

<b>Committee</b>	<b>Dated:</b>
Social Investment Board	13/12/2016
<b>Subject:</b> Progress Report	<b>Public</b>
<b>Report of:</b> Chief Grants Officer	<b>For Decision</b>

### Summary

The report:

- Introduces City Bridge Trust's strategic review and today's speaker, Sufina Ahmad, and provides an update on the Stepping Stones programme (a collaboration between City Bridge Trust and UBS to develop the social investment pipeline)
- The report includes brief updates on current projects to develop a portfolio strategy and to expand the Fund's advisory pool
- The report presents an updated method for impact measurement

### Recommendations:

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

### Main Report

#### City Bridge Trust Strategic Review

1. You will be joined today by Sufina Ahmad who is on secondment from the big Lottery Fund to City Bridge Trust as our Head of Strategic Review. Sufina is in post until July 2017, and is responsible for overseeing successfully the development of the Trust's next funding strategy for 2018-2023. The strategic review is consulting widely, internally and externally, to ensure the Trust stays relevant to the changing needs of Londoners as well as supporting the wider work of the City of London Corporation.
2. Sufina will provide an update on the review and is keen to hear your views on how the Trust might support the development of London's social investment market in the future. Currently, the main focus of this is the Stepping Stones Fund, a partnership programme with UBS, but with growing pressure on grant funding we are aware that more could be done to help charities diversify and strengthen their income. She will also provide details of a City Bridge Trust research study which is looking at the role social investment can play in the next strategy.

3. All queries relating to the Strategic Review should be directed to: [sufina.ahmad@cityoflondon.gov.uk](mailto:sufina.ahmad@cityoflondon.gov.uk). For more information please visit: [www.citybridgetrust.org.uk/strategic-review/](http://www.citybridgetrust.org.uk/strategic-review/)

### **Stepping Stones Fund**

4. You receive regular updates from me on the Stepping Stones Fund, City Bridge Trust's social investment readiness programme, and this has just finished its third round. 77 applicants requested £3.9m, from which we selected 17 grantees to share £700,000 (the full grant allocation).
5. As with previous rounds, UBS was involved as co-funder and through the contribution of significant employee time. Round three also saw the involvement of two new assessment partners, the Clothworkers and the Lloyds Bank Foundation.
6. To date Stepping Stones has supported 49 organisations with grants totalling £2.2m. So far nine grantees have completed their projects of whom two (Pure Leapfrog and Deptford Reach) are already approaching social investors. Three of the nine identified social investment as part of their future growth strategy pending work on further development activities, and four concluded that social investment would not currently work for them. These are all positive outcomes for the programme, since it is intended to offer 'safe space' in which organisations can test their ideas before taking on any balance sheet liabilities. Forty Stepping Stones projects remain active or have yet to start.
7. Apart from the work that grantees have done to explore social investment several have also reported that Stepping Stones funding has helped them to increase revenue, improve impact measurement, develop new products, learn new skills and make valuable new contacts through expanding their networks.
8. At its November meeting, City Bridge Trust Committee approved a proposal to commit a further £500,000 towards a fourth round of Stepping Stones. The Trust will look to raise co-funding from partners ahead of launch in the early part of 2017.

### **Portfolio**

9. Your handbook notes that "Members are not expected to insulate the Fund from all risk of capital loss but, subject to the minimum target financial returns set for the Fund, the Social Investment Board may at its discretion develop and maintain a diversified portfolio of investments, adopt a spread of risk and invest into higher performing and lower performing investments acting reasonably, prudently and in good faith".
10. To date, investments have been considered on a case-by-case basis without reference to an overall portfolio strategy. There was some discussion about building a balanced portfolio at your June away-day and officers are preparing a proposal for what this might look like in practice. We would welcome any further thoughts you might have on this topic.

## **Advisors**

11. You have had updates from me at previous meetings about the relatively narrow advisory pool available to the Board as well as the limited capacity of some of the firms currently appointed. The Chairman, Deputy Chairman and officers will meet some possible new advisors in January following which recommendations to strengthen the pool will come to a subsequent meeting.

## **Social Impact Measurement**

12. Kyro Brooks has joined City Bridge Trust through the OnPurpose programme and has made some revisions to the social impact measurement proposal seen by your September Board. Updates take account of the request for a more straightforward visual as well as your wish to see financial metrics alongside social measures. The revised method is shown in appendix 1.

Appendix 1: Updated method for impact measurement

### **David Farnsworth**

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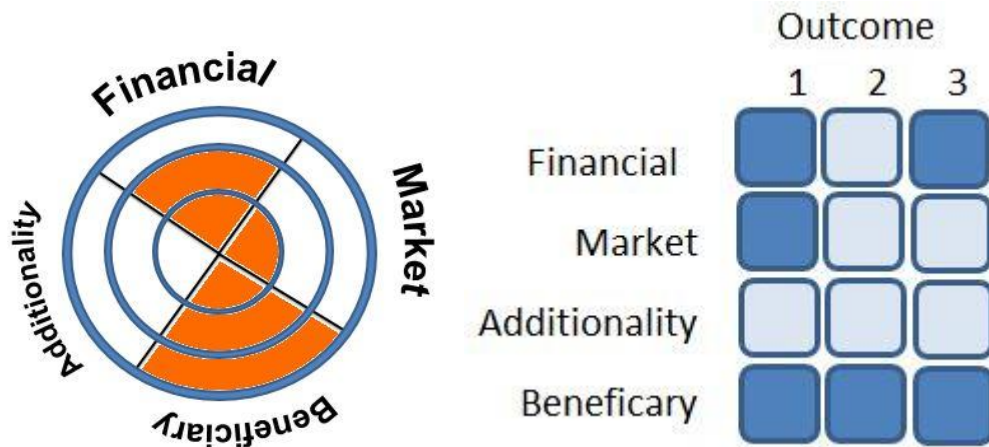
## **Appendix 1: Updated Method for Impact Measurement**

1. An initial approach towards impact measurement was presented for comment and feedback at the Social investment board meeting on 14<sup>th</sup> September 2016. The approach set out to measure, on a scale (0-6), impact across five key areas; strength of organisation, impact created by the social investment fund, beneficiary impact, additionality and market impact.
2. Your feedback focused on three key elements: the wish to introduce financial measurement; a request to minimise subjective value judgements wherever possible; and the development of a method that would allow measurement across the portfolio as a whole. Officers have taken feedback from a wider range of organisations (including Power to Change) and this appendix presents an updated suggested approach to measuring the impact created by the Fund.
3. The Fund does not currently require investees to use a standardised impact measurement for monitoring purposes. To do would be difficult since the Fund only occasionally provides a significant proportion of the total investment. As such, the Fund is restricted in its ability to request tailored impact measurement data throughout the duration of an investment.
4. Investees currently approach impact measurement in different ways. The quality and reliability varies across the investees, but importantly the impact measures reported are investee specific and do not necessarily compare well with one another.
5. The approach to impact measurement recommended by both the Global Impact Investor Network (which City Bridge Trust is a member of), and Big Society Capital focuses on selecting key outcomes that the Investor aims to achieve, and measuring success against these. This is the core of the approach proposed today.
6. The Trust proposes that measurement focus on four key outcome areas, which align to the aims of the social investment fund: financial outcomes; market outcomes; additionality outcomes; and beneficiary outcomes. Under each of these outcome areas, three further measures are proposed. The measures are binary and could be used at assessment stage when overall impact is determined by how many outcomes the investee meets or is likely to meet.

## Impact Measures

Financial Outcomes	Market Outcomes	Additionality Outcomes	Beneficiary Outcomes
<ul style="list-style-type: none"> <li>- Investment has/ will have a return of greater than 2.7%</li> </ul>	<ul style="list-style-type: none"> <li>- The investment is/ will take a new approach to an outcome area (a new type or class of social investment, a new approach to a social issue (inc. proof of concept))</li> </ul>	<ul style="list-style-type: none"> <li>- The City of London Corporation's Social Investment Fund's is providing early investment that aims to, or has, catalysed further investment</li> </ul>	<ul style="list-style-type: none"> <li>- Investment focuses on a deprived area or an area where there is limited or no alternative provision</li> </ul>
<ul style="list-style-type: none"> <li>- Investment has/will lead to financially sustainable outcomes beyond life time of the investment</li> </ul>	<ul style="list-style-type: none"> <li>- The investment targets an under represented beneficiary group</li> </ul>	<ul style="list-style-type: none"> <li>- The City is the lead / a significant investor (&gt;75% of total investment raised)</li> </ul>	<ul style="list-style-type: none"> <li>- Investment has /will lead the investee to be able to increase the number of beneficiaries it serves</li> </ul>
<ul style="list-style-type: none"> <li>- Investment has/ will increase the financial security of the investee, helping to secure their future</li> </ul>	<ul style="list-style-type: none"> <li>- The investment is/ will drive growth in the market through new partnerships or knowledge sharing (replicable / scalable)</li> </ul>	<ul style="list-style-type: none"> <li>- The City will/ has used its unique position and influence to help realise the investment opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- Investment has/ will lead the investee to be able to increase the depth of impact their beneficiaries receive</li> </ul>

7. The extent to which a single investment meets the measures could be presented visually with some commentary. Two alternative examples for the same data below:



“ABC investment exceeds the financial floor of 2% with a return of 3.2% and meets all of the beneficiary outcomes. It does not meet any of the additionality outcomes.”

8. At a portfolio level, aggregated scores could be used. For example:

“94% of our investments meet our financial outcome of generating a portfolio return above 2.7%

“86% of our investments have allowed our investees to increase the number of beneficiaries they serve”

“54% of our investments target under represented beneficiary groups”

Portfolio data could be supplemented with case studies detailing how specific investees approach social impact measurement.

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