



Social Investment Board

Date: TUESDAY, 13 DECEMBER 2016
Time: 11.30 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Peter Hewitt (Chairman)
Henry Colthurst (Deputy Chairman)
Nicholas Bensted-Smith
Wendy Hyde
Alderman Alison Gowman
Jeremy Mayhew
Andrew McMurtrie
Elizabeth Corrado
Tim Haywood
Laura Tumbridge (Co-opted Member)

Enquiries: Philippa Sewell
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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 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. **MINUTES**
To agree the public minutes and non-public summary of the meeting held on 14 September 2016.

For Decision
(Pages 1 - 4)
4. **THE CITY BRIDGE TRUST STRATEGIC REVIEW**
Presentation from Sufina Ahmad, Head of Strategic Review.

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

For Decision
(Pages 5 - 10)
6. **TERMS OF REFERENCE AND MEMBERSHIP REVIEW**
Report of the Town Clerk.

For Decision
(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.

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 14 September 2016.

For Decision
(Pages 15 - 16)

11. **INVESTMENT REVIEW**
Report of the Chief Grants Officer.

For Decision
(Pages 17 - 62)

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

For Information
(Pages 63 - 90)

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

14. **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

Wednesday, 14 September 2016

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

Present

Members:

Alderman Peter Hewitt (Chairman)	Alderman Alison Gowman
Henry Colthurst (Deputy Chairman)	Andrew McMurtrie
Elizabeth Corrado (Co-Opted Member)	Laura Tumbridge (Co-Opted Member)

Officers:

Philippa Sewell	-	Town Clerk's Department
Kate Limna	-	Chamberlain's Department
Karen McHugh	-	Comptroller & City Solicitors
David Farnsworth	-	City Bridge Trust
Karen Atkinson	-	Chamberlain's Department
Martin Hall	-	City Bridge Trust
Liz Skelcher	-	Economic Development Office
Russ Bubley	-	I-for-change (Social Investment Analyst)

In Attendance:

Charlie Pushman	-	Social Finance
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1. APOLOGIES

Apologies were received from Nicholas Bensted-Smith, Wendy Hyde, Jeremy Mayhew, and Tim Haywood.

The Chairman welcomed Karen Atkinson, Head of Charity & Social Investment Finance, and Charlie Pushman from Social Finance, to the meeting.

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 non-public summary of the meeting held on 12 July 2016 be agreed as a correct record.

Members noted that the paper regarding risk appetite would be presented at the Board's next meeting in December, and asked for the diagram illustrating the Board's position on the spectrum of social investment opportunities be included in the Members' handbook.

4. **PROGRESS REPORT**

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

Social Impact Measurement

Members noted the method for measuring the social impact of the Fund and discussed the Deputy Chairman's proposal to combine social impact with financial return on the same, weighted, model. Members agreed that any measurement needed to reflect changes over the course of the investment, but noted that the fiduciary duty of the Board to invest for financial return and to achieve a financial return of not less than 2% on individual investments and 2.7% across the portfolio as a whole would be the first consideration of any investment opportunity. It was recognised that it was easier to measure impact for financial returns than to measure social impact. The Chairman acknowledged the creative tension between measuring social impact and measuring financial return and that there had to be separate measurement for each factor. He and the Deputy Chairman undertook to liaise with officers regarding the methods for measuring social impact and financial return.

Handbook and Membership

Members noted the updates made to the handbook regarding risk, and the Town Clerk advised that the Board's terms of reference and terms of both full and co-opted Members would be reviewed at the next meeting in December with any changes being recommended for approval by the Investment Committee at their next meeting in January.

Stepping Stones

Members noted that the current round of the Stepping Stones programme (a collaboration between City Bridge Trust and UBS to develop the social investment pipeline) was well subscribed, with a total of 77 applications received.

RESOLVED – That the Chairman and Deputy Chairman work with officers regarding the method for measuring social impact and financial return.

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

There were no questions.

6. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

7. **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.
8-12

Exempt Paragraphs
3

8. **NON-PUBLIC MINUTES**
RESOLVED – That the non-public minutes of the meeting held on 12 July 2016 be agreed as a correct record.
9. **INVESTMENT REVIEW**
The Board considered a joint report of the Chamberlain and the Chief Grants Officer.
10. **PORTFOLIO UPDATE**
The Board considered a report of the Chief Grants Officer.
11. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
There was one question.
12. **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 other business.

The meeting closed at 1.00 pm

Chairman

Contact Officer: Philippa Sewell
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Committee	Dated:
Social Investment Board	13/12/2016
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision

Summary

The report:

- Introduces City Bridge Trust's strategic review and today's speaker, Sufina Ahmad, and provides an update on the Stepping Stones programme (a collaboration between City Bridge Trust and UBS to develop the social investment pipeline)
- The report includes brief updates on current projects to develop a portfolio strategy and to expand the Fund's advisory pool
- The report presents an updated method for impact measurement

Recommendations:

Members are asked to note the report and to approve the impact measurement method presented in appendix 1 for ongoing use by the Fund.

Main Report

City Bridge Trust Strategic Review

1. You will be joined today by Sufina Ahmad who is on secondment from the big Lottery Fund to City Bridge Trust as our Head of Strategic Review. Sufina is in post until July 2017, and is responsible for overseeing successfully the development of the Trust's next funding strategy for 2018-2023. The strategic review is consulting widely, internally and externally, to ensure the Trust stays relevant to the changing needs of Londoners as well as supporting the wider work of the City of London Corporation.
2. Sufina will provide an update on the review and is keen to hear your views on how the Trust might support the development of London's social investment market in the future. Currently, the main focus of this is the Stepping Stones Fund, a partnership programme with UBS, but with growing pressure on grant funding we are aware that more could be done to help charities diversify and strengthen their income. She will also provide details of a City Bridge Trust research study which is looking at the role social investment can play in the next strategy.

3. All queries relating to the Strategic Review should be directed to: sufina.ahmad@cityoflondon.gov.uk. For more information please visit: www.citybridgetrust.org.uk/strategic-review/

Stepping Stones Fund

4. You receive regular updates from me on the Stepping Stones Fund, City Bridge Trust's social investment readiness programme, and this has just finished its third round. 77 applicants requested £3.9m, from which we selected 17 grantees to share £700,000 (the full grant allocation).
5. As with previous rounds, UBS was involved as co-funder and through the contribution of significant employee time. Round three also saw the involvement of two new assessment partners, the Clothworkers and the Lloyds Bank Foundation.
6. To date Stepping Stones has supported 49 organisations with grants totalling £2.2m. So far nine grantees have completed their projects of whom two (Pure Leapfrog and Deptford Reach) are already approaching social investors. Three of the nine identified social investment as part of their future growth strategy pending work on further development activities, and four concluded that social investment would not currently work for them. These are all positive outcomes for the programme, since it is intended to offer 'safe space' in which organisations can test their ideas before taking on any balance sheet liabilities. Forty Stepping Stones projects remain active or have yet to start.
7. Apart from the work that grantees have done to explore social investment several have also reported that Stepping Stones funding has helped them to increase revenue, improve impact measurement, develop new products, learn new skills and make valuable new contacts through expanding their networks.
8. At its November meeting, City Bridge Trust Committee approved a proposal to commit a further £500,000 towards a fourth round of Stepping Stones. The Trust will look to raise co-funding from partners ahead of launch in the early part of 2017.

Portfolio

9. Your handbook notes that "Members are not expected to insulate the Fund from all risk of capital loss but, subject to the minimum target financial returns set for the Fund, the Social Investment Board may at its discretion develop and maintain a diversified portfolio of investments, adopt a spread of risk and invest into higher performing and lower performing investments acting reasonably, prudently and in good faith".
10. To date, investments have been considered on a case-by-case basis without reference to an overall portfolio strategy. There was some discussion about building a balanced portfolio at your June away-day and officers are preparing a proposal for what this might look like in practice. We would welcome any further thoughts you might have on this topic.

Advisors

11. You have had updates from me at previous meetings about the relatively narrow advisory pool available to the Board as well as the limited capacity of some of the firms currently appointed. The Chairman, Deputy Chairman and officers will meet some possible new advisors in January following which recommendations to strengthen the pool will come to a subsequent meeting.

Social Impact Measurement

12. Kyro Brooks has joined City Bridge Trust through the OnPurpose programme and has made some revisions to the social impact measurement proposal seen by your September Board. Updates take account of the request for a more straightforward visual as well as your wish to see financial metrics alongside social measures. The revised method is shown in appendix 1.

Appendix 1: Updated method for impact measurement

David Farnsworth

Chief Grants Officer, City Bridge Trust

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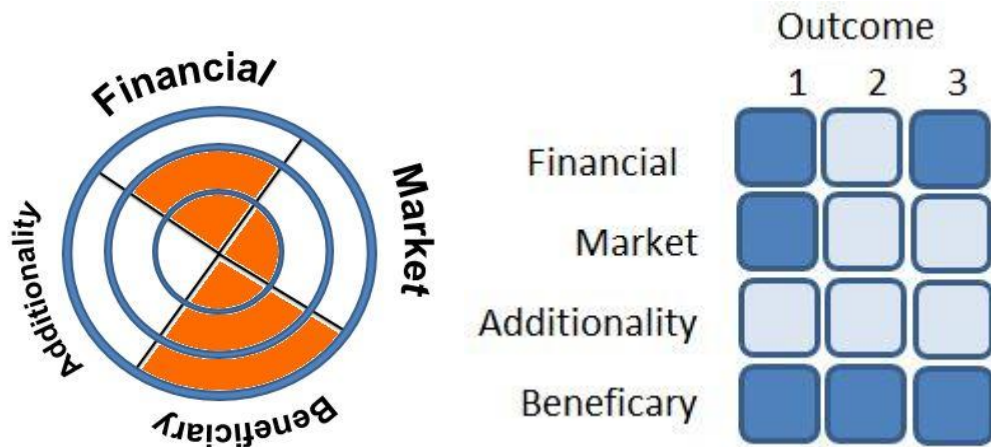
Appendix 1: Updated Method for Impact Measurement

1. An initial approach towards impact measurement was presented for comment and feedback at the Social investment board meeting on 14th September 2016. The approach set out to measure, on a scale (0-6), impact across five key areas; strength of organisation, impact created by the social investment fund, beneficiary impact, additionality and market impact.
2. Your feedback focused on three key elements: the wish to introduce financial measurement; a request to minimise subjective value judgements wherever possible; and the development of a method that would allow measurement across the portfolio as a whole. Officers have taken feedback from a wider range of organisations (including Power to Change) and this appendix presents an updated suggested approach to measuring the impact created by the Fund.
3. The Fund does not currently require investees to use a standardised impact measurement for monitoring purposes. To do would be difficult since the Fund only occasionally provides a significant proportion of the total investment. As such, the Fund is restricted in its ability to request tailored impact measurement data throughout the duration of an investment.
4. Investees currently approach impact measurement in different ways. The quality and reliability varies across the investees, but importantly the impact measures reported are investee specific and do not necessarily compare well with one another.
5. The approach to impact measurement recommended by both the Global Impact Investor Network (which City Bridge Trust is a member of), and Big Society Capital focuses on selecting key outcomes that the Investor aims to achieve, and measuring success against these. This is the core of the approach proposed today.
6. The Trust proposes that measurement focus on four key outcome areas, which align to the aims of the social investment fund: financial outcomes; market outcomes; additionality outcomes; and beneficiary outcomes. Under each of these outcome areas, three further measures are proposed. The measures are binary and could be used at assessment stage when overall impact is determined by how many outcomes the investee meets or is likely to meet.

Impact Measures

Financial Outcomes	Market Outcomes	Additionality Outcomes	Beneficiary Outcomes
<ul style="list-style-type: none"> - Investment has/ will have a return of greater than 2.7% 	<ul style="list-style-type: none"> - The investment is/ will take a new approach to an outcome area (a new type or class of social investment, a new approach to a social issue (inc. proof of concept)) 	<ul style="list-style-type: none"> - The City of London Corporation's Social Investment Fund's is providing early investment that aims to, or has, catalysed further investment 	<ul style="list-style-type: none"> - Investment focuses on a deprived area or an area where there is limited or no alternative provision
<ul style="list-style-type: none"> - Investment has/will lead to financially sustainable outcomes beyond life time of the investment 	<ul style="list-style-type: none"> - The investment targets an under represented beneficiary group 	<ul style="list-style-type: none"> - The City is the lead / a significant investor (>75% of total investment raised) 	<ul style="list-style-type: none"> - Investment has /will lead the investee to be able to increase the number of beneficiaries it serves
<ul style="list-style-type: none"> - Investment has/ will increase the financial security of the investee, helping to secure their future 	<ul style="list-style-type: none"> - The investment is/ will drive growth in the market through new partnerships or knowledge sharing (replicable / scalable) 	<ul style="list-style-type: none"> - The City will/ has used its unique position and influence to help realise the investment opportunity 	<ul style="list-style-type: none"> - Investment has/ will lead the investee to be able to increase the depth of impact their beneficiaries receive

7. The extent to which a single investment meets the measures could be presented visually with some commentary. Two alternative examples for the same data below:



“ABC investment exceeds the financial floor of 2% with a return of 3.2% and meets all of the beneficiary outcomes. It does not meet any of the additionality outcomes.”

8. At a portfolio level, aggregated scores could be used. For example:

“94% of our investments meet our financial outcome of generating a portfolio return above 2.7%

“86% of our investments have allowed our investees to increase the number of beneficiaries they serve”

“54% of our investments target under represented beneficiary groups”

Portfolio data could be supplemented with case studies detailing how specific investees approach social impact measurement.

Prepared by
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Committee	Dated:
Social Investment Board	13 December 2016
Subject: Terms of Reference and Membership Review	Public
Report of: Town Clerk	For Decision
Report author: Philippa Sewell, Committee & Members' Services Officer	

Summary

The purpose of this report is to review the Social Investment Board's Terms of Reference and membership. The report sets out the current governance and recommends the following changes:

- The addition of a City Bridge Trust Committee Member to the Board;
- Giving the Investment Committee appointment powers for the two Members previously elected by the Court of Common Council. These appointments would still be made from the entire Court Membership (not just from the Investment Committee).
- External co-opted members be appointed for four-year terms, subject to annual reappointment.

Recommendation

Members are asked to consider the proposed changes to the Social Investment Board's governance.

Main Report

Terms of Reference

1. The current terms of reference for the Social Investment Board are:-
 - a) to approve criteria for social investments and to authorise social investments in accordance with such criteria
 - b) to approve the appointment of and monitor the performance of independent advisors tasked with undertaking due diligence of investment proposals; and
 - c) all of the above to be consistent with the strategic investment policies determined by the Policy and Resources Committee and the Investment Committee.
2. There is provision within the Investment Committee's Terms of Reference to enable the Chairman of the Social Investment Board to report on and speak to

their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

3. **The Town Clerk recommends no changes to the Social Investment Board's Terms of Reference.**

Composition

4. The current composition of the Social Investment Board is:

- The Chairman of the Policy & Resources Committee for the time being or his/her nominee;
- The Chairman of the Finance Committee for the time being or his/her nominee;
- The Chairman of the City Bridge Trust Committee for the time being or his/her nominee;
- The Chairman of the Financial Investment Board for the time being or his/her nominee;
- One Member of the Financial Investment Board;
- Two Members elected by the Court of Common Council, one of whom shall have fewer than five years' service on the Court at the time of their appointment.

5. All nominees must be Members of the Court of Common Council.

6. **The Town Clerk recommends the following changes to the Social Investment Board's Composition:**

- The Chairman of the Policy & Resources Committee for the time being or his/her nominee;
- The Chairman of the Finance Committee for the time being or his/her nominee;
- The Chairman of the City Bridge Trust Committee for the time being or his/her nominee;
- **One Member of the City Bridge Trust Committee;**
- The Chairman of the Financial Investment Board for the time being or his/her nominee;
- One Member of the Financial Investment Board;
- Two Members **of the Court of Common Council elected by the Investment Committee,** one of whom shall have fewer than five years' service on the Court at the time of their appointment.

7. The addition of another Member of the City Bridge Trust Committee is proposed in order to reinforce the relationship between the grant-giving work of the Trust and the work of this Board, particularly in light of the continued success of the Stepping Stones Fund.

8. Currently the Investment Committee is not able to appoint to the Social Investment Board, as Members are appointed by the Court of Common

Council, Financial Investment Board, and the Policy and Resources, Finance, and City Bridge Trust Committees. However, the Investment Committee is tasked with strategic oversight of the Board's work.

9. The proposal to transfer appointment powers from the Court of Common Council to the Investment Committee aims to give the latter greater ability to achieve strategic oversight and monitoring of all three of its Boards, whilst retaining the ability to seek expertise from the wider Court.

Quorum

10. Any three Members of the Board.
11. **The Town Clerk recommends no changes to the Social Investment Board's Quorum.**

Chairmanship

12. The Social Investment Board shall elect annually a Chairman and a Deputy Chairman from amongst all of its Members (including ex-officio Members who shall also have the power to vote in such elections) with the exception of any co-opted people.
13. **The Town Clerk recommends no changes to the Social Investment Board's Chairmanship.**

Co-Option

14. The Financial Investment Board, Property Investment Board and Social Investment Board are empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations.
15. The Social Investment Board currently uses the same co-option protocol as the Financial and Property Investment Boards which restricts appointments to a maximum of 12 months. This is because, like all Sub-Committees, the entire membership of the Social Investment Board is appointed on an annual basis. It would not be advisable for Co-opted Members' terms to be longer than Full Members'.
16. The Board, however, has previously discussed the need for continuity and as such the Town Clerk proposes that:
17. **The term of appointment for external (i.e. non-members of the Court of Common Council) co-optees be limited to four years, subject to annual re-election. After this four-year period a formal interview process will be carried out.**

18. It is proposed that this rule be applied for the Social Investment Board only, with the Financial and Property Investment Boards remaining free to appoint otherwise.

Conclusion

19. To summarise, the proposed changes are:

- The addition of a City Bridge Trust Committee Member to the Board;
- Giving the Investment Committee appointment powers for the two Members previously elected by the Court of Common Council. These appointments would still be made from the entire Court Membership (not just from the Investment Committee).
- External co-opted members be appointed for four-year terms, subject to annual reappointment.

Philippa Sewell

Committee & Members' Services
Town Clerk's Department

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

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