

Social Impact Forum – Yokohama 2017

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Triodos Bank – who we are and what we do

- One of the world's leading ethical banks – formed in 1980
- **Our mission** – inspire and encourage people to use money positively, and – to finance organisations that make a meaningful positive contribution to people or the planet.
- European bank - €12 billion of assets under management,
- we have operations in 6 European countries
- Our activities include a) banking, b) fund management and c) advisory services
- UK advisory services – we are a leader in developing Social Impact Bonds (SIBs)

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Our motivation

In an age of austerity (in the UK as in many other western countries) and public sector spending cuts - yet ever increasing demand for public services.....

SIBs have the potential to

- Harness the use of private **socially motivated** capital
- Tackle **intractable** social problems
- In an **innovative** and **more efficient** way

Importance for Triodos – 2 things:

1. Use of socially motivated capital to generate positive social impact, and
2. Opportunity for the third sector (charities and social enterprises) to show ambition, scale up and work in partnership with the public sector

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Triodos - our experience with SIBs

- We have advised on and completed **7 of the 32** UK SIBs:
- Social policy areas include – **homelessness, vulnerable young people, children in and at the edge of care, Type 2 Diabetes**
- Typical contract
 - 3 to 5 years
 - Contract value - £1.5m to £5m
 - Investment requirement - £0.5m to £1.5m
 - Some are single provider, some consortium (all are third sector providers)
- We have raised **£7m of risk capital** for these SIBs from **23 different investors** including 9 institutional investors, 4 Housing Associations and 10 High Net Worth investors.
- **We are purposefully trialling different structures and seeking learning**
- **Two of our first SIBs have completed and repaid investors in full.**

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Case study – London Rough Sleeper SIB

A 3 year programme commissioned by Greater London Authority in 2013 aimed at eliminating rough sleeping in central London – named cohort of 415 people

- We worked with **St Mungos – a leading UK homeless charity** – a competitive tender
- **Outcomes – 100% payment by results** - sustained accommodation, reconnection, education, training, employment and reduced hospital admissions
- **Structure** – SPV in which St Mungos invested £200,000 of equity alongside £600,000 of social investment in the form of debt.
- **Result** - SIB completed last year – investors repaid in full – successful intervention
- **Success factors** – accommodation first, provider equity investment, personalised budgets
- **Challenges** – negative publicity around reconnection, attitude to investor returns, what next?
– there are still rough sleepers in London!

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UK SIB market learning – success factors

- **Evidence based** interventions and **provider track record** appeal to investors
- **Innovation** appeals to commissioners
- Financial commitment from providers can be a good way of **sharing risk** with external investors and bringing down cost of capital
- Consortia or partnership working can be challenging – **lead or sole provider** is best model
- Innovative financing structures help bring **cost of capital** down and make proposal more competitive – especially for competitive tenders
- **Performance management** important – but flexibility is vital
- **Mobilisation plan** is crucial – most SIBs don't deliver to plan initially (they are start ups after all!) so flexibility and KPIs are crucial in shaping success.

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UK SIB market learning – some challenges

- Provider led SIBs rarely work – need to be driven by commissioner
- **Local Authority commissioner appetite** for SIBs is lukewarm in UK
 - many have a distrust of social investment
 - difficult to prove value for money (no RCTs)
 - Savings accrue across many government agencies
 - complex and time consuming to commission
- So far – tend to be small one-off contracts – no continuity

Future development - need to be patient, start small, build on successes, evaluate learning, needs Government support, keep improving structures.....

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Thank You

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