

SOCIAL INVESTMENT BOARD

Tuesday, 23 April 2013

**Minutes of the meeting of the Social Investment Board held at the Guildhall
EC2 on TUESDAY 23 APRIL at 11.00am**

Present

Members:

Alderman Peter Hewitt (Chairman)	Roger Chadwick
Deputy Edward Lord (Deputy Chairman)	Deputy Robert Howard
Deputy Ken Ayers	Deputy Richard Regan
Ray Catt	

Officers:

Simon Murrells	- Assistant Town Clerk
Natasha Dogra	- Town Clerk's Department
Xanthe Couture	- Town Clerk's Department
Tim Wilson	- City Bridge Trust
Martin Hall	- City Bridge Trust
Paul Mathews	- Corporate Treasurer
Deborah Cluett	- Comptroller and City Solicitor's Department
Liz Skelcher	- Economic Development Office
Katie Hill	- Social Investment Adviser, Economic Development Office

In Attendance:

John Kingston	- Social Finance Ltd.
Richard Todd	- Social Finance Ltd.

1. APOLOGIES

There were no apologies.

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

There were no declarations of interest.

3. MINUTES

The minutes of the meeting held on 14 December 2012 were agreed as an accurate record.

Matters arising:

Members discussed whether it would be sensible to set up two additional meetings of the Social Investment Board to ensure the Board met regularly to discuss proposals. A decision could be taken nearer the date as to whether the meeting was needed and ensure decisions were being taken. It was agreed the

Town Clerk would liaise with the Chairman to arrange suitable dates accordingly.

In response to a query concerning possible partnership involvement between the Kuwait Investment Authority and the British Red Cross a Member clarified that no further action was required.

RESOLVED: That the minutes be agreed as an accurate record.

4. **MEETINGS ATTENDED**

The Chief Grants Officer reported meetings which officers had attended since December 2012. In response to a query from Members, the Chief Grants Officer stated that a meeting had been held with Triodos Bank and Bristol Together Community Interest Company. Officers had discussed a possible housing-based social investment product in the Midlands, and this was now being investigated.

Officers reported that a meeting had been held with Social Finance Ltd to discuss a possible product in the field of health and social care. The Chairman and officers had also met with Berenberg Bank and discussed the Impact Venture UK Fund. Berenberg gave an interesting presentation and overview of their history and activities.

RECEIVED: Members noted the report.

5. **CHIEF GRANTS OFFICER'S REPORT**

The Board received a report summarising the activities officers had undertaken since the Social Investment Board's first meeting held in December 2012. Members were provided with an update on progress in developing a 'pool' of social investment advisors. This action was taken forward and a call to submit an expression of interest was sent to thirteen appropriately qualified organisations. By the deadline of 5th April 2013, six of these had responded. The list covered a range of both mainstream and social investment organisations, fund managers, advisors and intermediaries, offering a wide range of sector expertise and including experts in both financial risk and risk assessment, with an understanding of impact measurement and who are FSA registered.

The Chairman and Deputy Chairman were due to meet representatives from the three organisations which most closely measure up to the specification; who, if approved, would be included in a 'pool' of advisors. Their services would be spot purchased, and matched according as to the suitability of their expertise to the proposal in question. The 'pool' would be reviewed from time to time and may be enlarged occasionally, should additional expertise be required.

Members were also provided with an update on the recruitment of co-opted Board Members. Members were informed that following an informal meeting with the Chairmen of the Social Investment Board and the Investment

Committee, Town Clerk, Comptroller & City Solicitor and officers, it was decided to defer the search for co-opted members until later in the year, by which time Members would be better positioned to assess which areas of expertise were needed on the Board.

Officers informed the Board that following a Member's concern that the costs of placing a social investment appear high relative to mainstream market norms (especially for funds of funds where fees are typically 2% - 2.5%) officers had examined the reasons for this and whether there was potential for fees to reduce in the near future. Officers clarified that the social investment market remained a nascent market and did not yet benefit from standardisation of investment deals. In addition, investees incurred the costs of additional monitoring and reporting of social benefit which was not commonly required in mainstream investments, and this could result in higher fees.

Members noted that funds of funds, in which investors placed capital into a pool from which onward investments were made into organisations, had helped to tackle both social and mainstream investors' requirements for scale, risk mitigation and size of investment. The approach allowed for sector or geographic specific focus and provided investors with larger investment opportunities. The effect of this was to increase the reach of social investment to more organisations.

In response to a query from Members, it was stated that over time as more deals were done and replication could follow, fee rates should drop to nearer the mainstream levels of 1.5% - 2%. The City of London Corporation's participation in the market, and willingness to accept (at this stage) relatively higher fee levels should help in the longer term to lower benchmark fees.

Members were satisfied with the further clarification set out on the role of the Social Investment Trustee.

In response to a query regarding naming rights the Chief Grants Officer reported that there appeared to be no great advantage in being associated with a further fund and it may serve to confuse and be a reputational risk, should this fund take investment decisions contrary to the Corporation's own best judgement. Whilst this risk could be mitigated by direct engagement with such a fund, this had considerable personnel and resource implications. Furthermore, whilst investment propositions were not yet so plentiful, there was the likelihood of repetition of investments and City of London might be exposed to risk on two counts.

RESOLVED - That the option to consider naming rights be not agreed but remain open, should there be a compelling reason for reconsidering this.

6. **INVESTMENT CRITERIA**

The Board received a report on the investment criteria which were approved by the Court of Common Council at its meeting on 25 October 2012, and which were supplemented at the first meeting of the Social Investment Board on 14 December 2012.

Officers reported that the two main objectives of the Board were to provide loan finance, quasi-equity and equity that provided development and risk capital to organisations working towards charitable ends or with social purpose; and to help develop the social investment market.

In response to a query from Members it was reported that Officers would continue to present the criteria to Social Investment Board meetings as a standing item and would propose amendments or updates where appropriate. The criteria were available online so that prospective investees had a better understanding of what the Fund would and would not invest in.

RECEIVED.

7. **FINANCIAL RETURN - PROPOSED TARGETS**

The Board were informed that in 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”. Members were informed that given that the Fund would consider a number of investment proposals where individual investments are expected to return a lower financial return than the CPI inflation rate they would only be considered if there was a significant case that the social outcomes compensate for the loss of income.

In response to a comment by Members, officers were tasked with altering the wording of the criteria to read as follows: *“The Social Investment Board should seek a **total** 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%).”*

Officers informed Members that targets would be reviewed and revised on their 3rd anniversary (25 October 2015) in line with the usual investment term for assessing the performance of other City traditional investments. The Board would receive updates from the Corporate Treasurer on the average interest earned on the City’s cash holdings at each meeting.

Officers would submit a report to Members outlining the opportunities and risks presented by housing association bond options as a source of potential Fund investment opportunities. As well as potential housing association bond option Fund investment opportunities that may exist.

In addition, officers would submit a report to Members advising on ring-fencing funds for high impact, earlier stage and potentially higher risk social investments that were potentially not secured by assets. Officers would research what high impact and high risk projects could be potential investment opportunities and details of what these projects may involve.

– RESOLVED – That,

- a) the proposed targets and review date be agreed; and
- b) the investment criteria be updated and republished in its amended form

8. **UPDATE ON THE WORK OF THE CITY OF LONDON SOCIAL INVESTMENT ADVISOR**

The Chief Grants Officer informed the Board that since the last meeting on 14th December 2012, the Social Investment Advisor (SIA) had 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 included 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 featured social impact investment for the first time.

Members were informed that the conclusion from the Cabinet Office's Red Tape Challenge was 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 was also well reflected in the amendments to the Financial Services Bill. A range of other initiatives had attracted further interest to social investment from financial advisors and asset managers.

RESOLVED - That the Advisor's report be a standing item which included updates on investments approved by Big Society Capital.

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

There were no questions raised on matters relating to the work of the Board.

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

There was no business that the Chairman considered urgent.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED: - That under Section 100 A (4) 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 I of Schedule 12A of the Local Government Act as follows:-

Item Nos.	Exempt Paragraphs
12 - 16	3

12. **NON-PUBLIC MINUTES**

RESOLVED – That the non-public minutes be agreed as an accurate record.

13. **PORTFOLIO UPDATE**

The Board received the report of the Chief Grants Officer.

14. **INVESTMENT PROPOSAL**

The Board received the report of the Chief Grants Officer.

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

There were no questions on matters relating to the work of the Board.

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

There was no business that the Chairman considered urgent.

The meeting closed at 12.10pm

Chairman

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