

Committee	Date:
Social Investment Board	12 July 2016
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Information

Summary

The report:

- introduces James Perry, Chief Executive of Panahpur, as today's external speaker;
- provides updates on the areas discussed at the June Strategy Away Day, as well as updates on several current projects including a review of the way your Fund is promoted, how we are working to expand the advisory pool (and thereby accelerate the deployment rate), steps we are taking to strengthen our approach to social impact measurement; and how we continue to engage with the Livery;
- updates the Board on the latest round of the Stepping Stones Fund and provides details of some of the grantees from the first two rounds who have completed their work
- includes details of a presentation made by the Chairman at an international impact investing conference.

Recommendation

That the report be noted.

Main Report

Panahpur

1. You will be joined today by James Perry, Chief Executive of Panahpur, an organisation that has changed its focus from using endowment to generate income for distribution as grants to the use of all of its assets for social investment. James has been Chief Executive since 2009, prior to which he was co-founder and Managing Director of Cook (a premium prepared-food manufacturer). In November 2013 Cook became a B Corp, which means it has been certified as a for-profit business with social and environmental outcomes as part of its mission. James plays a significant role in the development of the social investment market. Among other work, he acts as Deputy Chairman of the Social Stock Exchange, and chaired the UK Mission Alignment Working Group for the US Advisory Board of the G8 Social Impact Investment Taskforce.

Strategy Away Day

2. Members and officers were joined by guests from the Esmée Fairbairn Foundation, Social Finance, Bates Wells Braithwaite, Clothworkers' Company and the Mayor's Fund for London at a thought-provoking away day on 28th June. A wide range of issues was discussed and, whilst this list is not complete, the debate included: the charitable sector's need for working and growth capital; building a balanced, risk-adjusted portfolio; considering the social and environmental impact of other holdings in the Bridge House Estates endowment; the value of clear impact objectives for the Fund and social impact monitoring of investments held; and the possibility of tackling a specific social issue in greater depth through the range of resources available to the City.
3. A note of actions is provided in appendix 1 of this paper, and initial progress against these in appendix 2. More substantive work will take place ahead of the September meeting when there will be proposals for how higher risk investments might be approached, and how the Board might address a social welfare issue in more depth. Given the Summer, your steer on which tasks should be prioritised for the September meeting would be appreciated.

Marketing the Fund

4. The Fund gathers information on potential investees through its network, its role as one of the co-ordinators of the Social Investment Impact Investors' Group (along with Big Society Capital and several other Foundations), its membership of the Global Impact Investing Network, and its web-based application process. Stepping Stones is also a helpful way to identify prospective future investees. The recent recruitment of Neha Chandgothia, who has joined City Bridge Trust through the On Purpose scheme, has given us the opportunity to review how we market the Fund to social investment intermediaries and potential investees. Neha has interviewed several people, asking them to act as 'critical friends' and share feedback on how well understood our current risk-appetite and investment preferences are. This has generated valuable feedback including the misperception that the Fund is exclusively London-focused, the level of apprehension felt by many charities about debt (and the role we can play in communicating when and where repayable finance can support mission delivery), the benefit of blended finance (where loan finance complements grant-making), and the importance of providing support to the grant-making team so they can better identify opportunities for social investment. We will be addressing these issues through the Trust's forthcoming programme review (known as the Quinquennial), the development of the Stepping Stones Fund and the City Bridge Trust's new website.

Advisors

5. Your December 2015 meeting reviewed the small advisory pool available to the Social Investment Board. You will recall the Court of Common Council's 2012 requirement that all investment proposals put to this board be

accompanied by a review prepared by an independent FCA-regulated agency. The Social Investment Board's terms of reference include provision to appoint independent advisors and there are currently four firms in the 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).

6. Recognising the relatively narrow pool, the limited capacity of some of the firms currently appointed and the importance of matching the right firm to the right opportunity, we are interviewing new firms as well as discussing how existing providers might deliver more. Recommendations will be available in late July, after which the most suitable will be interviewed by the Chairman, Deputy Chairman and officers before they are put forward for Board approval, most likely in September.

Social Impact Measurement

7. Making a positive social difference is central to the work of the City of London Corporation's charity, City Bridge Trust, and has been at the heart of its grant-making since this began in 1995. In 2012, when the Social Investment Fund was created, it provided the Corporation with an additional platform to increase the level and reach of its social impact. The Fund has made investments in a range of fields including homelessness, rehabilitation of ex-offenders, independent living for disabled people, support for people with learning disabilities, the construction of housing for families on low income, and travel facilities to people with disability. Some commentary on the social benefit of the investments is provided in the Portfolio Report tabled at each of the Board's meetings, but social impact measurement is not straightforward (e.g. investees often deliver work that can't be compared easily and they have different impact measurement capabilities) so our data gathering and reporting remains a work in progress.
8. On 29 June Big Society Capital hosted an event to launch its new approach to social impact measurement. The discussion covered the range of methods and frameworks that currently exist (a subject addressed in a February 2015 paper to your Board), the difficulty of standardising one approach, and the cost implications to investees. Speakers addressed the need to match social impact approach to the capacity and social welfare priorities of the investee. Thematic studies, such as impact measures that work well for young adults with learning disabilities, could be an area of future focus. We will bring a portfolio social impact report to the September meeting, and in the meanwhile we are engaging with organisations including Power to Change and Big Society Capital to learn from their practice. If it would be of interest to Members we could invite a speaker on this topic to the September meeting.

Speaking

9. The Chairman was a panellist at the Association of the Luxembourg Fund Industry (ALFI) Impact Investing Conference on 12 May where he shared the

City of London's social investment experience and his thoughts on how the market could develop. The conference was run in partnership with the Global Impact Investing Network (GIIN), which City Bridge Trust has been a member of since 2013, and which is the leading advocate for market growth. Conference issues ranged from climate finance, to ways of encouraging growth, to the challenge of reconciling long-term commitment to social and environmental development with investor demand for liquidity.

Stepping Stones Fund

10. The third round of this City Bridge Trust grants programme was launched in early June, and awards are expected in December 2016. This programme provides funding to charities and social enterprises in Greater London who wish to engage with the social investment market and is part of our efforts to build pipeline. So far 32 organisations have shared £1.6m to prepare themselves for repayable finance. UBS has been a partner since launch, contributing significant amounts of pro-bono time through its corporate volunteer programme, and co-funding rounds two and three. The Trust is running information sessions for prospective applicants, so if any Members know of charities and social enterprises in London who may be interested, please direct them to City Bridge's website for more details:
<http://www.citybridgetrust.org.uk/CBT/Grants/SteppingStonesFund/>
11. The majority of organisations funded through the first round of Stepping Stones started their project work in Spring/Summer 2015 with 12 – 18 month delivery timetables. As such, they remain 'active grantees' and have not yet reported on final outcomes, but interim monitoring shows that several organisations have increased revenue, improved impact measurement, developed new products for market, strengthened business skills, and prepared themselves to engage social investors.
12. Three organisations have completed their Stepping Stones funded work: Pure Leapfrog; Women's Resource Centre; and Media Trust. Funding for Pure Leapfrog's project manager led to the organisation developing a new business plan and securing a cornerstone investor for a £15m community energy project fund. Pure Leapfrog is planning to develop a new energy efficiency fund which could be of interest to the City. The Women's Resource Centre developed its business plan for a Women's Building in London. At the end of the grant, further work was deemed necessary before any loan finance could be sought but the organisation had a clearer sense of how best to focus its resources. Media Trust wished to explore the potential of generating revenue from charity sector clients at greater scale, and undertook market research as well as business planning. It concluded that social investment would only be suitable if based on media sector revenue and that further testing was needed before seeking loan finance. For the current Stepping Stones portfolio organisations, officers are arranging investment pitching sessions, giving them the opportunity to engage with a range of finance providers. If the City develops a higher risk, patient capital social investment facility, Stepping Stones grantees are likely to offer a good pipeline.

Engagement with the Livery

13. We continue to work to build connections with the Livery and arranged a meeting with eight Livery Companies at the Guildhall for 29th June. Held under Chatham House rules the agenda included discussion of grant-making, philanthropy and social investment. There is evidence of the Livery's growing interest in social investment, but also that each has some work to do before resources can be committed. We have offered advice and collaboration to support social investment plans, and continue most frequent engagement with Clothworkers and Mercers. Other Livery Companies may be interested in meeting the Social Investment Board in due course. Another meeting with the Livery will be scheduled for December 2016.

Appendix 1: Social Investment Board Away Day 28 June 2016 – Key Outcomes

Appendix 2: Actions against away day outcomes

David Farnsworth

Chief Grants Officer, City Bridge Trust

T: 020 7332 3713 | E: david.farnsworth@cityoflondon.gov.uk

Appendix 1: Social Investment Board Away Day 28 June 2016 – Key Outcomes

Questions arising	Actions coming out		Additional info	Officers responsible	How to be progressed
How can the SIB involve Livery companies?	1.	Prepare list of most interested Livery Companies.		CBT	Verbal update to July Board meeting
	2.	Growing organically from initial discussions underway.		CBT	Updates at each SIB meeting
How can the SIB be a catalyst for something bigger?	3.	Priorities for London be drawn up (based on CBT Investing in Londoners Programme)	London chosen as that is where expertise lies. Not limited investments to London (or London-based impact) but a strong starting point.	CBT	Come to July Board meeting
	4.	Hear from current investees in area of housing to speak about the market and their own needs.	Possibly hold second away day to hear from current investees. Alternative, invite to present one-by-one at board meetings.	CBT Team and links with Esmée Fairburn and Trust for London.	TBC
	5.	Arrange a convention to bring together housing and financial services.	Will be dependent on other pieces of work.	TBC	TBC
How can the SIB embrace a larger appetite for risk over the wider portfolio, in order to maximise impact?	6.	Explore potential for split capital investment trust, but more likely carve separate pot of money within existing SIB Fund.		Chamberlain CBT	TBC
	7.	Ask Investment Board to review Membership of its Boards – extend appointment terms.	Members remaining on the Board for more than one year will promote long-term thinking and enable planning over a longer term. Also will secure continuity of strategic direction.	TC and CBT	Come to September Board meeting If agreed,

					report to PIB and FIB, and subsequently to Investment Committee in Jan 2017
How can the SIB involve other Committees who are involved with BHE funds (i.e. FIB, PIB and CBT)?	8.	Spectrum of opportunities be drawn up (grants, social investment, responsible investments, etc.)	Clarity on types of investment opportunities will inform what the SIB can ask of PIB and FIB to get their input and involvement (i.e. not social investments, but possibly responsible investments).	CBT	Come to July Board meeting
	9.	Joined up funding with CBT on thematic areas within investing in housing (i.e. intergenerational living, loneliness, mental health etc.) See where SIB can add value.		CBT	Ad hoc – report to Board when they arise
	10.	Summary of what is happening within the Corporation.		EDO and CBT	Come to July Board meeting
	11.	Wider City of London Corporation Social Investment strategy – set out who does what.		EDO and CBT	Come to September Board meeting
	12.	Summary of Stepping Stones – quantum, nature of businesses, etc.		CBT	Come to July Board meeting

Appendix 2: Actions against away day outcomes

How can the SIB involve Livery companies?

Actions 1 & 2: Draw up list of interested internal and external parties; grow organically from initial discussions underway

Notes: Meeting of Livery Companies was held on 29th June with another to be scheduled for December 2016 (see paragraph 13 of this report). Officers to provide a verbal update on the most interested Livery Companies at the Board meeting.

How can the SIB be a catalyst for something bigger?

Action 3: Priorities for London be drawn up (based on CBT Investing in Londoners Programme)

Notes:

Investing in Londoners Programme	Description	Possible Social Investment Opportunity
English for Speakers of Other Languages	Support for work that increases the number of Londoners with improved English language skills	Potentially limited given the average income of service recipients and the entry level English support offered by organisations funded through this scheme.
Improving Londoners' Mental Health	Support for specialist mental health support services	Potential to generate cash-savings for statutory agencies which may lend areas of this work to impact bond type instruments. Some social investment intermediary organisations beginning to explore this space with potential to support their work.
Improving London's Environment	Environmental education, growing projects	Small scale loans to food growing

	and work to improve understanding of biodiversity	schemes who are working to develop revenue generation models (one organisation of this type currently funded through Stepping Stones).
Making London More Inclusive	Work that removes barriers to access and which enables disabled people to live independently	Independent living is already part of your social investment portfolio through investments in Golden Lane Housing and Thera Trust. The scale of need is greater than current provision and there is scope to do more.
Making London Safer	Work to support those who have survived domestic abuse, trafficking and hate crime	The Trust is currently funding a domestic abuse support programme through Stepping Stones which aims to generate cashable savings for a statutory commissioner. There is potential to take this to greater scale through a social investment instrument.
Older Londoners	Work with over 75s with a particular focus on mental and physical health, dementia and support for carers	A great deal of interesting work has been done in the dementia care area that could be suitable for social investment. Several 'profit with purpose' organisations have begun work in the dementia care field, and this is an area of growing need in London given demographic trends.
Reducing Poverty	Work to tackle food poverty, and to provide money, debt and housing advice	Currently difficult to see social investment opportunities in this space given how dispersed the beneficiary groups can be and the difficulty in generating a revenue

		stream or finding significant cashable savings
Resettlement and Rehabilitation of Offenders	Work to resettle ex-offenders in the community	Many organisations working in this space use employment and skills training. You currently invest in Midlands and Glasgow Together who work with ex-offenders, and there is potential to do more in this area.
Strengthening London's Voluntary, Community and Social Enterprise Sector	Work to strengthen infrastructure support services for charities	This is an area that is chronically under-resourced and it is difficult to see how it might be suitable for social investment

Action 4: Hear from current investees in area of housing to speak about the market and their own needs.
&

Action 5: Arrange a convention to bring together housing and financial services.

Notes:

To be arranged if of interest to Members.

How can the SIB embrace a larger appetite for risk over the wider portfolio, in order to maximise impact?

Action 6: Explore potential for split capital investment trust, but more likely carve separate pot of money within existing SIB Fund.

Notes:

Treasury and risk proposal prepared by City Bridge Trust and Chamberlain to come to your September meeting

Action 7: Ask Investment Board to review Membership of its Boards – extend appointment terms.

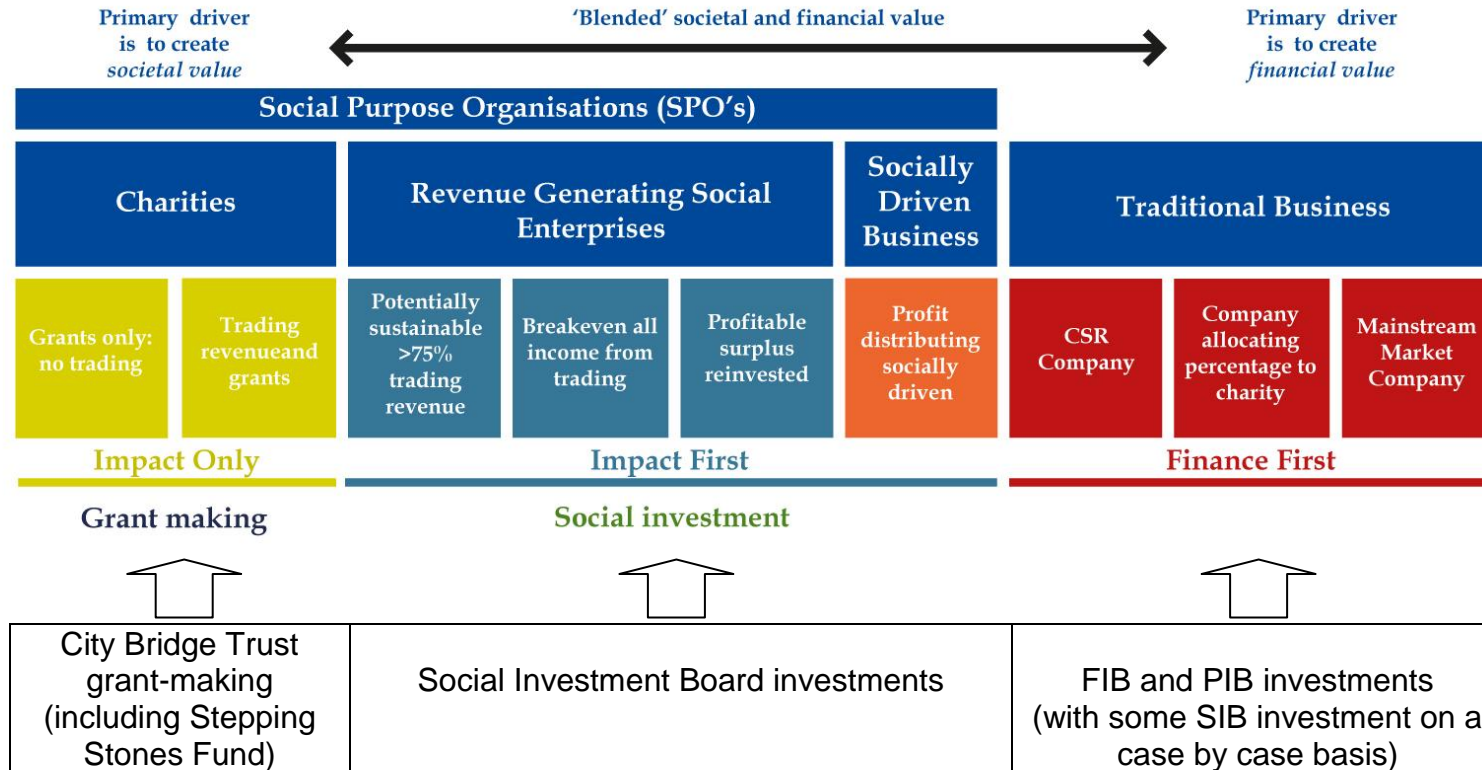
Notes:

Update to come to your September board.

How can the SIB involve other Committees who are involved with BHE funds (i.e. FIB, PIB and CBT)?

Action 8: Spectrum of opportunities be drawn up (grants, social investment, responsible investments, etc.)

Notes



Action 9: Joined up funding with CBT on thematic areas within investing in housing (i.e. intergenerational living, loneliness, mental health etc.) See where SIB can add value.

Notes: To be identified on an ad hoc basis as opportunities arise.

Action 10: Summary of what is happening within the Corporation.

Notes: In October 2015 the Court of Common Council committed to increasing housing supply, including delivering 3,000 homes on properties within the City Corporation's existing portfolio. These homes will be delivered by 2025 and will be complemented by 700 homes provided by increasing densities on our existing social housing estates. This housing will contribute to tackling the acute issues of housing affordability and supply that London faces. A Housing Steering group, jointly chaired by the Director of Community and Children's Services and the City Surveyor has been established to lead the delivery of the Corporation's housing vision. This group is assessing the range of objectives that are pertinent to development of this sort, including social benefit, environmental benefit, short term capital receipt and longer term income, how these might be balanced, and to propose a decision-making process for Members. The work of the Housing Steering Group will also identify the range of possible beneficiaries of potential developments. City Bridge Trust continues to engage with both Community and Children's Services and City Surveyor's Departments on the issue of social housing.

Action 11: Wider City of London Corporation Social Investment strategy – set out who does what.

Notes: For the September board meeting.

Action 12: Summary of Stepping Stones – quantum, nature of businesses, etc.

Notes: See paragraphs 10 – 12 of the report (above). Further details to come to Social Investment Board as Stepping Stones grantees complete their projects.