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| <b>Committee:</b><br>The City Bridge Trust Committee | <b>Dated:</b><br>24 <sup>th</sup> November 2016 |
| <b>Subject:</b><br>Stepping Stones                   | <b>Public</b>                                   |
| <b>Report of:</b><br>Chief Grants Officer            | <b>For Decision</b>                             |

### **Summary**

This report sets out the 17 recent grant approvals made under the recently concluded 3<sup>rd</sup> round of Stepping Stones – the City Bridge Trust (CBT) grants programme, run in conjunction with UBS bank that helps charities to investigate their potential for social investment. It also provides an update on past and current investees and recommends that a business case be prepared to ensure that the correct resource be allocated to support a fourth round of the programme and to fund an evaluation of the work to date. This evaluation will be an important input into the 5 year CBT strategy review.

### **Recommendations**

- a) That Members approve £500,000 in principle for a fourth round of Stepping Stones subject to confirmation by officers at your January 2017 meeting as to whether this comes from your 2016-17 or 2017-18 grants budget
- b) That Members support the production of a business case to ensure that the correct resource is in place for programme administration and evaluation for the new round
- c) That officers seek match funding from partner organisations towards this fourth round
- d) That the Risk Finance strand of Stepping Stones be discontinued
- e) Subject to a full proposal to January 2017 meeting, that the Trust trial a new invitation-only strand for Stepping Stones which provides bespoke assistance.

### **Main Report**

#### **Stepping Stones Fund**

##### **Background**

1. In November 2014, following your agreement, the CBT Stepping Stones Fund was launched. The grants programme helps charities to investigate their potential for social investment. It is designed as a potential 'stepping stone' between your Investing in Londoners grants programme and the Social Investment market, including the City of London Social Investment Fund (which is governed by the Social

Investment Board and managed by CBT officers working with Chamberlains).

- Over the three rounds the Stepping Stones Fund has supported 49 organisations with grants totalling £2.2m. The Fund is now co-funded by UBS bank.

### **3<sup>rd</sup> & Most Recent Stepping Stones Fund Round**

- Round three of the Fund has just been completed following assessment panels populated by a mixture of CBT and UBS officers. Representatives from The Clothworkers and the Lloyds Bank Foundation also joined the assessment panels.
- Organised into discrete funding cycles, each round of Stepping Stones has been oversubscribed. The third round has recently been completed with 77 applicants requesting a total of £3.9m. The programme is designed to allow a 'first filter' of proposals to give quick responses to applicants who are unlikely to succeed at panel interview.
- You received notice of 47 applicants who were rejected in this manner at your September meeting. Not only does this minimise wasted application time, it also ensures that organisations can benefit from feedback that helps them with subsequent bids, should they choose to do so. Several awards made in the current round were improved bids based on unsuccessful requests in previous funding cycles.
- Funding was agreed to the following 17 organisations with grants up to £50,000 and totalling £700,000 (the full grant allocation):

#### Strand 1: Capacity building

| <b>Organisation</b>                                   | <b>Amount</b>          |
|---|------------------------|
| East London Advanced Technology Training              | £50,000                |
| OnSide Youth Zones                                    | £50,000                |
| Community Drugs and Alcohol Recovery Services         | £50,000                |
| Community Links Trust Ltd                             | £50,000                |
| Mayor's Fund for London                               | £50,000                |
| Hackney Empire Limited                                | £48,000                |
| Volunteer Centre Greenwich                            | £41,700                |
| Social Enterprise UK                                  | £40,000                |
| Sutton Community Farm                                 | £35,300                |
| Action West London                                    | £27,000                |
| One Planet Ventures (now trading as Hatch Enterprise) | £18,800                |
| <b><i>Sub-total</i></b>                               | <b><i>£460,800</i></b> |

## Strand 2: Piloting outcomes

| <b>Organisation</b>             | <b>Amount</b>   |
|---------------------------------|-----------------|
| The Mix                         | £50,000         |
| Thames Reach Charity            | £47,000         |
| Changing Paths Charitable Trust | £46,500         |
| The Bike Project                | £40,000         |
| Positive East                   | £35,000         |
| Organiclea                      | £20,700         |
| <b>Sub-total</b>                | <b>£239,200</b> |

## Strand 3: Risk Finance

|                  |           |
|------------------|-----------|
| None             | £0        |
| <b>Sub-total</b> | <b>£0</b> |

## Grand Total

|                     |                 |
|---------------------|-----------------|
| <b>Grand total:</b> | <b>£700,000</b> |
|---------------------|-----------------|

7. Details of these awards are included in the CGO report elsewhere in your papers for this meeting, as part of the schedule of approvals made under delegated authority.

## **Current Investees**

8. So far nine Stepping Stones grantees have completed their projects. Two (Pure Leapfrog and Deptford Reach) are already approaching social investors with the former having secured £15m for a renewable energy fund. Three have identified social investment as part of their future growth strategy pending work on further development activities, and four have 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 and the Trust will continue to monitor the progress they make.
9. 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. Additionally, there has been progress as organisations engage social investors and learn more about what they need to take a successful idea to market. The Trust and UBS plan to strengthen this latter outcome by arranging a 'meet the investor' event early in 2017.

10. The partnership with UBS has been notably strong. Nearly 100 corporate volunteers from across many of the bank's departments have participated in pre-interview coaching as well as the selection panels, and senior managers have joined the Chairman, Deputy Chairman and Chief Grants Officer in reviewing grant recommendations (as above). Stepping Stones is seen as a good fit with UBS' broader interest in social enterprise and social investment, and the bank has reported that its staff have enjoyed their involvement in the process.

## Future Plans

11. Consultation with other funders and social investment intermediary organisations; the growing value of applications received at each round (respectively £1.8m, £2m and £3.8m); and the outcomes referred to above in respect of existing investees indicates there is merit in maintaining the programme.
12. You are therefore asked to approve, in principle, £500,000 of your grants budget for a fourth round of Stepping Stones. Subject to a review of the pipeline of Investing in Londoners applications, officers will confirm at your January meeting whether this sum should be from your 2016-17 or 2017-18 grants budget. The Trust will seek to increase the total pot by raising match funding from partner organisations. If approved by Committee and if partnerships can be finalised within the coming weeks the Trust will aim to launch the new round in February 2017.
13. At the same time, given the number of active grantees in the programme and the prospect of round 4 and managing the evaluation, you are recommended to support the preparation of a business case to determine the correct resources for the management and administration of the programme.
14. If you agree to maintain the programme, you are also asked to approve a change to the current programme criteria, building on experience to date. Stepping Stones has three strands, but the first two (*Capacity Building* and *Piloting Outcomes*) are notably more popular than the third (*Risk Finance*). So far only five organisations have applied for *Risk Finance* funding and only one award has been made. This issue has been discussed with the programme's external advisory group and the problem arises largely due to the difficulty working within the Trust's grant-making timeframe. Additionally, the recent launch of a new scheme from another funder (the Access Fund's Reach Programme) overlaps with the focus of Stepping Stones' *Risk Finance* strand. Officers propose the *Risk Finance* strand be discontinued.
15. In its place, the Trust proposes to trial an invitation-only support strand for charities with revenue-generating potential who might be suitable candidates for Stepping Stones, and for those who have completed their Stepping Stones grant and now need some further help to take

their idea to market. The detail of this new element would be presented for approval by Committee at the January 2017 meeting.

16. Beyond another round, Stepping Stones is also providing helpful input into the Trust's 5 year strategic review as it considers how it might offer charities support through a variety of funding channels and how it might work with other sectors. It is proposed that both to enhance the learning for ourselves and others an evaluation of Stepping Stones is undertaken at the time of the proposed round four stage. Resourcing of this will be included within the proposed business case noted above.

**Recommendations:**

- a) That Members approve £500,000 in principle for a fourth round of Stepping Stones subject to confirmation by officers at your January 2017 meeting as to whether this comes from your 2016-17 or 2017-18 grants budget
- b) That Members support the production of a business case to ensure that the correct resource is in place for programme administration and evaluation for the new round
- c) That officers seek match funding from partner organisations towards this fourth round
- d) That the Risk Finance strand of Stepping Stones be discontinued
- e) Subject to a full proposal to January 2017 meeting, that the Trust trial a new invitation-only strand for Stepping Stones which provides bespoke assistance.

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