

Committee:	Date(s):
Social Investment Board	26 th Feb 2014
Subject: Update on work of the City Corporation's Social Investment Advisor	Public
Report of: Director of Economic Development	For Information
Summary	
<p>This report covers the major areas of activity of the Social investment Adviser (SIA) in developing the City Corporation's social investment strategy, in addition to her work on the City of London Corporation Social investment Fund.</p> <p>Since your last meeting on 3rd December, work has included:</p> <ul style="list-style-type: none"> • providing Her Majesty's Revenue and Customs (HMRC) and Her Majesty's Treasury (HMT) with comments on final draft legislative text for the Social Investment Tax Relief; • supporting two social investment research project contracts; • presenting London's social investment expertise to a UK Inward Investment delegation from British embassies across the world; and • feeding into the EU's panel of experts on the Social Business Initiative championed by Commissioner Barnier and his colleagues. <p>Recommendation</p> <p>Members are asked to:</p> <ul style="list-style-type: none"> • Note the report 	

Main Report

The City of London's Social Investment Strategy

1. The work of the Social Investment Advisor (SIA) supports the City Corporation's Social Investment Strategy, under the leadership of the Policy & Resources Committee. The post is co-funded by Policy & Resources and City Bridge Trust Committees. The SIA advises City Bridge Trust's Chief Grants Officer on matters relating to the City Bridge Trust and the Social Investment Fund as well as the Director of Economic Development on delivery of the Strategy. The Strategy has the following aims:

- a) Encouraging and steering a growing supply of appropriate finance into social investment (including establishing and developing the City Corporation's own £20 million Social Investment Fund)
 - b) Working to improve the regulatory and fiscal framework needed to support the social investment marketplace
 - c) Develop the capacity of social organisations to access investment and secure contracts and markets
2. The overall aim is to work towards establishing London as a recognised global hub for social investment, as a driver of economic growth.

Representational work

3. **UK's Inward investment expertise on social investment:** The SIA, alongside a Senior Policy Advisor from UK Cabinet Office, presented the opportunities and UK expertise in social investment to a delegation of British Embassy and High Commission senior inward investment officials. This opportunity links with the City Corporation and the UK government's aim to establish London as a recognised global hub for social investment (referred to by the Lord Mayor and Chairman of Policy & Resources on trips abroad, where there is a known interest). Next steps include follow up meetings with interested officers and further co-ordination with Cabinet Office and UK Trade and Investment (UKTI) to embed this agenda into the UK's inward investment offerings.
4. **Update on EU:** The SIA represented the Corporation at the latest meeting of EU experts on Social Business Initiative. With the appointment of new commissioners to the European Commission later in 2014, there is a focus on establishing the important principles that the new commission should proceed with to support the development and finance of social enterprise in the EU's financing period 2014-2020. The Corporation is a co-signatory of the 'Strasbourg Declaration' which reflects these priorities. (See http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf)
5. **Update on G8 Taskforce for Social Investment:** The SIA represented the Corporation at the G8 National Advisory Board meeting, hosted and chaired by Big Society Capital. Sir Ronald Cohen updated the Board on the work plan of the Taskforce. The topics for discussion continued to focus on how social sector organisations could secure a larger share of public sector contracts and the opportunities that arise from the new EU Directive on public procurement. The UK Government is encouraging public sector commissioners to think how they can embed social value in their processes, in line with the Public Services (Social Value) Act, 2012, by creating some seed funding for local authority innovation and through the establishment of its Commissioning Academy.

6. Other aspects of the G8 Taskforce's work stream include international comparisons of the different support structures required for this 'adolescent market', the role for corporates (or others) to be 'commissioners for outcomes', and to consider what innovations work best and why. The taskforce plans to produce a series of recommendations in June 2014.

Research

7. **Update on Social Investment Market Research Council's current research projects:** the Corporation is managing and leading on two of the three current research projects of the Council. These provide:
 - a) an examination of **potential new sources of supply of social investment** (including housing associations, certain pension schemes, university endowments and others); and
 - b) a **user friendly description of the Financial Promotions Order**, which maps out the impact and barriers it poses for social investment.

Both of these are due to be published by April 2014.

8. The Research Council is also commissioning a further research piece which, by tracking historic performance of a selection of social investment deals made, aims to provide an evidence-based assessment of actual performance and implied investment risk levels. This is currently pre-contract stage and is due to be published later in Autumn/Winter 2014.

Economic Development Case Study

9. The Economic Development Office has worked with the City Surveyor's Department in consideration of alternative uses of a Corporation-owned property in one of its fringe boroughs. Options for use include a quasi-commercial social enterprise start-up, and a mainstream commercial office space. The SIA has provided guidance and an external evaluation of the broader economic and social benefits (e.g. offered by the social enterprise) to be considered alongside the direct financial comparisons of the options. The principle of considering these broader benefits is in keeping with the social investment and inclusion strategies of the Corporation.

Regulatory issues

10. **Update on Social Investment Tax Relief (SITR):** The Corporation and Big Society Capital submitted final considerations to the draft legislative text of the SITR, in advance of the Bill which is due to be made public at the Budget 2014. The next steps are to identify the most suitable products and investors to ensure speedy take up of the relief.
11. **Update on Financial Conduct Authority (FCA) consultation around crowd funding and its implications for social investment:** the FCA plans to publish rules within the next month. In this context, Barry Sheerman M.P. (Lab) has established a Social Innovation Commission which has a wide remit

covering social innovation, crowd funding and social investment. The Corporation is keeping a watching brief on the work of this commission.

12. Update on Law Commission's review of social investment by charities:

The Law Commission will launch a consultation in April on issues relating to social investment by charitable foundations and trusts. Discussions across departments within the Corporation have already begun with a view to submitting a response once the consultation is opened.

Market trends and issues

13. As highlighted in previous Committee papers there is currently an excess of supply of capital seeking low-risk, asset-backed investment opportunities and a shortage of funds for high-impact, perceived higher-risk opportunities. A review of the Investment and Contract Readiness Fund (ICRF) which supports organisations seeking contracts or investments above £500,000 should highlight the ICRF's impact in helping to develop a pipeline of investment over the next 18 months. Additionally, Big Lottery Fund is due to launch a 'mini-ICRF' imminently which will support organisations seeking capital at the lower end of the investment market. Discussions with other foundations, intermediaries and third sector umbrella groups to date have identified the potential value of a high-impact fund in catalysing the pipeline of investment opportunities. Plans by City Bridge Trust to work in this space are discussed further in the Chief Grants Officer's report.
14. Follow-up meetings held with attendees of the GIIN conference reinforce the breadth of investors' perceptions as to what constitutes social / impact investment. This raises challenges in providing the necessary brokerage services and infrastructure for a sector where transaction costs remain high and information on many deal opportunities is not readily available. UK sector representatives appreciate that City Bridge Trust is considering this challenge through its grants programme.
15. A video from the GIIN event and a follow-up interview with GIIN's CEO which includes discussion of the role of catalytic is available to watch at <http://www.youtube.com/watch?v=W6VB6x5EIYM>

Annex

Update on Big Society Capital's investment activity

Portfolio investments		In principle commitments	
It's All About Me Adoption Social Impact Bond	£1m	Local Partnerships Technology Spin Out Fund	£3m
Affordable Homes Rental Fund	£2.5m	Apposite Capital's Social Impact Healthcare Fund	Up to £10m
East Lancs Moneyline	£950k	FSE Group's Social Impact Accelerator Fund	Up to £10m
Bridges Social Impact Bond Fund	£10m	DERiC CIC	£1.05m
ClearlySo	£1m	PRISM Fund from Bridges Ventures and Sarasin Partners	Up to £15m
Community Generation Fund	£750k	Social Finance's Care and Wellbeing Fund	Up to £10m
DWP Innovation Fund	£2.4m		
Essex Social Impact Bond	£825k		
The Foundry	£2.7m		
Franchising Works Licence Fund	£1m		
Impact Ventures UK	£10m		
Nesta Impact Investments	£8m		
Pure Leapfrog Community Energy Fund	£1m		
Real Lettings Property Fund	Unspecified		
Investing for Good	£875k		
Social Stock Exchange	£850k		

Paul Sizeland

Director, Economic Development

T: 020 7332 3600

E: paul.sizeland@cityoflondon.gov.uk