

Committee:	Date:
Social Investment Board	03/06/2015
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Information

Summary

The report:

- introduces speakers from the FSE Group at today's meeting;
- provides an update on City Bridge Trust's Stepping Stones grants programme for London charities exploring the social investment market;
- introduces the investment proposal from HCT Group and this organisation's funding history with the City Bridge Trust;
- notes the forthcoming review of the Fund's financial targets;
- comments on the possible extension of Right to Buy to housing associations and the impact this might have on your portfolio;
- provides an update on the social investment research commissioned by the City of London from PwC; and
- provides an update on progress to co-opt new Members to the Social Investment Board.

Recommendation

Members are asked to:

- Note the report.

Main Report

The FSE Group

1. Members will be joined today by Jeff Dober (Head of Social Impact Funds) and Mark Bickford (Senior Fund Manager) from the FSE Group, a fund management, training and consultancy organisation working to develop small and medium enterprises. FSE Group has an active interest in the social investment sector and has received investment from Big Society Capital for its work. Jeff and Mark will talk about FSE's market development activities and, having provided the due diligence for the HCT Group investment proposal in your papers, will be available for discussion of that item.

Stepping Stones Fund

2. City Bridge Trust launched the Stepping Stones Fund in November 2014. This £1m grants programme was designed to encourage London-focused charitable organisations to engage with the social investment market. The Trust received 41 applications from organisations seeking funding to build their capacity or pilot outcomes as preparation for taking on social investment. Applicants represented a diverse range of London-based charities operating across a wide span of activity, from homelessness to organic food production, and from renewable energy generation to youth education.
3. 30 were long-listed and invited to submit more detailed business plans. Applicants had the opportunity to receive telephone coaching from the Trust in order to help them make the strongest possible case for their work. The Trust benefited from partnership support from UBS for this programme. UBS offered venues for various stages of the selection process as well as a significant number of their staff for volunteers support with screening, interviews and applicant coaching.
4. Following a review of business plans and panel interviews in March and April the Trust short-listed 17 organisations, each seeking grant funding at levels between £10,000 - £50,000 and with a combined 'ask' of slightly less than £700,000. These proposals are with the Chairman and Deputy Chairman of City Bridge Trust for decision and there will be a verbal update at your meeting.
5. This has been the Trust's first major market-development initiative and an evaluation of the programme is underway. Our initial findings are that: UBS has been an excellent partner and shown interest in future collaboration; applicants benefited from opportunities for early feedback on ways to sharpen and improve their applications; unsuccessful applicants benefited from advice on alternative sources of support; the programme is resource intensive and requires significant time to run well; there is merit in running at least one future round.

Investment Proposal

6. Today's papers include an investment proposal from the HCT Group. This organisation, formerly known as Hackney Community Transport, was one of the first charities funded by City Bridge Trust. In November 1995 the Trust awarded £79,350 to purchase three fully accessible minibuses for use by organisations working with elderly and disabled people in Hackney. Today, HCT Group is a social enterprise 'success story' having grown its business through winning contracts for a wide range of transport services across England and the Channel Islands. HCT maintains its community transport service, and I'm delighted that one of the Trust's early grantees is now in a position to return to the City for social investment.

Investment Criteria

7. Initial investment criteria for the Fund were approved by the Court of Common Council on 25th October 2012, with additional criteria agreed at the Social Investment Board's first meeting on 14th December 2012. At your meeting on 23rd April 2013 you set the following financial target for the Fund:

*“The Social Investment Board should seek **a total** return equivalent to the CPI inflation rate (2.7%) on the day when the £20m allocation was made (25 October 2012) and that the individual investments should seek a return which at least matches the average cash rate achievable on that date (2%).”*

8. In line with the usual term for assessing the performance of other City investments it was agreed that the financial target would be reviewed and (if necessary) revised on its third anniversary. This would be late 2015 and so Members will receive a proposal at the September meeting.

Right to Buy Risk

9. Following a question raised at Investment Committee in January, officers tabled a short note at their meeting on 14th May on the risk Right to Buy posed to the City of London Corporation Social Investment Fund.
10. Right to Buy currently allows certain categories of council house tenant to buy the property they live in at substantial discount (£77,000 - £102,700). The Right to Buy applies where the property is: self-contained, the tenant's only or main home, where the prospective buyer has a secure tenancy (i.e. the right to live in the property for the rest of their life so long as they abide by the rules of the tenancy agreement) and where the landlord is a public sector body.
11. At present none of the City of London Corporation's Social Investment Fund's holdings are subject to risk of impairment as a result of right to buy. Where investments are in residential property ventures, the landlords are charitable rather than public sector, and secure tenancies are not used.
12. Members will be aware that the 2015 Conservative Party manifesto included a pledge to extend Right to Buy to housing association property. The manifesto did not make clear whether the same discounts and eligibility criteria that apply to local authority homes would apply to this extension of Right to Buy and in the absence of such detail it is hard to quantify the risks this may pose to holdings in the City of London's social investment fund.
13. Officers are liaising with the Remembrancer's team to monitor any new legislation in this space and will advise Members of the Board accordingly.

Social Investment Research

14. The City of London Corporation will publish “Developing a Global Financial Centre for Social Impact Investment” in June. This report, which the City has commissioned from PwC will consider what is needed to create a 'global

social investment hub' and how such a centre might fuel market growth. We expect the report to focus much of its analysis on the role London might play, identifying its strengths and weaknesses in becoming such a centre. The report will present a series of practical recommendations for policy makers and organisations.

15. We will circulate copies of the report to Members following publication. If it would be of interest, your September meeting could include a briefing on the research findings and how the City of London might act on these.

Co-opted Members

16. You approved a job description for co-opted Board Members at your meeting on 4th February and recommended that this be advertised via the Cabinet Office's Public Appointments website. Some difficulties engaging the Cabinet Office together with the interruption of the election period mean that officers have not yet advertised the role but hope to do so shortly and will advise Members accordingly.

Appendices

None

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