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“The UK has shown the way in tackling the challenge of child poverty”

Across the world, public services are in crisis. Health and social services struggle with increasingly complex and costly demands while taxpayers strain to keep pace. Governments urgently need to find new ways to tackle these accelerating challenges, and a key opportunity lies in harnessing the shift among asset owners and investors now seeking positive social impact with their capital.

Child poverty remains one of our greatest social challenges. The latest Unicef data shows child

poverty in the UK has increased 20 per cent in the last decade. Tonight, one million children will try to sleep without a bed of their own, 3 million will skip meals and 4.3 million children will be officially classified as “poor”. Child poverty is not just about numbers – it is stealing futures, crushing potential, and costing our society dearly for generations to come. The time has come for more radical solutions.

Fortunately, the UK has shown the way forward in tackling the challenge. It has created the world of impact investing and become the leader in its implementation. In 2010, Gordon Brown’s government kicked off impact investment with the first Outcomes Partnership, the Peterborough Bond, which I was involved in creating. This £5 Social Impact Bond (SIB) united government, investors and social service providers, in mobilising private investment to deliver measurable social improvement and remunerate investors in proportion to the outcomes achieved.

The Peterborough Bond tackled recidivism among young prisoners. The initiative reduced high youth recidivism by 9 per cent and the Ministry of Justice repaid the investment with an additional return of 3 per cent a year. Lives were improved, social service providers accessed investment, the risk of failure was taken on by investors and the taxpayer burden in law courts and prisons was reduced. This innovative start inspired a £500bn market today in sustainability-linked bonds and loans, where companies pay lower interest rates when they achieve targeted social, or environmental, outcomes.

We live in a time when government finances are severely stretched, social issues are shaking our society and many feel pressure to walk back from commitments to tackling social issues. The UK can lead the world in showing how significant progress can still be made in improving lives.

The solution is to take social outcomes partnerships from tens of successful pilots in the UK and hundreds across the world to real scale. Gordon Brown’s Partnership to End Poverty outlined how government could bring investors, philanthropists and social purpose organisations together to fight child poverty with a £1bn Children’s Outcomes Payment Fund. The new Labour government is responding: chief secretary to the Treasury, Darren Jones has established a Social Impact Investment Advisory Group, chaired by Elizabeth Corley, to advise on creating a social impact investment vehicle targeting child poverty. But how can this be done most effectively?

Social Outcomes Partnerships offer the best way forward. Commissioners only pay when outcomes are delivered, while impact investors provide upfront capital to socially motivated providers. This enables innovative, preventative services focused on achieving outcomes rather than costly state services that often miss their targets.

To date, over 90 such partnerships have been delivered across the UK and the results are

compelling. Stronger Families Norfolk supports children on the edge of care due to abuse or neglect, with 92 per cent of participants remaining with their families as of November 2024, preventing 216,284 days of care and avoiding approximately £15.2mn in costs. Bridges Outcomes Partnerships has similarly demonstrated how children can stay with families through effective Family Therapy and Forward Outcomes Partnership programmes. Another charity, AllChild, provides intensive support for children with multiple needs across four London boroughs and Wigan, connecting siloed services to deliver better outcomes while pooling funding from central government, local councils, schools, philanthropists, and corporations.

These initiatives help those with complex needs and also reduce demand for statutory services, saving millions in taxpayer funds. A 2024 independent analysis found they generated £9 of public value for every £1 of public spending, a remarkable return on investment for the country, with superior outcomes delivered at much lower cost. The way to make progress in current circumstances is for the government to create a central Outcomes Payment Fund, to unlock private capital through Outcomes Partnerships. The UK has already shown how to do this. The £70m Life Chances Fund, launched in 2016, enabled local authorities to commission social outcomes projects supporting over 60,000 individuals in health, employment, and housing. The Education Outcomes Fund I chair, which brings together governments, investors and implementation partners to transform the lives of ten million children and youth across the

world, has also delivered superior performance. Following these experiences, government should not delay in establishing a £1bn Children's Outcomes Fund, as a first step.

The creation of such a payment fund would catalyse several hundred million pounds of investment to fund the delivery organisations that enter into contracts with it. Private money can step in to support government efforts. The UK's leading social impact investor, Better Society Capital, confirms that social impact investment has grown ten-fold over the last decade to more than £11bn. A range of investors from pension funds to individuals and foundations are ready to invest in Outcomes Partnerships, attracted by their ability to drive innovation and better social outcomes.

Local government pension schemes, for example, which manage £350bn, are interested in investing in their communities. Merseyside Pension Fund, for example, has invested in Outcomes Partnerships since 2014. Owen Thorne, its portfolio manager, says, "We have been consistently impressed by their deep, measurable social impact benefitting local communities, while delivering value for money for the public sector at the same time as risk-adjusted financial returns for investors."

With social challenges mounting, and limited public funding, now is the time for government to take bold action in a proven direction. It must seize the opportunity to improve our social fabric through Outcomes Partnerships that harness our collective resources effectively – starting with the most vulnerable in our society, and the most important to our future: our children. ●



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