

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.

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