

Committee:	Date:	Item No.
The City Bridge Trust Finance Policy & Resources	9 th January 2014 21 st January 2014 23 rd January 2014	
Subject: Resourcing for the City of London Corporation's Social Investment Activity	Public	
Report of: Chief Grants Officer	DRAFT	
<p><u>Summary</u></p> <p>The purpose of this paper is to consider and make recommendations on the future resourcing of the City Corporation's social investment work following the first year of operation of the City of London Corporation's Social Investment Fund (£20m) and in view of the expiry of the Social Investment Adviser's contract in March 2014.</p> <p>Recommendation</p> <p>That approval be sought as follows:</p> <ul style="list-style-type: none"> a) from the Finance Committee for an allocation of £20k from its Bridge House Estates contingency for the costs of the social investment analyst during 2013/14; b) from the Policy and Resources Committee for a budget adjustment to accommodate the management costs of the social investment fund for 2014/15 (£92.8k) and 2015/16 (£106.8k) ; the intention being that investment returns would cover the fund management costs over the medium term; c) from the Policy and Resources Committee to a budget uplift to meet the costs of extending the Social Investment Adviser role on the basis on 3 days per week for up to a further 2 years, at a cost of £50k (<i>rounded</i>) in each of 2014/15 and 2015/16. 		

Main Report

Purpose and recommendations

- 1.1 The purpose of this paper is to consider and make recommendations on the future resourcing of the City Corporation's social investment work following the first year of operation of the City of London

Corporation's Social Investment Fund (£20m) and in view of the expiry of the Social Investment Adviser's contract in March 2014. It is proposed that this paper be considered by the Town Clerk and key Members in advance of the submission of a report to the relevant Committees.

1.2 In the light of the success of the City Corporation's Social Investment work to date, agreement is sought:

- from the Finance Committee for an allocation of £20k from its Bridge House Estates contingency for the costs of the social investment analyst during 2013/14;
- from the Policy and Resources Committee for a budget adjustment to accommodate the management costs of the social investment fund for 2014/15 (£92.8k) and 2015/16 (£106.8k) ; the intention being that investment returns would cover the fund management costs over the medium term;
- from the Policy and Resources Committee to a budget uplift to meet the costs of extending the Social Investment Adviser role on the basis on 3 days per week for up to a further 2 years, at a cost of £50k (*rounded*) in each of 2014/15 and 2015/16.

1.3 It be noted that the SIA events/operational budget of £20k will be met from savings in either the SIA budget or EDO budget in 2014/15 and 2015/16.

Background

2.1 One reason for London's long-term success as a financial centre has been its ability to spot opportunities, develop new products and create imaginative solutions to problems. The growing market for social investment is one such new opportunity which the City Corporation has grasped. Following more than three years of work by the Chairman of Policy & Resources as well as Officers in the Economic Development Office, City Bridge Trust, City Solicitor's and Chamberlain's teams, the City Corporation is now recognised as a significant and credible player in the UK social investment sector.

2.2 This work has taken place in pursuit of the City Corporation's Social Investment Strategy which has had three core areas:

- Encouraging and steering a growing supply of appropriate finance into social investment (including establishing and developing the City Corporation's own £20 million Social Investment Fund);

- Working to improve the regulatory and fiscal framework needed to support the social investment marketplace;
- Developing the capacity of social organisations to access investment and secure contracts and markets

The overall aim has been to work towards establishing London as a recognised global hub for social investment.

Achievements to date

- 3.1 In its first year the Fund has committed £2.1 million across five social investments. £1.6 million of this commitment has been placed, with the remaining £500,000 pledged subject to completion of satisfactory legal agreements (currently underway).
- 3.2 The City Corporation has hosted a large range of events (including an international conference attracting over 300 potential investors from 35 countries), meetings and delegations with a view to promoting the opportunities of social investment to new investors, and to understand and unlock the barriers faced for their involvement. The total value of new social investment funds (some of which are still raising capital) will provide in excess of £100m additional finance to the stock of capital available. Meanwhile, demand for social investment from the social enterprise sector has risen from £165m in 2010- 2011 to £202m in 2011-2012.
- 3.3 The City Corporation is part of a small market stewardship group with Big Society Capital, Cabinet Office, Big Lottery Fund and Social Enterprise UK to ensure there is a strategic vision and coordinated action across the sector. The City Corporation is also a co-founder member of a new Social Investment Research Council comprising the market stewardship members and Citibank. This work provides understanding of the needs of social enterprises as well as the needs of the social investment market.
- 3.4 The City Corporation has established a significant reputation in the area of social investment policy (thanks in large part to the work of its Social Investment Adviser, Katie Hill), and built strong relations with the EU, Cabinet Office, Treasury and the institutional investment community on this topic. The City Corporation's policy and advocacy work has engaged all political parties and supported a range of market-enabling outcomes including:
 - the introduction of a Social Investment Tax relief with effect from 2014, as detailed in the December 2013 Autumn Statement, underpinned by detailed research commissioned by City

Corporation and Big Society Capital on the rationale and likely impact of introducing such a relief;

- the engagement of the Financial Conduct Authority with the social investment market;
- recognition in the Financial Services Bill of the motivations of a social investor and a review of the Community Interest Company structure to see how it could encourage investors more effectively;
- debate in the European Union as to how Structural Funds could be used to support the strengthening of the social sector organisations across Europe; and
- representation, by the Chairman of Policy & Resources on the UK National Advisory Board to the G8 Taskforce on social impact investment.

3.5 At a point when significant momentum and profile has been developed, Officers believe it is time to review the resources available for the City Corporation's social investment work.

Resourcing to date

- 4.1 With growing momentum behind its own social investment activity and the wider market, in 2012 the City Corporation recruited Katie Hill as Social Investment Advisor (SIA) on a one year consultancy contract (4 days per week). The role (and associated operational costs) was approved by the City Bridge Trust Committee and the Policy and Resources Committee and funded 50% from City Bridge Trust grant and 50% by the Policy Initiatives Fund (£50k each). The £100k comprised £65.6k for the SIA role and an operational budget of £34.4k. The consultancy was extended for a second year and this is due to expire in March 2014. The SIA has worked alongside Sophie Hulm, EDO's Corporate Responsibility Manager on policy influencing activity.
- 4.2 When the City Corporation's Social Investment Fund was established in October 2012, it was agreed that resources until the end of March 2013 would be met from City Bridge Trust's local risk budget, with a budget uplift sought from Policy & Resources for subsequent years. Work on the fund has been managed by Principal Grants Officer, Tim Wilson, with support from the SIA together with approximately 2 days per week of administrative support from within the City Bridge Trust and support from the Chamberlain's and Comptroller & City Solicitor's Departments.

- 4.3 In addition to staffing costs, expenditure has been required for the Fund on independent specialist advisers (one of the conditions on which the Fund was set up), and legal costs associated with the placing of investments and IT.
- 4.4 In 2013-14 total expenditure on social investment (policy and fund work) will amount to £179,230¹ excluding the costs of the Corporate Responsibility Manager, Principal Grants Officer and Chamberlain).

Future resourcing

The need

- 5.1 The City Corporation's social investment work has gained a good deal of recognition and momentum but there is still much more to be done on the policy side over the next eighteen months to two years. Therefore, Officers have concerns about reducing our contribution to this area from April 2014 on the expiry of the Social Investment Advisor's current contract. We have considered how we might embed this work within existing resources within EDO, but have concluded that we neither have the spare capacity nor the specific skills in house.
- 5.2 In the light of our experience of investing the first £2m from the Social Investment Fund, we are now in a better position to identify the resources required to manage the fund. Officers have considered the additional resources that are necessary and these are summarised in the table below:-

¹ This includes a sum of £20k which has yet to be approved for an Investment Analyst in the current year

	2013/14 £000	2014/15 £000	2015/16 £000
SIA role (fixed term post)	65.6 4 days pw (Source: P&R and CBT Committees)	49.2 3 days pw	49.2 3 days pw
Investment analyst	20.0*	36.0 3 days pw	50.0 4 days pw
Admin support	14.6 2 days pw (Source: CBT Local Risk)	14.6 2 days pw	14.6
Operational/ Specialist advice: • Legal • IT • Social investment	44.6 (Source: CBT Local Risk)	42.2	42.2
SIA policy associated costs /events	34.4 (Source: P&R and CBT Committees)	20	20
Total	179.2	162	176
Amount available from existing budgets	159.2	20	20
Balance required	20	142	156

* not currently budgeted for

5.2 It is envisaged that by September 2015 or the latest by April 2016, the Social Investment Advisor's policy influencing work will largely be completed and the activity can then be absorbed within the work of EDO. As a result, Officers recommend continuing to employ a Social Investment Advisor for **up to** a further two years from April 2014 on a 3 day a week basis. This would involve 2 days based in EDO on general policy influencing and (one day a week) also to be spent assisting Members and Officers on the Fund's strategy (based in City Bridge Trust). Because of the specialist nature of the role, it does not lend itself to a direct employment contract with City

Corporation. Once the fund is established and the City Corporation becomes more experienced in making investments (i.e. beyond 2016), this advisory service, if needed, can be bought in on an ad hoc basis.

- 5.3 An associated costs/events budget should also be allocated, as previously, albeit for a lower amount. This budget has proved very useful for research, such as the examination of the role of tax relief in encouraging market development and events such as two seminars with Independent Financial Advisers hosted at Guildhall.
- 5.4 In addition, there is a need for a dedicated Investment Analyst on a permanent basis (for 3 days per week in year one, expected to rise to 4-5 days in year 2 as the number of investments increases). The analyst will appraise the growing pipeline of investment opportunities, providing in-depth review before passing the most promising prospects across to the Fund's third party advisors for due diligence. The analyst will also monitor active investments and provide some advisory support to organisations with formative proposals which may be suitable for the Fund in due course.
- 5.5 This role would be based in both the Chamberlain's Department and City Bridge Trust, bridging the financial and social impact areas of expertise within the City Corporation and supporting the cross learning so vital to this area of work. It is suggested that this analyst support be provided by a secondee from the "City" investment community for the first 6 - 9 months with a view to informing permanent recruitment. The role of the Investment Analyst will be reviewed as part of the restructuring of the Corporate Treasury function within the Chamberlain's department, with a view to the possibility of a wider Investment Analyst function being performed in-house. The proposal was considered by Finance Investment Board in December 2013.
- 5.6 Overall coordination of Fund management (as required by the Court in October 2012) will continue to be the responsibility of the Chief Grants Officer of City Bridge Trust. This will continue to be delivered through the work of the Principal Grants Officer. In addition to this management time, the social investment fund work will need to be supported by dedicated administrative support in City Bridge Trust of 2 days per week. The resource requirement in future years for operational/specialist advice for the fund (ie specialist independent advisers to analyse applications to the Fund (as required by the Court), together with legal fees and IT costs) is expected to be at a similar level, albeit slightly less, to the current year (£44.6k).

Costs

- 6.1 The proposed level of resources, for continuing these Social Investment activities in 2014/15, is not dissimilar to the level in the current year.
- 6.2 Extending the SIA's contract on a 21 hour per week basis would cost just under £50k, and an operational budget of £20k (reduced from £34.4k last year) would allow for events, research and materials.
- 6.3 In addition to the on-going staff time from City Bridge Trust (Chief Grants Officer and Principal Grants Officer) and the Economic Development Office (Assistant Director and Corporate Responsibility Manager) the total amount of resource required to manage the social investment policy work and the Social Investment Fund is;

Request for funds

- 7.1 **2013/14:** It is proposed to request £20k in 2013-14 from Finance Committee's Bridge House Estates contingency to cover the costs of an Analyst on secondment to the Corporation (not currently budgeted for).
- 7.2 **2014/15 and 2015/16:** It is proposed that a budget adjustment is made to Bridge House estates to accommodate the management costs of the social investment fund (£92.8k for 2014/15 and £106.8k for 2015/16 comprising the analyst, admin support and operational costs).
- 7.3 In addition, a request be made to the Policy and Resources Committee for a budget uplift of £50k per annum for the SIA role, for up to 2 years. There may be a saving in the second year if the need for the role ceases within a shorter time.
- 7.4 The events budget for policy related work of £20k per annum will be met from any savings in the SIA budget in the previous years and/or the EDO local risk budget.
- 7.5 CBT will continue to contribute the time of the Chief Grants Officer and Principal Grants Officer, and EDO the time of the Corporate Responsibility Manager over the next 2 years.
- 7.6 **In the medium term (3-5 years)** it is anticipated that a growing percentage of the social investment fund management charges should be recovered from the return on investments and the fund become self-sustaining.

Recommendation

That approval be sought as follows:

- a) from the Finance Committee for an allocation of £20k from its Bridge House Estates contingency for the costs of the social investment analyst during 2013/14;
- b) from the Policy and Resources Committee for a budget adjustment to accommodate the management costs of the social investment fund for 2014/15 (£92.8k) and 2015/16 (£106.8k) ; the intention being that investment returns would cover the fund management costs over the medium term;
- c) from the Policy and Resources Committee to a budget uplift to meet the costs of extending the Social Investment Adviser role on the basis on 3 days per week for up to a further 2 years, at a cost of £50k (*rounded*) in each of 2014/15 and 2015/16.

It should be noted that the SIA events/operational budget of £20k will be met from savings in either the SIA budget or EDO budget in 2014/15 and 2015/16.

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Report written: 20th December 2013

THE CITY BRIDGE TRUST

Professional Development Events, Conferences and Seminars Attended 14TH November to 20TH December 2013

Date	Organisation	Type of Event	City of London's Representative	Location/ Borough	Summary Comments
14/11/13	London Funders	Trustee meeting	Jemma Grieve Combes, Grants Officer	Euston	Regular meeting of London Funder's board of which your officer is a member.
20/11/13	Wellcome Trust	Seminar	Tim Wilson, Principal Grants Officer	Euston	A regular meeting for staff from Trusts and Foundations with responsibility for learning and development work.
21/11/13	London Funders	Seminar	Tim Wilson, Principal Grants Officer	Euston	An opportunity to hear presentations on a grantee perception survey which CBT will undertake in 2014.
21/11/13	Social Finance	Seminar	Tim Wilson, Principal Grants Officer	Great Portland Street	A round table discussion for grant-makers to consider issues which could be financed through social investment.
21/11/13	Tower Hamlets Council for Voluntary Service	Funding Presentation	Jemma Grieve Combes, Grants Officer; Ciaran Rafferty, Principal Grants Officer	Tower Hamlets	Funding presentation to share your new priorities with voluntary organisation in Tower Hamlets.
04/12/13	Buzzacott	Seminar	Jemma Grieve Combes, Grants Officer and Martin Hall, Grants Assistant	City	Regular meeting of users of the GIFTS grants management software to share good practice.

10/12/13	MyBnk	Monitoring Visit	Vivienne Littlechild; Ian Seaton; Karisia Gichuke, Senior Grants Officer	London E1	This was a routine monitoring visit to learn of the work of the organisation in delivering financial literacy to care leavers.
12/12/13	Association of Charitable Foundations	Trustee meeting	Tim Wilson, Principal Grants Officer; Karisia Gichuke, Senior Grants Officer	Kings Cross	Regular meeting of ACF's board which two of your officers sit on.
18/11/13	Creative & Cultural Skills	Launch	Ciaran Rafferty, Principal Grants Officer	Royal Festival Hall, South Bank	Launch by the Deputy Prime Minister of a national scheme to create 50,000 paid jobs for young people in the creative industries. Your Arts Apprenticeships programme was formally announced and gained much appreciation.
22/11/13	Anchor House	Visit	Marianne Fredericks; Deputy Town Clerk; Chief Grants Officer	London E16	As part of their induction to the work of CBT, Marianne Fredericks, the Deputy Town Clerk and the Chief Grants Officer paid a visit to Anchor House. They were accompanied by the Director of Housing Services who was interested to learn about Anchor House's work.
27/11/13	Tricycle Theatre	Project Visit	Chief Grants Officer; Ciaran Rafferty, Principal Grants Officer	Kilburn, NW6	A chance, as part of the Chief Grants Officer's induction, to see the Theatre's excellent work with young refugees, funded by the Trust.
27/11/13	Refugee Action	Seminar	Ciaran Rafferty, Principal Grants Officer	Garden Court Chambers, Lincoln's Inn Fields	Event to formally launch a report on the work of RA's Access to Justice project.

28/11/13	Bexley Council for Voluntary Service (BCVS)	Funding Presentation	Ciaran Rafferty, Principal Grants Officer; Julia Mirkin, Grants Officer	Bexleyheath, Kent	An event to tell an assembled and appreciative audience of your new Investing in Londoners programme.
04/12/13	London Borough Access Officers	Presentation	Ciaran Rafferty, Principal Grants Officer	Guildhall	Presentation of your funding for access and inclusion to a regular meeting convened by the CoL Access Team.

**General Events and Receptions
Attended 14th November to 20th December 2013**

Date	Organisation	Type of Event	City of London's Representative	Location/Borough	Summary Comments
20/11/13	Migrant & Refugee Communities Forum (MRCF)	Reception	Ciaran Rafferty, Principal Grants Officer	Amnesty UK, Shoreditch	Event to celebrate MRCF's 20 th anniversary. Keynote speakers included BBC journalists/broadcasters Samira Ahmed and Fergal Keane.
10/12/13	Small Charities Coalition	Reception	Tim Wilson, Principal Grants Officer	IBM, South Bank	Annual reception marking Small Charities Coalition's work over the past year.
20/11/13	Museum of London	Dinner	Chief Grants Officer & Deputy Chief Grants Officer	Museum of London	Annual Dinner
04/12/2013	The Funding Network	Fundraiser	Deputy Chief Grants Officer	Copa de Cava, EC4	Please see Chief Grants Officer's Progress Report for more information.
09/12/2013	NCVO	Annual Lecture	Deputy Chief Grants Officer	Livery Hall	Please see Chief Grants Officer's Progress Report for more information.