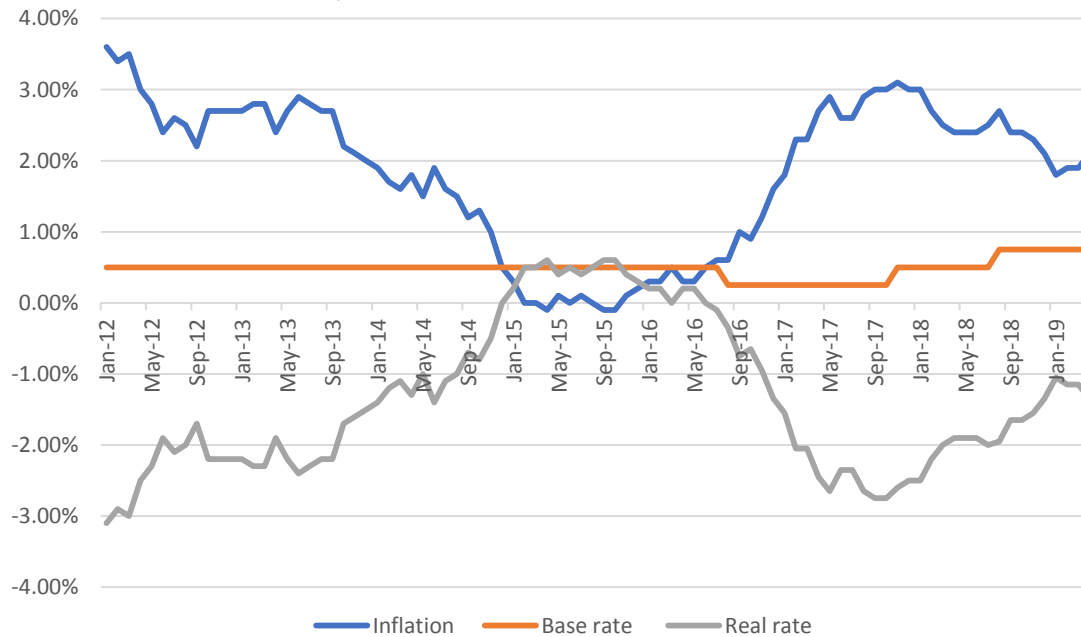
Local Authority Investments at end of 2018 - total £41.5bn



Financial Markets exposure: 62.3% (percentage at 31/03/09: 87%)



Base rate, inflation and real rates since Jan 2012

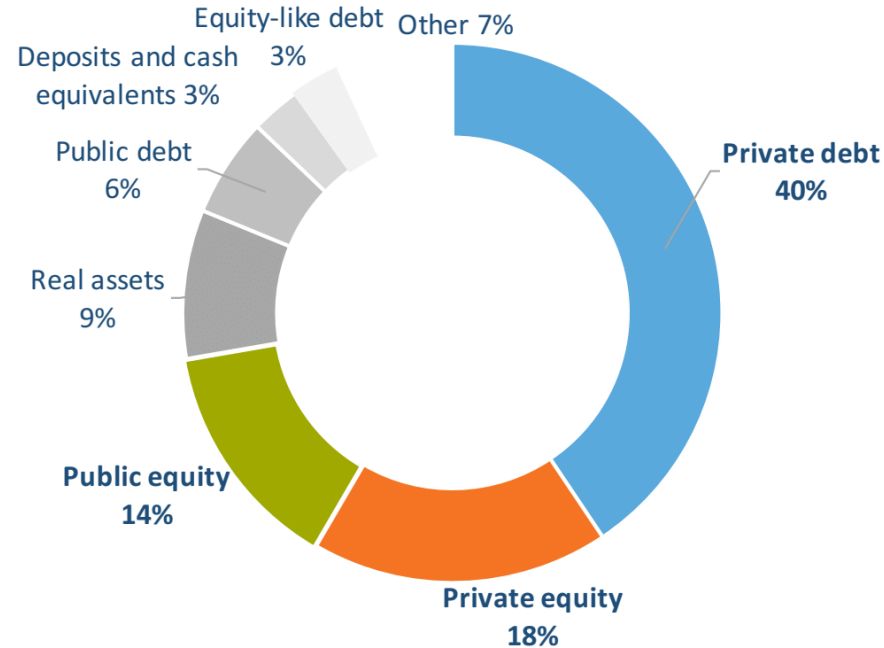


Real rates have begun to fall again after recent improvements and remain very negative, with potential future shocks in waiting.

Impact by type of investment

Historically the remit of private equity and debt

Impact assets by instrument of investment



Public equity provides scale and liquidity

What Does 10% Deliver

- 2m tonnes of CO2 saved
- 750 Cars off the road
- 30K Affordable Homes
- Extra £280m of Investment Return

In conclusion
Why now?



**“The time value of impact...
inaction costs, not just in money
but in people’s lives.
Time matters.”**

Amit Bouri, GIIN CEO



Evidence

- LGPS – Positive Experience
- Government Review - [Growing a Culture of Social Impact Investing in the UK](#)
- Morgan Stanley Report - [Morgan Stanley](#)
- JP Morgan & Global Impact Network Survey - [J.P. Morgan and the Global Impact Investing Network](#)
- Social Impact a national priority / Emergency Climate Declarations

The rise of impact investing

Scaling up impact through listed equities

13% annual growth in impact assets for those organizations that participated 5 years ago

	2013	2017	CAGR
Public equity	326	1,962	57%
Private equity	7,222	14,351	19%
Private debt	12,338	23,379	17%
Deposits and cash equivalent	983	1,429	10%
Real assets	1,591	1,784	3%
Public debt	4,012	4,453	3%
Equity-like debt	2,673	2,202	-5%
Other	1,647	1,217	-7%
Total	30,792	50,777	13%



\$228.1 billion impact investing assets

\$35 billion invested in 2017

1 in 3 respondents are conventional investors that have begun impact investing



PSSIF

- 18 month consultation period
- 20 Councils across UK
- All tiers all political control
- CIPFA / LGA
- MHCLG / BEIS
- Leading Legal Financial Advisors
- Leading QC Opinion



Consultation Feedback

- UK Domiciled
- Transparency on Fees
- Governance Representation
- Social Impact Reporting
- Bring Schemes to Fund
- Shared DD
- Commercial
- Customer Care

Q&A

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