

Committee Social Investment Board	Date: 7 December 2015
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision

Summary

The report:

- introduces Sara Llewellyn from the Barrow Cadbury Trust as today's external speaker;
- provides an update on co-options to the Board;
- recommends that you expand your pool of third party advisors; and
- provides updates on investment proposals and the Stepping Stones Fund, City Bridge Trust and UBS' Stepping Stones grants programme for London charities exploring the social investment market.

Recommendation

That you authorise officers to seek expressions of interest from FCA-authorized firms willing to act as due diligence advisors to your Fund.

Main Report

Barrow Cadbury Trust

1. You will be joined today by Sara Llewellyn, Chief Executive of the Barrow Cadbury Trust, an independent charitable foundation which works to tackle deprivation and promote social justice in the UK. Established in 1920 by the grandson of John Cadbury, the founder of the family-run chocolate business, the Trust has a longstanding commitment to ethical investment. In 2010 it set aside £4m (5%) of its endowment for social investment in activities aligned with the Trust's Mission, and in projects that help develop the market.
2. Sara has extensive social investment experience. She is a board member of Charity Bank and is Vice-Chair of the Association of Charitable Foundations. Prior to this she spent 13 years as Deputy Chief Grants Officer with City Bridge Trust, during which time she was at the forefront of work to explore what the City of London might do in the social investment space. Sara will share the experience of Barrow Cadbury's work and her thoughts on future market trends.

Co-opted Members

3. Tim Haywood (Master) and Trevor Sykes (Head of Finance) from Mercers' Company joined your September meeting. This Livery has a growing interest in social investment and has committed funds to Charity Bank.

4. Since September the City of London and Mercer's Company have continued to meet and discuss their respective social investment activities and, following discussion with the Chairman and the late Deputy Chairman (Deputy Howard), today's papers include a recommendation that you co-opt a senior representative of the Mercers' Company to the Social Investment Board. This would likely be Tim Haywood, a senior Asset Manager with GAM and thereby very familiar with investment principles who will, in his own right be a useful addition to the Board. The co-option would support our goal of encouraging key City stakeholders to engage with the social investment market. We understand that the co-option has been approved by the Court of Assistants of the Mercers' Company. As with other co-opted members this would be a non-voting position but with the opportunity to take part in all public and non-public discussions of the Social Investment Board.
5. Separately, and following the Social Investment Board's skills audit, adverts for three co-opted Members were placed through a range of channels including Big Society Capital, Women on Boards and Escape the City. We were particularly keen to hear from candidates with expertise in welfare policy, social impact reporting, statutory commissioning, and legal matters. Twelve applications were received from which six were selected by the Chairman and your officers for interview. This is likely to happen in mid-January and I expect the recommendations for co-option to come to your February 2016 meeting.

Advisors

6. As a condition set in 2012 by Court of Common Council, any investment proposal presented to the Social Investment Board must be subject to a review by an independent FCA-regulated agency (or FSA, as was). The Social Investment Board's terms of reference include provision to appoint independent advisors. There are currently four firms in the Social Investment Board's advisory pool: Social Finance Ltd (appointed December 2012); FSE Group (appointed June 2013); the Social Investment Business in partnership with Investing for Good (appointed June 2013); and Albion Ventures (appointed December 2013).
7. Following the advice of the Head of Procurement Policy and Compliance, officers have the right to use their discretion for the procurement of minor consultancy (defined as under £50,000) in accordance with regulation 43. This allows for single quotations for appraisals and allows flexibility in matching the most suitable advisor to the investment proposal. Each advisory firm is engaged on a spot-purchase basis, with work commissioned on the basis of each firm's capacity, specialist focus, and with regard to any potential conflicts of interest.
8. In practice, and due largely to their dedicated capacity for this service, Social Finance has provided the majority of reviews, whilst FSE Group and Albion Ventures have provided one each, and none have been commissioned as yet from the Social Investment Business in partnership with Investing for Good.

This has put constraints on the ability to review a greater number of proposals than we would ideally like, and has slowed the deployment rate.

9. A narrow advisory pool also raises the risk of dependency on a single agency, and officers recommend that the Board repeats the 2013 exercise of inviting prospective advisors to submit a short expression of interest in joining the pool. Prospective firms would have sight of the City of London's standard terms of engagement and of the usual fee level.
10. Once expressions of interest have been received, we recommend that the most suitable be interviewed by the Chairman and Deputy Chairman with officers before they are put forward for Board approval.

Investment Proposals

11. A proposal to invest in Thera Trust's 2015 bond was submitted to the Chairman and Mr Roger Chadwick (as the next most senior Member) under urgency on 19 November because the offer was subject to early close. This investment was approved but, due to popularity of the bond, we were subject to scale-back and invested £100,000 rather than the target £200,000.
12. Unfortunately, we have no suitable investment opportunities for today's meeting but due diligence is underway (as outlined in today's Portfolio Update) and it is expected that recommendations will be made to your February 2016 meeting.

Stepping Stones Fund

13. This City Bridge Trust grants programme has been a regular item at previous Board meetings. Briefly, it was launched in November 2014 and awards funds to charities and social enterprises in Greater London who wish to engage with the social investment market. The programme was developed in recognition of the barriers to market entry, and the need for the City of London to be proactive in developing a pipeline of investible opportunities. Over £700,000 of grant funding has been distributed to 17 organisations so far.
14. UBS has been a close partner to date, and we were delighted that they decided to co-fund the second round of the Stepping Stones Fund. The deadline for first applications closed in mid-November and the Trust is now considering 36 bids to a total value of £2,036,563. With only £1m available in this round it will be a competitive selection process and I will update you on progress made (as well as final awards) in future meetings.

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