

Committee:	Date:
Social Investment Board	23 rd April 2013
Subject: Financial return	Public
Report of: Chamberlain and Chief Grants Officer	For Decision

Summary

Members have requested that the target financial return for the City of London Corporation Social Investment Fund (the Fund) be clarified. This paper proposes a target that the Social Investment Board can use to assess return across its portfolio, as well as a minimum target (financial floor) for any individual investment.

Recommendation:

- a) That you agree the proposed targets and review date
- b) That your investment criteria are updated and republished in amended form.

1. At your meeting on 14th December 2012, Members requested clarification of the City of London Corporation Social Investment Fund's target financial criteria. This paper proposes benchmarks which will help guide investment decisions until 25 October 2017.
2. On the 25th October 2012 Common Council agreed that the Fund should achieve an overall financial return: *"at a rate of not less than the average interest earned on the City's cash holdings"*, and, given that the Fund will consider a number of investment proposals (from the same Court paper) *"where individual investments are expected to return a lower financial return than the CPI inflation rate they will only be considered if there is a significant case that the social outcomes compensate for the loss of income"*.
3. The October paper did not set target figures for the overall return or the minimum acceptable return per investment (financial floor). The Chamberlain and Chief Grants Officer propose that Members adopt the following criteria by way of clarification: *"The Social Investment Board should seek an overall return equivalent to the CPI inflation rate (2.7%) on the day when the £20m allocation was made (25 October 2012) and that the individual investments should seek a return which at least matches the average cash rate achievable on that date (2%)."*
4. It is further proposed that these targets be reviewed and revised on their 5th anniversary (25 October 2015) in line with the usual investment term for assessing the performance of other City traditional investments. You will

receive updates from the Corporate Treasurer on the average interest earned on the City's cash holdings at each meeting.

5. The proposed targets are in line with the previously agreed Court Resolution.

Recommendation:

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