

REPORT TITLE: GREATER CAMBRIDGE IMPACT AND CAMBRIDGE PLEDGE

To:

Cllr Simon Smith Executive Councillor for Finance and Resources

Strategy and Resources Scrutiny Committee, 10th February 2025

Report by:

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Wards affected:

All

Director Approval: Lynne Miles, Director of Economy and Place, confirms that the report author has sought the advice of all appropriate colleagues and given due regard to that advice; that the equalities impacts and other implications of the recommended decisions have been assessed and accurately presented in the report; and that they are content for the report to be put to the Executive Councillor for decision.

1.	Recommendations
1.1	<p>It is recommended that the Executive Councillor for Finance and Resources:</p> <ul style="list-style-type: none"> i. Notes progress made with securing equity and loan finance and developing the pipeline of projects for first investment during the second half of 2025. ii. Requests that a single investment of £0.8m to the Greater Cambridge Impact is included in the 2025/26 General Fund iii. Budget to be recommended to Full Council (noting these funds were agreed ‘in principle’ by full Council on 20th July 2023 subject to progress towards funding commitments of £5m from other parties) iv. Requests that drawdown is delegated to the Executive Councillor for Finance and Resources, following reassurance from the Chief Executive and Chief Financial Officer that governance arrangements are in place and due diligence is completed. v. Requests approval of the nomination of the Chief Executive as the Council’s representative on the Greater Cambridge Impact Company Board.

2.	Purpose and reason for the report
2.1	This report provides an update on progress to establish Greater Cambridge Impact (GCI) and makes recommendations to the Executive Councillor for Finance and Resources to enable the Council's investment in GCI to be included in 25/26 General Fund Budget.
2.2	In 2023, the Council recognised that a £1m a one-off investment from reserves could leverage significant additional investment to create a social impact investment vehicle (working title Greater Cambridge Impact) to tackle systemic inequality and contribute to inclusive growth in Cambridge and the wider area. Of the Council's £1m, £0.2m was ringfenced for development, and the balance (£0.8m) was ringfenced for investment, on the condition that a further £5m was raised. The Council now needs to consider the allocation of the remaining £0.8m to the 25/26 budget. This would help secure commitments from other interested investors and enable the first social impact investments to be made in 2025.
3.	Alternative options considered
3.1	The alternative option considered was for the Executive Councillor for Finance and Resources to request the £0.8m from reserves, once the £5m from other investors had been secured. This is not practical because the Council's commitment as a cornerstone investor is required before other investors will commit their funds.
4.	Background and key issues
4.1	At its meeting of 20 th July 2023, the Council unanimously resolved to: <ul style="list-style-type: none"> <li data-bbox="245 1693 1493 1843">vi. Approve the allocation of £200,000 development funding to support the establishment of Greater Cambridge Impact and enable fundraising over the next year. <li data-bbox="245 1861 1493 2011">vii. Agree 'in principle' a further £800,000 investment 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.

	<ul style="list-style-type: none"> viii. Note that a) and ii) are one-off financial contributions from Reserves, with the objective of leaving a legacy from additional business rates collected due to the growth of the Cambridge economy. ix. Note that activity to establish the impact investment vehicle will be overseen by a 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 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. Agenda Document for Council, 20/07/2023 18:00.
4.2	<p>Considerable progress has been made to establish Greater Cambridge Impact (GCI) with the continued support and oversight of the Development Board, chaired by Antony Ross OBE. Antony is a Cambridge resident and pioneer of social investment in the UK and internationally. He has offered his time, energy, and commitment to get this initiative off the ground. The Council should take this opportunity to publicly thank him for his leadership and contribution to tackling inequality in Cambridge and the wider region.</p>
4.3	<p>Fundraising Progress and Dependencies</p>
4.3.1	<p>The Council’s decision recognised that a £1m investment could attract third party funding for a social impact investment vehicle to tackle systemic inequality and contribute to inclusive growth in Cambridge and the wider area. So further to the Council’s £0.2m of seed funding, Sara Allen was appointed as Executive Director of Greater Cambridge Impact in January 2024 to progress fundraising and build an investment pipeline. Sara has now also been appointed as Executive Director of the Cambridge Pledge (see 4.3.3).</p>
4.3.2	<p>Fundraising is a matter of building confidence with each new commitment dependent on confirmation of previous commitments. Given the considerable progress towards the £5m target, it is timely to draw down the £0.8m balance of the Council’s investment to:</p> <ul style="list-style-type: none"> i. match the CPCA’s commitment of £1m, approved in December 2024, of which £0.2m will be allocated for fundraising and developing projects for investment. ii. match a £1m investment by a local financial institution which is to be announced in Spring 2025.

- iii. give confidence to Better Society Capital and the Church of England Social Investment Fund whose investment due diligence is at an advanced stage.
- iv. support discussions with other interested parties including the Crown Estate and Friends Provident.
- v. enable the first round of investments to be made in the second half of 2025 and to underpin continued fundraising to reach the final close in 2026, which is capped at £10m.

4.3.3 The Cambridge Pledge will be an equity investor in the impact investment vehicle. It will be a registered charity vehicle for entrepreneurs to make donations and pledges of future value which are realised on the sale of their businesses. As it grows, it could provide capital for a second round of impact investment to scale projects that have worked and support further social innovation. The Cambridge Pledge could raise multiple millions in the first ten years and seven pledges and donations have already been made.

4.4 **Investment Project Pipeline**

4.4.1 The impact investments will take a long-term approach to improving life chances. The initial focus is on supporting five groups: people who are homeless and rough sleepers; families in crisis and poverty (including those at risk of homelessness); disadvantaged children and young people (school/ skills); children in care and care-experienced young people (a third of whom go on to become homeless). The investments will also:

- power transformational approaches to delivering public services through collaboration between voluntary, community and social enterprises (VCSEs), local government and other public services,
- provide long-term financial support to allow VCSEs to scale, and increase capacity and collaboration between organisations, as well as enabling greater financial resilience and income generation to support charitable and social objectives.

4.4.2 The current pipeline includes a group of charities working with pupils who have been excluded or at risk of exclusion; a VCSE delivering children’s homes for Cambridgeshire’s most vulnerable young people; and a charity delivering support including around employment for those at risk of homelessness.

4.4.3	<p>Whilst investments will be required to benefit the Cambridge area, they may be in and/or have impacts across a wider geography. Following the CPCA's investment, it is possible that other local authorities will invest as the fundraising work continues. Although the specific impacts will be determined by the investments made, as determined by the GCI Board, the case study examples below help to illustrate the investment approach.</p>
4.4.4	<p>Case Study examples:</p> <p>Investment relating to housing and homelessness prevention, for example to enable a specialist charity to purchase property that will provide safe accommodation for people and families escaping from domestic abuse, combined with comprehensive wrap around services or exploring how to build on the Homes for Good social lettings model in Glasgow.</p>
4.4.5	<p>A VCSE investment in <i>local</i> children's homes would seek to prevent the impact of poor outcomes for looked-after children on the children themselves, wider society, and the public services. This preventive approach would:</p> <ul style="list-style-type: none"> • Provide capital for the pre-revenue period and acquisition of properties (through purchase or lease) in Cambridgeshire and Peterborough (noting more than half of the region's looked-after children live in homes miles away) • Focus on improving life-chances of looked-after children– leading to better personal development in relationships and mental health, educational attainment and post care housing and employment prospects and critically a marked reduction in homelessness, exploitation, and offending. • Be informed by collaboration between the VCSE and the Corporate Parenting Team, so that the design of the children's homes matches the strategic aims of the County Council.
4.5	<p>Team, Governance and Next Steps</p>
4.5.1	<p>In addition to Sara Allen, a part-time Investment Director for is being recruited to oversee the budget and structure investments with charities. Other additional appointments will be made as part of the development. However, the team will remain small with provision for management costs at an average of 2.8% for a £10m budget, over the investment cycle.</p>
4.5.2	<p>Legal advisors, Mishcon De Reya, have recommended investments are made through a</p>

4.5.3	<p>'joint venture' company. This ensures that overheads are kept in proportion to the size of the impact investment budget and does not require Financial Conduct Authority regulation.</p> <p>As a result:</p> <ul style="list-style-type: none"> • equity investors nominate a representative to the Board, the Council as an equity investor is required to make a senior Council officer appointment. Social loan investors will not join the Board but need confidence that the Board has the requisite experience and seniority to make sound investment decisions. • all investment decisions will be signed off by the Board following recommendations from an Investment Committee of unpaid expert advisors with a strong professional background in social and equity investment, and innovative service delivery. • all investors will receive an annual report on investments made, impacts and financial performance, with informal updates from the Executive Director as needed and regular performance reports to be brought to the Council. <p>Before investments can begin, the following legal and governance arrangements are needed:</p> <ul style="list-style-type: none"> • appointment of Board members, with the Chief Executive being proposed as the Council's nominated representative, given the strategic importance of the project and his professional background in social investment. • Greater Cambridge Impact investment company incorporation: open bank account, Anti-Money Laundering policy development and registration. • legal framework for investments – a terms sheet for the equity investment and negotiating its contents with the initial seed equity investors. • Cambridge Pledge charity registration.
5.	Corporate plan
5.1	Investment in Greater Cambridge Impact aligns with the Council's "One Cambridge Fair for All" vision. It can attract finance to enable projects that will achieve greater equality in health, housing and educational outcomes and is an example of true partnership between academic, business, and civic communities to enhance residents' prosperity.
5.2	It also aligns with the Corporate Plan priorities of tackling poverty and inequality and

5.3	<p>helping people in greatest need, reducing homelessness and modernising the council.</p> <p>It is key to our Community Wealth Building Strategy and is an example of how the Council can use its investment powers to support activity which tackles poverty and inequality and promotes a more inclusive and sustainable economy.</p>
6.	<p>Consultation, engagement, and communication</p>
6.1	<p>As part of the development of the business case for the establishment of Greater Cambridge Impact, extensive research was undertaken. This included an open call for evidence on the council's website and direct engagement with the Community, Further consultation with Voluntary and Social Enterprise organisations was carried out to help identify how the project could best support the sector and to identify a pipeline of investable projects which will attract investor interest.</p>
6.2	<p>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 next stage of development. Since then, the Executive Director has continued engagement with investors, partners and community and voluntary sector organisation to fundraise and develop the investment pipeline.</p>
6.3	<p>Both Greater Cambridge Impact and the Cambridge Pledge now have websites and key milestones such as the recent launch of the Cambridge Pledge and the CPCA's decision to invest have also been promoted with partners via press and social media. There are no further direct consultation and communication implications associated with this report.</p>
7.	<p>Anticipated outcomes, benefits, or impact</p>
7.1	<p>The Council's investment in Greater Cambridge Impact will unlock wider investment as shown in 4.3. and bring significant funding to benefit residents. In terms of the social and system benefits the impact investments made by GCI will take a long-term approach to:</p> <ul style="list-style-type: none"> • reversing inequality and improving people's life chances and community cohesion and resilience.

- improving the long-term outcomes of the most disadvantaged groups supported by the interventions in terms of employment and social mobility.
- increasing the likelihood of local people supported by the interventions being able to take up job opportunities.
- increasing capacity and collaboration in the VCSE sector.
- making space for – and enabling – innovation in public service delivery which is focused on impact by stimulating new approaches via social impact investment.
- ensure impact reporting is consistently deployed.
- helping commissioners and VCSE organisations to move towards outcomes-based commissioning.
- contributing to a blueprint for using government resources more creatively – and the role of impact investing in tackling national challenges (in a place-specific way).

The Greater Cambridge Impact Board, which includes the Council – will decide which investments are made. Therefore, it is not possible to specify impacts in any more detail at this stage. However financial ROI and Social Impact reporting will be provided to all investors.

8.	Implications							
8.1	Relevant risks							
8.1.1	<p>The project has a more detailed risk register with mitigation measures; however, the key known risks are as follows:</p> <table border="1" data-bbox="229 1503 1481 2016"> <thead> <tr> <th data-bbox="229 1503 588 1576">Risk</th> <th data-bbox="588 1503 970 1576">Probability and Impact</th> <th data-bbox="970 1503 1481 1576">Mitigation</th> </tr> </thead> <tbody> <tr> <td data-bbox="229 1576 588 2016">Insufficient investment is raised.</td> <td data-bbox="588 1576 970 2016">Low Probability / High Impact.</td> <td data-bbox="970 1576 1481 2016"> <p>The first round of investment will not start until the Board decide there is sufficient funding secured and, in the pipeline, for the investment portfolio to be viable.</p> <p>Funds will be returned to Council if insufficient investment is raised,</p> </td> </tr> </tbody> </table>		Risk	Probability and Impact	Mitigation	Insufficient investment is raised.	Low Probability / High Impact.	<p>The first round of investment will not start until the Board decide there is sufficient funding secured and, in the pipeline, for the investment portfolio to be viable.</p> <p>Funds will be returned to Council if insufficient investment is raised,</p>
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Insufficient investment is raised.	Low Probability / High Impact.	<p>The first round of investment will not start until the Board decide there is sufficient funding secured and, in the pipeline, for the investment portfolio to be viable.</p> <p>Funds will be returned to Council if insufficient investment is raised,</p>						

			and this will be covered in the investor terms.
	The financial return for the Council as an equity investor is lower than our original investment. This may be caused for example by loan repayment defaults or property value fluctuations.	Low Probability / High Impact.	<p>Due diligence on investments to ensure loans can be repaid and supporting access to other funding streams such as public/outcomes commissioning partnerships.</p> <p>Taking a 10-year investment approach and building in future rounds over generations via the Cambridge Pledge.</p> <p>Expertise of the Board, Investment Committee and Team and ensuring a mix of investment types across the portfolio.</p>
	Lack of take up of loans or blended funding by local Social Sector Organisations.	Low Probability / High Impact.	<p>Ongoing investment pipeline development by the Team.</p> <p>Continued work to facilitate collaboration and innovation across the system and build capacity of Community and Voluntary Sector organisations.</p>
	Investments do not generate the social impacts anticipated or take longer to achieve due to innovative nature of projects or complex needs of beneficiary groups.	Medium Probability / Medium Impact.	<p>Taking a 10-year investment approach and building in future rounds over generations via the Cambridge Pledge.</p> <p>Expertise of the Board, Investment Committee and Team in understanding how social impact can be created and</p>

			<p>ensuring a mix of investment types across the portfolio.</p> <p>Working with investees to enable access to other partnerships and enabling stronger systems collaboration.</p>
	<p>Local Government Reform (LGR) could unsettle investors due to uncertainty and may pose a risk to investments.</p>	<p>Medium Probability / Low Impact.</p>	<p>Investors will be reassured that the transfer of responsibilities linked to Investments and assets will be part of the LGR process.</p> <p>The direction of travel of LGR will be factored into investment decisions the majority of which will likely be taken before LGR implementation.</p>
<p>Financial Implications</p>			
8.2	<p>The financial implications are included covered in the report. Advice from the Chief Financial Officer will be required as part of the due diligence process to sign off the legal framework for investment between Greater Cambridge Impact and the Council.</p>		
<p>Legal Implications</p>			
8.3	<p>Legal advice will be required as part of the due diligence process to sign off the legal framework for investment between Greater Cambridge Impact and the Council.</p>		
<p>Equalities and socio-economic Implications</p>			
8.4	<p>This is an update report and there are no new direct equalities and socio-economic implications associated. The report highlights again the purpose of the Council's investment in Greater Cambridge Impact to support investment projects that tackle systemic inequality and contribute to inclusive growth in Cambridge and the wider region and will focus on the needs of five groups in initial investment rounds: disadvantaged children and young people (school/ skills); children in care; care-experienced young</p>		

	people; families in crisis and poverty (including being at risk of homelessness); people who are homeless.
	Net Zero Carbon, Climate Change and Environmental implications
8.5	There are no direct impacts that can be quantified at this stage because these will depend on the investments made by Greater Cambridge Impact. However, investment decisions will consider net zero, climate change and environmental impacts and support positive measures where possible, for example to reduce carbon emissions and enhance biodiversity as part of property investments or promoting access to local sustainably produced food.
	Procurement Implications
8.6	None
	Community Safety Implications
8.7	None
9.	Background documents Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985 .
9.1	No background papers were used in the preparation of this report.
10.	Appendices
10.1	None
	To inspect the background papers or if you have a query on the report please contact: Jemma Little, Economic Development Manger Tel: 07720 145018 Email: Jemma.little@cambridge.gov.uk