



Social Investment Board

Date: MONDAY, 7 DECEMBER 2015
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Peter Hewitt (Chairman)
Nicholas Bensted-Smith
Roger Chadwick
Henry Colthurst
Wendy Hyde
Jeremy Mayhew
Andrew McMurtrie

Enquiries: Philippa Sewell
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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or 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. **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 non-public summary of the meeting held on 18 September 2015.
For Decision
(Pages 1 - 4)
5. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY SINCE THE LAST MEETING OF THE BOARD**
Report of the Town Clerk.
For Information
(Pages 5 - 6)
6. **CO-OPTION TO THE SOCIAL INVESTMENT BOARD**
Report of the Town Clerk.
For Decision
(Pages 7 - 8)
7. **PROGRESS REPORT**
Report of the Chief Grants Officer.
For Decision
(Pages 9 - 12)
8. **PRESENTATION FROM THE BARROW CADBURY TRUST**
For Information
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 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.

Part 2 - Non-Public Agenda

12. **NON-PUBLIC MINUTES**

To agree the non-public minutes of the meeting held on 18 September 2015.

For Decision
(Pages 13 - 14)

13. **PORTFOLIO UPDATE**

Report of the Chief Grants Officer.

For Information
(Pages 15 - 38)

14. **VARIATION REQUEST - AFFORDABLE HOMES RENTAL FUND**

Report of the Chief Grants Officer.

For Decision
(Pages 39 - 42)

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

16. **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, 18 September 2015

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) Jeremy Mayhew
Henry Colthurst

Officers:

Philippa Sewell Town Clerk's Department
David Farnsworth City Bridge Trust
Tim Wilson City Bridge Trust
Martin Hall The City Bridge Trust
Kate Limna Chamberlain's Department
Karen McHugh Comptroller & City Solicitors
Philip Saunders Remembrancer's Department

Russ Bublely i-for-change (Social Investment Analyst)
John Kingston Social Finance
Alice Millest Social Finance

Sandeep Bhamra JP Morgan
Ali El Idrissi JP Morgan

In Attendance:

Tim Haywood Master Mercer
Trevor Sykes Head of Finance, Mercers' Company

1. APOLOGIES

Apologies were received from Roger Chadwick and Nicholas Bensted-Smith.

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

Jeremy Mayhew declared a non-pecuniary interest in item 5 by virtue of being a Senior Adviser at PwC.

3. MINUTES

RESOLVED – That the public minutes and non-public summary of the meeting held on 3 June 2015 be agreed as a correct record.

4. CHARITIES (PROTECTION AND SOCIAL INVESTMENT) BILL

The Board received a report of the Remembrancer regarding the Charities (Protection and Social Investment) Bill. Members noted that the Bill proposed

greater powers for the Charity Commission to address misconduct by trustees, and gave charities new power to make social investments. Members also noted that although the latter affected this Board by virtue of its impact on the social investment market as a whole, it did not affect Bridge House Estates monies as this social investment components of the Bill did not apply to charities established by Royal Charter or by legislation, and were therefore exempt.

RESOLVED – That the report be noted.

5. PRESENTATION FROM JP MORGAN

The Board received a presentation from Sandeep Bhamra (Executive Director and Client Advisor in the Endowments & Foundations Group) and Ali El Idrissi (Vice President in J.P. Morgan's Social Finance Group) from J.P. Morgan, after which Members of the Board had the opportunity to ask questions.

Mr El Idrissi gave an overview of the work JP Morgan was doing in the social investment market, and introduced 'impact investing', a way to bridge traditional investing and philanthropic activities. Mr El Idrissi confirmed that the global social investment market was relatively small, but conversations were ongoing to promote opportunities to unlock further capital and develop the market. In response to a Member's question, Mr El Idrissi advised that Europe, particularly northern Europe, had a stronger social investment market than Northern America, which was more focussed on philanthropy targeted to business solutions.

With regard to the issue of trade-off between financial and social return, Mr El Idrissi advised that it was not productive question. Instead, if a company wanted to invest in company providing a particular social impact, they should do that with little or no regard to alleged trade-offs between social impact and financial return. Board Members accepted this might be true for larger organisations such as JP Morgan, but highlighted the aims of the City of London Corporation's Social Investment Fund and the need to ensure appropriate balance given the fiduciary duty of City of London as Trustee. Investments could be made into companies with a large social impact and small financial return, but this was part of portfolio management rather than a stand-alone investment.

Mr El Idrissi concluded that JP Morgan would welcome a closer working relationship with the Corporation, and the Board asked officers to continue these discussions outside of the meeting. The Chairman thanked Mr Bhamra and Mr El Idrissi for their presentation.

Master Mercer, Mr Tim Haywood, and Head of Finance at the Mercers' Company, Trevor Sykes, thanked the Chairman for the opportunity to attend the meeting, and advised Board Members that the Mercers' Company was looking to become involved in social investment market. Although this was a new venture for them, the Mercers were looking to forge links with the City of London Corporation and learn from their experiences.

RESOLVED – That the presentation be noted.

6. PROGRESS REPORT

The Chief Grants Officer introduced a progress report on social investment activity within the Corporation.

Stepping Stones

The Chief Grants Officer reminded Members of an event in the Livery Hall on 23rd September where City Bridge Trust, UBS and one of the Stepping Stones grantees will speak about their respective plans for the future.

Membership of Board

Members noted that, following the skills audit, co-option vacancies were being advertised via Big Society Capital, City Bridge Trust and a number of partner networks. The opportunity would also be promoted to Members of the Court.

Investment Criteria

The Chief Grants Officer advised of the difficulty officers had faced finding suitable London-focused opportunities, and noted that £9.2m remained on this allocation. Officers proposed that a report be presented to the Court of Common Council on 15th October providing an end year summary on the Fund and asking permission to combine the London and UK allocations, giving the Fund a total allocation of £18m for the UK. Members agreed with this approach but felt strongly that this should be for a trial period, during which preference still be given to London-focussed investments where possible, and after which the Board would review its success.

City of London Corporation and PwC

Commissioned by the City of London Corporation, PwC had published its research report, "Developing a global financial centre for social impact investment" on 24th June 2015. In response to Members' questions, the City Affairs Officer advised there was no formal launch scheduled, but undertook to look into this and a planned dissemination of the research insights and conclusions.

RESOLVED – That:

- (a) authority be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve the Court report requesting permission to combine the London and UK allocations;
- (b) the City Affairs Officer investigate options for a formal launch and subsequent communication of the PwC research; and
- (c) the report be noted.

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

There were no questions.

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

9. **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
10-13	3
14-15	-

10. **NON-PUBLIC MINUTES**

RESOLVED – That the non-public minutes of the meeting held on 3 June 2015 be agreed as a correct record.

11. **PORTFOLIO UPDATE**

The Board considered a report of the Chief Grants Officer.

12. **INVESTMENT REVIEW: GLASGOW TOGETHER 2015 BOND**

The Board considered a report of the Chief Grants Officer.

13. **INVESTMENT REVIEW: GOLDEN LANE HOUSING 2014 BOND**

The Board considered a report of the Chief Grants Officer.

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

There were no questions.

15. **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 1.01 pm

Chairman

Contact Officer: Philippa Sewell
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Committee:	Date:
Social Investment Board	7 December 2015
Subject: Decisions taken under Delegated Authority or Urgency since the last meeting of the Board	Public
Report of: Town Clerk	For Information

Summary

This report advises Members of action taken by the Town Clerk since the last meeting of the Board, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order No. 41(a) and (b).

Recommendation

Members are asked to note the report.

Main Report

Delegated Authority - 2015 Progress Report

1. At the Social Investment Board meeting in September it was agreed that authority be delegated to the Town Clerk in consultation with the Chairman and Deputy Chairman to approve the Court report requesting permission to combine the London and UK allocations.
2. Progress was subsequently reported to the Court of Common Council on 15 October 2015 on the work of the City of London Corporation's Social Investment Fund since it was established in 2012. The paper detailed the investment portfolio to date, and also provided details of the geographic spread of investments.
3. Agreement was also sought from the Court of Common Council to permit the Social Investment Fund to combine its UK and London ring-fences until October 2016, in order to preserve the current deployment rate. This request was approved.

Urgency - Investment Review: Thera Trust 5.5% Bond

4. Thera Trust Limited is a registered charity (no. 1090163) comprising a group of charities providing services across England and Scotland for adults with profound learning disabilities. Thera Trust is a well-established charity comprising a group of organisations with a track record of delivering local authority contracts for the care and support of adults with learning disabilities. The organisation has experience of managing social investment, having issued a smaller bond through the intermediary firm Social Investment Market CIC in 2014.

5. This decision was taken under urgency procedures, as the bond offer was subject to early closing. Officers understand that the bond was almost fully subscribed but that the arranging bank (Triodos NV) had agreed to reserve a tranche for the City of London Corporation's Social Investment Fund. The investment order needed to be placed before the close of business on Friday 20th November.
6. Action Taken
7. The Town Clerk, in consultation with the Chairman and next most senior Member of the Social Investment Board, agreed:
 - a) That the Chief Grants Officer, in consultation with the Chairman and the next most senior Member of the Social Investment Board, be authorised to invest up to £200,000 in the Thera Trust 5.5% Bond before the close of the offer period (expected noon 27th November 2015 or earlier depending on level of interest), subject to no Board Member submitting their objection before that date and time.
 - b) That quarterly covenant reporting be required as a condition of investment.
 - c) That the Chief Grants Officer is authorised, in consultation with the Comptroller and City Solicitor and the Chamberlain, to take relevant operational decisions in order to place the investment approved by the Social Investment Board.

Contact:

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Town Clerk's Department

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Committee:	Date:
Social Investment Board	7 December 2015
Subject:	Public
Co-Option to the Social Investment Board	
Report of:	For Decision
Town Clerk	

Summary

The Social Investment Board is empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations.

Recommendation

Members are asked to agree the co-option of a senior representative of the Mercers' Company to the Social Investment Board.

Main Report

Background

1. The arrangements for co-option and the co-opted membership of individuals to the Financial Investment Board, the Property Investment Board and Social Investment Board are reviewed on an annual basis at the May meeting of the Investment Committee (and thereafter at the first meetings of the respective Boards).
2. The Social Investment Board is empowered to approve their own co-opted membership (by a majority vote) without prior consultation with, or agreement by, the Investment Committee. The Town Clerk will inform the Chairman and Deputy Chairman of the Committee once a Board has agreed co-option of an individual.
3. This appointment would not be time-banded or topic/project restricted, and therefore, should the Board agree to co-opt Mr Haywood, he would be entitled to attend all meetings of the Social Investment Board until the annual review in May 2016 and to receive all committee-related documentation, including exempt papers. According to the co-option protocol, if co-opted, Mr Haywood would not have voting rights.

Proposals

4. Members are asked to agree the co-option of Mr Tim Haywood to the Social Investment Board. The Chairman and Deputy Chairman wish to co-opt the Master Mercer, Tim Haywood Esq., to the Social Investment Board.
5. The reason for doing this are:

- The Chairman has been in discussion with the Mercers for some 6 months as a result of an introduction from Nicholas Bensted-Smith CC;
- The Mercers have funds available for Social Investment;
- The Mercers do not have the resources or infrastructure to source, investigate and execute social investments;
- The SIB are keen to encourage the Mercers (as with other Livery Companies) to pursue their social objectives;
- Encouraging key City stakeholders to become involved with Social Investment is one of the core rationales for the SIB;
- The Master Mercer is a senior Asset Manager with GAM and thereby very familiar with investment principles and will, in his own right be a useful addition to the Board.

6. This has been reviewed by the Town Clerk and the Chief Grants Officer, as lead officer for the Social Investment Board, who believe his experiences as Master Mercer and his employment background would recommend his co-option.

Conclusion

7. Members are asked to agree the co-option of a senior representative of the Mercers' Company to the Social Investment Board.

Philippa Sewell

Committee and Members' Services Officer
Town Clerk's Department

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Committee Social Investment Board	Date: 7 December 2015
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision

Summary

The report:

- introduces Sara Llewelin from the Barrow Cadbury Trust as today's external speaker;
- provides an update on co-options to the Board;
- recommends that you expand your pool of third party advisors; and
- provides updates on investment proposals and the Stepping Stones Fund, City Bridge Trust and UBS' Stepping Stones grants programme for London charities exploring the social investment market.

Recommendation

That you authorise officers to seek expressions of interest from FCA-authorized firms willing to act as due diligence advisors to your Fund.

Main Report

Barrow Cadbury Trust

1. You will be joined today by Sara Llewelin, Chief Executive of the Barrow Cadbury Trust, an independent charitable foundation which works to tackle deprivation and promote social justice in the UK. Established in 1920 by the grandson of John Cadbury, the founder of the family-run chocolate business, the Trust has a longstanding commitment to ethical investment. In 2010 it set aside £4m (5%) of its endowment for social investment in activities aligned with the Trust's Mission, and in projects that help develop the market.
2. Sara has extensive social investment experience. She is a board member of Charity Bank and is Vice-Chair of the Association of Charitable Foundations. Prior to this she spent 13 years as Deputy Chief Grants Officer with City Bridge Trust, during which time she was at the forefront of work to explore what the City of London might do in the social investment space. Sara will share the experience of Barrow Cadbury's work and her thoughts on future market trends.

Co-opted Members

3. Tim Haywood (Master) and Trevor Sykes (Head of Finance) from Mercers' Company joined your September meeting. This Livery has a growing interest in social investment and has committed funds to Charity Bank.

4. Since September the City of London and Mercer's Company have continued to meet and discuss their respective social investment activities and, following discussion with the Chairman and the late Deputy Chairman (Deputy Howard), today's papers include a recommendation that you co-opt a senior representative of the Mercers' Company to the Social Investment Board. This would likely be Tim Haywood, a senior Asset Manager with GAM and thereby very familiar with investment principles who will, in his own right be a useful addition to the Board. The co-option would support our goal of encouraging key City stakeholders to engage with the social investment market. We understand that the co-option has been approved by the Court of Assistants of the Mercers' Company. As with other co-opted members this would be a non-voting position but with the opportunity to take part in all public and non-public discussions of the Social Investment Board.
5. Separately, and following the Social Investment Board's skills audit, adverts for three co-opted Members were placed through a range of channels including Big Society Capital, Women on Boards and Escape the City. We were particularly keen to hear from candidates with expertise in welfare policy, social impact reporting, statutory commissioning, and legal matters. Twelve applications were received from which six were selected by the Chairman and your officers for interview. This is likely to happen in mid-January and I expect the recommendations for co-option to come to your February 2016 meeting.

Advisors

6. As a condition set in 2012 by Court of Common Council, any investment proposal presented to the Social Investment Board must be subject to a review by an independent FCA-regulated agency (or FSA, as was). The Social Investment Board's terms of reference include provision to appoint independent advisors. There are currently four firms in the Social Investment Board's advisory pool: Social Finance Ltd (appointed December 2012); FSE Group (appointed June 2013); the Social Investment Business in partnership with Investing for Good (appointed June 2013); and Albion Ventures (appointed December 2013).
7. Following the advice of the Head of Procurement Policy and Compliance, officers have the right to use their discretion for the procurement of minor consultancy (defined as under £50,000) in accordance with regulation 43. This allows for single quotations for appraisals and allows flexibility in matching the most suitable advisor to the investment proposal. Each advisory firm is engaged on a spot-purchase basis, with work commissioned on the basis of each firm's capacity, specialist focus, and with regard to any potential conflicts of interest.
8. In practice, and due largely to their dedicated capacity for this service, Social Finance has provided the majority of reviews, whilst FSE Group and Albion Ventures have provided one each, and none have been commissioned as yet from the Social Investment Business in partnership with Investing for Good.

This has put constraints on the ability to review a greater number of proposals than we would ideally like, and has slowed the deployment rate.

9. A narrow advisory pool also raises the risk of dependency on a single agency, and officers recommend that the Board repeats the 2013 exercise of inviting prospective advisors to submit a short expression of interest in joining the pool. Prospective firms would have sight of the City of London's standard terms of engagement and of the usual fee level.
10. Once expressions of interest have been received, we recommend that the most suitable be interviewed by the Chairman and Deputy Chairman with officers before they are put forward for Board approval.

Investment Proposals

11. A proposal to invest in Thera Trust's 2015 bond was submitted to the Chairman and Mr Roger Chadwick (as the next most senior Member) under urgency on 19 November because the offer was subject to early close. This investment was approved but, due to popularity of the bond, we were subject to scale-back and invested £100,000 rather than the target £200,000.
12. Unfortunately, we have no suitable investment opportunities for today's meeting but due diligence is underway (as outlined in today's Portfolio Update) and it is expected that recommendations will be made to your February 2016 meeting.

Stepping Stones Fund

13. This City Bridge Trust grants programme has been a regular item at previous Board meetings. Briefly, it was launched in November 2014 and awards funds to charities and social enterprises in Greater London who wish to engage with the social investment market. The programme was developed in recognition of the barriers to market entry, and the need for the City of London to be proactive in developing a pipeline of investible opportunities. Over £700,000 of grant funding has been distributed to 17 organisations so far.
14. UBS has been a close partner to date, and we were delighted that they decided to co-fund the second round of the Stepping Stones Fund. The deadline for first applications closed in mid-November and the Trust is now considering 36 bids to a total value of £2,036,563. With only £1m available in this round it will be a competitive selection process and I will update you on progress made (as well as final awards) in future meetings.

David Farnsworth

Chief Grants Officer, City Bridge Trust

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