

<b>Committee:</b>	<b>Date:</b>
Social Investment Board	12 December 2014
<b>Subject:</b> Update on work of the City Corporation's Social Investment Advisor	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
<p><b><u>Summary</u></b></p> <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 Corporation's social investment fund.</p> <p>Since your last meeting in September work has included:</p> <ul style="list-style-type: none"> <li>• on-going work to build the evidence base for HM Treasury to seek an expansion of the Social Investment Tax Relief scheme from the EU;</li> <li>• commissioning research into London as a global hub for social investment;</li> <li>• hosting a session for the Corporate Responsibility Group on social investment;</li> <li>• feeding into the Expert Panel of the European Commission on Social Investment Business; and</li> <li>• hosting a delegation from a Finnish social innovation centre.</li> </ul> <p><b>Recommendation</b></p> <p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• Note the report.</li> </ul>	

### **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:

- growing the supply of suitable finance available for social organisations (including establishing and developing the City Corporation's own £20 million Social Investment Fund);
  - improving the policy, regulatory and fiscal framework needed to support the social investment marketplace; and
  - building the capacity of social organisations to enable their involvement in the social investment marketplace.
2. The overall aim is to work towards establishing London as a recognised global hub for social investment, as a driver of economic growth.
  3. The resources for this work have altered now, as the SIA is no longer based in the Guildhall but operates on a retainer basis. Regulatory work has been taken on by the Economic Development Office's City Affairs team.

### **Representational work**

4. Social Enterprise UK (SEUK) awards scheme: the City Corporation has won an award in the 'Buy Social Market Builder' category, in recognition of its work to encourage procurement from social enterprises through its Buy Social Directory (see [www.buysocialdirectory.org.uk](http://www.buysocialdirectory.org.uk)) and amending City Corporation procurement processes: The event was hosted by SEUK at St Luke's on 25<sup>th</sup> November.
5. The SIA co-hosted with the Cabinet Office a delegation from SITRA Finland (a social innovation hub) with representatives from the Finnish Ministry of Employment and various umbrella organisations. This provided an opportunity to understand the state of the social enterprise and investment market in Finland and share knowledge and experience of building the necessary structures for the sector to reach its potential.
6. The City Corporation hosted a breakfast in the Guildhall for corporates who are keen to integrate aspects of social investment into their businesses. The event was designed to help Corporate Responsibility professionals discuss this issue within their organisations, and to consider the range of reasons why it could be beneficial to do so. Over 20 organisations attended from Linklaters, Centrica, RBS, Shell and others.
7. The Social Investment Advisor attended the bi-annual meeting of the European Commission's Expert Panel for the Social Business Initiative. This revealed that in the reorganisation of the new Commission, it is unclear whether this work will remain on the agenda of any Commissioner. There is now a move amongst many of the members of the expert panel to ensure that this agenda is kept active within the Commission, given the sector's potential to be a source of economic growth and social outcomes.

## **Social Finance regulation**

8. EU State Aid submission to support the Social Investment Tax Relief: the SIA continues to work closely with H M Treasury in building a case to apply to the European Commission for an increase in the investment limit imposed by EU State Aid rules on any organisation offering tax relief to an investor. Currently, the ceiling is determined by De Minimis rules, which puts a cap on the ceiling of any single investment at £270,000. The Chancellor is likely to announce in the Autumn Statement that he will seek the EU Commission to remove it from De Minimis and impose a ceiling of £5million, on the basis that this figure is sufficient to address the size of market failure. If successful, this could attract more mainstream financial advisors and fund managers to engage their clients in social investment.
9. H M Treasury is still to take forward the issue of the impact of Financial Promotions Regulation on social investment, as identified by City Corporation research on this topic (published in June 2014). It is considered preferable to focus discussions with HM Treasury on the tax relief until this submission is with the EU and re-visit the Financial Promotions issue in the New Year.
10. The City of London has commissioned a report into the role that London can play as a hub for social investment. The report will examine its current strengths and weaknesses as such a hub, what the value of the opportunity is worth and what it might need to do to become recognised as a hub globally. It is expected that this work will be completed by end of this financial year.

## **Market Trends and Developments**

11. The focus on capacity building continues to match up the growing supply of finance with suitable investment propositions; Social Investment Business are running a variety of enterprise support programmes for Big Lottery Fund and Cabinet Office. A range of new funds are emerging. Big Society Capital hosts an investment page on their website with an up to date list.
12. Work continues on the establishment of a new market development foundation (Access Foundation), to be created with funds from Cabinet Office, Big Lottery Fund and Big Society Capital. It aims to address the three issues of capacity building, finance for growth (via grants mixed with social investment) and infrastructure support in one organisation. This organisation aims to be operational in Q1 2015.

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