

SOCIAL INVESTMENT BOARD

Wednesday, 18 September 2013

Minutes of the meeting of the Social Investment Board held at the Guildhall
EC2 at 11.30am

Present

Members:

Alderman Peter Hewitt (Chairman)
Deputy Ken Ayers
Ray Catt

Roger Chadwick
Deputy Robert Howard

Officers:

Xanthe Couture	- Town Clerk's Department
Alistair MacLellan	- Town Clerk's Department
Katie Hill	- Town Clerk's Department
David Farnsworth	- City Bridge Trust
Tim Wilson	- City Bridge Trust
Martin Hall	- City Bridge Trust
Liz Skelcher	- Economic Development Office
Paul Mathews	- Chamberlain's Department
Deborah Cluett	- Comptroller and City Solicitor's Department
Karen McHugh	- Comptroller & City Solicitor's Department
Sanjay Odedra	- Public Relations Office

In attendance:

Andrew McMurtrie CC	- Member for Coleman Street
John Kingston	- Social Finance
Richard Todd	- Social Finance

1. APOLOGIES

Apologies were received from Edward Lord and Reverend Dr Martin Dudley.

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

There were no declarations.

3. MINUTES

The public minutes and summary of the meeting held on 20 June 2013 were agreed as a correct record.

4. MEETINGS ATTENDED

The Board considered a report of the Chief Grants Officer on recent events and meetings involving relevant City of London Corporation staff. In response to a

query from the Chairman, the Social Investment Advisor outlined the duties and remit of the role of the City Corporation's Corporate Responsibility Manager.

5. **PROGRESS REPORT**

The Board considered a report of the Chief Grants Officer on the progress made in allocating monies from the social investment fund during its first year.

The Chairman noted the comment in paragraph 8 of the report stated that social investment in the UK at present was characterised by an 'overemphasis' on the financial, as opposed to social, return from capital invested. He said that such a characterisation did not fully represent the approach of the Social Investment Board nor that of Social Investment generally. He stated that it was essential that prudent investments were made with as near certain (as possible) 'exits' so that the reputation of the nascent social investment market as a whole, would not be tarnished by failing investments. Accordingly it was important for the Board to strike the right balance between obtaining a financial and social return from the capital it invested.

Furthermore he noted with interest the prediction that there would be a demand for £1billion of social investment over the next five years.

There was a discussion regarding the running costs for the City Corporation's Social Investment Fund and it was noted that they were comparatively modest compared to the private sector. In response to a question from a Member, the Chief Grants Officer said that social investment currently occupied circa 3.5 days per week of officer time but that this was expected to increase as the work of the Board became more established and the volume of investments increased. He noted that his team would be liaising with colleagues in the Economic Development Office over the resource needs to deliver social investment work, and a business case for additional resources would be jointly submitted to the Policy and Resources Committee.

RESOLVED:-

- That the report be received and its contents noted;
- That officers prepare a report for the Court of Common Council on the first year of the social investment fund's operation and the Corporation's policy work on social investment.

6. **HIGH-RISK, HIGH-IMPACT INVESTMENTS**

The Board considered a report of the Chief Grants Officer on high risk, high impact investments. The Chief Grants Officer indicated that he would welcome feedback from the Board on the principle of financing early stage social enterprise activity in principle before the Board went on to consider setting aside a small percentage of the investment fund to high impact investments.

Members were concerned about calling the investments 'High Risk' as this was clearly in contravention to their fiduciary duties as Trustees. Whilst agreeing

with the general principle of a high impact element being attractive, members were not yet convinced that the proposals as drafted worked. Accordingly officers were asked to reconsider how such a proposal might work and to establish whether it was possible to draw such a fund from another source that might not have such high level fiduciary obligations.

RESOLVED, that:

- The contents of the report be noted;
- The social investment fund would be used to make investments with a high social impact, whilst acknowledging such investments may entail higher risk than the City of London is accustomed to. Such investments would be made in light of the fact that the social investment market is in its early stages and in need of encouragement and support, and that each investment would be considered on a case-by-case basis.
- Officers to prepare a paper identifying possible sources of funds, detailed disbursement and investment criteria for a £250,000 - £500,000 fund targeting high impact social investments for the next meeting of the Board in December 2013.
- Officers to reconsider how such proposed investments might work and to establish whether it was possible to draw such a fund from another source that might not have such high level fiduciary obligations.

7. UPDATE ON THE WORK OF THE SOCIAL INVESTMENT ADVISOR

The Social Investment Advisor introduced a report outlining major activities designed to develop both the City of London's social investment strategy and the social investment fund, noting in particular the recent appointment of the Chairman of the Policy and Resources Committee to the UK Advisory Board to the G8 Social Impact Investment Taskforce, and the publication of a jointly-commissioned (by the City of London, Big Society Capital, Big Lottery Fund and HM Government) report on growing the social investment market.

A Member expressed concern whether, once the social investment market was more established and more investors joined it, thus promoting competition, this would impact negatively on the Corporation's efforts to identify promising social investment opportunities. In response the Social Investment Advisor replied that the market was still in its very early stages and competitiveness not an issue at present, and indeed such a situation, if and when it emerged, would be a promising indicator of the market's development.

In response to a request from a Member over how the impact of a social investment could be assessed and measured, officers noted that organisations such as Big Society Capital were dedicating significant time to this issue. Key indicators included the estimated cost savings that a social investment offered: i.e. the amount of public money saved in terms of social services on a local issue such as homelessness, versus the social investment in a project providing stable accommodation. It was noted that it was harder to assess

impact if the focus of the social investment was on prevention, rather than on immediate cost-saving, and if an investment was spread over a wide geographic area rather than in one location.

In response to wider discussion over how the impact of a proposed investment could be gauged by the Board, the Chairman suggested that officers review methods of presenting information in their reports. It was generally agreed by Members and officers that the adoption of a 'traffic light' system in monitoring and reporting would be useful, with the Chief Grants Officer noting such a review by officers would be particularly useful once the forthcoming Global Impact Investing Network (GIIN) conference had taken place. Lastly, the Board noted that each investment that came before the Board would be examined on its merits and that a degree of intuition would be a factor.

RESOLVED, that:

- Officers conduct a wider review on the reporting and monitoring format of both proposed and existing investments including the adoption of a Red, Amber, Green (RAG) system, and report back to the Board at the next meeting with their recommendations.

8. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD

There were no questions.

9. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

10. EXCLUSION OF THE PUBLIC

RESOLVED - That under Section 100A(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.

Items	Paragraph(s)
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11-16	3
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11. NON-PUBLIC MINUTES

The non-public minutes of the meeting held on 20 June 2013 were agreed as a correct record.

Matters Arising

Golden Lane Housing 2013 Bond

In response to a query from a Member, officers agreed to provide clarification over the terms of investment agreed over the Corporation of London's investment in the Golden Lane Housing 2013 bond.

Members proceeded to discuss in more general terms the potential for a standardised investment agreement to govern future investments made by the Board, so that costs could be kept to a minimum

RESOLVED, that:

- Clarification to be provided to the Board on the details of the Golden Lane Housing 2013 Bond investment terms;
- Officers to draw up a standard form checklist to review criteria, terms and conditions for future investments for consideration by the Board.

12. **PORTFOLIO UPDATE**

The Chief Grants Officer introduced an update on issues affecting the social investment fund portfolio and its current investments.

The Board proceeded to discuss the preferred format and content of future portfolio updates before going on to outline the character of future investments.

RESOLVED, that:

- The portfolio report be received and its contents noted;
- Officers note suggestions from the Board over the preferred format of investment reporting;
- Officers note the preference of the Board for direct investment, or at least indirect investment in only one fund manager rather than funds of funds;
- An overview of the social investment fund targets for year 2 be submitted to the Board at its next meeting in December 2013.

13. **INVESTMENT REVIEW: FRAMEWORK HOUSING**

The Board considered an investment review of Framework Housing.

RESOLVED, that:

- The investment in Framework Housing be approved subject to the conditions outlined in the report.

14. **INVESTMENT REVIEW: MIDLANDS TOGETHER**

The Board considered an investment review of Midlands Together.

RESOLVED, that:

The investment in Midlands Together be approved subject to the conditions outlined in the report and the caveats set by the Board.

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

Product Development

At the suggestion of the Chairman, the Board agreed that officers investigate the viability of the City of London entering into the development of its own bond type product.

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 other business.

The meeting closed at 1.10pm

Chairman

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