



Social Investment Board

Date: TUESDAY, 1 MARCH 2016
Time: 11.30 am
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Peter Hewitt (Chairman)
Henry Colthurst (Deputy Chairman)
Nicholas Bensted-Smith
Deputy Roger Chadwick
Wendy Hyde
Jeremy Mayhew
Andrew McMurtrie

Enquiries: Philippa Sewell
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Lunch will be served in the Guildhall Club at 1pm
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES**
To agree the public minutes and non-public summary of the meeting held on 7 December 2015.
For Decision
(Pages 1 - 4)
4. **CO-OPTION TO THE SOCIAL INVESTMENT BOARD**
Report of the Town Clerk.
For Decision
(Pages 5 - 6)
5. **PROGRESS REPORT OF THE CHIEF GRANTS OFFICER**
Report of the Chief Grants Officer.
For Information
(Pages 7 - 10)
6. **PRESENTATION FROM THE ESMEE FAIRBAIRN FOUNDATION**
For Information
7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**
8. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
9. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Part 2 - Non-Public Agenda

10. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 7 December 2015.
For Decision
(Pages 11 - 12)
11. **PORTFOLIO REPORT**
Report of the Chief Grants Officer.
For Decision
(Pages 13 - 38)

12. **INVESTMENT PROPOSAL: CITY YMCA**
Report of the Chief Grants Officer. (TO FOLLOW)

For Decision

13. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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SOCIAL INVESTMENT BOARD

Monday, 7 December 2015

Minutes of the meeting of the Social Investment Board held at the Guildhall EC2 at 1.45 pm

Present

Members:

Alderman Peter Hewitt (Chairman)	Wendy Hyde
Nicholas Bensted-Smith	Jeremy Mayhew
Roger Chadwick	Andrew McMurtrie
Henry Colthurst	

Officers:

Philippa Sewell	- Town Clerk's Department
Kate Limna	- Chamberlain's Department
Karen McHugh	- Comptroller & City Solicitors
David Farnsworth	- City Bridge Trust
Tim Wilson	- City Bridge Trust
Martin Hall	- City Bridge Trust

In Attendance:

Sara Llewellyn	- Barrow Cadbury Trust
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1. APOLOGIES

There were no apologies.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

Nicholas Bensted-Smith declared a non-pecuniary interest regarding item 13.

3. ELECTION OF DEPUTY CHAIRMAN

The Committee proceeded to elect a Deputy Chairman in accordance with Standing Order No.30. The Town Clerk read a list of Members eligible to stand and Henry Colthurst, being the only Member who expressed his willingness to serve, was duly elected as Deputy Chairman of the Board for the ensuing year.

4. MINUTES

RESOLVED – That the public minutes and non-public summary of the meeting held on 18 September 2015 be agreed as a correct record.

5. DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY SINCE THE LAST MEETING OF THE BOARD

RESOLVED – That the report be noted.

6. **CO-OPTION TO THE SOCIAL INVESTMENT BOARD**

Members discussed the opportunity to engage with other stakeholders and livery companies, and tasked officers with producing a paper to go to the Livery Committee promoting the Board and encouraging engagement from those Livery Companies with an active interest in social investment and with funds to invest. Members (recognising that individual terms of appointment to the Board run annually) expressed their hope that any Livery co-option would continue for at least three years to ensure continuity, and proposed offering an induction session to help new members to the Board get 'up to speed'.

RESOLVED – That:

- a) a senior representative of the Mercers' Company be co-opted to the Social Investment Board; and
- b) the Chief Grants Officer prepare a paper for the Livery Committee, promoting the Board and encouraging engagement from Livery Companies.

7. **PRESENTATION FROM THE BARROW CADBURY TRUST**

The Board received a presentation from Sara Llewellyn Chief Executive of the Barrow Cadbury Trust, after which Members of the Board had the opportunity to ask questions.

Ms Llewellyn gave an overview of the history of the Barrow Cadbury Trust, which was a family Trust, driven by Quaker values, and was one in the vanguard of the social investment movement. The Barrow Cadbury Trust has an endowment of £85m and holds a variety of social, responsible and ethical investments. It has designated £4m for social investment activities aligned with its charitable mission. Ms Llewellyn discussed the difficulties in negotiating risk in the social investment market. A large part of this depended on how risk-averse the investor was; what the market arguably needed was not what organisations were generally prepared to provide. Opportunities with the lowest risk, however, were bankable, resulting in companies looking to commercial lenders rather than organisations like the Barrow Cadbury Trust. This leads to a slow pipeline of potential investments, a problem which had been observed by this Board.

The Board discussed risk compared with the differing priorities of the Barrow Cadbury Trust and the Social Investment Board, and, in response to a question regarding the potential trade-off between financial return and social impact, Ms Llewellyn advised that capital preservation did not necessarily result in such a trade-off. This could potentially be addressed through blended finance (the complementary use of grants and non-grant financing) to provide financing for high risk investments with a large social impact, on terms that would make projects financially viable and/or sustainable. Ms Llewellyn also advised that a varied portfolio could mitigate such a trade-off, balancing losses on higher-risk investments with gains on lower-risk ones so that the value of social impact investments are judged across the portfolio.

The Chairman thanked Ms Llewellyn for her presentation.

8. **PROGRESS REPORT**

The Chief Grants Officer introduced a progress report on social investment activity within the Corporation.

Stepping Stones

The Chief Grants Officer advised that the first round of applications had now closed. Unsuccessful applicants had been informed, and those who had been successful in being shortlisted were being supported to submit more detailed proposals. Members noted that UBS were co-funding this round, and that the quality of applications so far had been good.

Advisors

There were currently four firms in the Social Investment Board's advisory pool; Members noted that a narrow pool raised the risk of dependency on a single agency, and it was proposed that the Board invite prospective advisors to submit a short expression of interest in joining the pool. The most suitable of these would then be interviewed by the Chairman, Deputy Chairman, and officers, before coming to the Board for approval.

RESOLVED – That officers be authorised to seek expressions of interest from FCA-authorized firms willing to act as due diligence advisors to the Fund.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There were no questions.

10. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There was no other business.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Local Government Act.

Item No.	Exempt Paragraphs
11-14, 16	3
15	-

12. **NON-PUBLIC MINUTES**

RESOLVED – That the non-public minutes of the meeting held on 18 September 2015 be agreed as a correct record.

13. **PORTFOLIO UPDATE**

The Board received a report of the Chief Grants Officer.

14. **VARIATION REQUEST - AFFORDABLE HOMES RENTAL FUND**

The Board considered a report of the Chief Grants Officer.

15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE BOARD**

There were no questions.

16. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE BOARD AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There were three items of other business.

The meeting closed at 2.56 pm

Chairman

**Contact Officer: Philippa Sewell
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Committee:	Date:
Social Investment Board	1 March 2016
Subject: Co-Option to the Social Investment Board	Public
Report of: Town Clerk	For Decision
Report author: Philippa Sewell, Committee and Members' Services	

Summary

The Social Investment Board is empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in their deliberations.

Recommendation

Members are asked to agree the co-option of Elizabeth Corrado and Laura Tumbridge to the Social Investment Board.

Main Report

Background

1. The arrangements for co-option and the co-opted membership of individuals to the Financial Investment Board, the Property Investment Board and Social Investment Board are reviewed on an annual basis at the May meeting of the Investment Committee (and thereafter at the first meetings of the respective Boards).
2. The Social Investment Board is empowered to approve their own co-opted membership (by a majority vote) without prior consultation with, or agreement by, the Investment Committee. The Town Clerk will inform the Chairman and Deputy Chairman of the Committee once a Board has agreed co-option of an individual.
3. This appointment would not be time-banded or topic/project restricted, and therefore, should the Board agree to co-opt Elizabeth Corrado and Laura Tumbridge, they would be entitled to attend all meetings of the Social Investment Board until the annual review in May 2016 and to receive all committee-related documentation, including exempt papers. According to the co-option protocol, if co-opted, Elizabeth Corrado and Laura Tumbridge would not have voting rights.

Proposals

4. The Chairman and Deputy Chairman interviewed candidates for possible co-option, and Members are asked to agree the co-option of Elizabeth Corrado and Laura Tumbridge to the Social Investment Board.
5. This has been reviewed by the Town Clerk and the Chief Grants Officer, as lead officer for the Social Investment Board, who believe Elizabeth Corrado's and Laura Tumbridge's experiences would recommend their co-option:
6. Elizabeth Corrado: A finance professional with a 20-year career in international development, investment banking and social finance. Her career history includes positions at the European Bank for Reconstruction and Development, Dresdner Kleinwort, Lehman Brothers and ClearlySo (the latter a social investment intermediary organisation). Elizabeth is currently Director of Collaborative Capital Ltd where she is working to create a venture philanthropy initiative to scale social innovation in work with older people.
7. Laura Tumbridge: Deputy General Counsel for Global Banking and Markets at HSBC Bank plc. Laura oversees transactional and advisory support for the securities services business across 40 countries. She has extensive experience across a wide range of finance transactions. She joined HSBC from Clifford Chance where she was part of the Capital Markets team. In addition to her legal qualifications, Laura has an undergraduate degree in social work from the University of Western Ontario.

Conclusion

8. Members are asked to agree the co-option Elizabeth Corrado and Laura Tumbridge to the Social Investment Board.

Philippa Sewell

Committee and Members' Services Officer
Town Clerk's Department

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Committee	Date:
Social Investment Board	1 March 2016
Subject: Progress Report	Public
Report of: Chief Grants Officer	For Information
Report Author: David Farnsworth, Chief Grants Officer	

Summary

The report:

- introduces Caroline Mason from the Esmée Fairbairn Foundation as today's external speaker;
- introduces Elizabeth Corrado and Laura Tumbridge who are nominated for co-option to the Board;
- provides updates on advisors, investment proposals, engagement with the Livery, and the Stepping Stones Fund, City Bridge Trust and UBS' Stepping Stones grants programme for London charities exploring the social investment market.

Main Report

Esmée Fairbairn Foundation

1. You will be joined today by Caroline Mason, Chief Executive of the Esmée Fairbairn Foundation, one of the UK's largest independent charitable foundations, and a body that awards around £35m of grant-funding each year. This is an organisation with its origins in the City, because the endowment was provided in 1961 by Ian Fairbairn through the sale of his holdings in M&G. The Foundation's grant-making concentrates on work within the arts, children and young people, the environment and social change. It is also a pioneer in the social investment space, and has a £35m facility available to organisations that deliver both a financial return and a social benefit. The Foundation has placed over 90 investments since 2008 in a wide range of funds and direct opportunities. It is recognised for its willingness to be an anchor investor and to embrace risk.
2. Caroline has extensive social investment experience. She joined Esmée Fairbairn Foundation from Big Society Capital where she was Chief Operating Officer, and before that, Charity Bank. Her early career was in the financial services sector, including Reuters. Caroline will share the experience of Esmée Fairbairn's work and her thoughts on future market trends.

Co-opted Members

3. At your December 2015 meeting you co-opted a senior representative of the Mercers' Company to your board. At the same meeting I mentioned that adverts had been placed for up to a further three co-options. We received twelve applications of whom six were shortlisted for interview. The Chairman, Deputy Chairman and Tim Wilson, your Principal Grants and Social Investment Officer, met candidates on 13th January and your papers today include proposals to co-opt two excellent candidates.
4. Elizabeth Corrado has substantial experience in social finance, investment banking and international development. Of particular note to your fund, she has worked at ClearlySo, a leading social investment intermediary organisation, and is currently involved in social ventures in the health, housing and ageing sectors.
5. Laura Tumbridge is Deputy General Counsel for Global Banking and Markets at HSBC Bank plc where she oversees transactional and advisory support for the securities services business across 40 countries. Before starting her legal career she gained an undergraduate degree in social work from the University of Western Ontario

Advisors

6. Your December 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).
7. Recognising the relatively narrow pool and the importance of matching the right firm to the right opportunity, your officers have been taking soundings from several agencies and expect to have formal expressions of interest for review soon. The most suitable will be interviewed by the Chairman, Deputy Chairman and officers before they are put forward for Board approval.

Investments and Fund Strategy

8. Members may wish to spend some of today's meeting some considering the agenda for a possible strategy away-day later in 2016. Having last examined investment priorities, risk appetite, and the resources available to manage the Fund in 2013, and being almost halfway through Fund deployment, it would be timely to see if Members want to make changes to the focus and approach of their work. A strategy session would also allow time for discussion of product development, and whether the City of London could deliver something in this space in the interest of market building.

Fund Promotion and Deal Sourcing

9. Members requested further information on how the Fund is promoted and how new opportunities are sourced. In the absence of any central exchange (notwithstanding work done by organisations such as Ethex and the Social Stock Exchange), the social investment market is fragmented. Investors typically find details of new opportunities through their networks, and this is how City of London has approached its work since the Fund was established in 2012. Officers have built connections with the wholesaler (Big Society Capital), and a wide range of market intermediaries (including ClearlySo, Triodos Bank, Charity Bank, and Social Finance) who all share prospects, and receives a steady number of direct approaches from charities and social enterprises seeking finance. In addition, City Bridge Trust is a member of the organising committee of the Social Impact Investors' Group (SIIG), a popular forum for investees and intermediaries seeking finance.
10. When the Fund is promoted through partner websites and through speaking engagements, officers are careful to provide details of the Fund's risk-appetite and its expectations for return in order to help potential investees self-select whether their proposal is suitable for the City of London or not. As a number of recent studies have noted, the finance need of the sector remains concentrated on small, unsecured deals from relatively new ventures, and the investment proposals that offer security as well as attractive rates can be over-subscribed. Officers believe that the investable landscape remains limited, and that the current level of promotion is sufficient to ensure that key partners are aware of what the Fund is interested in.

Stepping Stones Fund

11. 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.
12. 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 received 36 bids to a total value of £2,036,563. 24 organisations were invited to submit a full proposal and these were reviewed at panel meetings involving City Bridge Trust, UBS and several external advisors at the bank's offices between January 26th and February 4th. Final recommendations for approval will be made to the Chairman and Deputy Chairman of City Bridge Trust, along with a senior representative from UBS at a meeting on March 21st. I will provide details of awards made, along with plans for the future of this grants programme, at your July meeting.

Engagement with the Livery

14. Tim Wilson from City Bridge Trust attended Livery Committee on 10th February to share details of the Social Investment Fund, the Stepping Stones Fund, and other grant-making activities of the Trust. The purpose of the presentation and the paper circulated to the Committee was to encourage dialogue with those Livery Companies concerned with similar issues. We are currently following-up with those liveries who have expressed interest.

David Farnsworth

Chief Grants Officer, City Bridge Trust

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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