

SOCIAL INVESTMENT BOARD

Thursday, 20 June 2013

Minutes of the meeting of the Social Investment Board held at the Guildhall EC2 at 1.45pm

Present

Members:

Alderman Peter Hewitt (Chairman)
Edward Lord (Deputy Chairman)

Deputy Ken Ayers
Deputy Robert Howard

Officers:

Lorraine Brook	- Town Clerk's Department
Clare Thomas	- Chief Grants Officer, The City Bridge Trust
David Farnsworth	- Chief Grants Officer (designate), The City Bridge Trust
Tim Wilson	- The City Bridge Trust
Martin Hall	- The City Bridge Trust
Paul Sizeland	- Director of Economic Development
Paul Mathews	- Chamberlain's Department
Anne Pietsch	- Comptroller & City Solicitor's Department
Karen McHugh	- Comptroller & City Solicitor's Department
Katie Hill	- Social Investment Advisor, Economic Development Office
Susanna Lascelles	- Public Relations Office

In attendance:

Vincent Dufresne (Symbiotics)(item 6)
Fabio Sofia (Symbiotics) (item 6)
Nicholas Colloff (Oxfam) (item 6)

(Deputy Ken Ayers in the Chair until item 5.)

The order of business was amended as follows.

1. APOLOGIES

Apologies for absence were received from Ray Catt, Roger Chadwick (Chairman, Finance Committee) and The Revd Dr Martin Dudley.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

Edward Lord declared a disclosable interest in respect of item 8 on the agenda due to his position as a remunerated non-executive director of The Social Investment Business Group.

3. **APPOINTMENT OF THE SOCIAL INVESTMENT BOARD: -**

Following consideration by the Investment Committee on 14th May 2013, the Board considered its terms of reference, its membership and its frequency of meetings in 2013/14.

NOTED.

4. **ELECTION OF CHAIRMAN**

The Board proceeded to elect a Chairman in accordance with Standing Order No. 29.

The Town Clerk read out a list of Members eligible to stand as Chairman and Alderman Peter Hewitt, being the only Member indicating his willingness to serve, was duly elected Chairman for the ensuing year, and took the Chair.

Having moved into the Chair, the Chairman welcomed David Farnsworth (Chief Grants Officer) to the meeting and invited him to provide Members with a brief introduction to his background. The Chairman then went on to extend, on behalf of the Board, his sincere thanks to Clare Thomas (outgoing Chief Grants Officer) for her contribution to the work of the Board and progress made thus far in respect of the social investment agenda. Clare Thomas thanked the Chairman and the Board for its foresight and wished Members well for the future.

RESOLVED – That:-

- (i) Alderman Peter Hewitt be elected as Chairman of the Social Investment Board for the ensuing year; and
- (ii) the Board extend its thanks and best wishes to Clare Thomas in view of her imminent departure from the City of London Corporation and her position as Chief Grants Officer.

5. **ELECTION OF DEPUTY CHAIRMAN**

The Board proceeded to elect a Deputy Chairman in accordance with Standing Order No. 30.

The Town Clerk read out a list of Members eligible to stand as Deputy Chairman and Edward Lord, being the only Member indicating his willingness to serve, was duly elected Deputy Chairman for the ensuing year.

RESOLVED – That Edward Lord be elected as Deputy Chairman of the Social Investment Board for the ensuing year.

6. **PRESENTATION FROM SYMBIOTICS AND OXFAM**

Vincent Dufresne (Head of Asset Management, Symbiotics), Fabio Sofia (Head of Investor Relations, Symbiotics) and Nicholas Colloff (Director of Innovation, Oxfam) were welcomed to the meeting. The Chairman then invited them to provide the Board with an overview of the Small Enterprise Impact Investment Fund (SEIIF), which emerged from work led by Oxfam, with support from the City of London Corporation, to strengthen economic development in low income countries by focussing on the provision of affordable credit to small and

medium sized enterprises to generate positive social returns as well as financial returns for investors.

Vincent Dufresne and Fabio Sofia commented on Symbiotics' current microfinance funding activities, the status of the investment portfolio in 2012/13, fund management and investor arrangements for the Small Enterprise Impact Investment Fund (SEIIF); and anticipated funding targets by July 2014. In respect of future investment opportunities, it was noted that further investments in South America and Sub-Saharan Africa were being considered.

Members were advised that all SEIIF investees were required to gather impact information to ensure that Symbiotics could assess overall benefit for end clients and provide investors with collated data on the impact of the fund portfolio. Clarification was provided in respect of monitoring methods used, including data point collation, semi-annual reporting and Portfolio Analysis (static/dynamic). Members were advised that, in some instances, it was difficult to generate information as certain investees did not have suitable systems or processes in place. Consequently, Symbiotics was working closely with Oxfam who provide investees with technical assistance, to improve impact reporting arrangements. Whilst this was a challenging issue, it was felt that over time, there would be much improved assessments of impact for all end-clients.

In respect of future activities, Members were advised about the opening of a Symbiotics office in London in August 2013 and further business development with Oxfam around the provision of technical support and assistance in respect of impact measurement and data collation systems, which was cutting-edge.

At the conclusion of the presentation the Board was invited to ask questions.

The Chairman sought clarification regarding investment exit routes and the agreed policy of recovery in the event that a loan could not be repaid. He was advised that investors were, through fixed investments, tied for 36 months but thereafter they could have their finances returned or reinvested. In respect of equity investments, the commitment was far greater (in excess of 7 years) due to the complexity of the investments. In respect of the policy on recovery, Vincent Dufresne advised that due diligence was undertaken by personnel at Symbiotics through visits and comprehensive reviews of financial data. On the basis of those investigations and credit risk assessments, the Investment Committee would then take a view on the institution's potential to repay a loan after 36 months. Close monitoring would also be undertaken throughout the lifetime of the loan, however it was noted that there remained a risk of default.

In respect of the investment pipeline and a query about the possibility of making investment commitments before the necessary funding had been raised, Members were advised that the capital held in other Symbiotic funds could not be used to invest in SEIIF opportunities so consequently these could only be progressed once funding had been raised.

In response to a query regarding an anticipated FSA ban on certain specialised funds and the possibility of having to convert the SEIIF to a regulated fund (i.e.

for retail clients), Fabio Sofia explained that the fund required better liquidity and it remained suitable for qualified investors only so the fund would not be moved to retail in the future.

The Chief Grants Officer, Clare Thomas sought further clarification regarding the current impact measurements that were used, in particular the 22 data points per end-client and the range of metrics. Nicholas Colloff explained that two sets of metrics were used – (i) core and (ii) wider (for those SME's that were expected to grow). In respect of the core metric, this included an assessment of whether the business was developing, who owns the business and who benefits in terms of employment creation; and payment levels. The Board acknowledged that excessive metrics created resistance and that the current approach not only encouraged institutions to use data to create effective business plans but also ensured that impact remained integral to making business decisions.

Following a query regarding whether Symbiotics would create financial intermediaries if they were not already in place, Members were advised that institutions should already exist to effectively manage initiatives on the ground and that this was not the purpose of the fund. They were further advised that it was very important to utilise local expertise and capacity through established local intermediaries who were best positioned to work with clients.

The Board welcomed the opening of the London office and asked for further information to be provided to ensure that the City Corporation could assist practically, if possible, but also to maximise Symbiotics' profile.

The Board thanked the representatives from Symbiotics and Oxfam for attending the meeting.

7. MINUTES

The public minutes of the last meeting held on 23rd April 2013 were approved as an accurate record subject to a correction to the formatting of the information in respect of those Officers present at the meeting.

8. MEETINGS ATTENDED

The Committee considered a report of the Chief Grants Officer relative to events and meetings attended between 12th April and 6th June 2013.

Members praised Officers for their hard work in progressing the Corporation's social investment agenda through those events and meetings that had been attended.

RECEIVED.

9. PROGRESS REPORT

[In advance of the discussion about appointment of two additional Fund advisors, Edward Lord withdrew from the meeting.]

The Board considered a report of the Chief Grants Officer relative to progress in respect of investment opportunities, the possibility of ring-fencing part of the Social Investment Fund for a high-risk allocation and the appointment of Fund advisors.

In respect of future investment in housing bonds, Members were advised that Officers had, at the Board's request, now investigated the opportunities to invest in housing association bonds. The Principal Grants Officer explained that whilst such investment opportunities had initially been promoted, existing housing association bonds were not now deemed to be suitable given the investment criteria, the difficulty in relating such investments to specific social impact and the generally long maturity on these products.

In-line with the Board's decision of 14th December 2012 to appoint a "pool" of social investment advisors with a range of experience and views, the Principal Grants Officer explained that following a comprehensive selection process the FSE Group and the Social Investment Business Group/Investing for Good/ The Good Analyst were recommended for approval as additional Fund advisors.

At the Board's request it was agreed that Officers should provide clarification to the newly appointed advisors about those areas that should be addressed.

RESOLVED – That:-

- (i) the contents of the report be noted;
- (ii) Officers be authorised to bring indirect investments to the Social Investment Board for consideration at future meetings;
- (iii) no consideration be given to investing in existing housing association bonds;
- (iv) the FSE Group and Social Investment Business/Investing for Good be appointed as advisors to the Fund on the same arrangement as the current advisor, Social Finance; and
- (v) Officers prepare a report on options for a high-risk allocation for the Board's September meeting.

10. UPDATE ON THE WORK OF THE SOCIAL INVESTMENT ADVISOR

The Board received an update in respect of the work of the City Corporation's Social Investment Advisor in developing the Social Investment Strategy, in addition to her work on the Social Investment Fund. Particular reference was made to the advisory work with the Treasury on the remit of the consultation on tax relief for social investment and it was acknowledged that whilst much work had been undertaken in advance of circulation of the report, further work would be necessary to ensure that key issues, including the definition around eligible investee organisations, were appropriately addressed. Members welcomed this work and also the contributions made to the G8 policy debate in respect of social investment.

In respect of future events, the Board requested that advance notification be sent to all Board Members at the earliest opportunity as events were schedule in order to avoid diary clashes.

RECEIVED.

11. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were none.

12. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

Future meeting dates

The Board considered its future meeting dates.

RESOLVED – That:-

(i) the proposed meetings of the Social Investment Board in July 2013 and October 2013 be cancelled; and

(ii) the 2014/15 meeting dates be confirmed in writing in due course.

13. EXCLUSION OF THE PUBLIC

RESOLVED: - That under Section 100 A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act as follows:-

Item Nos.	Exempt Paragraphs
14 – 16, 18(i)	3

14. NON-PUBLIC MINUTES

The non-public minutes of the last meeting held on 23rd April 2013 were approved as an accurate record.

15. PORTFOLIO UPDATE

The Board received a report of the Chief Grants Officer relative to an update on the Social Investment Fund portfolio.

16. SOCIAL JUSTICE AND HUMAN RIGHTS CENTRE

The Board received a report of the Chief Grants Officer relative to an update on the Social Justice and Human Rights Centre.

17. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were none.

18. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

With the Chairman's consent the following item of urgent business was considered:-

(i) Report of Action taken under Delegated Authority since the last meeting

The Committee noted a verbal update from the Town Clerk in respect of a decision that was taken under delegated authority (in accordance with Standing Order No. 41 (b)) since the last meeting, in respect of an investment proposal.

NOTED.

The meeting closed at 3.08pm

Chairman

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