



Item

GREATER CAMBRIDGE IMPACT FUND

To: **Cllr Simon Smith, Executive Councillor for Finance and Resources**
Strategy and Resources Committee 3rd July 2023

Report by:

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Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

This report presents the case for the Council to support the establishment of Greater Cambridge Impact (*working title*; referred to as 'the Fund'), an independent social impact investment fund to help address inequality in line with the Council's "One Cambridge Fair for All" vision. The Fund will do this by investing in opportunities to improve the lives of our most vulnerable communities and achieving measurable improvements in homelessness & rough sleeping, social mobility, youth employment, and health and wellbeing.

Options for the Fund's purpose and structure were considered in a feasibility study, drawing on the experience of other places, and by co-designing the proposed model with social impact experts, local charities and social enterprises, potential social investors, and philanthropists.

A Fund Development Board is now in place. It has the appropriate expertise and experience to support the development and establishment of the Fund, including advising on the appropriate legal and governance arrangements.

An initial investment of £0.2m is requested from the General Fund reserve to provide the necessary resources to develop the Fund and to fundraise.

In principle approval is also sought for a further £0.8m, bringing the Council's potential investment in the Fund's development and financing to £1m. A £0.8m contribution should only be made on condition sufficient progress has been made to secure funding from other sources, in line with the ambition to establish a £6-15m social impact fund.

Progress on the development and fundraising for the Fund will be reported to the Executive Cllr for Finance and Resources by the Fund Development Board and may be brought back to the Strategy & Resources Committee to provide updates at key stages and in advance of any key decisions.

2. Recommendations

The Executive Councillor is recommended, following scrutiny and debate at Strategy & Resources Scrutiny Committee, to recommend to Full Council:

- a) the allocation of £200,000 development funding to support the establishment of Greater Cambridge Impact ('the Fund') and enable fundraising over the next year.
- b) To agree 'in principle' a further £800,000 contribution to the Fund once it is established, subject to progress made to secure funding commitments of £5m from other parties, and that officers should provide advice in relation to this decision at a later date.
- c) To note that a) and b) are one-off financial contributions from Reserves with the objective of leaving a lasting legacy from additional business rates collected due to the growth of the Cambridge economy.
- d) To note that activity to establish the Fund will be overseen by a Fund Development Board; that the £200,000 development funding will be managed by Jemma Little, Economic Development Manager, Cambridge City Council in line with council policies; and that progress will be reported by the Fund Development Board on a regular basis to the Executive Cllr for Finance and Resources and may be brought back to the Strategy & Resources Committee to provide updates at key stages over the next year.

3. Background

- 3.1 As part of the Council's "Our Cambridge" Transformation programme and the development of a community wealth building approach, Cambridge City Council and It Takes A City commissioned social impact experts, AchieveGood, to explore how 'place-based social impact investment' could grow the scale and impact of the third sector and mobilise action to tackle social issues in the Greater Cambridge area.
- 3.2 The UK has become the world leader in social investment over the last 20 years. Social investment has been used to develop innovative and outcome driven solutions to resolve social issues such as homelessness and create positive impacts through projects including house-building, reducing social isolation or supporting people furthest from the labour market into work.
- 3.3 Social investment led approaches have been positively evaluated by central government, independent researchers and the University of Oxford's Government Outcomes Lab across a number of sectors including health, social care, children services, poverty reduction, education and workforce development, and to scale up the impact of socially motivated organisations, such as charities and social enterprises.
- 3.4 In many instances grants are used to build capability and facilitate social investment to increase the chances of success. This is known as 'blended finance'. These investments are patient, flexible, often unsecured, and able to take risk to generate positive social and environmental impact.
- 3.5 During the feasibility phase, AchieveGood conducted interviews with local stakeholders to understand the local challenges and explore opportunities for a place-based social impact investment in addressing them. This was followed by a deeper research phase and a national and international review of place-based social impact investment and blended finance models to understand what might be possible in Greater Cambridge. The culmination of this research was a published report titled "Coming Together" – see Appendices - which explores the issues and potential solutions.
- 3.3 This was followed by a co-design phase, engaging with potential investors, local stakeholders, charities, and social enterprises to co-

develop the Greater Cambridge Impact initiative. This included the promotion of an open call for evidence and expression of interest process, hosting an investor roundtable and a social sector engagement event. Throughout the process, ongoing stakeholder engagement and consultation with social enterprise experts has been key, ensuring the initiative is responsive to community needs, existing capacity, and investment opportunities.

- 3.4 Interest from potential investors has been strong further reinforcing the case for investment. For instance, Big Society Capital (BSC), a leading social impact investor in the UK, has shown interest. The Cambridgeshire & Peterborough Combined Authority (CPCA) has also shown interest in the initiative and may consider a contribution subject to further development.
- 3.4 An investor round table was attended by local philanthropists, corporates and other local and national stakeholders such as our two Universities, the Access Foundation and Power to Change. An initial presentation has also been made to South Cambridgeshire District Council’s informal Cabinet with an invitation to follow up once further progress has been made. Innovate Cambridge has endorsed the establishment of a Social Impact Fund as a route for successful entrepreneurs to make financial contributions to address social inclusion and inequality in the city. This proposal is likely to be included in the project’s Action Plan due to be launched in October at the Guildhall.
- 3.5 £200,000 development funding from the City Council as the first investor to help kick-start the Fund is now key to turn ideas into action. It would enable the development of the Business and Implementation Plan, which would provide a credible proposition for fundraising. The £0.8m ‘in principle’ commitment from the Council would leverage in funding other sources including from philanthropy, corporates and social investors.
- 3.6 A working Theory of Change has been developed to show how the Fund will achieve social outcomes by addressing the causes of inequality, summarised in the table below

Addressing causal issues through capacity building	Improved outcomes for the most vulnerable
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<p>Initial hypothesis for key causal focus interventions in areas such as</p> <ul style="list-style-type: none"> • Homelessness & rough-sleeping • Education, skills and employment for young people • Health inequalities <p>With supporting thematic areas such as;</p> <ul style="list-style-type: none"> • Community Resilience • Environment and Cost of Living 	<ul style="list-style-type: none"> • Reduction in homelessness and low-quality housing • Improved education attainment and employment opportunities for young people • Health and wellbeing outcomes • Life expectancy
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- 3.6 The Fund would build on the approach taken by Bristol City Funds and Kindred CIC in Liverpool, as well as the It Takes a City model, of convening multi-stakeholder partnerships that work to deliver transformational change around a specific issue. This will be achieved through capacity building work and a proactive approach to building strategic partnerships with local charities and social enterprises. This initial focus would be on areas such as housing and homelessness, education, skills and employability, and health. A pipeline of potential projects worthy of social investment and support has already been identified and this will continue to be developed.
- 3.8 A crucial milestone in the project has been the establishment of a **Fund Development Board** to oversee the initiative, guide its strategic direction, prepare to set up the new organisation and support fundraising. The board brings together expertise in social investment, public sector funding, homelessness, innovation, and social entrepreneurship.
- 3.9 The board is chaired by **Antony Ross OBE**, a Senior Advisor at Bridges who has over 20 years of private equity and venture capital investment experience. Antony founded Bridges' activities in Social Outcomes Contracts and established Bridges Evergreen Holdings. He brings a wealth of experience in pioneering social investment. Antony has been awarded an OBE for services to social enterprise and social investment and lives in Cambridge.
- 3.10 Other members of the Development Board include:

- **Chris Jenkin BEM**, Chair of It Takes A City CLT, a not-for-profit working in partnership to end rough sleeping due to homelessness. Chris was awarded the British Empire Medal (BEM) in 2020, for services to the homeless in Cambridge during COVID-19.
- **Tabitha Goldstaub MBE**, Executive Director of Innovate Cambridge and the co-founder of CogX, a festival and online platform. Tabitha is also the chair of the UK government's AI Council and is a tech and social entrepreneur. Tabitha was awarded MBE in the 2022 New Year Honours for services to the artificial intelligence sector.
- **Dominic Llewellyn**, a renowned social entrepreneur and investment advisor, specialising in establishing charities, social enterprises, capacity building, and innovative social finance. Most recently he worked on a place based social impact project with the Gordon and Sarah Brown Foundation in Fife.
- **Robert Pollock**, Chief Executive of the City Council and formerly a Director at Social Finance. He has advised central government and local authorities on social investment and was involved in establishing Kindred CIC in the Liverpool City Region.

3.11 The seed funding requested to establish the Fund will be managed by Jemma Little in line with council policies with advice provided by the Fund Development Board. Progress on the establishment and fundraising for the Fund will be reported by the Fund as set out in the recommendation. It is envisaged the Fund could be in a position to make investments from the beginning of financial year 2024, and the Council may need to take a decision regarding any 'in principle' contribution as part of the budget process in late February 2024.

3.12 The Council development funding would be used is as follows:

- **Resourcing:** a part-time Executive Director should be hired to lead the project and fundraise. Additional support from a Fund Development Team will be necessary to manage the project and develop pipeline investment opportunities. This is crucial in ensuring that the initiative is strategically positioned to achieve its objectives and deliver measurable improvements in outcomes. Antony Ross OBE, Chair of the Development Board, is providing his expertise on a pro bono basis, further strengthening the capacity of the initiative.

- **Pipeline Development and Marketing:** activities to raise awareness of the initiative, convening and capacity building to develop opportunities to deliver social change, considering which groups / partnerships / organisations are or have the potential to be able to use additional finance to achieve social change or to scale up their impact through innovative solutions.
- **Fundraising:** The seed funding will also support fundraising activities. This is key to securing additional funding for the initiative, which will enable it to scale its impact. There is also an ambition to raise further philanthropic start-up phase funding to bolster the initiative's resources in the short term.
- **Founding and incubating the organisation** – with support from technical and legal advisors, though pro bono advice will be sought wherever possible.

3.13 The outline budget is shown below:

Start-up costs (VAT inclusive)	Total	Q1	Q2	Q3	Q4	Total
Interim Contracted Executive	£89,200	£8,400	£19,600	£25,200	£36,000	£89,200
Start-up resourcing and team	£91,411	£22,853	£22,853	£22,853	£22,853	£91,411
Marketing materials	£10,080	£5,760	£1,440	£1,440	£1,440	£10,080
Legal Fees (pro bono)	-	-	-	-	-	-
Meeting and hosting costs	£1,628	£360	£360	£360	£548	£1,628
Admin & accounting	£7,680	£1,800	£1,800	£1,800	£1,800	£7,200
Total (including VAT)	£200,000	£39,173	£46,053	£51,653	£62,641	£199,520

3.12 One-off funding provided by the council could generate a significant social return:

- **Matched Funding:** attract funding from other local and national investors. This could leverage an additional £5-14m of investment, amplifying the impact of the councils contribution.
- **Social Return on Investment (SROI):** SROI is a method for measuring the social impact of investments. It quantifies the social and environmental value created and expresses this in monetary terms. For the investments made by the Fund in social enterprises, charities and other projects, an overall positive SROI is anticipated. The range of social returns can vary significantly between organisations and sectors, and the performance of individual investments. Kindred CIC,

a place-based impact fund in Liverpool, for instance, expects a £6 SROI return for every £1 invested.

- **Ambition for larger infrastructure funds:** There is potential for the creation of a larger, infrastructure-focused funds in the future especially for housing and homelessness where this may be essential to achieving the outcome of ending rough sleeping. These could be modelled on successful examples such as the Co-Living Fund and the Net Zero Fund in Bristol that followed the initial City Funds impact fund. These funds could attract further investment and generate additional returns, both financial and social.

4. Implications

a) Financial Implications

There are no additional financial implications other than those outlined in the report.

b) Staffing Implications

There are no direct staffing implications.

c) Equality and Poverty Implications

There are no other direct equality and poverty implications associated with this report. However, the purpose of establishing the Fund is to address the causes of inequality and poverty.

d) Net Zero Carbon, Climate Change and Environmental Implications

There are no direct environmental implications associated with this report. However, the investment criteria for the Fund would include delivery of positive environmental and climate benefits.

e) Procurement Implications

Development funding will be managed by the Council's project manager. Procurement rules will be followed, should the requirement arise. The Council's contribution to the Fund, if approved, would be transferred as a grant to the new Fund's legal entity and this will be considered in more detail as part of the next development phase.

f) Community Safety Implications

There are no direct community safety implications associated with this report.

5. Consultation and communication considerations

As part of the development of the business case for the establishment of the fund, extensive research was undertaken including an open call for evidence on the council's website and direct engagement with the Community, Voluntary and Social Enterprise organisations was carried out to help identify how the fund could best support the sector and to identify a pipeline of investable projects which will attract investor interest. A press release promoted the results of the Feasibility Report and was widely covered in local media and further publicity is planned as part of the next phase to promote key milestones in the fund's development. There are no further direct consultation and communication implications associated with this report.

6. Background papers

No background papers were used in the preparation of this report.

7. Appendices

Appendix a - Coming Together: The Role That Social Impact Investing Can Play in Cambridge

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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