

Committee(s): Social Investment Board	Date(s): 17 October 2018
Subject: Social Investment Board – Governance and Future Direction	Public
Report of: Town Clerk	For Decision
Report author: Joseph Anstee, Town Clerk's Department	

Summary

This report gives Members of the Social Investment Board the opportunity to review the terms of reference and governance of the Board, following discussion at the previous meeting of the Social Investment Board, and agree a resolution to be sent to the meeting of Investment Committee in January 2019.

Recommendation(s)

Members are asked to:

- Note the report;
- Consider and agree any changes to the composition, frequency of meetings and terms of reference of the Board – at the meeting of the Social Investment Board on 20 June 2018 it was proposed that the following changes be made:
 - That the composition of the Board should be three Members from the Investment Committee, three Members from the City Bridge Trust Committee, and three Members with social investment expertise from the wider Court of Common Council;
 - That Members of the Social Investment Board should serve a three-year term, rather than being elected each year;
 - That co-opted Members should serve a three-year term, rather than four; and
 - That meetings of the Social Investment Board be convened as a working lunch meeting, with refreshments to be arranged by the Town Clerk;
 - It is also proposed that the Board meets four times a year, including the strategic away half-day; and
- Agree a resolution on the above for onward approval by the Investment Committee.

Main Report

Background

1. The City of London Corporation's Social Investment Fund was established in May 2012 in order to produce a positive social impact, whilst also helping to develop the social investment market through the influence of the Corporation and by demonstrating that social investment could be a financially viable model. £20million was allocated to this Fund from the assets of the Bridge House Estates charity, of which the City of London Corporation is the sole Trustee.
2. The Social Investment Board, at the time of its creation, undertook to provide regular updates on its progress, and most recently did so at the meeting of the Court of Common Council on 8 March 2018. In the first five years of the Social Investment Fund the Board achieved an IRR of 4.7% (gross) which is 2% in excess of the initial target. This was the City's original intention in establishing the Fund, namely to demonstrate that social investment was a credible investment medium.
3. At the Social Investment Board's Strategic Away Half-Day on 6 June 2018, the Board discussed the future direction of the Fund. The undertaking of the Accommodation for Key Workers project has represented new ground for the Social Investment Board as it had previously only reviewed investment proposals made and had not originated its own schemes before.
4. If the Social Investment Board was to move into a new area of investment, having given credibility to social investment with its performance during the first five years, Members suggested that the Board ought to debate and reflect on amending its governance in order to maintain its effectiveness in carrying through longer-term projects, or making new types of investments.
5. This may also involve structural change with regards to the Fund itself, and the way in which investments are funded. For instance, the Board might propose changes which enable allocations from the Fund to drive projects, which would also provide an opportunity to shift towards social outcomes rather than securities.

Current Position

6. The current composition, terms of reference, and frequency of meetings of the Social Investment Board, as agreed by the Investment Committee at its meeting on 9 May 2018, are as follows:

Composition

- Chairman to be determined by the Board*
- 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;
- One Member of the Property Investment Board;
- Three 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.

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

External co-opted members to be appointed for four-year terms, subject to annual reappointment at the first meeting of the Board after Annual Court in April.

Terms of Reference

The terms of reference for the Social Investment Board shall be as follows: -

- 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.

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.

*Note on the Chairmanship

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.

Frequency of Meetings

7. The Social Investment Board currently meets approximately five times a year (including an away-day).

Options

8. In accordance with the Standing Orders, the Social Investment Board, as a Sub-Committee, is able to make any recommendations to the Investment Committee with

regards to its governance that Members of the Board agree. The decision to approve any changes rests with Investment as the Grand Committee.

9. Members may wish to consider the governance of the Board with regards to the outcome of the wider review of Bridge House Estates.

Proposals

10. The topic of governance was raised at the last meeting of the Social Investment Board, the Chairman raised the issue and asked for a report for the Board to consider, proposing the following changes:
 - That the composition of the Board should be three Members from the Investment Committee, three Members from the City Bridge Trust Committee, and three Members with social investment expertise from the wider Court of Common Council;
 - That Members of the Social Investment Board should serve a three-year term, rather than being elected each year;
 - That co-opted Members should serve a three-year term, rather than four; and
 - That meetings of the Social Investment Board be convened as a working lunch meeting, with refreshments to be arranged by the Town Clerk;
11. It is also proposed that the Board meets four times a year, including the strategic away half-day, with meetings in January, May, July (Strategic Away Half-Day) and September.
12. The Board might consider moving towards the composition of the Financial and Property Investment Boards, which are comprised of 10-14 Members of the Investment Committee, with the ability to co-opt further Members.
13. However, in view of the specialist nature of the type of investment activity undertaken by the Social Investment Board, when the Board was created, it was agreed that the membership of the Board should comprise a mix of ex-officio and directly elected Members. In this way, the ex-officio Chairmen are able to serve or, should they so wish, nominate individual Members of the Court of Common Council who may have experience or expertise in this field to serve in their stead.
14. Since the establishment of the Social Investment Fund, the composition has taken a number of members from the Investment Committee, including representatives from the Financial and Property Investment Boards, with added representatives from the City Bridge Trust Committee and the Finance Committee. Members have also previously noted that there was a political aspect of Social Investment not present at the Financial and Property Investment Boards, and so a representative from the Policy and Resources Committee, nominated by the Chairman, has been part of the composition.

15. If there was a trend towards taking on longer-term projects, it is thought three-year terms for Members of the Social Investment Board, subject to annual re-appointment at the May meeting of the Investment Committee, may be more appropriate.
16. The Board may also wish to consider reviewing the protocol for co-opted Members of the Social Investment Board. Currently the Board has three co-opted Members, appointed for four-year terms, subject to annual reappointment at the first meeting of the Board after Annual Court in April. The current protocol for co-option to the three Investment Boards is attached as an appendix to this report.

Corporate & Strategic Implications

17. Under the current terms of reference, the Board is mandated for its activities to be consistent with the strategic investment policies determined by the Policy and Resources Committee and the Investment Committee.

Conclusion

18. Members are asked to consider the current arrangements of the Board and the proposals going forward set out in the report, and agree any changes, with a resolution to be presented to the Investment Committee on Wednesday 16 January 2018.

Appendices

- Appendix 1 – Protocol for co-option to the Property, Financial and Social Investment Boards

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