



Social Investment Board

Date: FRIDAY, 12 DECEMBER 2014
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Peter Hewitt (Chairman)
Deputy Robert Howard (Deputy Chairman)
Roger Chadwick
Revd Dr Martin Dudley
Wendy Hyde
Jeremy Mayhew
Andrew McMurtrie

Enquiries: Philippa Sewell
tel. no.: 020 7332 1426
philippa.sewell@cityoflondon.gov.uk

Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio video recording

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. **MINUTES**
To agree the public minutes and non-public summary of the meeting held on 30 September 2014.
For Decision
(Pages 1 - 6)
4. **PROGRESS REPORT OF THE CHIEF GRANTS OFFICER**
Report of the Chief Grants Officer.
For Decision
(Pages 7 - 10)
5. **PRESENTATION FROM BIG SOCIETY CAPITAL**
For Information
6. **UPDATE ON THE WORK OF THE SOCIAL INVESTMENT ADVISOR**
Report of the Director of Economic Development.
For Information
(Pages 11 - 14)
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **EXCLUSION OF THE PUBLIC**
MOTION - 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 of the Schedule 12A of the Local Government Act.
For Decision

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 30 September 2014.
For Decision
(Pages 15 - 18)
11. **PORTFOLIO UPDATE**
Report of the Chief Grants Officer.
For Information
(Pages 19 - 34)

12. **INVESTMENT PROPOSAL: REAL LETTINGS PROPERTY FUND**

Joint report of the Chamberlain and Chief Grants Officer.

For Decision
(Pages 35 - 60)

13. **INVESTMENT PROPOSAL: RATHBONE ETHICAL BOND FUND**

Joint report of the Chamberlain and Chief Grants Officer.

For Decision
(Pages 61 - 82)

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

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

This page is intentionally left blank

SOCIAL INVESTMENT BOARD

Tuesday, 30 September 2014

Minutes of the meeting of the Social Investment Board held at the Guildhall EC2 at 11.30 am

Present

Members:

Alderman Peter Hewitt (Chairman) Wendy Hyde
Deputy Robert Howard (Deputy Chairman) Andrew McMurtrie
Roger Chadwick

Officers:

Linda Cross	Town Clerk's Department
Philippa Sewell	Town Clerk's Department
Caroline Al-Beyerty	Chamberlain's Department
Anne Pietsch	Comptrollers and City Solicitor's Department
Karen McHugh	Comptroller & City Solicitors
Paul Sizeland	Director of Economic Development
Katie Hill	Economic Development Office
David Farnsworth	The City Bridge Trust
Tim Wilson	The City Bridge Trust
Martin Hall	The City Bridge Trust

In Attendance:

Kieron Boyle	Cabinet Office
Russ Bubley	i-for-change (Social Investment Analyst)
John Kingston	Social Finance
Richard Todd	Social Finance

1. APOLOGIES

Apologies were received from Revd Dr Martin Dudley and Jeremy Mayhew.

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

The Chairman declared a non-pecuniary interest in item 12, by virtue of a client going through, and subsequently withdrawing from, the investment process with Apposite Capital, and 14, by virtue of Threadneedle being voters in his ward of Aldgate.

Andrew McMurtrie declared a non-pecuniary interest in item 13, by virtue of being a Director of City YMCA.

3. MINUTES

RESOLVED – That the public minutes and non-public summary of the meeting held on 4 July 2014 be approved as a correct record.

The Chief Grants Officer informed Members of an induction session arranged as part of the Member Development Programme. This was scheduled for Monday 3rd November at 8.30am, but private briefings were also available.

4. **EVENTS AND MEETINGS ATTENDED**

RESOLVED – That the record of events and meetings attended for the period 26th June to 19th September 2014 be noted.

5. **PROGRESS REPORT**

The Chief Grants Officer introduced a progress report on social investment activity within the Corporation, and Members noted that the Social Investment Advisor would be reducing her hours in order to undertake a new role with the Market Development Foundation. With regard to expanding the Membership of the Board, a skills matrix was attached for Members' comments, and the Town Clerk undertook to circulate the co-option protocol for the Financial, Property and Social Investment Boards.

With regard to the 'Transition Fund', the Chief Grants Officer reported that the £1m per annum programme had been approved by the City Bridge Trust Committee in July, to be launched later in 2014. Officers were currently working on detailed assessment criteria and it was hoped that some of the organisations funded through the programme would become investment opportunities for the Social Investment Fund in the future. Members noted that knowledge sharing was a key aspect of the programme, and closer work on the continuum and transition between organisations in receipt of grant funding and those suitable for social investment was pioneering in the market.

RESOLVED – That:

- (a) The report be noted;
- (b) The proposed skills audit be approved;
- (c) The number of Board meetings in 2015 be reduced from 6 to 4; and
- (d) The co-option protocol for Social Investment Board be circulated.

6. **UPDATE ON THE WORK OF THE CABINET OFFICE**

The Board welcomed Kieron Boyle, Head of Social Investment at the Cabinet Office, who gave a brief presentation of the investment market, the Cabinet Office's current focus and the issues and challenges on the horizon, after which Members of the Board had the opportunity to ask questions.

Mr Boyle advised Members that policy framework in this area sought to increase the supply of, and access to, social investment capital and reported that this year had seen the launch of social investment tax relief. In terms of capacity building, the Chancellor had announced a further £60m in capacity and investment, and discussions were ongoing with the City Corporation and the Law Commission to assess how suitable current rules were for fostering new connections and joint working to develop the social investment market. Mr Boyle advised Members of the G8 Task Force that had been launched two

weeks previously, which would identify work for governments to do in order to enable growth.

With regard to improving access to social investment, Mr Boyle discussed the role of the Market Development Foundation and open public markets. Members noted that social impact bonds could promote better joined up working, particularly for government departments which struggled to join monies. Members noted that the UK was a world leader in social investment, and approved of the long-term aim to make London a Global Hub in the field. With regard to challenges, Mr Boyle discussed the problems of limited sources of investment and a lack of availability and access, and Members noted that there were additional political questions to be considered regarding Pension Funds and whether they should include social investment elements.

With regard to pension fund investments, Members discussed how trustees of the funds could be reconciled with social investment, and how to deal with the retail perspective in a regulatory environment. Members discussed the presentation, querying whether help was being prioritised for SMEs or on creating social investments of a significant size. Mr Boyle responded that both were being facilitated. He added that 15-18% of SMEs were social enterprises, which generally found it 15% more difficult to secure finance. Members discussed the common range of issues between social enterprises, SMEs and social investment.

In response to a Member's question about London being developed as a Global Hub, Mr Boyle advised that this was on the common policy agenda and there was strong political support across parties. In response to a follow-up question, Members noted that social enterprise was a complex issue on which to engage with Europe as 'the social market' had a different meaning; EU discussion would be beneficial once the debate had been aligned and established.

Officers queried how the social impact of investment could be assessed. The Chairman asked officers to investigate measurement tools, and report back with what's available, and Mr Boyle undertook to send the G8 group's work on impact measuring around the world. This would feed into the work to clarify the spectrum of organisations, from those dependent on grants to larger groups able to tap into mainstream markets, in order to facilitate connections, continue dialogues, and define the social business frontier.

The Chairman thanked Mr Boyle for his presentation and invited him to stay for the rest of the meeting.

7. UPDATE ON WORK OF THE CITY CORPORATION'S SOCIAL INVESTMENT ADVISOR

The Board received a report of the Social Investment Advisor updating Members on work since the previous meeting.

The Board noted that the Advisor's work had included:

- Building the evidence base for HM Treasury to seek an expansion of the Social Investment Tax Relief scheme from the EU;

- Contributing to the G8 taskforce and two of its final reports;
- Developing the details of the 'Stepping Stones Fund' with City Bridge Trust to create a high impact support programme for social sector organisations (name still to be decided on);
- Meeting with City financial institutions to discuss social investment;
- Updating *A Brief Handbook on Social Investment* for City of London Corporation; and
- Judging the Social Enterprise UK award schemes.

In response to a query, officers advised that Members would be notified of any events they could attend, but the majority of proceedings were small officer working groups.

RESOLVED – That the report be noted.

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

There were no questions.

9. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

10. 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 of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

Item No.	Exempt Paragraphs
11-14, 16	3
15	-

11. NON-PUBLIC MINUTES

RESOLVED – That the non-public minutes of the meeting held on 4 July 2014 be approved as a correct record.

12. PORTFOLIO UPDATE

The Board considered a report of the Chief Grants Officer.

13. INVESTMENT REVIEW: Y:CUBE HOUSING

The Board considered a report of the Chamberlain and the Chief Grants Officer.

14. INVESTMENT REVIEW: THREADNEEDLE UK SOCIAL BOND FUND

The Board considered a report of the Chamberlain and the Chief Grants Officer.

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

There were no questions.

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

There was one item of business.

The meeting closed at 1.07 pm

Chairman

**Contact Officer: Philippa Sewell
tel. no.: 020 7332 1426
philippa.sewell@cityoflondon.gov.uk**

This page is intentionally left blank

Committee: Social Investment Board	Date: 12 December 2014
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision
Summary	
This is the regular progress update of the Chief Grants Officer.	
Recommendations	
<ul style="list-style-type: none"> • To note the report; • To consider the results of the Board Skills Audit and whether co-options might strengthen the Board's level of expertise in relevant areas. 	

Main Report

Big Society Capital

1. Members will be joined today by Matt Robinson and Travis Hollingsworth who work on strategy and market development at Big Society Capital. They will present on their recent social investment market review and give a sense of where BSC will be investing over the next two-to-three years.

Stepping Stones Fund

2. On 24th November, City Bridge Trust launched a new grants programme, the Stepping Stones Fund. You may recall we presented details of the programme at your September meeting. The Stepping Stones Fund will provide targeted support in the form of grants and risk finance for London-focused charitable organisations that wish to prepare themselves for social investment. This initiative is intended to help develop the market and will award £1m in its first year. City Bridge Trust expects to make its first awards through Stepping Stones Fund in May 2015.
3. Since your September meeting, I am delighted to report that City Bridge Trust has partnered with UBS on Stepping Stones. This is a great opportunity to provide applicants with the benefit of UBS' commercial finance expertise. We have also engaged a consultant, Eva Varga, to lead the development of the programme and suggest how it might evolve in the future.

Board Skills Audit

4. Thank you to all those who completed the skills audit for the Social Investment Board. As discussed in your September meeting, the skills audit was designed to see whether there are any gaps in the Board's expertise, and how these might best be addressed.

5. Based on returns from six out of seven Members, results of the skills audit are as follows:

Number of Members reporting a high level of expertise	Topics
Five	<ul style="list-style-type: none"> • Risk management
Four	<ul style="list-style-type: none"> • Financial regulation
Three	<ul style="list-style-type: none"> • Equities • Property • Collective investments • Portfolio management • Macroeconomics • Media and PR
Two	<ul style="list-style-type: none"> • Welfare policy
One	<ul style="list-style-type: none"> • Fixed income securities • Social impact reporting • Statutory commissioning • Legal

6. Your terms of reference allow for an unspecified number of co-options in order to bring relevant expertise or experience that will strengthen your oversight and decision-making. As with Finance Investment and Property Investment Boards you have the power to co-opt people from the Court of Common Council or beyond.
7. Based on the results of the skills audit, and on the nature of the investment opportunities available to your Fund, it is recommended that you consider co-options in some of the topic areas where the Board currently has fewer Members with high levels of expertise.

Members' Handbook

8. I have updated the Social Investment Board Members' Handbook to include a copy of the City of London Corporation's Social Investment Strategy. The strategy guides the work of officers and describes the wider context in which your Fund fits. The Handbook is available on the Corporation intranet: <http://colnet/Departments/Town%20Clerks/Pages/About%20Us/Home.aspx>. For your ease of reference, I also attach a copy of the strategy at Appendix A. I hope that you continue to find the Members' Handbook a useful resource. If you have any recommendations for additional content, do please let me know.

Recommendations

- To note the report;
- To consider co-options where this might strengthen the Board's level of expertise in relevant areas.

David Farnsworth

Chief Grants Officer, City Bridge Trust

T: 020 7332 3713

E: david.farnsworth@cityoflondon.gov.uk

Chief Grants Officer Report : Appendix A
Social Investment Strategy (December 2014)

Vision

By 2020, London becomes a global hub for social investment, which in turn acts as a driver of economic growth.

Aims

To support the social sector to maximise its potential by:

- growing the supply of suitable finance available for social organisations;¹
- improving the policy, regulatory and fiscal framework needed to support the social investment marketplace; and
- building the capacity of social organisations to enable their involvement in the social investment marketplace.

Objectives

1.	Growing the supply of suitable finance available for social organisations
1.1	Keep abreast of the needs of the social sector and encourage stakeholders to supply finance or help build the social investment market
1.2	Advocate and endorse social investment by promoting the CoLC Social Investment Fund (COLCSIF) and the City of London Corporation's (CoL's) role in market building
1.3	Commit at least £2m each year through COLCSIF
2.	Improving the policy, regulatory and fiscal framework needed to support the social investment marketplace
2.1	Help to shape an appropriate regulatory and fiscal framework, which would enable social investment products to be more attractive to investors and reach responsive UK markets (e.g. into retail markets and products)
2.2	Seize opportunities to shape the agendas of international initiatives
3.	Building the capacity of social organisations to enable their involvement in the social investment marketplace
3.1	Utilize grant funding to build capacity within the social investment marketplace and raise awareness of social investment opportunities among the social sector
3.2	Increase the capacity of social organisations through volunteering support from City businesses
3.3	Help build demand for social organisations' goods and services from public and private sectors

¹ Social organisations can be defined as organisations which pursue charitable, community or social objectives

This page is intentionally left blank

Committee:	Date:
Social Investment Board	12 December 2014
Subject:	Public
Update on work of the City Corporation's Social Investment Advisor	
Report of:	For Information
Director of Economic Development	

Summary

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 Corporation's social investment fund.

Since your last meeting in September work has included:

- on-going work to build the evidence base for HM Treasury to seek an expansion of the Social Investment Tax Relief scheme from the EU;
- commissioning research into London as a global hub for social investment;
- hosting a session for the Corporate Responsibility Group on social investment;
- feeding into the Expert Panel of the European Commission on Social Investment Business; and
- hosting a delegation from a Finnish social innovation centre.

Recommendation

Members are asked to:

- 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:

- growing the supply of suitable finance available for social organisations (including establishing and developing the City Corporation's own £20 million Social Investment Fund);
 - improving the policy, regulatory and fiscal framework needed to support the social investment marketplace; and
 - building the capacity of social organisations to enable their involvement in the social investment marketplace.
2. The overall aim is to work towards establishing London as a recognised global hub for social investment, as a driver of economic growth.
 3. The resources for this work have altered now, as the SIA is no longer based in the Guildhall but operates on a retainer basis. Regulatory work has been taken on by the Economic Development Office's City Affairs team.

Representational work

4. Social Enterprise UK (SEUK) awards scheme: the City Corporation has won an award in the 'Buy Social Market Builder' category, in recognition of its work to encourage procurement from social enterprises through its Buy Social Directory (see www.buysocialdirectory.org.uk) and amending City Corporation procurement processes: The event was hosted by SEUK at St Luke's on 25th November.
5. The SIA co-hosted with the Cabinet Office a delegation from SITRA Finland (a social innovation hub) with representatives from the Finnish Ministry of Employment and various umbrella organisations. This provided an opportunity to understand the state of the social enterprise and investment market in Finland and share knowledge and experience of building the necessary structures for the sector to reach its potential.
6. The City Corporation hosted a breakfast in the Guildhall for corporates who are keen to integrate aspects of social investment into their businesses. The event was designed to help Corporate Responsibility professionals discuss this issue within their organisations, and to consider the range of reasons why it could be beneficial to do so. Over 20 organisations attended from Linklaters, Centrica, RBS, Shell and others.
7. The Social Investment Advisor attended the bi-annual meeting of the European Commission's Expert Panel for the Social Business Initiative. This revealed that in the reorganisation of the new Commission, it is unclear whether this work will remain on the agenda of any Commissioner. There is now a move amongst many of the members of the expert panel to ensure that this agenda is kept active within the Commission, given the sector's potential to be a source of economic growth and social outcomes.

Social Finance regulation

8. EU State Aid submission to support the Social Investment Tax Relief: the SIA continues to work closely with H M Treasury in building a case to apply to the European Commission for an increase in the investment limit imposed by EU State Aid rules on any organisation offering tax relief to an investor. Currently, the ceiling is determined by De Minimis rules, which puts a cap on the ceiling of any single investment at £270,000. The Chancellor is likely to announce in the Autumn Statement that he will seek the EU Commission to remove it from De Minimis and impose a ceiling of £5million, on the basis that this figure is sufficient to address the size of market failure. If successful, this could attract more mainstream financial advisors and fund managers to engage their clients in social investment.
9. H M Treasury is still to take forward the issue of the impact of Financial Promotions Regulation on social investment, as identified by City Corporation research on this topic (published in June 2014). It is considered preferable to focus discussions with HM Treasury on the tax relief until this submission is with the EU and re-visit the Financial Promotions issue in the New Year.
10. The City of London has commissioned a report into the role that London can play as a hub for social investment. The report will examine its current strengths and weaknesses as such a hub, what the value of the opportunity is worth and what it might need to do to become recognised as a hub globally. It is expected that this work will be completed by end of this financial year.

Market Trends and Developments

11. The focus on capacity building continues to match up the growing supply of finance with suitable investment propositions; Social Investment Business are running a variety of enterprise support programmes for Big Lottery Fund and Cabinet Office. A range of new funds are emerging. Big Society Capital hosts an investment page on their website with an up to date list.
12. Work continues on the establishment of a new market development foundation (Access Foundation), to be created with funds from Cabinet Office, Big Lottery Fund and Big Society Capital. It aims to address the three issues of capacity building, finance for growth (via grants mixed with social investment) and infrastructure support in one organisation. This organisation aims to be operational in Q1 2015.

Contact:

Paul Sizeland
Director, Economic Development, x 3600
paul.sizeland@cityoflondon.gov.uk

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank