

Committee:	Date:
Social Investment Board	4 July 2014
Subject: Update on work of the City Corporation's Social Investment Advisor	Public
Report of: Director of Economic Development	For Information

Summary

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 Corporation's social investment fund.

Since your last meeting in April, work has included:

- feeding into the high profile G8 summit on investment into dementia care;
- working with the Research Department in the editing of two reports on potential sources of supply of social investment and on the role of the Financial Promotions regulations on social investment (both now published);
- representing the City Corporation at the plenary session of the global G8 taskforce in London in June;
- developing the details of the 'Transition Fund' with City Bridge Trust to create a high impact support programme for social sector organisations (name still to be decided on);
- co-ordinating City Corporation response to the Law Commission on the engagement of charities in social investment;
- continued work with H M Treasury on the social investment tax relief, particularly on the application to the EU on State Aid; and,
- helping to organise a follow-on event for a selected gathering of Independent Financial Advisors to engage them in social investment.

Recommendation

Members are asked to:

- 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; and
 - c) developing 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. **A) The SIA represented the City of London Corporation at the plenary of the Social Investment Task force, established under the auspices of the G8, in London on 19th and 20th June 2014.** By bringing together all the delegates of the national advisory bodies as well as from the four separate work streams, there was a real opportunity to discuss in detail the issues emerging and next steps.

B) The UK National Advisory taskforce will be submitting an overarching report on the current and forecasted UK social investment environment. Additionally, Impetus Trust is chairing a working group focused on capacity building for the social sector. The SIA will work with Big Society Capital to help co-ordinate the final paper and is also contributing to the working group on capacity building.

C) The final report of the entire Task Force will be written by Matthew Bishop, US Chief Editor of The Economist and author of Philanthro-capitalism. This report will be published on 15th September, and delegates will be seeking to raise its profile on various international forums, such as World Economic Forum, UN, World Bank etc to ensure that its key messages generate a momentum internationally. Communication challenges arising from the complexity of the topic were discussed fully at the plenary.

4. Following on from the **Global Summit on Dementia**, held under the UK's Presidency of the G8, the Guildhall hosted an event focusing on the financing of initiatives to tackle the rise and care of dementia sufferers. The Prime Minister spoke about the priority the Government gives to this, and The Rt Hon Jeremy Hunt MP, Secretary of State for Health hosted the event. It was attended by around 300 – 350 world leading figures from across the fields of finance, science, health, development and civil society. Dr Dennis Gillings CBE, the appointed World Dementia Envoy, addressed the need to provide a regulatory and financial environment which puts in place incentives to pharmaceutical companies to engage and collaborate in dementia research. The Summit examined how finance can bolster efforts to prevent, delay and support people to live well with dementia. It also considered ways of attracting and structuring new sources of finance to develop a private and philanthropic fund to tackle dementia. The conference was opened by the Chairman of Policy and Resources Committee; the SIA contributed to the event's planning and attended on behalf of the City Corporation. For a link to the BBC report on this event, please see <http://www.bbc.co.uk/news/health-27912473>
5. **Financing for winning social ventures:** The SIA was invited by UnLtd to form part of the 'Dragons' Den' panel to select finalists for the Big Venture Challenge. In total 30 social ventures were selected from applicant enterprises based throughout the UK which showed potential to become sustainable, investible businesses which created identifiable social value. Winners are supported by UnLtd to raise larger sums of high-risk growth capital and are given the chance to access match funding of £25,000 - £100,000. For further information on the winners, please see <https://unltd.org.uk/bvc/bvc-winners-2014-2/>

Social Investment Tax Relief

6. **EU State Aid submission to support the Social Investment Tax Relief:** HM Treasury is applying to the European Commission to increase the limit imposed by EU State Aid rules on the value of investments eligible for tax relief (c £290,000 in any 3 year period). SIA has been approached to support HM Treasury in building this case, drawing on various data sources for evidence.
7. **Social Investment Academy meeting at Guildhall:** City Corporation and Big Society Capital sponsored the third gathering of Independent Financial Advisors (IFAs), organised and led by Worthstone. The event was hosted by management consultants Bain & Co. Unlike the previous two events, invitations were limited to a small group of interested IFAs to work in groups on key issues around their ability to recommend social investments to their clients. The Treasury briefed the IFAs on the details of the newly created Social Investment Tax Relief.
8. Long term aims of this initiative of Worthstones are to develop a 'suitability' crib sheet and guidance for IFAs, to provide the IFAs with evidence of actual versus perceived risk of social investments (with case studies) and for the IFAs to become

effective intermediaries to promote social investments to their clients, motivated in part by the attractiveness of the Social Investment Tax Relief.

Research

9. Since the last Social Investment Board meeting in April, the City Corporation has published two further reports which it commissioned and managed on behalf of the Social Investment Research Council. These are:-
 - a) **a report identifying potential new sources of supply of capital for social investment** (such as housing associations, faith based organisations, university endowments and family offices). Certain investment fund managers have already identified this as a helpful document in searching for potential co-financiers;
 - b) **a user friendly description of the Financial Promotions Regulation** which maps out the impact and barriers it poses for social investment. This significant report has already received praise from product designers and fund managers; the power to make any amendments to this regulation lies with H M Treasury and it is intended that the report is followed up by further discussions with relevant policy makers.

Links to both reports are available at
<http://colresearch.typepad.com/colresearch/social-investment/>

Social procurement

10. The Corporate Responsibility Team within Economic Development Office chaired an initiative to create a free to use, on line database of over 10,000 UK based social enterprise suppliers. Interested buyers are able to search the directory using keywords, location or sector codes. This tool aims to assist organisations in making social procurement choices and supports the intention of the Social Value Act. The database is the result of a partnership of City Corporation with private sector companies, Cabinet Office, the housing association Aspire, and Social Enterprise UK. Next steps are to ensure it is widely promoted and used and its platform features are extended so that it eases the process of procuring from social organisations. The database was launched by Minister Nick Hurd and by the Chairman and Deputy Chairman of Policy and Resources Committee at the Guildhall in June. The directory can be reached at (www.buysocialdirectory.org.uk)

Consultation responses

11. The Law Commission consulted on the role of charities in social investment. It proposed creating a new statutory power to enable charities to consider and make social investments. The City Corporation responded to this consultation, broadly supporting greater clarity for Trustees in how they could use their various financing tools for social outcomes. The City Corporation's response also emphasised that,

whilst any such clarification or new power should enable Trustees to consider such investment decisions, it should not place charities under any obligation to invest in this way.

12. Cabinet Office is currently consulting on how to provide financial and in-kind support to third sector organisations to ensure they are sustainable in times of public sector cuts and reduced grant funding. This overlaps with the creation of the City Bridge Trust's 'Transition Fund' to help bridge the gap between grant finance and social investment, and City Bridge Trust is feeding in its views into this consultation process.

Market Trends

13. There are still challenges in getting the available finances to the front line, but this is being tackled in a number of ways, from establishing place based funds (e.g. in Liverpool and North West and Cumbria), to increasing number of incubators and investment readiness programmes. There are also plans to provide hybrid finance packages which combine grant and investments into one package.
14. There are communication challenges at most areas of this marketplace: for example, there are challenges to engage the potential users of social investment to consider using it, challenges for commercial investors to understand how and from where the financial returns will be forthcoming; challenges for charities and grant givers to establish how best to use their financing tools and the extent to which social investment supplements or replaces public sector spend; and challenges for entrepreneurs choosing legal forms which reflect the social purpose but which still attract investment. Procurers, investors, grant makers and investees all need to be able to communicate an approximation of the financial and non-financial impact of their involvement, difficult as that may be. These are not insurmountable challenges but they do need to be tackled for the sector to reach its full potential. Messages need to be made jargon-free, simple and compelling, and the complex topic needs to be tailored according to the audience. The G8 Task Force will seek communications expertise to help convey their findings to the widest possible audience in the clearest possible way. Learning from this should be spread widely.

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