



Social Investment Board

Date: WEDNESDAY, 15 FEBRUARY 2017
Time: 11.30 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

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

Enquiries: Philippa Sewell
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philippa.sewell@cityoflondon.gov.uk

Lunch will be served in 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 13 December 2016.

For Decision
(Pages 1 - 4)
4. **REPORT OF ACTION TAKEN BETWEEN MEETINGS**
Report of the Town Clerk.

For Information
(Pages 5 - 6)
5. **PROGRESS REPORT**
Report of the Chief Grants Officer.

For Decision
(Pages 7 - 14)
6. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
7. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
8. **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

9. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 13 December 2016.

For Decision
(Pages 15 - 18)
10. **REPORT OF ACTION TAKEN BETWEEN MEETINGS**
Report of the Town Clerk.

For Information
(Pages 19 - 20)

11. **PRESENTATION: TRIODOS BANK**
To receive a presentation from Triodos Bank.

For Information

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

For Information
(Pages 21 - 54)

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

Tuesday, 13 December 2016

Minutes of the meeting of the Social Investment Board held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Tuesday, 13 December 2016 at 11.30 am

Present

Members:

Alderman Peter Hewitt (Chairman)
Nicholas Bensted-Smith
Wendy Hyde
Alderman Alison Gowman

Andrew McMurtrie
Elizabeth Corrado (co-opted Member)
Tim Haywood (co-opted Member)

Officers:

Philippa Sewell	-	Town Clerk's Department
Anne Pietsch	-	Comptroller and City Solicitor's Department
Kate Limna	-	Chamberlain's Department
Karen Atkinson	-	Chamberlain's Department
David Farnsworth	-	The City Bridge Trust
Sufina Ahmad	-	The City Bridge Trust
Kyro Brooks	-	The City Bridge Trust
Martin Hall	-	The City Bridge Trust
Tim Wilson	-	The City Bridge Trust

In Attendance

Russ Bublely	-	I-for-change (Social Investment Analyst)
Judith McNeil	-	The Mercers' Company
Michael Jarvis	-	The Clothworkers' Company
Matthias Pries	-	Social Finance

1. APOLOGIES

Apologies were received from the Deputy Chairman Henry Colthurst and Laura Tumbridge. Late apologies were received from Jeremy Mayhew.

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

Alderman Alison Gowman declared a non-pecuniary interest by virtue of being a City of London Corporation representative on Trust for London.

3. MINUTES

RESOLVED – That the public minutes and non-public summary of the meeting held on 14 September 2016 be agreed as a correct record.

4. THE CITY BRIDGE TRUST STRATEGIC REVIEW

The Chairman welcomed Sufina Ahmad (Head of the City Bridge Trust Strategic Review), Kyro Brooks (On Purpose Associate), Judith McNeil

(Director of Philanthropy at the Mercers' Company) and Michael Jarvis (Master of the Clothworkers' Company) to the meeting.

Ms Ahmad gave an overview of the City Bridge Trust Strategic Review which had formally launched in October 2016 and would develop the funding strategy for 2018-2023. Ms Ahmad advised that there was a large degree of commonality between the Trust and the Social Investment Board's purpose and she was keen for the Board to engage with the review and help shape the resulting strategy. Members were informed about the work underway to engage with internal and external stakeholders and research commissioned, and noted that Member events were in place from January along with updates in the Members' Briefing. In response to Members' questions, Ms Ahmad advised that a hashtag - #BridgingLondon – was facilitating an online dialogue and that the draft funding strategy would be going out for consultation in February.

5. **PROGRESS REPORT**

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

Stepping Stones Fund

Members noted this remained successful, with the third round attracting 77 applicants from which 17 grantees were selected to share £700,000 (the full grant allocation). Co-funder UBS remained engaged and positive and officers advised that discussions with other partners and potential co-funders were progressing to launch a fourth round in the early part of 2017.

Portfolio

Officers clarified some wording in the report, confirming that risk had been considered on a case-by-case basis rather than regarding the risk of a particular investment in the context of the wider portfolio.

Social Impact Measurement

Officers advised that the approach to impact measurement proposed today focused on key outcomes the Board aimed to achieve and measured success against these. Members discussed the proposal and requested that the matrix used by Big Society Capital be presented at the next meeting.

In response to Members' queries, officers confirmed that initial tests using the impact measurement framework confirmed the financial strength of the Board's previous investments but highlighted that further work was needed if investments were to provide additionality and build the social investment market as strongly. Members agreed this was a fair representation of the current portfolio; the Fund had been set up to prove social investment was financially credible. Now this had been achieved other drivers (such as additionality) could take precedence.

Members requested the measurement be applied to existing investments at their start and current positions for the next meeting to provide an understanding of how the measurement could work in practice and how it might influence future decisions.

RESOLVED – That:

- a) the social impact measurement matrix used by Big Society Capital be presented at the next meeting;
- b) the impact measurement method be applied to existing investments for the next meeting; and
- c) the report be noted.

6. TERMS OF REFERENCE AND MEMBERSHIP REVIEW

Members received a report of the Town Clerk regarding the Terms of Reference and Membership for the Board, and discussed the need for property expertise in addition to what was being proposed.

RESOLVED – That the following changes be approved for submission to the Investment Committee:

- The addition of a Property Investment Board Member to the Social Investment Board;
- The addition of a City Bridge Trust Committee Member to the Social Investment 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 at the first meeting of the Board after Annual Court in April.

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
10-12, 14	3
13	-

10. NON-PUBLIC MINUTES

RESOLVED – That the non-public minutes of the meeting held on 14 September 2016 be agreed as a correct record.

11. INVESTMENT REVIEW

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

12. **PORTFOLIO UPDATE**

The Board considered a report of the Chief Grants Officer.

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

There were no questions.

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

There were two items of other business.

The meeting ended at 12.47 pm

Chairman

**Contact Officer: Philippa Sewell
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Committee:	Date:
Social Investment Board	15 February 2017
Subject: Report of Action Taken Between Meetings	Public
Report of: Town Clerk	For Information
Report author: Philippa Sewell, Town Clerk's Department	

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 Nos. 41(a) and (b).

Recommendation:

Members are asked to note the action taken by the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Board, in accordance with Standing Order No. 41(a) and (b).

Main Report

Standing Order No. 41(a)

Appointment of Social Investment Advisors

Background

1. Under terms set by the Court of Common Council, all investment proposals submitted to the Board must be subject to a third party review by an FCA-authorized agency. At its December 2016 meeting the Social Investment Board received an update from the Chief Grants Officer of plans to expand the Board's advisory pool because existing providers currently have limited capacity to deliver services. Following an officer-led review of potential new advisors, the Chairman and Deputy Chairman met Triodos Bank on 18 January 2017.
2. Triodos is a Dutch registered bank with €12bn under management and a UK branch that has been a significant actor in the social investment market. In the UK, Triodos has taken a number of charitable bonds to the retail market, including Golden Lane Housing 2013, which is part of the City's social investment fund portfolio. The bank promotes its social vision actively as part of its marketing, and has a commitment to transparency, publishing details of its lending online in an easily navigable interactive map. Triodos Bank NV proposes that its Corporate Finance team provides the social investment review function. This is a team of six based in Bristol and London, mostly chartered accountants with career experience of working for large commercial

firms including KPMG and Grant Thornton. Quality assurance would be provided by their head of team or by their Senior Investor Relations Manager who is ex- JP Morgan.

3. Having discussed the City of London Corporation's requirements with Triodos, there is understanding that work would be commissioned on a spot purchase basis and that fees would need to be kept within limits so that net returns are not unduly affected. The bank is FCA authorised and has the appropriate levels of insurance in place required by the City of London Corporation's consultancy contract.
4. This appointment was required under urgency so that Triodos could produce a review on a potential investment in time for the next SIB meeting. At the time, no other advisor was available to undertake this review. The prospective investment was subject to a preliminary screening by the Chairman and Deputy Chairman at a pipeline meeting and if due diligence had been delayed until after the February meeting the opportunity to invest would have been lost.

Action taken

5. It was agreed by the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Board, that the appointment of Triodos Bank NV as advisor to the Social Investment Board be approved.

Conclusion

6. In accordance with Standing Order Nos. 41(a) and (b), Members are asked to note the decisions taken by the Town Clerk, in consultation with the Chairman and Deputy Chairman, since the Board's last meeting.

Appendices

7. None.

Contact:

Philippa Sewell

Committee and Member Services Officer

Town Clerk's Department

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Agenda Item 5

Committee	Dated:
Social Investment Board	15/02/2017
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision

Summary

The report:

- Introduces the three firms (Triodos NV, Bates Wells Braithwaite, and iforchange) who we recommend join your pool of advisors providing independent investment reviews for Board meetings;
- Presents an illustrative portfolio model to show how investment across a range of social finance categories could generate the Fund's target financial and social returns whilst also helping to develop the market; and
- Provides updates on Big Society Capital's approach to social impact measurement, City Bridge Trust's strategic review and the Stepping Stones programme (a collaboration between City Bridge Trust and UBS to develop the social investment pipeline).

Recommendations:

Members are asked to:

- note the report;
- agree the appointment of Bates Wells Braithwaite and iforchange (and to note the appointment of Triodos NV) as advisors to your Fund; and
- provide feedback and guidance on the proposed portfolio approach.

Main Report

Advisors

1. When the Social Investment Fund was established Court of Common Council mandated that all investment proposals coming to Board be accompanied by an independent review prepared by an FCA authorised agency. Current advisors were appointed in 2012-13 and, in some cases, now have less capacity to support the Fund's work than they once did. The Trust conducted a review of prospective new providers in the second half of 2016, approaching 12 organisations with a known interest in the social investment market. Three were selected as most suitable for the Fund's purposes – Triodos NV, Bates Wells Braithwaite, and iforchange – and these firms met the Chairman, Deputy Chairman and Principal Grants & Social Investment Officer in mid-January.

2. Triodos NV is a Dutch registered, FCA authorised bank with €12bn under management and a UK branch that is a significant actor in the social investment market. In the UK, Triodos has taken a number of charitable bonds to the retail market, including Golden Lane Housing 2013 (part of your Fund's portfolio). The bank has a commitment to transparency, publishing details of its lending online in an easily navigable interactive map. Triodos' Corporate Finance team will lead social investment reviews. This is a team of six based in Bristol and London, mostly chartered accountants with career experience of working for large commercial firms including KPMG and Grant Thornton. Quality assurance would be provided by their head of team or by their Senior Investor Relations Manager who is ex- JP Morgan.
3. In order to allow Triodos to undertake a review in time for today's meeting, the Chairman and Deputy Chairman approved their appointment under urgency but they will attend today's Board to present further detail of their social investment activities.
4. Bates Wells Braithwaite is a City-based law firm with significant charity and social enterprise experience. It has a longstanding interest in social finance, having acted for the Bishop of Oxford in the 1991 case which established the right of charities to engage in socially responsible investment and subsequently having advised on the creation of Charity Bank as well as CAF Venturesome. It advises Big Society Capital on an ongoing basis and a BWB partner, Luke Fletcher, spoke at your strategy away day last summer. BWB has an Impact Advisory function led by a team of corporate finance experts formerly of Baker Tilley. This advisory function supports charities and social enterprises to develop new services, restructure, undertake mergers, plan, deliver and monitor impact. The team is well-regarded in the social investment market and will be invited to speak to a future meeting of this Board about their services.
5. Iforchange is, by contrast, a much smaller firm and already known to Members because its Director (Russ Bublely) attends meetings in his role as Fund analyst. Iforchange was appointed by the City Of London Corporation to assist with an increasing volume of formative proposals where there was evidently some merit in the request but where further research was needed to clarify investment terms. Iforchange provide many, but not all, of the reports reviewed by Chairman and Deputy Chairman at pipeline meetings where prospective investments are screened between Boards. In addition to its work for the City, the iforchange team supports charities and statutory agencies to engage with the social investment market. Russ Bublely has significant commercial finance expertise and is well regarded in the wider social investment market. To avoid any conflict of interest, any investment tabled to Board that had been subject to an early stage investment review by iforchange would then be reviewed by another advisor.
6. We are not proposing to terminate our relationships with existing advisors (Social Finance Ltd; Albion Ventures; The FSE Group; Social Investment Business working with Investing for Good) since all are engaged on a spot-

purchase basis rather than retainer, and we benefit from the flexibility of matching the right advisor to the right prospective investment.

Portfolio

7. The portfolio has established a solid foundation with a financial return >4% against targets of 2.7% across the Fund and a minimum return per investment of 2%. This performance has been a consequence of the Fund's preference to date for asset- or proven revenue-backed opportunities with, as far as possible, limited risk of capital loss. Over £12m committed since December 2012, which is in line with target but your strategy away-day in summer 2016 heard that this sort of opportunity is not abundant in the social investment market and where such opportunities do exist there is often a lot of competition between prospective investors.
8. 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". Members have discussed how to achieve the right balance of financial and social returns across the Fund.
9. With just over half the Fund's capital committed, and with the social investment market now further developed than it was in 2012 it is a good time to review what else the Fund could achieve such as how it might accelerate the deployment rate, increase social return, and do more to help develop the social investment market whilst safeguarding the financial return.
10. The diagram below is a first working model only and for Member feedback. It shows an approach to full deployment across a diversified portfolio where social investments are placed across a range of categories with varying degrees of social and financial return. The approach assumes that the portfolio financial target is met, but there is greater focus on market building and social impact. Some of the investment categories do involve more risk, but it is important to note that the diagram is based on the assumption that any losses in the high risk categories (small loans and patient finance) are offset by returns in lower risk strands (secured lending and treasury). Unlike mainstream investment, higher risk in the social investment market does not usually correlate with higher potential financial return but with high potential social return. Notwithstanding different risk levels shown in the model below the *total* return is designed to achieve the Fund's required objectives.

Small loans (£1m)*	Exchange listed investments (£5m)
Patient finance** (£4m) >2.7% Medium risk High social return High market building potential	>4% Low risk Low social return Low market building potential Liquid
Unsecured lending (£4m) >5%, medium risk Medium social return & market building potential	
Secured lending (£6m) >3% Low risk Medium social return Low market building potential	

*Small loans: >2%; high risk; high social return; high market building potential

**Patient finance: Loans or equity investments offered on a long-term basis (typically 5 years or longer) and on soft terms (e.g. capital/interest repayment holidays and at zero or sub-market interest rates).

- Initial modelling shows that a >2.7% return would be achievable on such a portfolio after potential losses have been accounted for the investment categories with higher degrees of risk. If the Board would like to explore this model further then officers would seek peer input from other social investors as well as feedback from the wholesaler, Big Society Capital, for where the market need lies. The model would also be subject to assessment of the likely impact that fees and trading costs would have on portfolio return before a full paper comes to Board for approval.

Social Impact

- Your December meeting received a new social impact measurement framework and this has been applied to the Fund's current investments (see your Portfolio Update in today's papers). The framework follows the principles recommended by Big Society Capital, and Members asked for further detail of BSC's approach.
- Big Society Capital's Outcomes Matrix was developed in partnership with social investment financial intermediaries, front line organisations and impact experts. It attempts to develop a common language for social investment and impact assessment across the sector. It is based on nine outcome areas:
 - Employment, training and education
 - Housing and local facilities

- Income and financial inclusion
- Physical health
- Mental health and well-being
- Family, friends and relationships
- Citizenship and community
- Arts, heritage, sport and faith
- Conservation of the natural environment

14. Each area has its own outcomes and specific measures as well as beneficiary groups and is intended for use by front-line investees in the planning and measurement of social impact. By way of example:

Outcome Area	Outcome	Beneficiary Groups	Measures
Employment, training and education	High quality employment, training and education within a healthy local economy	People with mental health needs	- Number of jobs created - Number of jobs sustained - Unemployment and long- term unemployment rates

15. The City Of London Corporation’s Social Investment Fund has used the outcome areas, outcomes and beneficiary groups on the cover papers for investments proposed to Board. To date the Fund has investments in four of the nine outcome areas: Employment, training and education; Housing and local facilities; Citizenship and community; and Arts, heritage, sports and faith; and these serve a large variety of beneficiary groups from Ex/Offenders to People with learning disabilities.
16. Not all Fund investees use the BSC framework for monitoring, and whilst it shows benefits arising from the investee’s work it does not necessarily attribute these to the investor’s contribution (a challenge when the Fund co-invests with others). As a result the Fund has developed its own social impact framework, which is informed by the principles of the BSC approach, but not an exact copy.

City Bridge Trust Strategic Review

17. You met Sufina Ahmad, the Trust’s Head of Strategic Review, at your December meeting. Sufina Ahmad is on secondment from the Big Lottery Fund until July 2017, and is responsible for overseeing the development of the Trust’s next funding strategy for 2018-2023. Having spent several weeks consulting widely (both internally and externally) the review is in a new phase and 6th February City Bridge Trust Committee received the first draft of proposed priorities for the coming years.

18. Provisionally titled “Bridging Divides”, the draft strategy outlines an approach which is intended to allow the Trust sufficient flexibility to cope with a period which is likely to see significant change not only in London but also in the size and shape of the voluntary sector. On 6th February, the City Bridge Trust Committee Members reviewed initial plans for more place-based funding, work to address inequalities, supporting people to make key transitions in life (for instance, moving out of long-term unemployment), and enabling disempowered communities and individuals to have their voices heard. Recognising the challenging operating environment charities face, the proposed strategy stresses the need to provide technical support to boost the sector’s resilience. The strategy considers how social investment can play its part in strengthening the sector and delivering social benefit.
19. Five ambitions underpin the new strategy: making the Trust’s processes as effective as possible; working collaboratively; taking on leadership responsibilities; using all assets well; creating more giving; and encouraging learning between London and the wider world. The strategy is designed to be adaptive and, with Member assent will be subject to annual review. A final version of the strategy will go to Court of Common Council’s July meeting, and Members of this Board are also encouraged to liaise with Sufina if they have queries or would like to provide comments that will help shape the end product: sufina.ahmad@cityoflondon.gov.uk.

Stepping Stones Fund

20. You receive regular updates from me on the Stepping Stones Fund, City Bridge Trust’s social investment readiness programme. To date 49 organisations have been awarded grant funding of £2.2m. A fourth round is expected to launch in spring 2017.

Member Handbook

21. A new addition for the Handbook, detailing the pre-Board investment review process, is shown as an appendix to this paper.

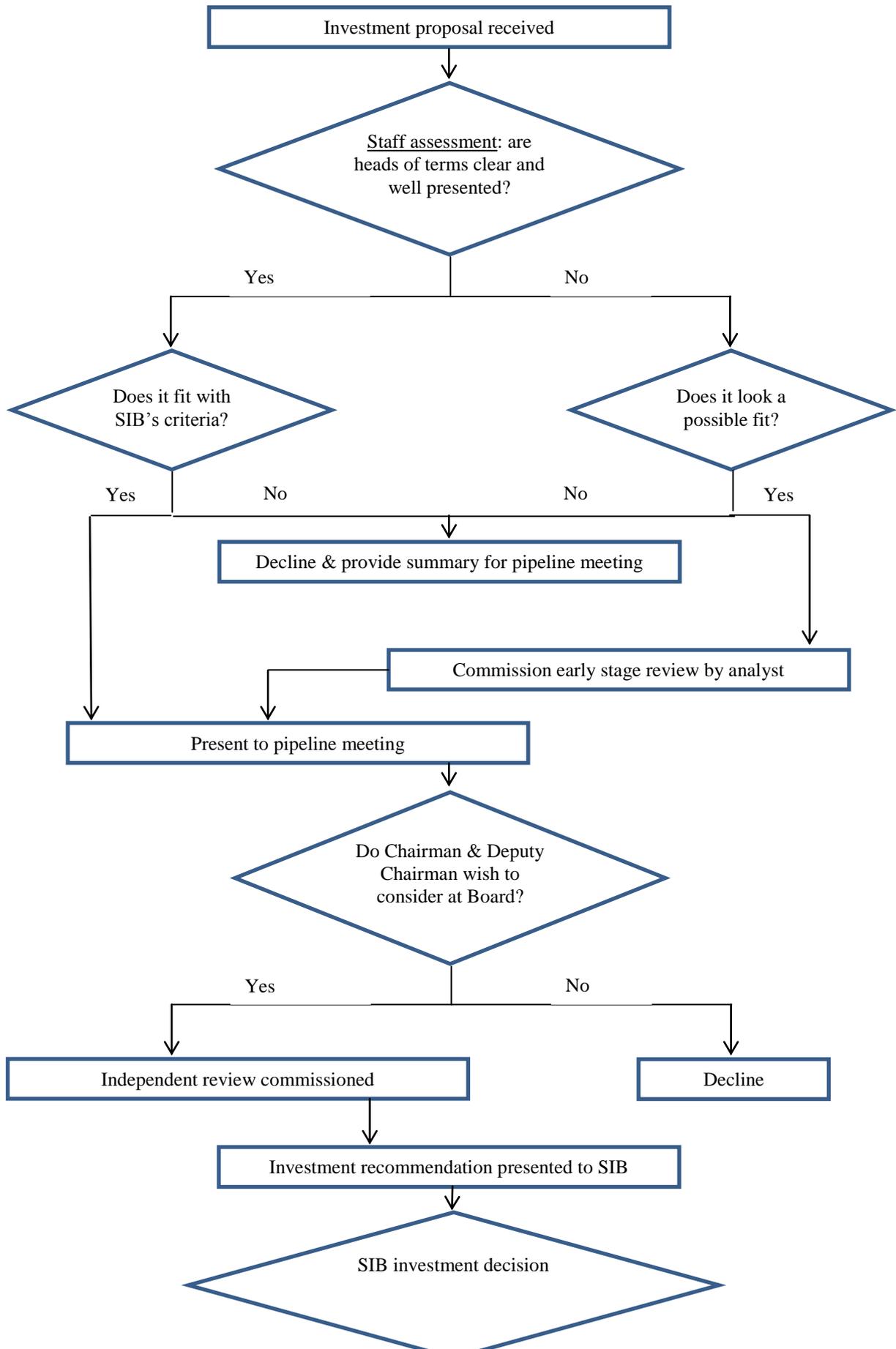
Appendix 1: Investment review process

David Farnsworth

Chief Grants Officer, City Bridge Trust

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Appendix 1: Investment Review Process



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