



Social Investment Board

Date: WEDNESDAY, 26 FEBRUARY 2014
Time: 11.00am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Peter Hewitt (Chairman)
Deputy Ken Ayers
Roger Chadwick
Revd Dr Martin Dudley
Deputy Robert Howard
Andrew McMurtrie

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John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **ELECTION OF DEPUTY CHAIRMAN**
To elect a Deputy Chairman in accordance with Standing Order 30.

For Decision
4. **MINUTES**
To agree the public minutes and summary of the meeting held on 13 December 2013.

For Decision
(Pages 1 - 6)
5. **EVENTS AND MEETINGS ATTENDED**
Record of events and meetings attended for the period 4 December 2013 – 12 February 2014.

For Information
(Pages 7 - 10)
6. **PRESENTATION FROM ALBION VENTURES**

For Information
7. **PROGRESS REPORT**
Report of the Chief Grants Officer.

For Decision
(Pages 11 - 14)
8. **UPDATE ON THE WORK OF THE SOCIAL INVESTMENT ADVISOR**
Report of the Director of Economic Development.

For Information
(Pages 15 - 20)
9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
10. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

11. **EXCLUSION OF THE PUBLIC**
MOTION – that under Section 100A(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.

For Decision

Part 2 - Non-Public Agenda

12. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 13 December 2013.

For Decision
(Pages 21 - 24)

13. **PORTFOLIO UPDATE**
Report of the Chief Grants Officer.

For Information
(Pages 25 - 36)

14. **INVESTMENT REVIEW - APPOSITE CAPITAL**
Report of the Chamberlain and Chief Grants Officer.

For Decision
(Pages 37 - 106)

15. **INVESTMENT REVIEW - THE FOUNDRY**
Report of the Chamberlain and Chief Grants Officer

For Decision
(Pages 107 - 140)

16. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

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

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SOCIAL INVESTMENT BOARD

Friday, 13 December 2013

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

Present

Members:

Alderman Peter Hewitt (Chairman)
Deputy Ken Ayers

Revd Dr Martin Dudley
Deputy Robert Howard

Officers:

Alistair MacLellan	- Town Clerk's Department
David Farnsworth	- City Bridge Trust
Tim Wilson	- City Bridge Trust
Martin Hall	- The City Bridge Trust
Katie Hill	- Town Clerk's Department
Liz Skelcher	- Economic Development Office
Paul Mathews	- Corporate Treasurer

In Attendance:

John Kingston	- Social Finance
Richard Todd	- Social Finance
Simon Chisholm	- Reasonance
Susan Fallis	- Real Lettings

1. APOLOGIES

Apologies were received from Roger Chadwick and Andrew McMurtrie.

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

There were no declarations.

3. MINUTES

RESOLVED: that the public minutes and summary of the meeting held on 18 September 2013 were agreed as a correct record.

Matters Arising

G8 Social Impact Investment Taskforce

The Social Investment Advisor provided an update on the G8 Social Impact Investment Taskforce following the Chairman of the Policy & Resources Committee's appointment as a member of the UK's Advisory Board to this taskforce. She noted that the task force had met twice to date, in Washington and in London and the National Advisory Board was scheduled to meet next in January 2014. She added that the UK National Advisory Group which informs

the task force is focusing on two areas: advantages of different corporate forms for social enterprises and how social enterprises can identify and secure a larger share of public contracts by social enterprises. She noted that the task force had appointed four sub groups and had also adopted a work plan. She concluded by noting the task force would meet in September 2014 to finalise its findings. The Chairman thanked the Social Investment Advisor for her update and requested that copies of the task force's meeting minutes be provided to the Board when these became available.

4. EVENTS AND MEETINGS ATTENDED

The Board received a summary of recent meetings and events attended by officers. The Chairman commented that the range of meetings was impressive and requested that members of the Board be made aware of any future high-profile meetings as and when these arose so that they had the opportunity to attend.

RECEIVED

5. PRESENTATION FROM REAL LETTINGS PROPERTY FUND

Following a presentation to the Board by the Real Lettings Property Fund, the Chairman gave thanks for the presentation and noted that it was useful for the Board to see the practical impact of investments made by the Board.

In response to a question from a member, Mr Chisholm confirmed that Real Lettings was monitoring government proposals for a potential tax relief on social investment which might attract more capital to the market.

In response to a question from the Principal Grants Officer, Mr Chisholm confirmed that the Real Lettings Property Fund had been awarded *Highly Commended* in the 2013 Social Investment Deal of the Year awards.

6. PROGRESS REPORT

The Board considered a report of the Chief Grants Officer on the achievements of the Social Investment Fund in its first year of operation. The Chief Grants Officer noted that the investment target had been exceeded and that officers intended to continue to develop links with colleagues in the Economic Development Office and the Chamberlain's Department in year two for the purpose of investment review and market appraisal.

The Board went on to discuss the report and the following points were made:

- The Chairman welcomed the work done to date on examining the feasibility of a City initiated social investment product, given a recurring issue in the social investment field to date was the difficulty in identifying suitable products for investment.

- The Chairman welcomed the recommendation of Albion Ventures as advisor to the Social Investment Fund, and noted in particular that the Chief Executive came highly recommended.
- The Chairman requested that the report to the Court of Common Council refer to *the capital* from Bridge House Estates to give an accurate account of the Board's fiduciary duty as charitable trustees. Similarly, current investments should not be described as *active*, and that the overall social investment market should be described as *expected to grow further* in addition to the forecasted £202million in 2011/12.
- In response to the Chairman, the Principal Grants Officer confirmed that current investments were in line with expectations with one exception which was discussed further in the non-public papers to the meeting.
- A member requested that a paragraph commenting on the percentage commitments of the Social Investment Fund be included in the report annex.
- The Chairman requested that the annex include a general comment on performance of current investments.

RESOLVED:

- That the contents of the report be noted;
- The attached annex be approved and submitted, subject to comments and amendments, to the Court of Common Council;
- That an investment target of £3million for the second year of the Social Investment Fund be approved;
- That Albion Ventures be appointed as advisor to the Social Investment Fund on the same terms as existing advisors.

7. **MEMBERS' HANDBOOK**

The Board considered a report of the Chief Grants Officer on a proposed Social Investment Board Members' Handbook. The following comments were made:

- The handbook include the date from which social investment advisors had been appointed, and the telephone numbers and email addresses of City of London Corporation staff;
- The definition of crowd funding in the glossary be updated.

RESOLVED:

- That the contents of the report be noted;

- That subject to amendments the Social Investment Board Members' Handbook be published on the City of London intranet.

8. **RESEARCH AND DEVELOPMENT FUND**

The Board received a report of the Chief Grants Officer on the potential establishment of a Research and Development Fund. The Chief Grants Officer argued that such a fund was much needed as it would allow the City of London Corporation to identify trends within the social investment market and similarly to identify any gaps in the provision of social investments.

The Chairman welcomed the report and emphasised the fact that most investments made to date were between £300,000 and £500,000, and that whilst these had social impact, the fund was not designed to make investments in the smaller investment opportunities of c. £30,000-£50,000 as these often sought unsecured finance.

During the ensuing discussion the following points were made:

- Funds were available from The City Bridge Trust to finance a Research and Development Fund/ programme?;
- Work under the Research and Development Fund would start with a market analysis to identify trends within the social investment market and identify gaps in provision.

RECEIVED

9. **SOCIAL IMPACT MEASUREMENT**

The Board received a report of the Chief Grants Officer outlining how social investors were working to measure the social impact of their investments.

RECEIVED

10. **UPDATE ON THE WORK OF THE SOCIAL INVESTMENT ADVISOR**

The Social Investment Advisor (SIA) introduced a report of the Director of Economic Development on work undertaken by the SIA since September 2013, including:

- The hosting of the first ever Global Impact Investment Network (GIIN) conference at Guildhall;
- The launch of the Social Investment Market Research Council and subsequent commissioning of research projects, currently underway on new sources of capital, pricing of social investment and an analysis of the Financial Promotions Regulations on social investment.

- The SIA's role on the EU's expert panel on social investment, including work towards a 'Strasbourg Declaration' at an EU social investment conference in January 2014;
- A City of London Corporation response to a consultation on crowd-funding recently launched by the Financial Conduct Authority (FCA);

The Assistant Director of Economic Development took the opportunity to inform the Board that the Social Investment Advisor's work, along with other partners, had influenced recent public policy in the social investment field.

RECEIVED

Rev Dr Martin Dudley left at this point of the meeting.

- 11. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
There were no questions.
- 12. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
There was no other business.
- 13. EXCLUSION OF THE PUBLIC**
RESOLVED – that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I or Schedule 12A of the Act:

Item(s) 14-19 Paragraph(s) 3
- 14. NON-PUBLIC MINUTES**
RESOLVED: that the non-public minutes of the meeting held on 18 September 2013 be agreed as a correct record.
- 15. REPORT ON URGENT ACTION TAKEN SINCE LAST MEETING**
The Board received a report of the Town Clerk.

RECEIVED

- 16. PORTFOLIO UPDATE**
The Board considered a portfolio update from the Chief Grants Officer on the Social Investment Fund.

RECEIVED

- 17. INVESTMENT REVIEW - GREENWICH LEISURE LIMITED**
The Board considered an Investment Review concerning Greenwich Leisure Limited.

18. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There were no questions.

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

There was no other business.

The meeting closed at 3.16pm

Chairman

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SOCIAL INVESTMENT BOARD

Events and Meetings Attended 4th December 2013 – 12th February 2014

Date	Organisations	Type of Event	Attendees from Corporation	Location	Summary
4 December	SME Wholesale Finance (London) Limited	Meeting	Katie Hill, David Pack	City	Discussion on SME wholesale Finance involvement to date in Social Investment and share information on parallels with mainstream SMEs and social sector organisation's investment needs
4 December	Emmaus	Meeting	Tim Wilson	City	A preliminary discussion about Emmaus' interest in the social investment market
5 December	Social Stock Exchange	Meeting	Katie Hill	City	Update on Social Stock Exchange's plans and exchange information on market developments
6 December	The Trampery	Meeting	Tim Wilson	Hackney	Preliminary meeting to discuss The Trampery's plans and their interest in your Fund
9 December	City YMCA	Meeting	Tim Wilson	Islington	Preliminary meeting to discuss City YMCA's expansion plans and suitability for your Fund
9 December	UCL – B social enterprise incubator	Meeting	Katie Hill	Central London	Learn about UCL's incubator plans for social enterprises emerging from UCL's research; funding issues and seed financing needs
11 December	Ignite (Centrica Social Investment Fund)	Seminar	Katie Hill	Central London	Present our findings and understanding of the social investment market to staff of Ignite a newly created social investment fund of Centrica
12 December	Social Finance Ltd	Meeting	Katie Hill	City	Update on international developments (G8 and EU initiatives and take up of Social Impact Bonds internationally)

17 December	South West London YMCA	Meeting	Tim Wilson	City	Preliminary meeting to discuss interest in a new investment opportunity with three other charitable foundations in order to share due diligence
18 December	Real Lettings Property Fund	Meeting	Tim Wilson	Camden	Annual investor advisory committee meeting for the RLPF (which you hold in your portfolio). Other organisations in attendance were LankellyChase Foundation, Big Society Capital and Esmee Fairbairn Foundation.
18 December	Social Investment Business	Meeting	Chairman and Tim Wilson	Camden	An introductory meeting for the Chairman of your Fund and the chair of the Social Investment Business.
19 December	London Early Years Foundation and ClearlySo	Meeting	Katie Hill and Tim Wilson	City	Update on LEYF's capital requirements to expand their nursery operations
19 December	Apposite Capital	Meeting	Katie Hill and Tim Wilson	City	Update on Apposite Capital's plans for a health related social investment fund
6 January	Lloyds Bank	Meeting	Katie Hill	City	Exploratory conversation on Lloyds areas of interest in social investment and update on CoL fund and policy work
6 January	Big Society Capital	Meeting	Katie Hill	City	Discussion on investor appetite, products under development and initiatives to encourage greater take up from institutional investors
8 January	PwC	Meeting	Katie Hill	More London	Update from 4 key PwC staff on investment readiness, investor engagement, social impact measurement and CoL activities
8 January	Global Commons Initiative	Meeting	Paul Sizeland, Sophie Hulm Katie Hill	City	Introduction to concept of an international financial house to source and structure impact investment deals internationally
9 January	Cambridge Judge Business School	Meeting	Chairman, Deputy Robert Howard, Chief Grants Officer and Tim Wilson	City	An opportunity to discuss respective interests in the social investment market, to update on plans for future work and to consider options for possible collaboration.

9 January	Cabinet Office	Meeting	Tim Wilson	Whitehall	A meeting between several charitable trusts and the Cabinet Office regarding a proposal to strengthen support for community finance initiatives.
10 January	Esmee Fairbairn Foundation	Meeting	Chief Grants Officer	Kings Cross	A meeting between the two foundations' senior grants officers to discuss respective plans, including each agency's work on social investment.
13 January	Social Finance	Meeting	Tim Wilson	Westminster	Discussion of Social Finance's initiative to identify suitable prospects for new social investment products. City Bridge Trust is providing some funding for the first year of this project through its grant scheme.
14 January	Perth YMCA	Meeting	Katie Hill	Central London	Discussion on social investment products and their use / applicability more widely
15 January	LankellyChase Foundation	Meeting	Tim Wilson	Camden	One of a series of regular 'pitching' days where organisations seeking finance present their work. This is a good opportunity for your officer to identify strong prospects for future Social Investment Board meetings.
15 January	Consultant (ex Triodos)	Meeting	Katie Hill	City	Exchange findings on take up of debt based social investment products and possible investment pipeline
20 January	Barrow Cadbury Foundation	Meeting	Chief Grants Officer	City	A meeting between the two foundations' senior grants officers to discuss respective plans, including each agency's work on social investment.
23 January	City of London	Lecture	Chief Grants Officer	Mansion House	A lecture by Sir Ronnie Cohen, widely-regarded as one of the pioneers of social investment.

30 January	Esmee Fairbairn Foundation, Trust for London, PEF-Impetus, Barrow Cadbury Foundation and Tudor Trust	Round table	Tim Wilson and Katie Hill	City	The first of three meetings to discuss City Bridge Trust's plans for a new grants programme that is being developed to encourage more of London's charitable organisations to engage with the social investment market. The meeting took soundings from other foundations on their perception of market gaps and potential focus of a City Bridge Trust programme.
3 February	Baker Tilley	Meeting	Chairman and Tim Wilson	City	A meeting with Jim Clifford, Baker Tilley's head of non-profit advisory, on his work in the social investment sector.
4 February	Several social investment market intermediaries	Round table	Chairman, Tim Wilson and Katie Hill	City	The second of three meetings to discuss City Bridge Trust's plans for a new grants programme that is being developed to encourage more of London's charitable organisations to engage with the social investment market. The meeting took soundings from market intermediaries on their perception of market gaps and potential focus of a City Bridge Trust programme.
6 February	Symbiotics and Oxfam	Meeting	Paul Sizeland and Tim Wilson	City	A meeting to discuss the Small Enterprise Impact Investment Fund (which you hold in your portfolio), performance to date and plans to raise further funds for.
10 February	Several charity umbrella organisations	Round table	Tim Wilson and Katie	City	The third and final meeting to discuss City Bridge Trust's plans for a new grants programme that is being developed to encourage more of London's charitable organisations to engage with the social investment market. The meeting took soundings from market intermediaries on their perception of market gaps and potential focus of a City Bridge Trust programme.
11 February	Dalberg Consultancy	Meeting	Katie Hill	Central London	Meeting re social investment product design and development of Malaria bond

Committee:	Date(s):
Social Investment Board	26 th Feb 2014
Subject:	Public
Progress Report	
Report of:	For Decision
Chief Grants Officer	

Summary

Finance Committee has approved resources to allow recruitment of an investment analyst who will help your officers to appraise a growing pipeline of, often formative, investment offers. The analyst should be in post in time for your April meeting and will help with the disbursement of the Social Investment Fund (“the Fund”).

We are also, increasingly, being asked to enter into Non-Disclosure Agreements as a pre-condition to receiving information necessary to enable officers to evaluate investment offers. This report asks you to expressly delegate authority to the Chief Grants Officer to enter into these agreements, consistent with his role in administering the fund.

The City of London continues to work to develop the social investment market. City Bridge Trust (which undertakes the grant-making activities of Bridge House Estates funded through the charity’s income) has been consulting other charitable foundations, market intermediaries and charities as it works on a new grants programme to encourage more of London’s charities to engage with the social investment market. This new programme will be presented to City Bridge Trust Committee at their April meeting for approval, and details will also be shared with your Board for information. It is expected that there will be scope for the City Bridge Trust grants programme to support the objectives of the Fund (which invests Bridge House Estates’ capital).

As your Fund holds more investments under management, and as these investees seek to raise more funds, it is expected that the City of London as trustee of the charity will, from time to time, be asked to approve minor variations to the terms of its investment. To allow timely negotiation and approval of these variations, you are asked to approve a standing delegation to the Chief Grants Officer in consultation with the Chairman and Deputy Chairman which matters will be reported back to the next meeting of your Board.

Recommendation(s)

Members are asked to:

1. Note the report.
2. Delegate authority to the Chief Grants Officer to enter into non-

disclosure agreements which may be required as a pre-condition to receiving information necessary to enable the evaluation of investment by officers;

3. Approve a standing delegation to the Chief Grants Officer, in consultation with the Chairman and Deputy Chairman, to approve minor variations to the terms of existing social investments where these do not materially impact upon the charity's investment.

Main Report

Staffing developments

1. As reported to your 13 December 2013 meeting, the recognition and momentum that the Fund has gained means there is a growing stream of investment proposals reaching City of London for consideration. Many are at formative stage and offer the City the opportunity to shape the terms of the investment. Although helpful, this is time consuming and beyond current staff capacity.
2. The Chief Grants Officer of the City Bridge Trust in his role as administrator of the Social Investment Fund, identified the need for a dedicated Investment Analyst (initially for 3 days per week, expected to rise to 4-5 days after 12 months as the number of investments under management grows). The Analyst would assist the appraisal of the pipeline, help shape formative proposals (where appropriate) and provide in-depth review before passing the most promising prospects across to the Fund's third party advisors for due diligence. The Analyst would also help monitor active investments and, where appropriate, work with prospective investees to shape terms of investment. The Analyst would be based in both the Chamberlain's Department and the City Bridge Trust Team.
3. Finance Committee (21 January 2014) approved an allocation of £20k from its Bridge House Estates contingency for the cost of the Analyst during 2013/14. We will engage somebody on a consultancy basis, and have made contact with several candidates who will be interviewed by officers in City Bridge Trust and Chamberlain's, and who will complete an investment review exercise to gauge technical competency. We aim to have the appointed consultant in time to attend your April 7th meeting. We anticipate the consultant will be engaged for 6-12 months and their work will inform the role description of the permanent appointment.

Developing the social investment market

4. The first objective of the Fund is to provide repayable finance to organisations working towards charitable ends or with social purpose while still providing a suitable return on investment to the charity as part of a balanced investment portfolio. The second objective of the Fund is to help develop the social

investment market, and you are aware of the problems faced by investors and investees who wish to execute deals in this space. Investees generally face high-costs to bring deals to market, and often attract little interest unless they can offer security against loans. Investees operate with information shortfalls and an absence of market infrastructure to facilitate their investment activities.

5. You have received several reports detailing initiatives by the City of London generally and others to strengthen market infrastructure, attract new capital to the market, improve the policy framework and improve information flows for investors and prospective investees.
6. Whilst the Fund operates within the clear fiduciary parameters associated with the investment of capital from a permanently endowed charity and therefore needs to take a cautious approach to risk, there is no doubt that the charity's participation in the market has been welcomed. Since the Fund was launched there has been a noticeable upturn in the level of investee and intermediary activity. Officers expect this trend to continue given the level of resource being directed at market development by Cabinet Office, Big Society Capital and others, as well as a growing pool of investors from both charitable and commercial sectors.
7. At your December meeting officers updated you on City Bridge Trust's plans for a new grant programme (funded from Bridge House Estates' income) to attract more of London's charitable organisations to the social investment market. As you will recall from your December meeting, this programme will be designed following consultation with other investors, market intermediaries and charitable organisations.
8. These meetings took place in late January and early February, and identified several options for useful market development work which officers are now working up into fuller proposals. These include the provision of early stage finance, funding for market infrastructure and research for measuring 'what works' when addressing a social problem. You will receive a full update on this programme at your April meeting.
9. It has been mooted that the City of London should explore the development of its own product. This would take some time; and involve risks in holding other investors' capital and being accountable for their investment return. Given this and the fact that the market is developing rapidly, officers recommend maximising the use of the City's name and convening power to support others in the development of products rather than develop its own. Any proposal that would involve the charity's capital would need to be carefully reviewed and would require further consideration and advice to ensure it was consistent with the charity's powers of investment.
10. It was recommended that the City (both as trustee of Bridge House Estates in administering the Fund, and acting in its other capacities) should instead focus its work in partnership with the City Bridge Trust to explore the possibility of enabling new and innovative forms of finance to be made available to support the wider range of emerging investment opportunities. This would be done by

considering the continuum from grant finance through to social investment finance and indeed the possibility of combing the two. Research into this space is currently underway to define the best way forward; the Chairman of SIB has inputted into one of the focus groups informing this research and SIB will have an opportunity to discuss the emerging findings in their April meeting

Non-disclosure agreements

11. An increasing number of prospective investees have asked the City to sign a non-disclosure agreement before providing full details of their investment proposals. Non-disclosure agreements do not bind the Social Investment Board to an investment agreement, but rather place binding and mutual duties on the parties to respect the confidence of any information disclosed under that agreement. The Court of Common Council resolved in 25 October 2012 that the Chief Grants Officer would have responsibility for administering the Fund; however, he has no express delegations (unlike Chief Officers) to take decisions to enter into agreements, such as those noted above. To-date, authority to enter into non-disclosure agreements has been implied. Therefore it is recommended that express authority be delegated to the Chief Grants Officer to enter into non-disclosure agreements which would better enable him to undertake his role in administering the fund and presenting investment opportunities to your Board for consideration. Consistent with usual practice, the advice of the Comptroller and City Solicitor's Department would be sought as necessary.

Variations in investment terms

12. As your Fund holds more investments under management, and as many of those investees raise further funds, experience has shown that some investees will seek minor variations to the terms of their existing investment arrangements with the City of London. In order to allow timely negotiation it is proposed that you approve a standing delegation to the Chief Grants Officer, in consultation with the Chairman and Deputy Chairman, to approve minor variations to existing investment terms, providing that these do not materially impact upon the charity's existing investment. The Comptroller and City Solicitor's Department has confirmed that this is within your power to delegate.

David Farnsworth

Chief Grants Officer, City Bridge Trust

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Agenda Item 8

Committee:	Date(s):
Social Investment Board	26 th Feb 2014
Subject: Update on work of the City Corporation's Social Investment Advisor	Public
Report of: Director of Economic Development	For Information
Summary	
<p>This report covers the major areas of activity of the Social investment Adviser (SIA) in developing the City Corporation's social investment strategy, in addition to her work on the City of London Corporation Social investment Fund.</p> <p>Since your last meeting on 3rd December, work has included:</p> <ul style="list-style-type: none">• providing Her Majesty's Revenue and Customs (HMRC) and Her Majesty's Treasury (HMT) with comments on final draft legislative text for the Social Investment Tax Relief;• supporting two social investment research project contracts;• presenting London's social investment expertise to a UK Inward Investment delegation from British embassies across the world; and• feeding into the EU's panel of experts on the Social Business Initiative championed by Commissioner Barnier and his colleagues. <p>Recommendation</p> <p>Members are asked to:</p> <ul style="list-style-type: none">• Note the report	

Main Report

The City of London's Social Investment Strategy

1. The work of the Social Investment Advisor (SIA) supports the City Corporation's Social Investment Strategy, under the leadership of the Policy & Resources Committee. The post is co-funded by Policy & Resources and City Bridge Trust Committees. The SIA advises City Bridge Trust's Chief Grants Officer on matters relating to the City Bridge Trust and the Social Investment Fund as well as the Director of Economic Development on delivery of the Strategy. The Strategy has the following aims:

- a) Encouraging and steering a growing supply of appropriate finance into social investment (including establishing and developing the City Corporation's own £20 million Social Investment Fund)
 - b) Working to improve the regulatory and fiscal framework needed to support the social investment marketplace
 - c) Develop the capacity of social organisations to access investment and secure contracts and markets
2. The overall aim is to work towards establishing London as a recognised global hub for social investment, as a driver of economic growth.

Representational work

3. **UK's Inward investment expertise on social investment:** The SIA, alongside a Senior Policy Advisor from UK Cabinet Office, presented the opportunities and UK expertise in social investment to a delegation of British Embassy and High Commission senior inward investment officials. This opportunity links with the City Corporation and the UK government's aim to establish London as a recognised global hub for social investment (referred to by the Lord Mayor and Chairman of Policy & Resources on trips abroad, where there is a known interest). Next steps include follow up meetings with interested officers and further co-ordination with Cabinet Office and UK Trade and Investment (UKTI) to embed this agenda into the UK's inward investment offerings.
4. **Update on EU:** The SIA represented the Corporation at the latest meeting of EU experts on Social Business Initiative. With the appointment of new commissioners to the European Commission later in 2014, there is a focus on establishing the important principles that the new commission should proceed with to support the development and finance of social enterprise in the EU's financing period 2014-2020. The Corporation is a co-signatory of the 'Strasbourg Declaration' which reflects these priorities. (See http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf)
5. **Update on G8 Taskforce for Social Investment:** The SIA represented the Corporation at the G8 National Advisory Board meeting, hosted and chaired by Big Society Capital. Sir Ronald Cohen updated the Board on the work plan of the Taskforce. The topics for discussion continued to focus on how social sector organisations could secure a larger share of public sector contracts and the opportunities that arise from the new EU Directive on public procurement. The UK Government is encouraging public sector commissioners to think how they can embed social value in their processes, in line with the Public Services (Social Value) Act, 2012, by creating some seed funding for local authority innovation and through the establishment of its Commissioning Academy.

6. Other aspects of the G8 Taskforce's work stream include international comparisons of the different support structures required for this 'adolescent market', the role for corporates (or others) to be 'commissioners for outcomes', and to consider what innovations work best and why. The taskforce plans to produce a series of recommendations in June 2014.

Research

7. **Update on Social Investment Market Research Council's current research projects:** the Corporation is managing and leading on two of the three current research projects of the Council. These provide:
 - a) an examination of **potential new sources of supply of social investment** (including housing associations, certain pension schemes, university endowments and others); and
 - b) a **user friendly description of the Financial Promotions Order**, which maps out the impact and barriers it poses for social investment.

Both of these are due to be published by April 2014.

8. The Research Council is also commissioning a further research piece which, by tracking historic performance of a selection of social investment deals made, aims to provide an evidence-based assessment of actual performance and implied investment risk levels. This is currently pre-contract stage and is due to be published later in Autumn/Winter 2014.

Economic Development Case Study

9. The Economic Development Office has worked with the City Surveyor's Department in consideration of alternative uses of a Corporation-owned property in one of its fringe boroughs. Options for use include a quasi-commercial social enterprise start-up, and a mainstream commercial office space. The SIA has provided guidance and an external evaluation of the broader economic and social benefits (e.g. offered by the social enterprise) to be considered alongside the direct financial comparisons of the options. The principle of considering these broader benefits is in keeping with the social investment and inclusion strategies of the Corporation.

Regulatory issues

10. **Update on Social Investment Tax Relief (SITR):** The Corporation and Big Society Capital submitted final considerations to the draft legislative text of the SITR, in advance of the Bill which is due to be made public at the Budget 2014. The next steps are to identify the most suitable products and investors to ensure speedy take up of the relief.
11. **Update on Financial Conduct Authority (FCA) consultation around crowd funding and its implications for social investment:** the FCA plans to publish rules within the next month. In this context, Barry Sheerman M.P. (Lab) has established a Social Innovation Commission which has a wide remit

covering social innovation, crowd funding and social investment. The Corporation is keeping a watching brief on the work of this commission.

12. Update on Law Commission's review of social investment by charities:

The Law Commission will launch a consultation in April on issues relating to social investment by charitable foundations and trusts. Discussions across departments within the Corporation have already begun with a view to submitting a response once the consultation is opened.

Market trends and issues

13. As highlighted in previous Committee papers there is currently an excess of supply of capital seeking low-risk, asset-backed investment opportunities and a shortage of funds for high-impact, perceived higher-risk opportunities. A review of the Investment and Contract Readiness Fund (ICRF) which supports organisations seeking contracts or investments above £500,000 should highlight the ICRF's impact in helping to develop a pipeline of investment over the next 18 months. Additionally, Big Lottery Fund is due to launch a 'mini-ICRF' imminently which will support organisations seeking capital at the lower end of the investment market. Discussions with other foundations, intermediaries and third sector umbrella groups to date have identified the potential value of a high-impact fund in catalysing the pipeline of investment opportunities. Plans by City Bridge Trust to work in this space are discussed further in the Chief Grants Officer's report.
14. Follow-up meetings held with attendees of the GIIN conference reinforce the breadth of investors' perceptions as to what constitutes social / impact investment. This raises challenges in providing the necessary brokerage services and infrastructure for a sector where transaction costs remain high and information on many deal opportunities is not readily available. UK sector representatives appreciate that City Bridge Trust is considering this challenge through its grants programme.
15. A video from the GIIN event and a follow-up interview with GIIN's CEO which includes discussion of the role of catalytic is available to watch at <http://www.youtube.com/watch?v=W6VB6x5EIYM>

Annex

Update on Big Society Capital's investment activity

Portfolio investments		In principle commitments	
It's All About Me Adoption Social Impact Bond	£1m	Local Partnerships Technology Spin Out Fund	£3m
Affordable Homes Rental Fund	£2.5m	Apposite Capital's Social Impact Healthcare Fund	Up to £10m
East Lancs Moneyline	£950k	FSE Group's Social Impact Accelerator Fund	Up to £10m
Bridges Social Impact Bond Fund	£10m	DERiC CIC	£1.05m
ClearlySo	£1m	PRISM Fund from Bridges Ventures and Sarasin Partners	Up to £15m
Community Generation Fund	£750k	Social Finance's Care and Wellbeing Fund	Up to £10m
DWP Innovation Fund	£2.4m		
Essex Social Impact Bond	£825k		
The Foundry	£2.7m		
Franchising Works Licence Fund	£1m		
Impact Ventures UK	£10m		
Nesta Impact Investments	£8m		
Pure Leapfrog Community Energy Fund	£1m		
Real Lettings Property Fund	Unspecified		
Investing for Good	£875k		
Social Stock Exchange	£850k		

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Agenda Item 12

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Agenda Item 13

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Agenda Item 14

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Agenda Item 15

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