

Progress Report: Annex A

Report of the Social Investment Board

City of London Corporation's Social Investment Fund First Year Activities

Summary

Under the leadership of the Chairman of Policy & Resources Committee, the City Corporation is working to position London as a global hub for social investment. In October 2012 you approved a designation of £20 million from Bridge House Estates for investments that produce a positive financial return and demonstrable social benefit. In its first year, the City of London Corporation Social Investment Fund (the Fund) has committed £2.1 million to a range of ventures across the UK and overseas. The Fund's work complements the City Corporation's social investment policy and advocacy work, which has been a wide-ranging programme of major events, research and policy consultation.

Your Fund has exceeded its investment target for its first year. Your social investment policy and advocacy work has helped position the City Corporation as a leader in this field.

Recommendation

The Court is recommended to receive the report and note its contents.

Main Report

Background

1. The City of London has a long-standing commitment to social investment. It is working to establish London as a recognised global hub for social investment, under the leadership of the Chairman of Policy & Resources Committee, by pursuing the following aims:
 - Encouraging and steering a growing supply of appropriate finance into social investment;
 - Working to improve the regulatory and fiscal framework needed to support the social investment marketplace; and
 - Developing the capacity of social organisations to access investment and secure contracts and markets.

2. At its meeting on 24th May 2012 the Court agreed to designate £20 million from Bridge House Estates for investments in activities that produce both financial returns at a rate not less than the average interest rate earned on the

City's cash holdings and a demonstrable social benefit. This designation is known as the City of London Corporation Social Investment Fund (the Fund).

3. The Fund has two objectives:
 - To provide loan finance, quasi-equity and equity that provides development and risk capital to organisations working towards charitable ends or with social purpose; and
 - To help develop the social investment market.
4. The Fund can invest directly into organisations pursuing charitable, community or social objectives and indirectly into socially-focused funds managed by others.
5. 60% of the Fund is designated to support work that benefits Londoners, 30% for UK-based beneficiaries, and 10% for overseas beneficiaries.
6. A Social Investment Board was established to oversee the Fund, and its aims, objectives, outline investment strategy and governance arrangements you approved at your meeting on 25th October 2012. The Social Investment Board sits alongside the Financial and Property Investment Boards and is to be appointed annually by the Investment Committee. Alderman Peter Hewitt was elected as its Chairman.
7. The Fund is administered by the Chief Grants Officer for the City Bridge Trust with input from Chamberlain's, Comptroller and City Solicitor's Departments and the Economic Development Office. Independent, FCA-regulated advisors are involved in the financial assessment of each proposal presented to the Social Investment Board.

First Year Targets

8. In its report to you on 25th October 2012, the Policy & Resources Committee noted that the Fund would focus on capital preservation and the development of expertise in its first year. It was noted that first investments were likely to be in instruments offering lower risk such as secured loans and short-term bonds as appraisal and monitoring processes were established.
9. The target dispersal rate for the first year (ending October 2013) was £2 million.

First Year Activity

10. In its first year the Fund has committed £2.1 million across five social investments. £1.6 million of this commitment has been placed, with the remaining £500,000 pledged subject to completion of satisfactory legal agreements (currently underway).

11. The four active investments are: the Small Enterprise Impact Investing Fund, the Real Lettings Property Fund, the Golden Lane Housing Bond, and Midlands Together.
12. The Small Enterprise Impact Investing Fund is a product from Oxfam / Symbiotics, which was developed with support from the City of London. It supports small and medium sized enterprises in low to middle income economies, prioritising those investment opportunities that focus on job creation, food security and women's empowerment. £318,513 has been invested in this fund.
13. The Real Lettings Property Fund has been developed by the homelessness charity Broadway in partnership with Resonance Limited. Their fund aims to purchase up to 260 one and two bedroom properties in Greater London for tenants who are, or have previously been, homeless. £500,000 has been invested in this fund.
14. Golden Lane Housing, a subsidiary charity to the Royal Mencap Society, issued a bond in 2013, with funds raised reserved for the purchase, adaptation and letting of up to 30 freehold properties to people with learning disabilities. £500,000 has been invested in this bond.
15. Midlands Together, a new venture, also issued a bond in 2013 with funds reserved for a programme providing employment, training and mentoring to 100-150 ex-offenders through a property refurbishment programme across the West Midlands. £300,000 has been invested in this bond.
16. £500,000 has been committed to invest in accommodation for homeless people in the Midlands, and full details will be announced once the investment is placed.

Region	Total committed	Proportion of Fund commitments to date
London	£500,000	24%
UK	£1,300,000	61%
Overseas	£318,513	15%

Social Investment Policy

17. The Fund complements the City Corporation's social investment policy and advocacy work.
18. The City Corporation has hosted a large range of events (including an international conference attracting over 300 potential investors from 35

countries), meetings and delegations with a view to promoting the opportunities of social investment to new investors, and to understand and unlock the barriers faced for their involvement. The total value of new social investment funds (some of which are still raising capital) will provide in excess of £100 million additional finance to the stock of capital available. Meanwhile, demand for social investment has risen from £165 million in 2010- 2011 to £202 million in 2011-2012.

19. The City Corporation is part of a small market stewardship group with Big Society Capital, Cabinet Office, Big Lottery Fund and Social Enterprise UK to ensure there is a strategic vision and coordinated action across the sector. The City Corporation is also a co-founder member of a new Social Investment Research Council comprising the market stewardship members and Citibank. This work provides understanding of the needs of social enterprises as well as the needs of the social investment market.
20. The City Corporation's policy and advocacy work has supported a range of market-enabling outcomes including: the introduction of a Social Investment Tax relief in the 2014 Budget, underpinned by detailed research commissioned by City Corporation and Big Society Capital on the rationale and likely impact of introducing such a relief; the engagement of the Financial Conduct Authority with the social investment market; recognition in the Financial Services Bill of the motivations of a social investor and a review of the Community Interest Company structure to see how it could encourage investors more effectively; debate in the European Union as to how Structural Funds could be used to support the strengthening of the social sector organisations across Europe; and representation, by the Chairman of Policy & Resources on the UK National Advisory Board to the G8 Taskforce on social impact investment.

Conclusions

21. The City of London Corporation Social Investment Fund has been welcomed as a forward-thinking initiative and helps to strengthen your work to position London as a global hub for social investment. The Fund has exceeded its first year investment target, and has provided capital to support socially beneficial ventures that also meet the Fund's financial criteria. The governance and administrative arrangements have worked well, providing scrutiny to investment proposals and monitoring current holdings.
22. The City Corporation's policy and advocacy work has helped to situate London as an international hub for social investment, as a place in which impact fund managers are represented, deals are done, products are designed, expertise is available, and the operating regime is enabling.

All of which we submit to the judgement of this Honourable Court.

DATED

SIGNED on behalf of the Board

Alderman Peter Hewitt
Chairman of the Social Investment Board