

Place-based impact investing: an idea whose time has come

Evidence of place-based impact investing (PBII) in practice

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This blog summarises November's PBII event, attended by 90 industry professionals, ranging from pension funds to other asset owner representatives.

The session was divided into two parts. Firstly, Sarah Forster of *The Good Economy* & Mark Hall of the *Impact Investing Institute* covered the new Place-Based Impact Investing Network they have been working on. Secondly, Andrew Hall reviewed the report and impact performance of *Greater Manchester Pension Fund's* Local Investment Portfolio, the first UK pension fund to undergo the process with implications for other pension funds.

By Martin Pattinson



A statement from *The Good Economy's* presentation neatly encapsulates place-based impact investing (PBII) as:

"A collaborative route to sustainable development for Britain's local authority and financial sectors providing an uplift

in investment to transform our local and regional economies. We need a devolved place-based approach to investing with institutional investors working in partnerships alongside public and social investors. This is the PBII approach," Sarah Forster, *The Good Economy*

During this session, Sarah went on to break PBII down into three constituent parts:

1 A place-based approach, which is about understanding the issues, interconnections and relationships in a place, and coordinating action and investment to improve the quality of life for that community.

2 Impact investments, which are made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

3 PBII investments, whose purpose is to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.

The Good Economy have been focused on developing two areas:

Firstly, a recognised PBII reporting framework, which provides a collaborative process to develop common, consistent and transparent reporting.

Secondly, the development of their PBII Labs which currently encompasses projects in:

Manchester – a housing-led neighbourhood regeneration programme, securing investment against the backdrop of the central government policy of only providing grant funding for net additional homes.

Bath & North-East Somerset – challenged with providing affordable homes for key workers, the mandate here is to identify investors and developers to partner with the Council to deliver such accommodation.

Dunoon – focused on community-led regeneration via sustainable adventure tourism, the task here is to find investors with a similar vision so the project can proceed.

South Essex – where there are ambitions to implement a net zero and housing strategy using replicable and scalable models which unlock investment in low carbon neighbourhoods and good homes.

Mark described two PBII Pilot schemes the *Impact Investing Institute* have been working on.

Wakefield – having emerged from over a century of coal mining heritage the town has become a hub for creative and digital industries. However, there are untapped opportunities, and Mark and the *Impact Investing Institute* are working with local stakeholders to develop a PBII approach to unlock this potential.

Southampton – the initial focus here is on the regeneration of the Old Northern Road with multi-use development, affordable housing, cultural activities, and improving the connections between the city, port and football club.



Place-based impact investing all-stakeholder event

It was stressed no project is the same; each has different challenges and requires close collaboration with local stakeholders (councils, regeneration officers, town planners, directors of finance, local community groups, social enterprises, asset managers and other interested local parties), to agree and define the issues, work-up possible plans, proposals and financing models to achieve objectives.

From this practical Lab and Pilot work, the PBII Network has been developed in partnership by *The Good Economy*, the *Institute of Economic Development* and the *Impact Investing Institute*. Its objective is to create a trusted environment where local authorities and private investors can meet to share knowledge, develop public-private partnerships to scale-up the mobilisation of institutional capital for local and regional development projects, and for mutual learning.

Membership is by invitation and to date consists of 22 founding organisations, including councils, combined authorities and asset managers.

Findings from the work by *The Good Economy* and the *Impact Investing Institute* include:

- There is a growing group of highly engaged asset managers.
- There can be limited mutual understanding and even mistrust, initially, between parties.
- All participants would benefit from applying a place-based lens across siloes.
- A spirit of openness and open-mindedness needs to be established.
- Developing local impact partnerships and common impact measurement frameworks would add considerable value.
- Catalytic funding is required to bring projects to an investable stage for asset managers.

PBII in practice

During the second half of the event, Andrew Hall presented a report, prepared by *The Good Economy*, on the impact performance of the *Greater Manchester Pension Fund (GMPF)* Local Investment Portfolio. It was commissioned to provide an independent impact assessment of the portfolio, which has local impact objectives. The review was based on portfolio-level analysis, case studies and data assurance, and was intended to provide a common, consistent and transparent approach so all asset owners and managers can report in this way.

It was noted, for *GMPF*, local is defined as the North-West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside) with the addition of West Yorkshire which is in the *Northern LGPS*.

The Local Investment Portfolio comprises an Impact Portfolio – with a 2% target allocation and the Greater Manchester Property Venture Fund (GMPVF) – with a 3% target allocation. The Local Investment Portfolio has three impact themes: jobs, place and economic development, with a number of impact sub-themes.

Within *GMPF*'s Local Investment Portfolio £1.36bn

has been committed (equating to 4.5% of *GMPF*'s total investment value of £30bn). Of that committed sum, £859mn has been invested, split almost equally across the Impact Portfolio and the GMPVF.

67% of these investments are located in Greater Manchester and the North-West. The Impact Portfolio has a broader geography with 65% invested across the UK and the remainder invested locally.

The Local Investment Portfolio is tangibly contributing to *GMPF*'s impact themes in several areas:

Jobs

133 businesses have been provided loans.

58 businesses have received equity investment.

18,300 jobs have been supported.

7,574 jobs have been created.

60% of businesses have demonstrated job growth.

47 apprenticeships have been created.

91% of the jobs created are paid above the Real Living Wage.

Place

4,395 new homes are being built/have been built.

13 renewable energy and infrastructure projects are underway/have been completed.

£16.1mn invested in 35 social investment organisations.

Economic development

£260.3mn invested in 25 commercial real estate assets.

9,975 jobs have been supported through new employment space.

GMPF expects the Local Investment Portfolio to deliver returns consistent with the main portfolio, with a benchmark of RPI +4%. It is too early to gauge success but the internal rate of return (IRR) of funds exited to date is 8.5% for the Impact Portfolio and 6.5% for the GMPVF. This provides confidence that the financial return target will be achieved over the longer term.

“By zooming in on the underlying investments, we were able to establish direct connections between *GMPF*'s investment decisions, the strategies employed by the fund managers, and the subsequent real-world outcomes and benefits to the people, communities, and economy of Greater Manchester and the North-West.” Andrew Hall, *GMPF*

Conclusion

This event effectively evidenced PBII in practice. Our conurbations and rural communities would benefit from a PBII lens, such that communities would flourish, our environment would thrive and beneficiaries of pension funds would benefit from sustainable returns.



[Click here to watch the video of the event.](#)

Martin Pattinson was Director & Place-Based Impact Investing Forum Lead at Pensions for Purpose