

<b>Committee:</b>	<b>Date:</b>
Social Investment Board	23 <sup>rd</sup> April 2013
<b>Subject:</b> Update on work of the City of London Corporation's Social Investment Advisor	<b>Public</b>
<b>Report of:</b> Chief Grants Officer	<b>For Information</b>

### Summary

Since your last meeting on 14<sup>th</sup> December 2012, the Social Investment Advisor (SIA) has continued to build up external relationships with public and private sector bodies involved in social investment both in the UK and internationally.

Policy highlights since December include a budget commitment to introduce a social investment tax relief, a significant role for the City of London Corporation in the formation of the G8 agenda, which features social impact investment for the first time.

Also, the conclusion from the Cabinet Office's Red Tape Challenge is a commitment to examine the key barriers to the take up of social investment, as identified in the City of London Corporation's submission.

The social investment agenda is also well reflected in the amendments to the Financial Services Bill. A range of other initiatives have attracted further interest to social investment from financial advisors and asset managers.

### Main Report

#### **The City of London Corporation's Social Investment Strategy**

1. The work of the Social Investment Advisor (SIA) supports the City of London Corporation's Social Investment Strategy, under the leadership of the Chairman of Policy & Resources Committee. The post is co-funded by Policy & Resources and City Bridge Trust Committees.

The Strategy has the following aims:

- a) Increasing the supply of appropriate capital to social investment;
- b) Supporting social organisations to generate income and to become investment-ready;
- c) Working towards an enabling legal, regulatory and financial environment for social investment; and
- d) Establishing and developing the Corporation's own Social Investment Fund.

The overall aim is to work towards establishing London as a recognised global hub for social investment.

### **Events**

2. In March, City of London hosted an event to introduce 100 financial advisors and wealth managers to social investment, the first of its kind. They heard directly from the Financial Services Authority officer responsible for social investment and heard presentations from five investment product developers. The feedback showed there was much interest in this event (<http://www.pioneerspost.com/pp-tv/20130326/regulation-not-barrier-social-investment-growth>). The plan is for similar events to be rolled out more broadly across the UK.
3. On behalf of the Chairman of the Policy & Resources Committee, the SIA addressed the attendees of the Social Stock Exchange's first 'closed event' in March, which was hosted by the Head of AIM (alternative investment markets) at the London Stock Exchange. The full launch is due to synchronise with the UK hosting of the G8 meeting in June 2013.
4. The SIA is preparing for two other international events on impact investment which City of London is hosting at the Guildhall. These are the International Impact Investing Policy Collaborative in July and the Global Impact Investors Network in October.

### **Research**

5. In March 2013 the City of London and Big Society Capital published "*The Role of Tax Incentives in Encouraging Social Investment*". Its target audience was HM Treasury and financial advisors. As a result of this publication, as well as considerable sector efforts, the 20<sup>th</sup> March 2013 Budget confirmed a commitment to introduce a tax relief for social investment. A group of experts (including City of London representatives) is helping to draft the shape of a tax relief. A short video presentation of the tax relief report is available at <http://colresearch.typepad.com/colresearch/2013/03/encouraging-social-investment-through-tax-incentives.html>
6. City of London is co-commissioning research into the economic impact of social investment, for publication in summer. In order to calculate this impact, the research will examine the impact of lending undertaken by financial intermediaries (including those supported by Big Society Capital investment). This research will be underpinned by substantial information on social investment lending in the UK, although non-disclosure agreements will mean that individual lending by intermediaries will not be identified. The annex to this paper lists the investments already made by Big Society Capital into financial intermediaries in its first year of operation.

### **Relationships with EU and Government**

7. The SIA is part of an EU Expert Panel, and was able to feed in views directly to Commissioner Michel Barnier (responsible for markets and services) on his visit to London in February, on EU state aid and how this affects finance, where there is market failure or weakness. The SIA continues to keep in touch with the potential use of EU structural funds in the UK post 2014, and how they can be used to support the social economy. The main agenda sits with the Department for Business and Skills;

and the SIA feeds into this, along with the National Council for Voluntary Organisations (NCVO), Big Lottery Fund and Cabinet Office. City of London also sponsored, co-designed and chaired a panel discussion at a European focused conference, represented by 14 countries and with 6 EU officials in attendance. The key points raised were taken back to Brussels.

8. The inclusion of social investment on the G8 agenda provides another opportunity to help position London in a leading role globally on this theme. City of London will be represented by the Lord Mayor and Chairman of Policy & Resources on 5<sup>th</sup> and 6<sup>th</sup> June, at a high level symposium on the topic. The aim will be to bridge the various different levels of engagement in social impact investment across the 8 countries. The SIA is working with the Cabinet Office on the policy content to the agenda; along with No. 10 officers and a Department for International Development representative.

**Annex: Big Society Capital investments to date (as of April 2013)**

<b>Investment name</b>	<b>Amount</b>	<b>Purpose</b>
ClearlySo	£1 million	A staged investment in key social investment market infrastructure. ClearlySo provides capital raising services for social enterprises and social impact investment funds
Community Land and Finance	£2.5 million	Loan fund providing secured loans to Community Land Trusts to finance the building and purchase of affordable rental homes to members of local community. The homes are predominantly in rural areas that are underserved by housing associations and social housing
Community Generation Fund / Finance South East	£750,000	Loan fund that will lend to disadvantaged communities to enable them to finance community owned renewable energy infrastructure. Again, the excess returns generated will be recycled into local social initiatives
Impact Ventures UK	£10 million	Cross sector impact investing fund managed by LGT Venture Philanthropy in association with Berenberg Bank, providing growth capital to social enterprises in the UK
Licence Fund/Franchising Works	£1 million	Loan fund to enable long-term unemployed individuals to purchase and operate franchise licences in Manchester and Newcastle
Nesta Impact Investment Fund	£8 million	UK based impact investing fund providing early stage capital targeted towards the areas of Ageing Well,

<b>Investment name</b>	<b>Amount</b>	<b>Purpose</b>
		Learning and Employability of Children and Young People, and Sustainable Communities
PURE	£1 million	Loan fund to finance small community owned renewable energy projects in disadvantaged communities. The excess revenues generated will be used to deliver social impact within the local community
Results Fund	£10 million	To provide finance for social sector organisations competing for Government payment by results contracts (including through social impact bond structures)
Social Investment Market CIC	£875,000	Secured loan to enable SIMCIC to underwrite the issuance of a fixed income bond in order to build the market for further issuance of bonds by charities and social enterprises
Social Stock Exchange	£850,000	An investment into the SSE, again a key piece of market infrastructure. SSE aims to become the world's first dedicated regulated investment platform and exchange for Social Businesses
ThinkForward Social Impact / Private Equity Foundation	£450,000	Social Impact Bond to finance intensive school based support programmes designed to prevent young people from becoming Not in Employment, Education or Training (NEETs) in Tower Hamlets, London
Triodos New Horizons	£450,000	Social Impact Bond to finance programmes supporting young people moving from Key Stages 3 & 4 (including those who are currently in the care system, young offenders and who

<b>Investment name</b>	<b>Amount</b>	<b>Purpose</b>
		have learning difficulties) and those Not in Employment, Education or Training (NEETs) to Employment, Education or Training in Merseyside