

Committee	Dated:
Social Investment Board	14/09/2016
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Decision

Summary

The report:

- Introduces a method for measuring the social impact of your Fund and provides an update on the progress to date with the current round of the Stepping Stones programme (a collaboration between City Bridge Trust and UBS to develop the social investment pipeline)
- The report includes some brief updates on current projects to expand the Fund's advisory pool and to extend the terms of co-opted Members
- For reference, the paper also provides an update on work delivered by the Economic Development Office and the City Bridge Trust against the City of London's 2014 social investment strategy

Recommendations:

Members are asked to note the report and to approve the social impact measurement method presented in appendix 1 for ongoing use by the Fund.

Main Report

Social Impact Measurement

1. Neha Chandgothia is working with the City of London through the OnPurpose programme and has developed a social impact framework for the Fund. This is presented in appendix 1 and is based on a review of good practice from other social investors. A social impact assessment of each active investment is included in today's Portfolio Report and if Members are satisfied with the approach taken, we propose to provide annual updates at both portfolio and investee level along with the annual valuation report.

Stepping Stones Fund

2. Launched in June, the third round of the Stepping Stones Fund is currently underway. This is a partnership programme between UBS and the Trust, offering grant funding to charities and social enterprises in Greater London who wish to engage with the social investment market. The Trust received 77 applications, far higher than the 41 and 36 who submitted proposals in previous rounds and, we think, attributable to the extensive promotional work

done by the Trust, UBS, and the organisations who participate in the programme's steering group. The total application value in this third round was £3,882,206, and with only £700,000 available, officers worked to short-list the strongest proposals before the interview stage. 47 applicants were rejected, one withdrew, and the remaining 29 have been invited to submit a full proposal.

3. The Trust will offer guidance for those shortlisted applicants (as well as feedback for unsuccessful applicants) and UBS will run surgery sessions to help organisations prepare their detailed bids. Full proposals are expected by September 23rd before panel assessment meetings at the bank in mid October. Following this, grant recommendations will be made to agree the distribution of round three of the Stepping Stones Fund. The Trust continues to discuss the programme with a range of possible co-funders, some of whom will participate in the panel meetings at UBS. Given the application levels seen for round 3 of Stepping Stones, there appears to be strong continued interest in the scheme. Awards are expected in December 2016.

Advisors

4. Previous meetings have reviewed the small advisory pool available to the Social Investment Board, and the impact this can have on deployment rate. 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).
5. 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 commissioned a review of 14 leading social investment advisory firms over the summer, looking at who might be interested in joining the pool. We were particularly keen to seek feedback on our spot-purchase arrangements, insurance liability requirements (which have been a concern for one existing provider) and the likely impact of fees on the Fund's net return. Twelve of these firms were keen to engage with us, but on further discussion three were found to have insufficient capacity. Of the remaining nine, we have identified four suitable firms and will now arrange meetings so the Chairman, Deputy Chairman and officers can agree recommendations to the Board to expand the pool.

Appointment Terms for Members

6. At the June away day Members requested a review of the duration for which they were appointed to the Board, noting that current annual appointments were too short to allow for long-term thinking, planning and continuity of strategic direction. We have consulted the Town Clerk who notes that the

Social Investment Board will review its terms of reference, along with the co-option protocol at its December meeting following which it can send a resolution to January 2017 Investment Committee asking to revise the terms co-opted Members can serve.

City of London Social Investment Strategy

7. Members requested an update on the Corporation's social investment strategy detailing the responsibility for each objective. This is shown in appendix 2.

Appendix 1: Social impact measurement method

Appendix 2: Social Investment Strategy – progress report

Appendix 3: Members Handbook

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Appendix 1: Methodology for Social Impact Measurement

1. This appendix presents a method which the Fund could use for quantifying, monitoring and comparing social impact. Although it is customised to the needs of the City of London Corporation, it reflects how other leading social investors approach social value, including Bridges Ventures, Big Society Capital, and the KL Foundation, as well as good practice guidance from support organisations such as Investing for Good and the European Venture Philanthropy Association.
2. Since it was established, your Fund has used Big Society Capital’s outcomes matrix to categorise the intended benefits and beneficiary groups of each proposed investment. This matrix identifies 9 outcome areas and 15 beneficiary groups

Outcome Areas	Beneficiary Groups
<ol style="list-style-type: none"> 1. Employment, training and education 2. Housing and local facilities 3. Income and financial inclusion 4. Physical health 5. Mental health and well-being 6. Family, friends and relationships 7. Citizenship and community 8. Arts, heritage, sports and faith 9. Conservation of the natural environment 	<ol style="list-style-type: none"> 1. People experiencing long-term unemployment 2. Homeless people 3. People living in poverty and/or financial exclusion 4. People with addiction issues 5. People with long-term health conditions/life threatening or terminal illness 6. People with learning disabilities 7. People with mental health needs 8. People with physical disabilities or sensory impairments 9. Voluntary carers 10. Vulnerable parents 11. Vulnerable children (including looked after children) 12. Vulnerable young people and NEETs 13. Older people (including people with dementia) 14. Ex-offenders 15. People who have experienced crime or abuse

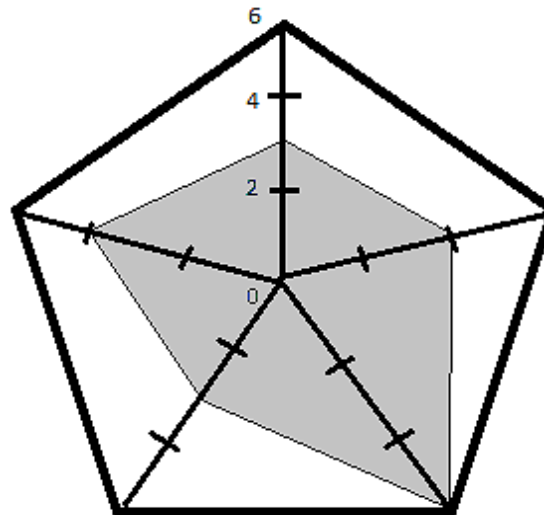
4. Whilst categorisation allows the Fund to identify potentially under-served outcome areas and beneficiary groups it does not take into account the scale of an investment, how significant the City’s contribution is, or how deep the per-beneficiary impact is likely to be.
5. A radar chart allows the Fund to display the intended as well as actual social benefit of each social investment against agreed scales, and to aggregate this at portfolio level. Clear scales help to minimise the level of subjective bias involved in scoring. An example is shown overleaf:

Impact created by COLCSIF (0-2 Low, 2-4 Medium, 4-6 High):

- * What is the level of impact created by COLCSIF in the overall investment for the investee?
- * How significant is the impact created as compared to the overall portfolio of COLCSIF?
- * How significant is the impact created as compared to the investments raised by investee?
- * Is the amount of change being delivered cost-effective?

Strength of Organisation (0-2 Low, 2-4 Medium, 4-6 High):

- * To what extent does the investee understand the vision and the social change it is trying to make?
- * How is the financial and governance strength of the investee?
- * Has the investment improved the conditions and prepared the investee organisation for sustainability?



Beneficiary Impact (0-2 Low, 2-4 Medium, 4-6 High):

- * What is the impact of changes that is brought about to the lives of the beneficiary?
- * How many people are these changes impacting?

Market impact (0-2 Low, 2-4 Medium, 4-6 High):

- * Has the investment had a wider impact on the social investment market?
- * Has the investment improved the knowledge of the market?
- * Does the investment have potential for systemic change?

Additionality (0-2 Low, 2-4 Medium, 4-6 High):

- * How significant is the Social Investment given by COLCSIF for the investee outcomes?

5. Scoring is based on the following scales, and the portfolio report included in the papers for today's meeting shows what this looks like for each of the Fund's active investments.

Attribute	Questions	Scoring		
		Low (0 - <2)	Medium (2 - <4)	High (4 – 6)
1) Strength of Organisation	To what extent does the investee understand the vision and the social change it is trying to make?	<ul style="list-style-type: none"> - Social mission and strategy cannot be clearly articulated and/or is ill defined - Target outcomes are undefined - Weak impact chain with unclear or broken links between the organisation's activities and outputs to positive Social outcomes - Risk of not achieving positive Social outcomes as intended is not understood or articulated - the organisation has not considered or is unable to identify or elucidate a target beneficiary group - There are no plans to embed Social mission into the investment strategy and process 	<ul style="list-style-type: none"> - Social strategy is being formulated - Target outcomes are broadly defined - There are some links between the organisation's activities and outputs to positive Social outcomes - Risk of not achieving positive Social outcomes as intended is broadly understood, no mitigants have been considered - Beneficiary characteristics are articulated but there is not a clear definition, nor are they consulted - There is a commitment to embed social impact into the investment strategy and process and to follow best practice 	<ul style="list-style-type: none"> - Social mission, strategy and theory of change is clearly articulated and defined - Target outcomes are well defined - Very strong impact chain with clear links between the organisation's activities and outputs to positive social outcomes - Risk of not achieving positive social outcomes as intended is clearly articulated and mitigants have been considered - Beneficiaries are clearly defined, targeted and consulted - Social purpose is embedded into the investment strategy and process and follows best practice
	How is the financial and governance strength of the investee?	<ul style="list-style-type: none"> - The business has no clear financial statements and forecasted numbers - Historical forecasts have been absent or far from actuals - There is no succession planning even in the future horizon - There is no clarity for the role 	<ul style="list-style-type: none"> - The business has financial statements and forecasted numbers - Historical forecasts have been more or less close to actuals - There is a succession planning to be decided - There is a fair amount of clarity for the role of the board 	<ul style="list-style-type: none"> - The business has a well laid out and audited financial statements and forecasted numbers - Historical forecasts have been aligned to actuals - There is a clear succession planning in place - There is a well-defined role for

Attribute	Questions	Scoring		
		Low (0 - <2)	Medium (2 - <4)	High (4 – 6)
		<ul style="list-style-type: none"> of the board of directors and senior management - Management has no demonstrable experience or expertise in the sector - Management does not have the capacity to deliver the social mission and strategy 	<ul style="list-style-type: none"> of directors and senior management - Management can demonstrate some propensity to deliver the social mission and strategy - Management's capacity to deliver the social mission and strategy is achievable but likely to be challenging 	<ul style="list-style-type: none"> the board of directors and senior management - Management can demonstrate propensity, capability and capacity to optimally deliver social mission and strategy
	Has the investment improved the conditions and prepared the investee organisation for sustainability?	<ul style="list-style-type: none"> - Capital provided will have no direct impact capacity and outcomes are not sustainable. - Organisation can perform financially without delivering social outcomes - Products/services are not accessible, affordable, and inclusive and/or are mainly or exclusively reliant upon public subsidy 	<ul style="list-style-type: none"> - Capital provided will boost capacity and deliver outcomes for the life of the investment. - Core activities are linked to social and financial performance - Products/services are mainly accessible, affordable, inclusive and priced and/or require some public subsidy 	<ul style="list-style-type: none"> - Capital provided will deliver resilient and long-term sustainable outcomes beyond the life of the investment. - Core activities are fundamental to social and financial performance - Products/services are accessible, affordable, inclusive without reliance upon public subsidy
2) Impact created by COLCSIF	What is the level of impact created by COLCSIF in the overall investment for the investee?	<ul style="list-style-type: none"> - Social mission involves making a difference to the lives of few beneficiaries - Impact is realised over a long timescale 	<ul style="list-style-type: none"> - Social mission involves making a difference to the lives of some beneficiaries - Impact is realised over a medium timescale 	<ul style="list-style-type: none"> - Social mission involves making a difference to the lives of many beneficiaries - Impact is realised over a short timescale
	How significant is the impact created as compared to the overall portfolio of COLCSIF?	<ul style="list-style-type: none"> - It consists of less than 1% of the £20mn capital of COLCSIF into social investments 	<ul style="list-style-type: none"> - It consists of between 1% to 5% of the £20mn capital of COLCSIF into social investments 	<ul style="list-style-type: none"> - It consists of more than 5% of the £20mn capital of COLCSIF into social investments
	How significant is the impact created as compared to the investments raised by the investee?	<ul style="list-style-type: none"> - It forms less than 10% of investment raised in the investee's balance sheet 	<ul style="list-style-type: none"> - It forms between 10% to 25% of investment raised in the investee's balance sheet 	<ul style="list-style-type: none"> - It forms more than 25% of investment raised in the investee's balance sheet
	Is the amount of change being delivered cost-effective?	<ul style="list-style-type: none"> - The organisation is achieving its outcomes in a needlessly 	<ul style="list-style-type: none"> - The organisation is achieving its outcomes in a mainly cost- 	<ul style="list-style-type: none"> - The organisation is achieving outcomes in the most cost-

Attribute	Questions	Scoring		
		Low (0 - <2)	Medium (2 - <4)	High (4 – 6)
		costly way (expressed in £ spent per beneficiary)	effective way (expressed in £ spent per beneficiary)	effective way (expressed in £ spent per beneficiary)
3) Beneficiary Impact	What is the impact of changes that is brought about to the lives of the beneficiary?	<ul style="list-style-type: none"> - Social mission involves making a minor difference to the lives of target beneficiaries that they could easily access from other sources - A typical beneficiary is not subject to marked disadvantages in life without taking into account the intervention/activity funded - Capital is used to fund interventions with indirect impact 	<ul style="list-style-type: none"> - Social mission involves making some positive difference to lives of target beneficiaries that may have been displaced from other organisations - A typical beneficiary experiences some disadvantages in life without taking into account the intervention/activity funded - Capital is used to fund interventions with some direct and some indirect impact on beneficiaries 	<ul style="list-style-type: none"> - Social mission involves making significant difference to lives of target beneficiaries that wouldn't have happened otherwise - A typical beneficiary experiences marked disadvantages in life without taking into account the intervention/activity funded - Capital is used to fund interventions with direct impact on beneficiaries
	How many people are these changes impacting?	<ul style="list-style-type: none"> - Up to 100 people a year (for origination) - Less numbers were impacted than expected (for ongoing measurement and monitoring) 	<ul style="list-style-type: none"> - 101 to 5000 people in a year (for origination) - Similar numbers were impacted than expected (for ongoing measurement and monitoring) 	<ul style="list-style-type: none"> - More than 5000 people in a year (for origination) - More numbers were impacted than expected (for ongoing measurement and monitoring)
4) Additionality	How significant is the Social Investment given by COLCSIF for the investee outcomes?	<ul style="list-style-type: none"> - The business already established and has other investors but COLCSIF investment will drive additional impact 	<ul style="list-style-type: none"> - COLCSIF is the sole or lead investor in an opportunity overlooked by mainstream investors 	<ul style="list-style-type: none"> - COLCSIF is incubating the business
5) Market Impact	Has the investment had a wider impact on the social investment market?	<ul style="list-style-type: none"> - It is a beneficiary group having wide presence in the market - It is a form of capital been used before many times for investments - It is a form of organisation/business many of which exist in beneficiary sector 	<ul style="list-style-type: none"> - It is a beneficiary group having some presence in the market - It is a form of capital been used before for investments - It is a form of organisation/business only a few of which exists in a beneficiary sector 	<ul style="list-style-type: none"> - It is a new beneficiary group not having much presence in the market yet - It is a new form of capital for investments - It is a new form of organisation/business covering a beneficiary sector

Attribute	Questions	Scoring		
		Low (0 - <2)	Medium (2 - <4)	High (4 – 6)
	Has the investment improved the knowledge of the market?	<ul style="list-style-type: none"> - Organisation has protectionist and proprietorial attitude towards knowledge sharing - The organisation does not plan to build partnerships in the space 	<ul style="list-style-type: none"> - Knowledge-sharing is aspirational - The organisation aims to build partnerships 	<ul style="list-style-type: none"> - Organisation can demonstrate commitment to knowledge-sharing - The organisation has key partnerships to maximise social impact
	Does the investment have potential for systemic change?	<ul style="list-style-type: none"> - Intervention is reactive - Intervention adds further intermediation - Intervention is not easily scalable nor replicable 	<ul style="list-style-type: none"> - Intervention is somewhat preventative - Intervention is scalable and replicable in certain areas 	<ul style="list-style-type: none"> - Organisation encourages disruptive models for social change and has a mission for innovation - Intervention is preventative and addresses root cause of issue

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Appendix 2: Social Investment Strategy (2014): progress report

Vision: By 2020, London becomes a global hub for social investment, which in turn acts as a driver of economic growth.

Aims: To support the social sector to maximise its potential by:

- growing the supply of suitable finance available for social organisations;
- 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.

Objectives

1. Growing the supply of suitable finance available for social organisations

Role: -

EDO role included encouraging stakeholders to supply finance or help build the social investment market, also keeping abreast of the needs of the social sector (largely through partner organisations). **Achievements include:**- convening and speaking at events eg with asset managers and Corporate Responsibility professionals; working with Worthstone and Big Society Capital to set up the 'Social Investment Academy' for IFAs;

CBT role includes management of the City's social investment fund and channelling £2-3m each year into the social enterprise sector through this. Developing and running the Stepping Stones Fund (a partnership programme with UBS) to encourage aspirant charities and social enterprises to engage with the social investment market. Working as a steering committee member of the Social Impact Investors Group, a network of funders committed to developing the marketplace and matching investees with appropriate capital.

Current position

- There is no shortage of undispersed capital within UK funds to support social organisations within the UK. The UK now has certain structures and platforms in place ready for when there is a greater degree of international investments and capital flows: these platforms have or are developing some form of accreditation or clearly defined commitment to the measurement of impact universally, and reports identify the difficulty in identifying investible social enterprises to

take this capital;

- The UK has created good support structures around investment readiness –e.g. with the development of the Access Foundation. This tends to be for smaller scale organisations that do not yet need international capital.
- The PwC report, commissioned by CoL, into ‘Developing a global financial centre for social impact investment’ (published in June 2015) identified the characteristics of a successful global centre. It did not identify any further specific role in which the City of London was best placed to add further value. At the same time Green Finance was identified by Members as an immediate priority for action by EDO.

2. Improving the policy, regulatory and fiscal framework needed to support the social investment marketplace

EDO role :-

a) helping to shape an appropriate regulatory and fiscal framework, to enable social investment products to be more attractive to investors and reach responsive UK markets (e.g. into retail markets and products). Achievements:- Supported HM Treasury with making tax relief operational e.g. in making the case to lift the threshold; built the case for changes to the Financial Promotions Order and presented to HMRC; fed into discussions on Community Interest Company regulation, fiduciary duties, procurement and commissioning regulations; research undertaken by EDO research team both independently and jointly with partner organisations such as the Cabinet Office and Big Society Capital, setting up the Social Investment Research Council, supporting evidence-based policy to help improve the regulatory and fiscal framework needed to underpin the marketplace, such as the Social Investment Tax Relief and adaptation of the ‘Financial Promotion Regime’;

b) seizing opportunities to shape the agendas of international initiatives. Achievements:- supported CoL membership and work of the UK Advisory Board (established by the PM under the G8 Social Impact Investment Taskforce with a remit to help catalyse a global market in impact investment - final meeting held July 2015); hosted international SI conferences eg Global Impact Investing Network in 2014; managed research on Developing a Global Centre for Social Impact Investment with a view to informing future workplan; also the Social Investment Adviser (SIA) was a member of the Advisory Panel for the EU’s Social Business Initiative

Current position:-

The UK has a large number of the regulatory pieces of the jigsaw in place to facilitate social investment. It now needs to make full use of them.

The Social Investment Advisor role (set up as a 'task and finish' role) came to an end in April 2015 when the planned policy work had been largely achieved.

3 Building the capacity of social organisations to enable their involvement in the social investment marketplace

Role:-

EDO: increasing the capacity of social organisations through volunteering support from City businesses and helping to build demand for social organisations' goods and services from public and private sectors. Achievements: - championing and brokering business volunteering within social enterprises to develop the capacity of social organisations to upskill, diversify income secure contracts and plan for the future; promoting social enterprise procurement within City businesses (and , with Chamberlain, within CoL – now a feature of CoL's Responsible Procurement strategy) ; developing with partners the award-winning 'Buy Social' Directory, with over 20,000 users; winner of the 2014 UK Social Enterprise Award as a 'market builder'.

CBT - Utilizing grant funding to build capacity within the social investment marketplace and raise awareness of social investment opportunities among the social sector through the ongoing Stepping Stones Fund. Active management of investees supported through the Social Investment Fund.

Current position:-

EDO is currently reviewing its work with social enterprises through procurement and volunteering as part of a wider review of its 'responsible business' workstream.

CBT will continue to be active in managing CoLCSIF and the Stepping Stones programme.

Social organisations are defined as organisations which pursue charitable, community or social objectives

Appendix 3: Updated Social Investment Board – Members Handbook

City Bridge Trust took advice from the legal firm Bates Wells & Braithwaite London LLP (BWB) referring to areas in Social Investment Board - Members' Handbook. The following pages list the updated version of the members' handbook based on the advice received from BWB. (BWB's report is available to the members on request. It is a private and a confidential document)