



**CityFunds**

*Funding Bristol's Brighter Future*

## **CITY FUNDS**

**Business Case for Bristol City Council Support**

**May 2019**

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## 1. Executive Summary

Against a backdrop of decreasing local government funds, access to grant funding becoming time limited and other traditional sources of funding disappearing, key influencers from across the city have come together to develop an innovative solution to help bridge the gap and lessen the void between prosperity and poverty. This solution is City Funds, which aims to align grant and repayable investment to city priorities as highlighted by the One City Approach and Plan. City Funds will seek to catalyse progress in areas of the One City Approach and Plan where the state is unable to fund with the required short term speed or long term consistency, or where the private sector won't fund at all.

Historically, the local authority sector has funded the social sector to the tune of £7 billion<sup>1</sup> nationwide. By 2016 this had reduced by £3.3 billion<sup>2</sup>. Therefore, charities and social enterprises are seeking to develop new income streams in response to the economic downturn and are looking at social investment to potentially cover a range of financial requirements. Evidence indicates that every £1 of public sector expenditure invested in social enterprise creates £6.25-£8.33 gross value added<sup>3</sup>.

Both nationally and internationally the social investment market is growing, in recognition that often those organisations best situated to support and work effectively with communities of need are the very organisations at risk of disappearing in a hostile funding environment. Many institutional investors are seeking to achieve measurable social or environmental impact as well as financial returns across their investable assets. In addition, place-based investing is seeing renewed interest and part of the appeal is that it involves diverse, coordinated sources of capital which inherently also require multi-stakeholder engagement and collaboration.

Whilst there are clearly a significant number of social impact investors operating in the market, a range of national research led by a number of key interested parties has identified that although there is social investment available to finance the right projects (supply), and there is a need in the charity and social enterprise sectors for alternative funding models and appropriate finance for social impact (demand), there is a lack of effective intermediaries enabling the supply and demand to come together at the local place based level.

The unique offer of the City Funds is not only to act as a local point for connection, but also to be place based and exclusively focussed on the key strategic priorities for Bristol which will reduce disadvantage and inequality, whilst improving environmental sustainability, leading to a fairer more inclusive city.

City Funds will help to drive inclusive and collaborative approaches that can be replicated across the city region and beyond. The existence of centrally managed grant and investment funds will enable faster, more targeted decision making as investment will come from one as opposed to multiple disparate sources.

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<sup>1</sup> Social Investment Business

<sup>2</sup> Social Investment Business

<sup>3</sup> CDF evaluation GHK March 2010

This business case seeks to demonstrate how the City Funds approach will work and how it aligns with and can help deliver the aims and aspirations of Bristol City Council through investment in the Funds, both in terms of high level outcomes and an underpinning reduction in demand on public services through building local economic and community resilience.

The ask of Bristol City Council, and also Big Society Capital, is to become one of the core investors in City Funds, acting as a “first brick” investor across all the Funds’ main themes, which are aligned to the Council’s and One City shared priorities. Early involvement by the Council would not only demonstrate commitment to the City Funds’ vision and objectives but would also enable local needs and solutions to be identified and implemented by those working in the city, for the wider benefit of city.

City Funds is seeking a total of £5m of investment from the Council. A longer term aspiration would be to continue discussions with the City Council regarding the alignment/or transfer of £5m via physical assets. A Mayors Assets Group has been investigating and modelling the potential impact on the City of such an approach and its alignment to City Funds. It is estimated that this investment by the council will lever a further £61m from a variety of social investors into the city, a significant multiplication in investment as a direct result of local policy action. Sources of this match funding include national spend down grant funders, ethical banks, retail platforms and other social investors. Over time we also believe that this catalytic funding mechanism will unlock further central governmental and pension fund investment, although this has not been modelled or assumed at this stage.

Finally, the longer-term aim of City Funds will be to create a legacy pot for the city, via the returns that it generates as part of a wider resilience strategy. This has been achieved in the US at some scale, but cannot happen without the catalytic input of a local government agency.

## **2. Summary of the Initiative**

### **2.1 Purpose of City Funds**

The vision of City Funds is “to enable a future for our place that is more equitable, sustainable and where everyone can thrive.” The mission on is “to work together to align, attract and deploy catalytic funding, reducing inequality to create an inclusive, resilient and sustainable place for everyone.”

City Funds will provide a platform for alignment between funders, businesses, community organisations and the public sector, focussed on addressing the systemic causes of disadvantage, inequality and environmental sustainability. The Funds will encourage an ethos of working together for the whole of the city to have a joined-up vision to achieve a greater impact than the sum of individual parts.

The Funds will demonstrate the city’s collective ability to enable and drive change to the conditions for less advantaged communities in the city, by being a single place to go for the “first step” funding required for initiatives which are designed to address the city’s key issues. It will also demonstrate where Bristol as a whole city has “skin in the game”, by utilising local philanthropic grant investment, incorporating Bristol’s business contributions including CSR

and aligning the investment of assets locally. This local commitment will provide confidence to external funders or investors that Bristol is a good place to look for social investment opportunities.

Specifically, the funds will drive:

- Effective place-based social investment.
- A locally led solution to directing the new and existing supply of grant finance where it is most needed.
- The leadership role of charities and social enterprises in the most deprived areas who work with some of the most socially and environmentally excluded individuals in society and provide targeted support to build their capacity and ability to take on social investment.
- The awareness of the role of charities and social enterprises in delivering economic activity that is socially focussed and the role of social investment in providing them with finance to support sustainable social-economic development in a local community – contributing to the overall citywide agenda of inclusive growth.
- Additionality: providing additional finance to fund initiatives which would be unlikely to access the type or level of funding required from elsewhere. The Funds will raise new, additional funding to catalyse new strategic initiatives and support the extension of existing projects, where pace, scale and impact can be enhanced to address real need and achieve systemic change.

City Funds will align to many of the principles of the City Office and One City Approach around added value, specifically to:

- Bring access to new perspectives and innovative thinking.
- Work with shared aspirations, obligations and interdependencies.
- Align our collective focus, effort and resources on a few, specific intractable problems – not “business as usual”.
- Remove barriers to progress and perverse incentives – gain and risk share.
- Improve use of our collective £ - is there a better way to spend our collective resources to address key priorities.
- Access wider leadership, power bases and spheres of influence.

## **2.2 City Funds Theory of Change**

The purpose of City Funds is underpinned by a working theory of change, which aims to clarify how the funds seek to address specific issues, and what the Funds aim to achieve.

### **The Challenge:**

- Bristol is a city full of vibrant community energy, yet experiences entrenched systemic inequality that makes it harder for communities to respond to the challenges they face.
- Social and environmental factors combine to create a fractured and unequal civic society. This holds us all back, but most directly impacts disadvantaged neighbourhoods and groups of people who desire the means to achieve their ambitions.
- Financial, physical, human and natural resources are not effectively used because they are not equitably distributed into and within the city. This continues the cycle of disadvantage and prevents us from creating an interdependent, dynamic and prosperous Bristol for all.

### **So we:**

- Provide, raise and manage grant and investment funds, leverage co-investment, and structure financial products to enable local organisations to bring about transformational impact.
- Broker business, civic and other resources that provide the support funded organisations need to thrive.
- Maintain governance in such a way that membership is regularly rotated, with constant challenge to include and involve those most at risk of disadvantage.
- Decide and review funding priorities and selection criteria in line with the One City Plan.
- Monitor, evaluate, assist and report financial and impact performance of investees and the Fund.
- Work in partnership with key stakeholders and use learnings to influence priorities and policy across Bristol in line with the One City Approach, and to share effective practice across Bristol and the UK.

### **As a result we see:**

- Increased transformational impact delivered by projects funded by City Funds.
- Increased capacity within local organisations to deliver transformational impact.
- A sustainable placed-based fund leveraging increased impact investment and grant funding into and within Bristol, supporting the goals of the One City Plan.

- Increased aligned collaboration between different types of organisations and communities within the city seeking to deliver transformational change in line with the One City Approach
- Increased influence on policy and practice across Bristol based on evidence from frontline learning to enable places to take action to deliver transformational change.

**Contributing towards:**

- Bristol is a fair, healthy and sustainable city; a city of hope and aspiration where everyone can and share in its success.
- Inequality and disadvantage is reduced: everyone can contribute to and benefit from dynamic, inclusive communities and a prosperous, sustainable local economy.

**Enabled by:**

- Effective enabling coordination by the City Office
- Institutional, stakeholder and influencer engagement facilitated by Thematic Boards
- Agreed metrics and datasets that link project-level impact with wider trends
- Streamlined access to city and other assets
- Public support through personal and business donations
- Private sector alignment of corporate citizenship activities
- Flexible grant resources with devolved decision-making
- Innovative institutional investors able to replicate the place-based approach
- Decentralised leadership and ownership of the social economy in line with the One City Approach

**2.3 Evidence Base**

**2.3.1 Evidence of the Issues to be Addressed Through Additional Funding Mechanisms**

There is a wide range of data available for Bristol collected by many different agencies in many different forms. Work has been carried out to collate and consider the data that is directly relevant to evidencing the needs of the City, through both mainstream public bodies and the One City Office. There is a developing approach to build a one city view of the issues impacting on the fairness and success of the city, where more focus or new approaches are required and where there are gaps in thinking and/or delivery. This business case focuses on the data and evidence which is relevant to testing the readiness of Bristol to build a place based social investment approach, as follows:

Requirement	Indicator
Evidence of demand for social investment	Local research Investee data from existing social investment finance and intervention New Economics Foundation report on deep dive into Bristol Reduction in public sector funding
Evidence of substantial demand for social change	Indices of Multiple Deprivation Other local data such as JSNA, ward/neighbourhood profiles Quality of Life Survey (BCC)
Evidence of infrastructure support for charities and social enterprise	Representative organisations (e.g. Voscur/Locality) Business support initiatives and funds
Evidence of investment culture in the area	Public/private investment in similar initiatives Other social investment intermediaries
Evidence of public service innovation	Existing initiatives around mutual/payment by results, spin outs and whole place community budgets

The detail of this evidence base is included in Appendix 1 and demonstrates that the City is both ready and can take great advantage of place based social and environmental investment to meet needs, build resilience and capacity and address gaps where these enable Bristol to deliver its vision of a fairer city.

### **2.3.2 Current Funding Landscape**

There are a number of active local and national grant and investment funders in the Bristol market place, each with specific areas of focus and funding criteria. The majority of these funders are nationally based and may therefore not have the deep core understanding of the Bristol landscape and the need, nor have the network to drive multi-faceted, cross-community initiatives to achieve systemic improvement. By City Funds developing a locally based blended grant and investment Fund, managed by longstanding Bristol organisations, money will be raised and invested with the sole purpose of driving change that will benefit specific communities and the city as a whole.

#### **a) Investment Market in Bristol**

The available data on investment in the City, gathered by Big Society Capital, is supplied on a voluntary basis and is therefore not fully accurate, but it does give a broad picture of projects that are being funded with a social impact objective. The data does not include retail bank investment that may be used for larger capital projects such as community housing and infrastructure. It also does not include all ERDF funding which a number of projects in Bristol have accessed.



What the data shows is that documented social investment deals in Bristol are well below what would be expected in a city of its size and levels of economic and social deprivation. 37 investments were completed from 2013 – 2017 with a value of £12.4m, plus a further 30 investments were made by 9 investors, including crowdfunding, totalling £6m, £5.5m of which was ERDF funding for Filwood Business Park. An additional 28 investments were made by Triodos Bank into Bristol based organisations (NB. the values aligned to this are not publicly available).

#### **b) The Role of Local Business**

City Funds is also keen to develop an approach relevant to local businesses and to offer business an opportunity to build aligned funding and investment focussed on key city priorities to maximise the impact of their contributions. Businesses can contribute via their Corporate Social Responsibility budgets, and also through the charitable giving of the business owners, executives and employee fundraising. In 2017 Quartet Community Foundation undertook research to investigate whether businesses could be persuaded to do more to support local good causes by way of charitable donations. A number of findings emerged from this research, but one key factor was that they found clear evidence of “an appetite in businesses to support local causes. Concepts such as City Funds and giving to themes highlighted in the 2016 Vital Signs report were well received”. It is also useful to note that for those businesses delivering services or products to public sector organisations, the Social Value Act 2012 gives commissioners the mandate to give added weight to bids that contribute specific, additional social value to the local community. This may encourage businesses of all sizes who bid for public sector contracts to seek an efficient, meaningful way to support local good causes. Alongside these findings it was clear that many businesses want to feel connected to the charitable giving they support – this sets a direction of travel for City Funds in terms of engaging with business.

Detail of grant funders and investors alignment to Bristol’s areas of interest and requirements is included in Appendix 2.

### **2.4 How Does City Funds Align with Bristol City Council’s Aims?**

The purpose and approach of City Funds aligns directly with the aspirations and values demonstrated through Bristol City Council’s Corporate Strategy 2018-2022. The “driving of a city of hope and aspiration” and the challenges underpinning that aspiration are shared with the purpose of City Funds. The key principle articulated by BCC to work with local and national stakeholders and partners has been shared in the way the City Funds have been developed, working openly across a wide range of local and national stakeholders, sharing thinking and ideas, to build the Funds to their current point. The formal establishment of the Funds has been in partnership with the Mayor’s office of BCC, BBRC and Quartet Community Foundation as core partners, all of whom have long term knowledge and understanding of the city, the way it works and many of the most pressing needs and opportunities.

City Funds also shares the core principles with BCC to seek to address long-term outcomes and not short-term fixes. From the outset City Funds has committed to seeking to make systemic change to key shared issues in the city and avoid funding attractive but short-term projects. It has also committed to ensuring the funding it raises and deploys is additional and not a replacement of or in competition with other funding in the city. BCC’s principles around

building city resilience is also aligned with City Funds, both in terms of building local social and economic resilience to improve the ability of communities to withstand stresses and shocks, and also from the perspective of supporting key system work focussed on environmental sustainability, both underpinning all the initiatives funded through the Funds, and also in its own right. The overarching principle of developing “people and places to improve outcomes, empower communities” speaks directly to the approach of City Funds. The City Funds initial themes, mandated by the One City Approach, directly map onto BCC’s headline outcomes of “empowering and caring”, fair and inclusive, well connected and promoting wellbeing. Across all these themes, the empowering of individuals and communities to develop their own resilience, capacity and capability to live their best lives is at the heart, and in the work developing through the Community Initiatives themes, there is an intention that community resilience will lead to less reliance on BCC services.

Big Society Capital recognise a key alignment with their core objectives and funding principles with those of Bristol City Council and are therefore committed to being a primary initial funder.

### **3. Structure of City Funds**

#### **3.1 Formation**

The development of the City Funds concept has emerged from the wider development of the One City Approach and the City Office and the work continues to be aligned. Bristol is aiming to create a new kind of city governance, which begins to build a mature systems approach to tackling the city’s most complex and intractable issues. The One City Approach will generate a City Plan in the near future which will clearly define the initial priorities for the focus of their work, and the priorities of the Plan will inform the activity of the City Funds. This is a significant opportunity to align the energy and power of the city into a shared approach to both building solutions to key issues affecting the success of some of our communities and of our city as a whole, and to raise and deploy new finance to support these solutions.

Since August 2017 a cross-section of representatives from communities, business, finance providers and the public sector have been convening to discuss the need for City Funds and how they might be deployed to the greatest and most sustainable effect.

#### **3.2 Governance**

In March 2018 the City Funds Collaboration Agreement was signed by representatives from the Mayor’s Office (Democratic Representation), Quartet Community Foundation (Grant Funding) and Bristol & Bath Regional Capital (BBRC) (Investment Funding). This agreement outlines the purpose of the City Funds – “to help fulfil priority objectives of the City Plan called “City Funds”. As a pilot City Funds has a target to raise significant funding to invest into areas of need, as identified by the City Plan. Proactive & innovative match funding partners will be sought to help the Funds achieve this aim, via a combination of

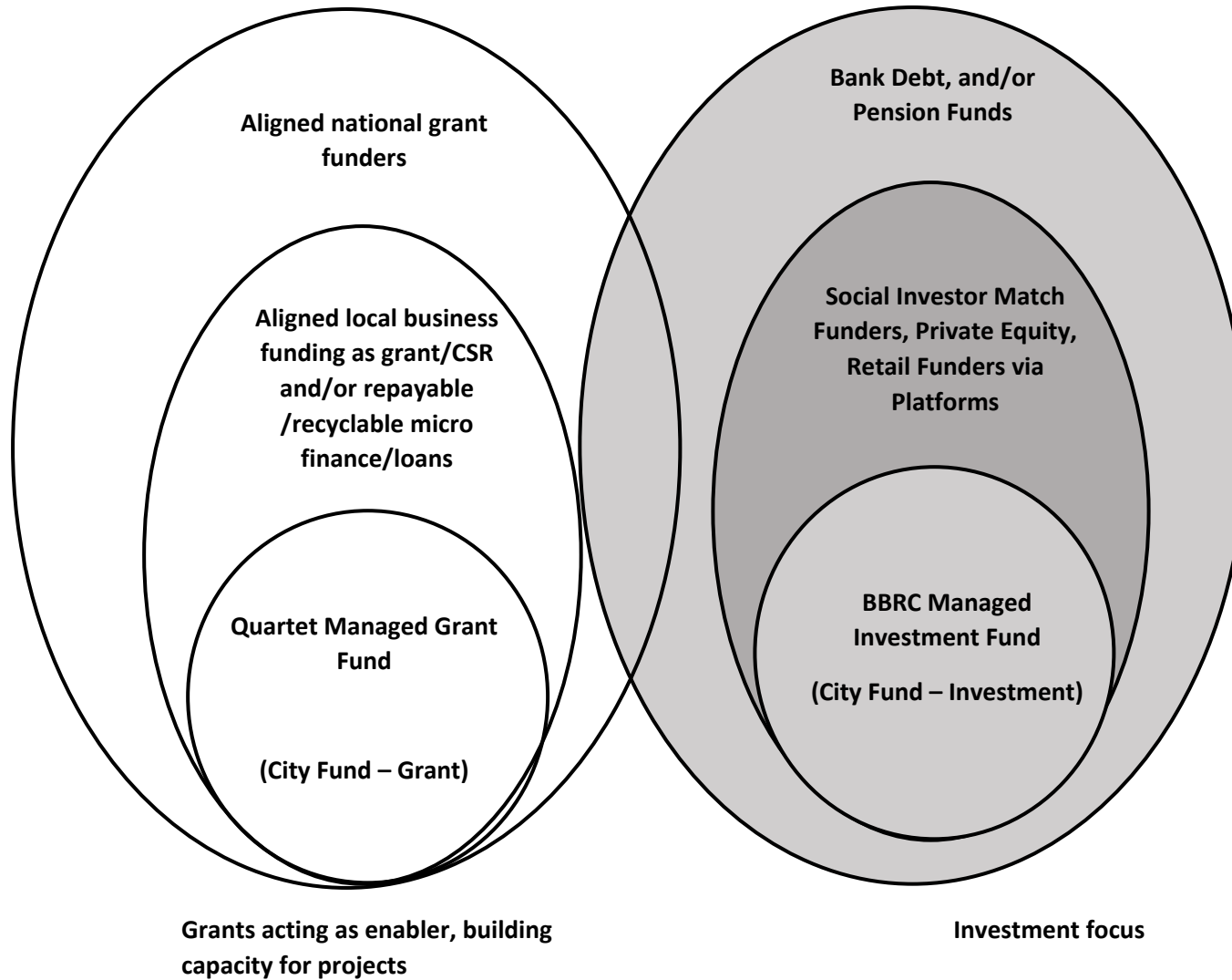
repayable finance and grant funding.” The agreement also outlines a governance structure to oversee the Funds and make decisions and to establish membership and oversee Funding Priority Groups to shape interventions.

In April 2018 a Governing Board was established following applications from and interviews with a broad representation of the city. Founding members come from communities, business, education, the voluntary sector and the Mayor’s Office. The connection to the wider City Office Governance is demonstrated in 3.4.

### **3.3 Funds Model**

City Funds will be additional to mainstream funding but may seek to match fund where appropriate and where additionality can be demonstrated. Part of the purpose will be to enable the drawing in of new money, investment that would not otherwise have come into the city, to address the city’s identified priorities. City Funds will be a blend of grant funding and social investment, working to make the best use of grants as catalytic enablers of investment readiness, and where relevant, using capital grants to offset risk in initial investment. The Funds will also empower communities to develop end to end multi-impact solutions for their specific issues. The funding model will act as a base and catalyst for funders to collaborate on decision making and investment. If constructed appropriately the funding model could further the conditions for delivering both small and large projects and enable organisations to co-exist and learn from each other’s experiences.

## How the Funds Will Work



Accountable Body role is defined by the MOU:

- Repayable investment – BBRC
- Grants & donation: Quartet

Resourcing:

- Repayable finance: BBRC
- Grants & donations: Quarter

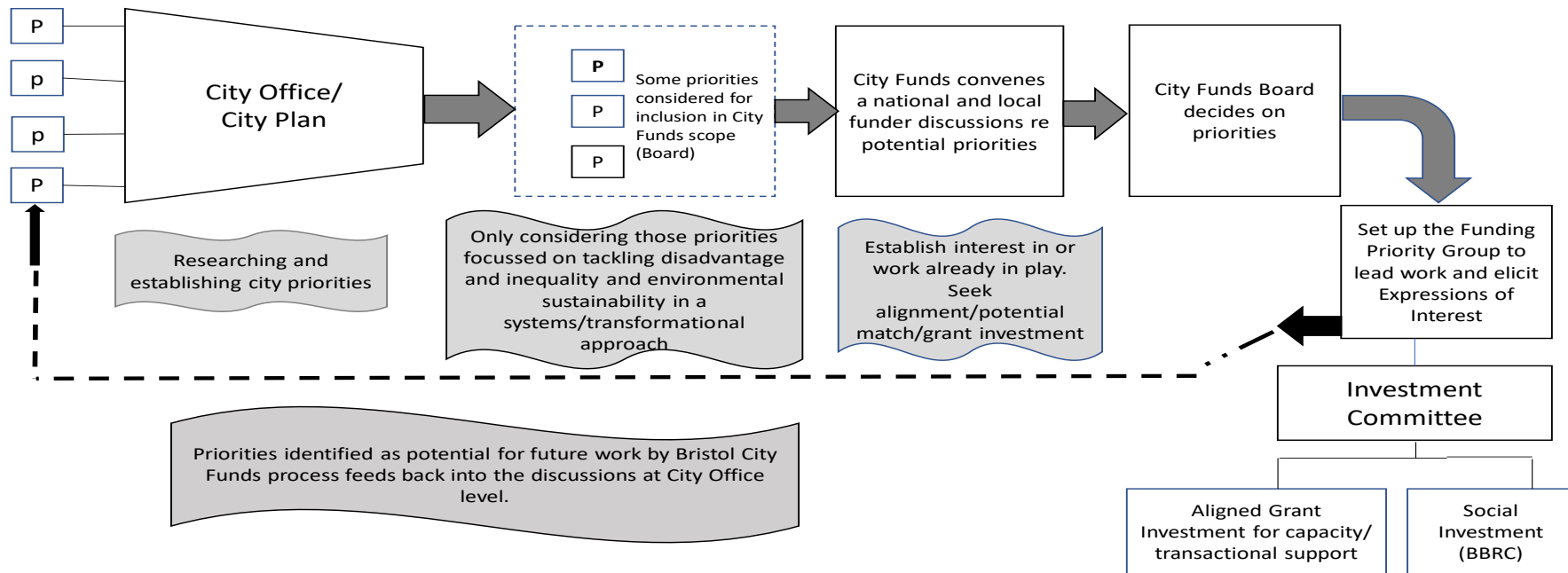
Underwriting of funding and projects:

- Repayable: dependent on legal structure – to be advised
- Grants: Quartet as per usual arrangements

### 3.4 How Will City Funds Identify Investment Opportunities

Priorities being delivered by many different /existing bodies

City funds process



The role of Funding Priority Groups will be key to identifying, developing and progressing investment opportunities within their broad thematic areas. The whole system will be connected to City Office priorities and governance as demonstrated below:

# One City operating model



## 3.5 Investment Process

The Investment Fund is established with funding of £5 million from each of BCC and BSC contributed, in all probability, as loans aside from a thin layer of equity. While not legally controlled by City Funds or the Governing Board, the Investment Fund will formally adopt strategic aims and objectives which are consistent with those of City Funds. The Investment Fund will appoint the Adviser (BBRC) to assist in the sourcing and initial evaluation of applications for funding from the Investment Fund. BBRC will “filter” initial opportunities which will be referred to the Investment Advisory Committee.

The Investment Advisory Committee will perform an advisory role but will confirm whether in its opinion an individual opportunity is suitable for investment by the Investment Fund. Once this initial “pre-vetting” has been undertaken by the Adviser and the Investment Advisory Committee, the Investment Fund, via its General Partner, will formally refer a proposal to the Manager (NCM Fund Services Limited) for a decision on behalf of the Investment Fund. If the Manager approves a particular investment, it will make arrangements for the Investment Fund, via its General Partner to implement that.

A more detailed version of the above describes five parts to the operational screening, investment decision making and monitoring process, in each step there will be formalised delegated authority to each committee or group from the Board as part of their terms of reference:

### **1. Strategic Initiation and Fit (Annual) – City Funds Governing Board**

In line with the One City Approach, the City Funds Governing Board agrees to set up a Funding Priority Group with appropriate terms of reference (e.g. Community Initiatives). Relevant practitioners and experts are drawn from the community and related specialists in the field – the Governing Board will advertise in each case, but reserves the right to approach known experts directly.

### **2. Thematic and Localised Fit (Quarterly) – Funding Priority Groups**

That Funding Priority Group, with the operational support of BBRC, further defines the areas within thematic priorities where investment might be appropriate along with potential investees. The Funding Priority group, with its links to communities and the wider Bristol will determine ideas for interventions and projects that may fit the objectives of City Funds in the future.

Building on the work of the Funding Priority Groups, BBRC shapes investment proposals for consideration by an Investment Committee or similar.

At no point is the Funding Priority Group or its members making any investment recommendations or decisions.

### **3. Filtering, Financial and Risk Analysis – Investment Advisory Committee**

The BBRC employed Investment Manager will prepare papers for a monthly local Investment Advisory Committee which will include These papers will incorporate the work and recommendations of the Funding Priority Group and will also include financial, risk and social and environmental screening and analysis. This work will be linked to agreed Investment Policy parameters.

The Investment Advisory Committee will meet formally from July 2019 onwards and be constituted to include competent individuals with the following focus:

1. Independent Chair (ideally with experience working in the priority community areas of Bristol)
2. Representative of City Funds Board

3. BBRC representative (Head of Credit)
4. Representative of Corporate member of South West Investment Group
5. Representative from Bristol Angel, Venture, or Start-up community
6. Impact specialist with experience of priority areas
7. Big Society Capital Voting member
8. Bristol City Council Voting member
9. Ability to co-opt one additional IC member with sector, or specific deal experience as needed on a case by case basis, at the discretion of the Independent Chair

The City Funds Governing Board will retain regular oversight of all investment decisions to ensure that the additionality test is being met and that investments fit with the City Funds vision.

#### **4. Investment Decision – FCA Regulated Fund Manager**

The final decision to deploy funds to a project will be taken by the FCA Regulated Fund Manager (NCM Fund Services Limited) on the instruction of the Fund (via its General Partner, which will be operated by BBRC). This decision will be taken based on the work previously undertaken by BBRC as advisor, City Funds Governing Board, Funding Priority Groups and Investment Advisory Committee in the previous stages of the process.

Once the decision-making process has been finalised, funds will be drawn down and deployed. It is estimated that the process should take 2-3 months from start to finish from an investment application to deployment of funds.

#### **5. Monitoring and Evaluation – Investment Advisory Committee**

The Investment Advisory Committee will monitor existing investments on an ongoing basis and make decisions as required. Reports will be prepared by BBRC.

The Governing Board will also receive these reports for information.

### **3.6 Grants Process**

There are a number of different types of grants that City Funds will work with, the challenge here is to manage multiple grant decision making processes while aligning them effectively to the One City Approach and therefore City Funds. The way to categorise, align and administer these grants is illustrated in the diagram below with a description of the funders along with the likely timescales for these grants to become aligned with the investment fund:



## Timescales of likely funding availability, by product, by funder

Type	Stage	Product	Funder	Administrator	Jul-19	Oct-19	Jan-20	Apr-20
Grant	Project delivery	Transformational Change Grant	Public/Private giving	Quartet		Likely		
	Capacity Building	Capacity Building Grant	Public/Private giving	Quartet		Likely		
			Power to Change	PTC Collaboration	Secured			
			Connect Fund	BBRC/Voscur	Secured			
			Bristol Impact Fund	BCC		Maybe		
	Business Planning	Enterprise Development Grant	Access	TBC/City Office		Maybe		
Connect Fund			BBRC	Secured				
Power to Change			PTC Collaboration	Secured				
Investment	Pre-revenue Financing	Investment Readiness Short Term Loan	Social investors	BBRC	Likely			
	Investment	Investment - traditional	Social investors	BBRC	Likely			
		Investment - blend	Access	TBC/City Office		Maybe		
			Power to Change	PTC Collaboration	Secured			

KEY
Secured
Secured but delay on receipt
Likely
Maybe

Where grants are deployed alongside the investment Fund (grants for Capacity Building, Enterprise Development, Investment Readiness and Investment Blend) an additional process is required which mapping to the 5-stage investment process already outlined in Section 3.5:

1. There is a pre-approved aligned funding agreement between the City Funds Board and that Grant Funder.
2. The Funding Priority Group can consider the appropriate mix of repayable investment and grant to produce transformational change in that theme.

3. The relevant grant funder attends the Investment Advisory Committee to approve their aligned grant (in addition to the repayable investment being considered).
4. The Investment Fund deploys the total of the repayable investment and grant fund to the project and invoices the relevant grant funder for the grant element of this deployment to recover this cost. This method has been used elsewhere in the country with blended finance.
5. Monitoring and Evaluation will incorporate a section for the relevant grant funder and the impact that this grant has had.

Where the process is to do with Transformational Change Grant which will be raised and administered by Quartet through place based giving schemes, there will be limited and potentially no immediate impact on the investment fund, so the following simplified process will apply.



## Grants process

### £s in

- FPG defines public appeal + approaches to grant-makers
- Approach confirmed by Governing Board
- FPG approach implemented by Quartet with promotion by FPG, Board members & wider contact group

Stories of grants made are used in PR to stimulate more donations

### £s out

- FPG agrees grant guidelines (from Quartet draft)
- Grants round opens when sufficient £s have been received
- Quartet solicits applications & runs open grants round
- Quartet assesses applications, carries out due diligence & provides reports & recommendations to FPG
- FPG forms grant panel to agree distribution of grants
- Board confirms FPG decisions speedily
- Grants made
- Quartet conducts grant monitoring & feeds back to FPG
- FPG reports to Board after each meeting & annually

## 4. Example Funding Priorities

The One City Approach/Plan identifies the researched, evidenced priorities for the city; City Funds will look through their lens of systemic change to tackle disadvantage, inequality and environmental sustainability and select the headline priorities which meet the Funds criteria. Work will then commence within the Funds to build the pipeline of investible projects through the role of the relevant Funding Priority Groups (FPG). The role of FPGs will be key in identifying, developing and progressing investment opportunities within their broad remit.

4 initial priority themes have been chosen to test the proof of concept for the Funds. These are:

- Community Initiatives
- Economic Inclusion
- Environmental Transformation
- No Child Goes Hungry

Early draft Theories of Change have been produced for all 4 of these themes to date but these are likely to be subject to change once all the Funding Priority Groups are in place, building on their data/evidence, knowledge and their specific understanding of the needs and opportunities in the city. Extended work has been carried out on the Community Initiatives theme as detailed below, based on the likelihood of the City Funds initial investment opportunities coming from this thematic area.

### 4.1 Community Initiatives

#### 4.1.1 Context:

The selection of this theme is based on a wide range of research and activity locally and nationally, namely:

- wider national focus on the leadership role of local VCSE organisations/community businesses in driving local economic and community resilience in disadvantaged areas.
- National research on the potential for using assets to drive local economic and community resilience: report link (<https://www.powertochange.org.uk/research/common-interest-role-asset-transfer-developing-community-business-market/>)
- existing projects/initiatives which deliver against the transformational objectives of City Funds and meet the thematic and specific outcomes sought by Bristol City Council, which are either investor ready or close to being.
- the wider Community Anchor/community business sector to gain an understanding of the capacity, capability, appetite for funding work plus their barriers.

- the existing national funder programmes, specifically Power To Change: Community Led Housing & Places programmes and Locality: Keep it Local, all of whom are interested in delivering their capacity building grant programmes in Bristol.
- gaining an understanding of the strategic aims and appetite of key asset holders in the city to work alongside the transformational agenda with community businesses/anchor organisations, specifically Bristol City Council's aspiration to develop a new, co-designed Community Asset Transfer Strategy and Policy and to progress a shared Pathfinder programme
- identifying the potential or actual support mechanism and overarching approach which can build a pipeline of projects which meet the Funds aim and deliver real impact into disadvantaged neighbourhoods.

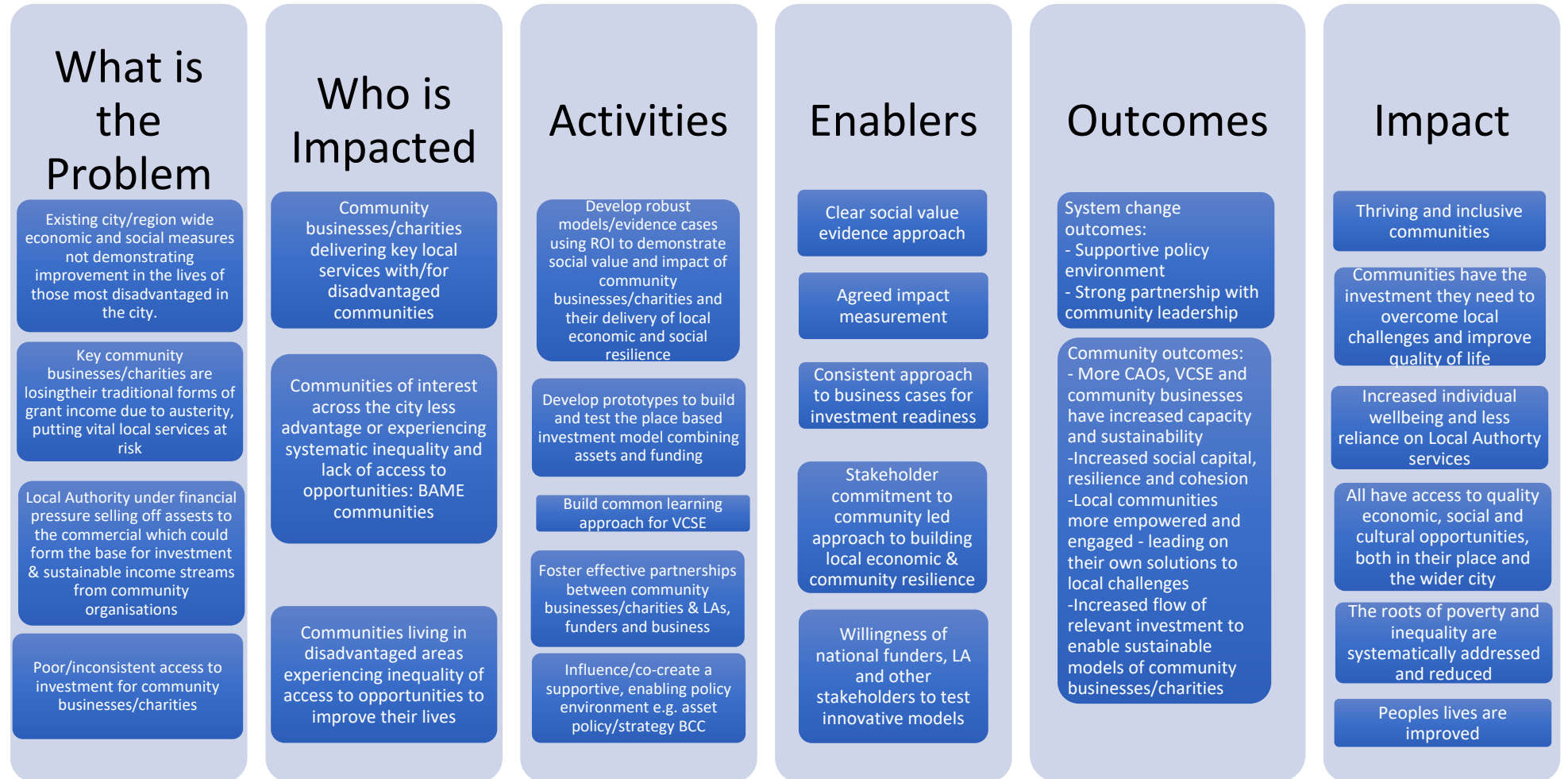
#### **4.1.2 Objectives of Community Initiatives for City Funds**

Bristol continues to demonstrate a tale of two cities – on the one hand, progressive, exceptionally economically and culturally successful and one of the best places to live in the UK. On the other, up to 16% (equating to 70,000 people) live in parts of the city which are amongst the most deprived 10% of England experiencing little or no benefit from the city's success. Approaches to address this situation have been developed over the years, pumping high levels of government or European resource into specific areas to reduce under performance against a number of key domains (education, health, economic activity etc) and although some of these interventions will have left an element of lasting legacy in terms of infrastructure such as new schools and housing, it hasn't fundamentally changed the lives of many who remain poor, unemployed or under employed and with little opportunity to make their lives better.

Community Initiatives aims to change the dynamic and the focus: rather than being at city or region scale, or rolling out top down initiatives, it seeks to build capacity, capability and resilience at the most local level to address local problems with locally devised and developed solutions and build increasingly self-reliant and economically sustainable local organisations. This work is aiming to integrate with elements of the Industrial and Inclusive Growth Strategy for the city by testing and piloting new models to bring that growth into disadvantaged areas to change the dynamic of the local circumstances. By matching the potential of a blend of grants and social investment with those organisations most closely connected to the citizens and the places it is envisaged that greater, quicker and targeted impact will be achieved. This initiative is seeking to develop new models of utilising assets to drive local economic resilience and to build community capacity to deliver solutions to key community issues. To drive this, Community Initiatives is proposing a headline Theory of Change to drive and test the work moving forward.

# Community Initiatives Theory of Change

To support and invest in transformational community led models to strengthen communities and improve local economic resilience in disadvantaged areas, through building local solutions that improve people's lives.



Looking across the social investment sector, there is a strong appetite nationally to invest in this kind of approach, where there is a clear focus on social impact and improved outcomes and that within that context, there can be a suitable return on investment for repayable finance. Through initial discussions and research, it has been identified that one clear route to ensuring a match between the social impact and the return on investment is via asset backed projects with a community mandate. These are more likely to create sustainable income streams and deliver positive local community outcomes via the services and activities they can fund on the back of this new income. This also acknowledges the impact of the reducing public sector funding of the VCSE sector. Community ownership of assets is key to the ability of communities to generate income for themselves that can help build stronger neighbourhoods, as well as providing social support in various forms through the provision of community spaces, services, incubation for community businesses and other facilities. This aligns directly to Bristol City Council's key principle to "use our assets wisely, generating a social/or financial return....". What City Funds aims to demonstrate is that for certain assets, investing them in the future of communities with the capacity and ability to transform their neighbourhoods and address key local social and economic issues will create a very high level of social return.

#### **4.1.3 Asset Backed/ Asset Dependent Projects:**

Where a project seeks to take ownership and develop assets in their communities, there is likely to be a direct connection with Bristol City Council. Though by no means the only major asset holder in the City, it is the one which to date has an approach to community asset transfer and many of the VCSE local organisations are likely to be based in BCC property or are seeking to develop land and buildings currently in BCC ownership. (NB: There are other key asset holders, land and buildings, and there are positive signs that the Churches across all denominations are now exploring their ability to work with other partners to unlock some of their assets to address disadvantage and local need).

City Funds recognises the tensions for BCC as an asset owner, regarding the potential to bring in capital funding by selling assets on the commercial market versus the longer-term potential gains of "investing" those assets into organisations which can deliver significant change and return on that investment through social and economic outcomes locally. There is a clear need for organisations seeking to deliver these outcomes to make their case effectively and to demonstrate how they are meeting the strategic priorities of the Council when asking for considerations around asset transfer on whatever premise.

The ask within this business case is for BCC to enable asset transfer to deliver social and economic outcomes through the City Funds approach, by agreeing in advance the value of assets they would be prepared to invest in testing this approach and agreeing a transfer approach which would expedite and simplify the process to deliver this. Within the City Funds approach, Community businesses/charities with a project requiring BCC assets to support their delivery and to underpin their social investment needs must be able to demonstrate how their proposed outcomes fit the strategic priorities of the City Funds and the overarching outcomes required by the Council as a key funder, thereby enabling an asset transfer of value to be considered. The requirements to ensure the right criteria can be fulfilled would include:

- An evidenced case for investing in local organisations to deliver place-based change and social impact to improve the quality of local people's lives; including providing employment and training opportunities for those often further away from the labour market, offering opportunities to progress and develop. Benefits include:
- Beginning to reduce levels of demand on council/mainstream services by building more resilience locally and fostering community confidence and capacity to use their skills and experience to build better places.
  - Better aligned solutions by working with local community organisations/ businesses/ charities delivering the services best suited to their communities because they are locally rooted and closely connected to the communities they serve.
  - Measuring the social impact and added value in a consistent and transparent way.

The Council has demonstrated in the past 12/18 months very innovative use of its assets to achieve key strategic objectives, all within the field of housing provision, including community led housing. There are examples showing where asset transfer is being used in very different ways than previously to explore new ways of providing housing and delivering new partnerships and approaches. This shows that when an asset transfer can deliver against the Council's actual strategic priorities, there is a greater appetite for risk and innovation.

A non-housing related example of where this has worked would be Easton Community Centre (ECC) in the Inner City. Partners in the city worked together to support ECC to achieve an asset transfer of their current building to enable Raised In Bristol to deliver a community nursery which a) provides much needed inner-city nursery places, b) enables BCC to secure the future of a fragile building in an area which is very short of community assets, c) enable a community organisation to receive a sustainable income stream which will pay for them to continue to bring in projects and funding for the benefit of the local community. This has been achieved through improved asset transfer conditions but was hard won and delivered through one-off approaches, including philanthropic investment providing patient capital to make it happen. A longer term established example which continues to thrive is BS3, formally known as the Southville Centre. The Council granted an asset transfer of a former school in 1991 in the form of a 999 year lease for the sum of £1. The community organisation converted the school into a community centre which has been self-sustaining since its opening. BS3 is a registered charity, enabling it to apply for grants and a company limited by guarantee enabling it to generate income from commercial services. Based on their ability to use their asset as collateral, BS3 has now purchased a new site to deliver much needed local nursery services for 160 children through social investment (£560k over 6 years @ 4% cost of capital), to deliver the increased state funded nursery hours, enabling more parents to be able to access work.

One of the key enablers for this work longer term is to build a shared understanding of common strategic objectives to support building local economic and community resilience in local neighbourhoods, and to work towards that strategic aim, the Council has co-created a shared strategic statement for the use of asset transfer as a tool which can specifically unlock work to enabling economic resilience and inclusive growth, addressing disadvantage, inequality and environmental sustainability (attached at Appendix 3). There is also a commitment to co-designing a new Community Asset Transfer Policy with the partnership group currently known as the "Mayor's Asset Group", which brings together partners involved in this wider work supported by the City Funds.

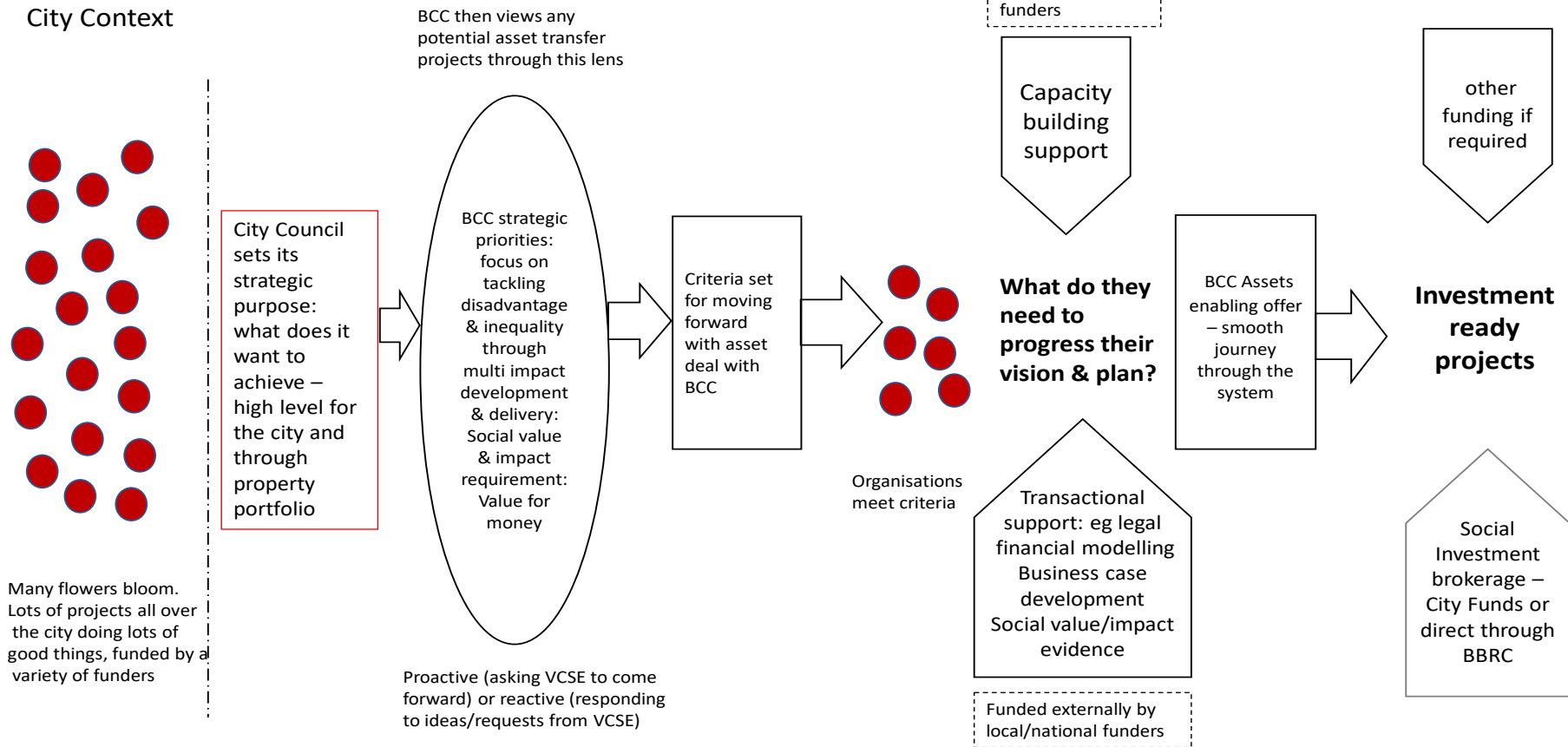


BCC has also stated that it will consider, in the right conditions, transferring assets which are not already in community use. The testing of this approach is currently being co-produced with BCC through the development of 3 Pathfinder Projects, supported by BCC's Strategic Policy Board.

#### 4.1.4 How Will This Work?

Below is a high-level model which lays out a simple view of how projects within the Community Initiatives approach could progress through the asset process within BCC.

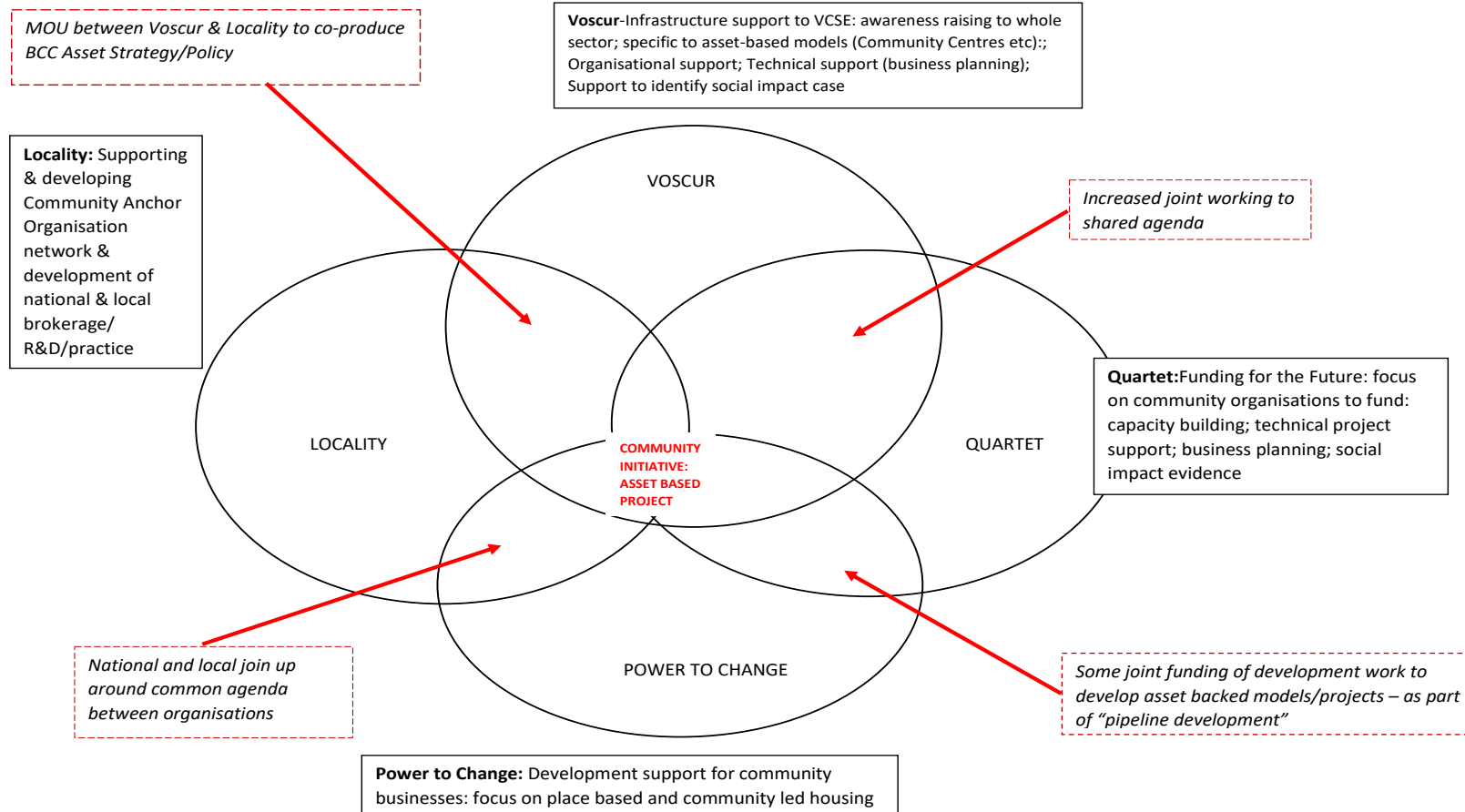
##### Process Example: Investing assets through communities



The model views the approach from the perspective of BCC but shows how the contributions made by the wider city offer outlined previously will enable the work to progress without excessive demands on the Council, modelling the shared responsibility and resourcing approach of the One City Approach.

There is now an emerging coherent offer to support and develop a pipeline of projects which fulfil the criteria for Community Initiatives. This area of work has created the conditions for key local and national organisations to work together in Bristol to shape a capacity building and technical support network - as demonstrated below:

**City Support Offer to Community Initiatives**



#### 4.1.5 Progress So Far

With the support of a number of partners, the Mayors Assets Group has been established to drive forward this discussion and has identified a group of prototypes or “pathfinder” projects which meet the criteria to progress this work. The group has identified that there are some community led projects already in discussions with the Council who are developing approaches which would sit squarely within the Community Initiatives framework, and for whom City Funds would have the potential to add significant value through brokered access to social investment around the scale, pace and scope of the impact these projects could have. These are:

- Ambition Lawrence Weston – the Community Health hub
- Knowle West Media Centre (with a wider Knowle West Alliance) – multi faceted place-based programme, including community manufacture, citizen led housing, refurbishing and re-profiling of key community assets, including community centre and library
- Southmead Development Trust – community led housing focus

These organisations have already put significant change plans in place in the form of asset-based projects in their neighbourhoods. They have long track records of successful community led activity, community empowerment and the delivery of local services. The next step is to use their track record to build on these new areas of work which focus on transforming the quality of lives and opportunities for the communities they serve. Those mentioned here are seeking to implement proposals which are multi-purpose and which seek to address local issues from a variety of angles integrated in the place – for example, seeking to provide housing specific to local needs, build manufacturing in the neighbourhood, provide apprenticeships and jobs, and to build the environmental sustainability of buildings in their neighbourhood. They are also developing single function projects which will also enhance their financial sustainability in a new model, such as developing a piece of land for housing where they are provided with a rental income (e.g. Ambition Lawrence Weston), which can then be used to sustain important local services such as access to work programmes. What they have in common is their focus on addressing local need, unblocking traditional routes which are clearly not working and seeking to utilise assets as part of the solution.

These projects are based on asset transfer and investment in some form, and the generated funding would then be used to deliver specific services needed by local people, such as social prescribing activities, jobs and training projects etc.

It is important to note that these projects are the initial prototypes being explored, from which the city can learn and develop the thinking and that it is key to enable the building of a future pipeline of investible projects. The approach of the working group would seek to ensure that any developing pipeline would be open and inclusive. For example, two other areas currently identified as needing capacity building support to fulfil their aspirations to meet the criteria are:

- Lockleaze, where a number of organisations are seeking to work together to deliver change, including access to assets for community led housing.
- St Pauls, where 4 organisations are seeking a new aligned approach to build community led housing and develop their assets to provide sustainable income streams and improved services to the local community.

These are a good demonstration of how the blended approach between grants and investment will work through the City Funds. Existing local and new philanthropic funds are aligned to deliver targeted capacity building support, in order to develop projects which will meet the needs of their communities more effectively and which will build themselves into the position where they can both access but most importantly use repayable finance effectively to deliver their outcomes.

The Community Initiatives work is predicated on the will, ambition and capacity of community anchor organisations/community businesses to step into new models of delivery in order to make tangible impacts and change in their local communities either now or in the future to address key areas of work:

- disadvantage and inequality.
- build community capacity and empowerment.
- build sustainable income streams moving forward to enable them to develop and deliver local services based on their communities needs.
- Work collaboratively within the sector to maximise potential achievements to explore the replicability of their work to enable and encourage others to be able to benefit from their learning. NB: It is important to note that these organisations sit in a wider context, with many other developing or beginning their journey towards delivery. Incorporating the support to these through targeted capacity building is key to building a future pipeline of work and potential investment.

### **Potential Funding**

Appendix 2 (The Current Funding Landscape) shows where there is alignment with the needs and development aspirations in Bristol with the wider aspirations of national funders and investors. The timing is right for delivering this work and having the potential to secure not only national grant funding but also a range of social investment repayable funding.

However, Bristol does need to act quickly. There is a need to move at pace to secure some of the potential funding support, by demonstrating that these are not simply good ideas – but deliverable plans, which will come to fruition in a sensible time frame. For Community Initiatives, this focuses on the initial prototype projects which need to be committed to by the end of this calendar year. Without that commitment it is certain that the city will lose some of the potential seed grant funding from national funders such as Power To Change. They have a spend down fund, and nationally they need to prove that places they are allocating the funding will be spending it and will be delivering the right outcomes. If Bristol falls short of this commitment in the next few months through City Funds work, some of this funding may be lost.

## **4.2 Economic Inclusion**

Bristol is renowned for being one of the most productive cities in the country coming 10<sup>th</sup> for GVA per worker in 2016 out of 62 cities and towns. It is an innovative and tech focused city being ranked 3<sup>rd</sup> out of the Core Cities for number of patent applications per capita and is heralded by McKinsey as having the only fast-growing globally significant technology cluster in the UK.

Some excellent incubators and initiatives are in place across the city region to help drive education, training and employment e.g. SetSquared, Engine Shed, Tech Spark, WoE Growth Hub. However, whilst Bristol can evidence much success in particular high skilled industries, there is a gap in provision of support for deprived areas, ethnic minorities and certain age groups to promote life-long learning and employment in quality jobs. Those seeking education, training and employment are often limited by lack of provision in their community and/or restricted opportunities due to expensive and disjointed transport options to reach the point of supply.

Issues include:

- Attainment gap – There is a gap in educational achievement between children from disadvantaged backgrounds and other children in Bristol. The gap in 5+A\* - C between disadvantaged and non-disadvantaged pupils was higher in Bristol (33.9% in 2016) compared to England (28.0%).
- Squeezed low and middle skilled jobs – Compared to Great Britain, Bristol has a higher share of highly skilled occupations (53% compared to 45%) in 2016. Since 2004 the proportion of jobs in middle skilled occupations has been falling particularly in Bristol compared to Great Britain.
- Apprenticeships – Bristol has fewer apprenticeship starts per 10,000 residents than any other Core City.

Inclusivity is at the heart of the One City Approach so enablers for employment that are accessible to the broader population are key. Funding is required to help place supply closer to demand in order to fuel sustainable communities.

Inclusive Employment is at an early stage of development and two key aims to focus investment on:

**1. Closing the gap on skills match for the emerging city economy.**

Bristol has developed and is growing high tech, digital, media and creative sectors at a rapid rate, becoming a centre that attracts business in these sectors. This growth is driven by a number of factors including the retention rates of the university and the reputation of Engine Shed. The increasing number of jobs in these sectors is a success but there is a clear disconnect between these growing sectors and the skill sets available in the job market in Bristol. The net effect of this is the inward migration of workers for these sectors from London, the South East and elsewhere. Bristol's population growth has been impacted by this factor. One strand of this fund could be aimed at growing the skills amongst the current potential workforce and young people entering the employment marketplace.

A fund aimed at developing skills, education and experience in these sectors would have a transformative impact on net domestic migration to Bristol and support the reversal of gentrification and the potential for hidden unemployment amongst Bristol citizens. These sectors tend to produce sustainable and well-paid jobs, and the sectors' fit with the emerging industrial strategy for the region so growing skills and opportunity whilst matching the need for workers in the sectors is a transformative impact on the city economy. This strand may lend itself to donations.

**2. Supporting entrepreneurial activity, business growth and job creation in working class communities, refugee and migrant communities and under achieving demographics.**

There is a whole raft of people in the city who cannot access loans from the high street and who, whilst having the skills and resource to start-up companies, do not have the financial backing, capital, collateral or business/legal skills to succeed. These include large numbers of people from working class communities who often work in the manual trades but end up as employees or sub-contractors for larger organisations. The ability to loan skilled workers start up finance or a longer-term investment and the support required to get a business off the ground will localise employment, create jobs in those same communities and grow a generation of new entrepreneurs.

In addition, migrants and refugees frequently arrive with existing skills and qualifications that they struggle to utilise in Bristol and the UK and end up doing lower skilled or non-skilled work. A start up investment could often generate opportunities for those migrants to use their skills and also to start-up businesses that they wouldn't otherwise be able to access. This strand may lend itself to investment.

The paragraphs above are summarised in the table below along with some draft measures to achieve this goal:

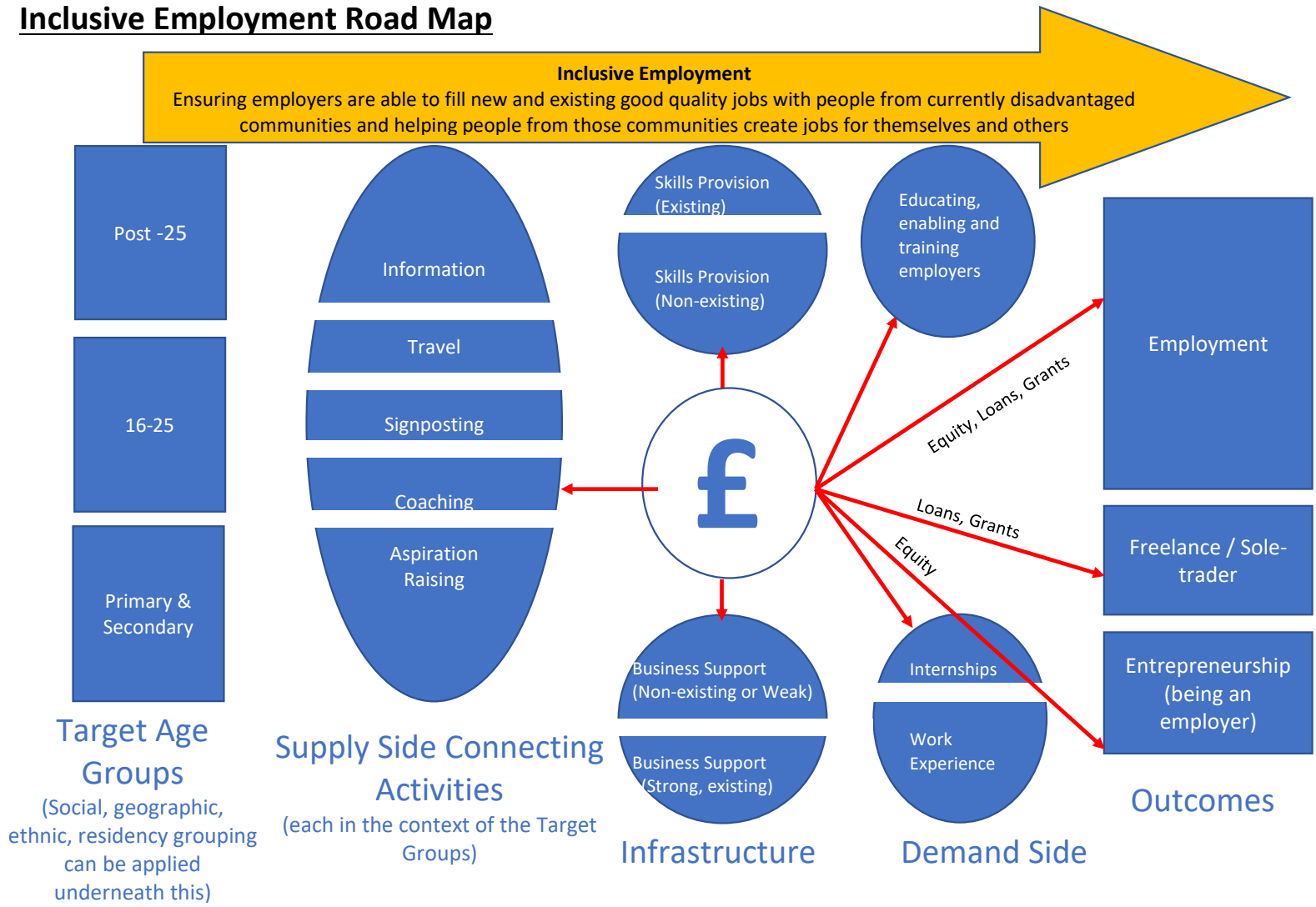
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">The Challenge</p>	<p>Bristol is a city full of vibrant community energy, yet experiences entrenched systemic inequality. Social and environmental factors contribute to disadvantage and inequality: it's bad for everyone but most negatively impacts specific neighbourhoods and groups of people.</p> <p>Financial, physical, human and natural resources are not effectively and equitably leveraged into and within the city, which makes it harder for communities to respond to the challenges they face.</p>	<p>Bristol is becoming a national (and international) centre that attracts business, however;</p> <ul style="list-style-type: none"> <li>• There is a clear disconnect between these growing sectors and the skill sets generally available within Bristol to meet their needs</li> <li>• There are a significant number of people in the city who, whilst having the skills and resource to start-up companies, do not have the financial backing, capital, collateral or business/legal skills to be sure of success.</li> <li>• Unemployed and economically excluded people face numerous barriers to employment such as employability skills, childcare, transport, personal debt and employer perception.</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Our Activities</p>	<ul style="list-style-type: none"> <li>• Provide, raise and manage grant and investment funds, leverage co-investment, and structure financial products to enable local organisations to bring about transformational impact.</li> <li>• Broker business, civic and other resources that provide the support funded organisations need to thrive.</li> <li>• Maintain governance in such a way that membership is regularly rotated, with constant challenge to include and involve those most at risk of disadvantage.</li> <li>• Decide and review funding priorities and selection criteria in line with the One City Plan.</li> <li>• Monitor, evaluate, assist and report financial and impact performance of investees and the Fund.</li> <li>• Work in partnership with key stakeholders and use learnings to influence priorities and policy across Bristol in line with the One City Approach, and to share effective practice across Bristol and the UK.</li> </ul>	<p>The FPG will support local organisations to bring about transformational impact in the areas of <b>1) closing the skills gap, 2) Enterprise support in underserved demographics, and 3) reducing barriers to employment</b> by:</p> <ul style="list-style-type: none"> <li>• using professional and other networks, proactively engage existing projects/enterprises that could become City Funds applicants</li> <li>• using sector knowledge, proactively generate new project/enterprise ideas that could fulfil priority outcomes</li> <li>• support the development of funding and projects that are additional to existing activity elsewhere in the sector;</li> <li>• recommend City Funds applicants to the governing board</li> <li>• ensure that ET-FPG activities are aligned with the outcomes established in the One City Plan and provide a mechanism for regular review.</li> <li>• ensure that ET-FPG activities promote collaborative and inclusive co-design with relevant client groups, communities and end users.</li> </ul>



<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Expected Outcomes</b></p>	<ul style="list-style-type: none"> <li>• Increased transformational impact delivered by projects funded by City Funds.</li> <li>• Increased capacity within local organisations to deliver transformational impact.</li> <li>• A sustainable placed-based fund leveraging increased impact investment and grant funding into and within Bristol, supporting the goals of the One City Plan.</li> <li>• Increased aligned collaboration between different types of organisations and communities within the city seeking to deliver transformational change in line with the One City Approach</li> <li>• Increased influence on policy and practice across Bristol based on evidence from frontline learning to enable places to take action to deliver transformational change.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased impact created by EI-funded projects. Suggested outcomes could be: <ul style="list-style-type: none"> <li>○ Reduced inequality of pay</li> <li>○ Increased quality of jobs / job satisfaction</li> <li>○ increased % of jobs paying a living wage.</li> <li>○ Increased wealth creation across groups in underserved areas.</li> <li>○ New models of economic stimulation that support underserved communities.</li> <li>○ Increased diversity in employment.</li> <li>○ Increased education and training leading to employment.</li> <li>○ Increased accessibility (transport).</li> <li>○ Increased locally-owned and start-up business.</li> </ul> </li> <li>• Increased # of orgs creating root-cause solutions</li> <li>• Increased # of orgs lead by target communities</li> <li>• Progression of orgs along sustainability pathway</li> <li>• Increased £ value of Bristol's assets unlocked for community benefit</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Wider impact</b></p>	<p>Bristol is a fair, healthy and sustainable city; a city of hope and aspiration where everyone can and share in its success.</p> <p>Inequality and disadvantage is reduced: everyone can contribute to and benefit from dynamic, inclusive communities and a prosperous, sustainable local economy.</p>	<p>By 2050 everyone in Bristol will contribute to a sustainable, inclusive and growing economy from which all will benefit</p>

The diagram below also outlines some tactical approaches which are currently in play with a range of partners.

# Inclusive Employment Road Map



### 4.3 Environmental Transformation

This funding priority group is a key priority of the One City Plan and Approach and its activity and how this will be measured is included in the table below:

	City Funds	Environmental Transformation Funding Priority
The Challenge	<p>Bristol is a city full of vibrant community energy, yet experiences entrenched systemic inequality. Social and environmental factors contribute to disadvantage and inequality: it's bad for everyone but most negatively impacts specific neighbourhoods and groups of people.</p> <p>Financial, physical, human and natural resources are not effectively and equitably leveraged into and within the city, which makes it harder for communities to respond to the challenges they face.</p>	<p>Bristol is recognised as one of the UK's leading cities in environmental sustainability, however, urgency is needed;</p> <ul style="list-style-type: none"> <li>• Private and public funding by itself will not deliver the necessary systemic change in the energy and resource infrastructure quickly enough</li> <li>• The natural environment is under significant stress and ecosystems are in danger of functional breakdown</li> <li>• Environmental inequality, interlinked with social and economic inequality, is prevalent. Underserved communities and the most economically challenged have the least access to energy- and waste-saving technologies while also paying the most for environmental impacts.</li> </ul>
Our Activities	<ul style="list-style-type: none"> <li>• Provide, raise and manage grant and investment funds, leverage co-investment, and structure financial products to enable local organisations to bring about transformational impact.</li> <li>• Broker business, civic and other resources that provide the support funded organisations need to thrive.</li> <li>• Maintain governance in such a way that membership is regularly rotated, with constant challenge to include and involve those most at risk of disadvantage.</li> <li>• Decide and review funding priorities and selection criteria in line with the One City Plan.</li> <li>• Monitor, evaluate, assist and report financial and impact performance of investees and the Fund.</li> <li>• Work in partnership with key stakeholders and use learnings to influence priorities and policy across Bristol in line with the One City Approach, and to share effective practice across Bristol and the UK.</li> </ul>	<p>The ET FPG will support local organisations to bring about transformational impact in the areas of <b>1) low carbon economy, 2) circular economy, and 3) natural environment</b> by:</p> <ul style="list-style-type: none"> <li>• using professional and other networks, proactively engage existing projects/enterprises that could become City Funds applicants</li> <li>• using sector knowledge, proactively generate new project/enterprise ideas that could fulfil priority outcomes</li> <li>• support the development of funding and projects that are additional to existing activity elsewhere in the sector;</li> <li>• recommend City Funds applicants to the governing board</li> <li>• ensure that ET-FPG activities are aligned with the outcomes established in the One City Plan and provide a mechanism for regular review.</li> <li>• ensure that ET-FPG activities promote collaborative and inclusive co-design with relevant client groups, communities and end users.</li> </ul>

Expected Outcomes	<ul style="list-style-type: none"> <li>• Increased transformational impact delivered by projects funded by City Funds.</li> <li>• Increased capacity within local organisations to deliver transformational impact.</li> <li>• A sustainable place-based fund leveraging increased impact investment and grant funding into and within Bristol, supporting the goals of the One City Plan.</li> <li>• Increased aligned collaboration between different types of organisations and communities within the city seeking to deliver transformational change in line with the One City Approach</li> <li>• Increased influence on policy and practice across Bristol based on evidence from frontline learning to enable places to take action to deliver transformational change.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased impact created by ET-funded projects. Suggested outcomes could be: <ul style="list-style-type: none"> <li>○ Reduced greenhouse gas concentration</li> <li>○ Reduced effects of environmental inequality</li> <li>○ Increased local participation in community-led waste reduction targets.</li> <li>○ Increased biodiversity (urban)</li> <li>○ Reduced waste output generation</li> <li>○ Increased tree canopy</li> <li>○ Increased green infrastructure</li> <li>○ Increased new market mechanisms/ business models for systematic change in local energy provision</li> <li>○ Increased accessibility to carbon-saving technologies for underserved</li> </ul> </li> </ul>
Wider impact	<p>Bristol is a fair, healthy and sustainable city; a city of hope and aspiration where everyone can and share in its success.</p> <p>Inequality and disadvantage is reduced: everyone can contribute to and benefit from dynamic, inclusive communities and a prosperous, sustainable local economy.</p>	<p>By 2050 Bristol will be a sustainable city, with low impact on our planet and a healthy environment for all.</p>

#### 4.4 No Child Goes Hungry

The working theory of change headline is: “Addressing the food needs of the most vulnerable groups in Bristol through tactical emergency intervention and strategic change to affordable food provision and family support to build more community resilience and reduce the indicators of poverty”. This TOC is likely to develop further once the Funding Priority Group is in place, as the initial response is clearly a tactical one, tackling an urgent need, which is underpinned by a wider set of systemic issues of family need and poverty.

There are a number of sources of evidence for the need for this wider scope of work:

- 26% of children in Bristol are living in poverty, specifically in disadvantaged areas. Indices of Multiple Deprivation (IMD) 2015.
- Systemic disadvantage and inequality specifically in 42 LSOAs in the top IMD indicators
- 22,000 children living in food poverty (BCC Child Poverty Strategy)
- 20% of school age children are eligible for free school meals (BCC Child Poverty Strategy)

- Parents on less than £15,000 p/a, 73% of which can't always afford food in the holidays. (End Child Poverty – Children's Charities coalition report 2017, hosted by Child Poverty Action Group [www.endchildpoverty.org.uk](http://www.endchildpoverty.org.uk)); The Minimum Income Research Programme – Joseph Rowntree Foundation (2012)
- Insufficient urban food production providing affordable fresh food in less advantaged parts of the city
- Poor education in and support for families in cooking and healthy eating (Bristol Food Policy Council Food Poverty Report 2013 - [www.bristolfoodpolicycouncil.org](http://www.bristolfoodpolicycouncil.org))
- Welfare reform impacts particularly on women and specifically single parents, 90% of which are women (Women's Budget Group Gender Impact Assessment 2017 (Spring Budget) – [www.wbg.org.uk](http://www.wbg.org.uk))

The selection of this area of work as a core focus for City Funds has been based on the previous City Office work to promote Breakfast Clubs across the city and the data around food poverty. There is also leadership from a wide selection of city stakeholders, clustered under the Feeding Bristol banner. This includes independent sustainable development experts, faith-based organisations and others, many of whom are already delivering support in this area through food bank delivery, food waste reduction and the wider food network which is very strong across the city.

The focus is currently to enhance the tactical response to increasing access to food for children via breakfast clubs and holiday activities. Developing a systemic approach is not yet agreed. As a City Funds "theme", the initial area of interest in engaging with Bristol's businesses and more widely across the small grants and philanthropic network to build capacity for those delivery organisations supporting this agenda.

## 5. Alignment of City Funds with Bristol City Council and the One City Approach

City Funds is a part of the One City Approach and as such has been developed with alignment as a key requirement. The table below outlines where Bristol City Council, the One City Approach and the City Funds model align.

### 5.1 Alignment between City Funds, Bristol City Council and One City Plan/Approach

City Funds: Themes	Bristol City Council Corporate Strategy	Bristol City Council Business Plans 2018-19	One City Approach/Plan themes (as in BCC Corporate Strategy)	Emerging new One City Plan/Approach themes
"To enable a future for our place that is more equitable, sustainable and where everyone can	"We play a leading role in driving a city of hope and aspiration, where everyone can share in		"By 2050, Bristol is a fair, healthy and sustainable city. A city of hope and aspiration, where everyone can share in its success"	"By 2050, Bristol is a fair, healthy and sustainable city. A city of hope and aspiration, where everyone can share in its success"

City Funds: Themes	Bristol City Council Corporate Strategy	Bristol City Council Business Plans 2018-19	One City Approach/Plan themes (as in BCC Corporate Strategy)	Emerging new One City Plan/Approach themes
thrive. To work together to align, attract and deploy catalytic funding, reducing inequality to create an inclusive, resilient and sustainable place for everyone.”	its success			
Community Initiatives	<p>Empowering &amp; Caring: Working with the city to empower communities and individuals, increase independence and help support those who need it</p> <ul style="list-style-type: none"> <li>• Prioritise community development and enable people to support their community</li> </ul>	<ul style="list-style-type: none"> <li>• Build confidence so citizens can connect with each other to make change in their neighbourhoods.</li> <li>• Create a better-connected neighbourhood with more ability to mobilise itself for community benefit</li> <li>• Celebrate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Enterprise &amp; Innovation</li> <li>• Community safety &amp; Criminal Justice</li> <li>• Skills, education and employability</li> <li>• Housing &amp; regeneration</li> <li>• Deprivation</li> <li>• Communities, diversity and resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Homes &amp; Communities</li> <li>• Inclusive &amp; Sustainable Economy</li> </ul>
Community Initiatives & Inclusive Employment	<p>Fair &amp; Inclusive: Improve economic and social equity, pursuing economic growth which includes everyone and making sure people have access to quality learning, decent jobs and homes they can afford</p> <ul style="list-style-type: none"> <li>• Make sure that 2000 new homes – 800</li> </ul>	<ul style="list-style-type: none"> <li>• Working with partners to enable others to build more homes</li> <li>• Support community build housing offering local communities, Community Land Trusts, local builders, eco-homes and self build to identify land and empty buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Housing &amp; regeneration</li> <li>• Deprivation</li> <li>• Enterprise &amp; Innovation</li> <li>• Skills, education and employability</li> </ul>	<ul style="list-style-type: none"> <li>• Homes &amp; Communities</li> <li>• Inclusive &amp; Sustainable economy</li> </ul>

City Funds: Themes	Bristol City Council Corporate Strategy	Bristol City Council Business Plans 2018-19	One City Approach/Plan themes (as in BCC Corporate Strategy)	Emerging new One City Plan/Approach themes
	<p>affordable- are built in Bristol each year by 2020</p> <ul style="list-style-type: none"> <li>• Develop a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person</li> </ul>	<p>for redevelopment....</p>		
<p>Community Initiatives &amp; Inclusive Employment</p>	<p>Well Connected: Take bold and innovative steps to make Bristol a joined-up city, linking up people with jobs and each other</p> <ul style="list-style-type: none"> <li>• Reduce social and economic isolation and help to connect people to people, people to jobs and people to opportunity</li> </ul>		<ul style="list-style-type: none"> <li>• Skills, education and employability</li> <li>• Communities, diversity and resilience</li> <li>• Deprivation</li> <li>• Culture and tourism</li> </ul>	<ul style="list-style-type: none"> <li>• Homes &amp; Communities</li> <li>• Transport &amp; Connectivity</li> </ul>

City Funds: Themes	Bristol City Council Corporate Strategy	Bristol City Council Business Plans 2018-19	One City Approach/Plan themes (as in BCC Corporate Strategy)	Emerging new One City Plan/Approach themes
No Child Goes Hungry, Community Initiatives & Environmental Sustainability	<p>Wellbeing: Create healthier, more resilient communities where life expectancy is not determined by wealth or background</p> <ul style="list-style-type: none"> <li>Keep Bristol on course to be entirely on clean energy by 2050 whilst improving our environment to ensure people enjoy cleaner air, cleaner streets and access to parks and green spaces</li> <li>Tackle food and fuel poverty</li> </ul>	<ul style="list-style-type: none"> <li>Work alongside and attract partners to gain investment of around £800m and £1bn that is required over the next 10 years to enable us to stay on course to a carbon neutral city in 2050</li> <li>Access to green spaces is associated with better mental and physical health and can reduce the negative effects of deprivation including health inequalities</li> <li>Work with partners including food banks, social enterprises as part of Feeding Bristol to tackle food poverty</li> </ul>	<ul style="list-style-type: none"> <li>Community safety and justice</li> <li>Health &amp; Social Care</li> <li>Deprivation</li> <li>Enterprise &amp; innovation</li> <li>Environment</li> </ul>	<ul style="list-style-type: none"> <li>Environment</li> <li>Health &amp; Wellbeing</li> <li>Inclusive &amp; Sustainable economy</li> </ul>

## 5.2 What Benefits Could City Funds Deliver?

- Locally sourced and aligned funding driven by evidenced business case assessment by City based experts
- Increase in new investment funding coming into Bristol focussing on City needs and systemic change
- Building the capacity and confidence of the community sector to institute effective solutions to address social and economic issues



- City wide initiatives that have been successfully developed and tested at a community level
- Less reliance on public sector resources due to interventions by and for a community
- Opportunity to shape delivery against key priorities with matched funding, both grant and repayable
- Opportunity to influence and shape the social investment market in Bristol

## 6. Legal implications

### City Funds - Governance

The City Funds Governing Board is governed by a Collaboration Agreement included at **Appendix 4**.

### Investment Fund

- The legal parameters for the Investment Fund are set out at **Appendix 5** in the scoping note provided by Burges Salmon.
- The BBRC commercial arrangements are included in the Collaboration Agreement at **Appendix 4 – Schedule 4**. Although the Collaboration Agreement allows for BBRC to be remunerated up to 5% for its services, BBRC envisages that it will keep its remuneration within 3% (+VAT) of committed funds on an annual basis and from within that amount an allowance for NCM Fund Services will be provided for
- The Draft Investment Policy is included at **Appendix 6**. The Investment Policy will be set and agreed by the Initial Investors as part of the legal process (including BCC). Subsequent changes to this policy will be proposed via the Investment Advisory Committee and ratified by the Governing Board (including BCC representation via the Collaboration Agreement).

### Aligned Grants Capacity Building, Enterprise Development, Investment Readiness and Investment Blend

Where grants are aligned (there will many), it is proposed that a variety of mechanisms are used, these will range from a formal grant agreement with the Investment Fund which the investment Fund can invoice against to a lighter touch memorandum of understanding of where common funding might take place. This is the opportunity and also the challenge created by City Funds.

### Transformational Change Grants Managed by Quartet

This will be managed via Quartet using the process outlined in section 3.5. All legal arrangements are covered by the Collaboration Agreement at **Appendix 4 – Schedule 3**.

## **7. Financials**

### **Assumptions**

Analysis has been completed using financial data from previous projects in order to give an indication of the level of funding required for future comparable initiatives. For asset based capital projects the evidence base is fairly robust and advice has been sought from sector experts to help inform the assumptions for revenue based projects.

### **Funding and Investment Requirements**

Table 7.1 shows the breakdown of example funding required per project, per theme with a % split of timing of the drawdown (revenue and/or capital) over a typical 5 year lifespan of the investment. This gives an indication of the varied mix of projects and their relevant levels of funding at any given time – this will be managed by BBRC and Quartet.

Table 7.2 applies a formula of amount of capital and/or revenue required per project multiplied by the % drawdown per year, multiplied by the number of projects per year to give an indication of funding required in any one year and also by theme over a 5 year timeframe.

**Table 7.1**

	Community Initiatives				Economic Inclusion						Environmental Transformation			No Child Goes Hungry
	Anchors - Working Capital	Community Led Housing	Capital Projects: Non-Housing Assets	Capital Projects: Community Energy	Skills	Entrepreneurs	Revenue Projects: Infrastructure	Capital Projects: Infrastructure	Revenue Projects: Employment Hubs	Capital Projects: Employment Hubs	Enterprises - Working Capital	Revenue Projects: Low Carbon Assets	Capital Projects: Low Carbon Assets	Charities seeking support
<b>Average Size of Investment/Funding Required:</b>	50,000	4,318,778	412,500	2,365,639	250,000	100,000	500,000	1,000,000	200,000	250,000	75,000	216,667	1,415,556	750,000
<b>Capital or Revenue?</b>	Revenue	Capital	Capital	Capital	Revenue	Revenue	Revenue	Capital	Revenue	Capital	Revenue	Revenue	Capital	Revenue
<b>Timing of cashflows (Year 1 = Project Initiation):</b>		TBC												
Year 1	50%	80%	80%	80%	40%	40%	40%	80%	40%	80%	50%	50%	80%	25%
Year 2	30%	10%	10%	10%	30%	30%	30%	10%	30%	10%	30%	30%	10%	25%
Year 3	20%	10%	10%	10%	30%	30%	30%	10%	30%	10%	20%	20%	10%	25%
Year 4	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%
Year 5	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Number of initiated projects:</b>														
Year ended 31 March 2020	1	2	1	0	0	1	0	0	0	0	2	0	1	0
Year ended 31 March 2021	0	4	2	0	1	0	0	1	1	1	0	1	2	0
Year ended 31 March 2022	0	7	0	0	0	1	1	1	0	0	0	2	2	0
Year ended 31 March 2023	1	2	1	0	0	0	0	0	1	0	0	0	2	0
Year ended 31 March 2024	0	3	0	0	1	0	1	0	0	0	0	0	2	1
<b>Total</b>	<b>2</b>	<b>18</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>9</b>	<b>1</b>

**Table 7.2**

	Community Initiatives				Economic Inclusion						Environmental Transformation			No Child Goes Hungry
	Anchors - Working Capital	Community Led Housing	Capital Projects: Non-Housing Assets	Capital Projects: Community Energy	Skills	Entrepreneurs	Revenue Projects: Infrastructure	Capital Projects: Infrastructure	Revenue Projects: Employment Hubs	Capital Projects: Employment Hubs	Enterprises - Working Capital	Revenue Projects: Low Carbon Assets	Capital Projects: Low Carbon Assets	Charities seeking support
<b>If capital, total amount of capital required:</b>														
Year ended 31 March 2020	0	6,910,044	330,000	0	0	0	0	0	0	0	0	0	1,132,444	0
Year ended 31 March 2021	0	14,683,844	701,250	0	0	0	0	800,000	0	200,000	0	0	2,406,444	0
Year ended 31 March 2022	0	26,776,422	123,750	0	0	0	0	900,000	0	25,000	0	0	2,689,556	0
Year ended 31 March 2023	0	11,660,700	412,500	0	0	0	0	200,000	0	25,000	0	0	2,831,111	0
Year ended 31 March 2024	0	5,182,533	41,250	0	0	0	0	100,000	0	0	0	0	849,333	0
<b>Five Year Total - Capital</b>	<b>0</b>	<b>65,213,544</b>	<b>1,608,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000,000</b>	<b>0</b>	<b>250,000</b>	<b>0</b>	<b>0</b>	<b>9,908,889</b>	<b>0</b>
<b>If revenue, total amount of revenue required:</b>														
Year ended 31 March 2020	25,000	0	0	0	0	40,000	0	0	0	0	75,000	0	0	0
Year ended 31 March 2021	15,000	0	0	0	100,000	30,000	0	0	80,000	0	45,000	108,333	0	0
Year ended 31 March 2022	10,000	0	0	0	75,000	70,000	200,000	0	60,000	0	30,000	281,667	0	0
Year ended 31 March 2023	25,000	0	0	0	75,000	30,000	150,000	0	140,000	0	0	173,333	0	0
Year ended 31 March 2024	15,000	0	0	0	75,000	30,000	300,000	0	60,000	0	0	86,667	0	187,500
<b>Five Year Total - Revenue</b>	<b>90,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>325,000</b>	<b>200,000</b>	<b>650,000</b>	<b>0</b>	<b>340,000</b>	<b>0</b>	<b>150,000</b>	<b>650,000</b>	<b>0</b>	<b>187,500</b>

Taking into consideration the number of projects anticipated within the first 5 years of City Funds the table below presents the split between the type of finance required. In some cases investments may use a simple split of non-refundable grant aligned to repayable revenue finance. However in other scenarios, particularly those involving assets, there may be the need for tiered funding offering differing risk/return models. Based on early assumptions £61.6m will be sought in total over the first 5 years with from aligned funders, such as pension funds, Triodos and national private and government supported funds. This is in addition to the £15.3m that City Funds will raise and manage.

**Table 7.3**

	Community Initiatives				Economic Inclusion						Environmental Transformation			No Child Goes Hungry	
	Anchors - Working Capital	Community Led Housing	Capital Projects: Non-Housing Assets	Capital Projects: Community Energy	Skills	Entrepreneurs	Revenue Projects: Infrastructure	Capital Projects: Employment Infrastructure	Revenue Projects: Employment Hubs	Capital Projects: Employment Hubs	Enterprises - Working Capital	Revenue Projects: Low Carbon Assets	Capital Projects: Low Carbon Assets	Charities seeking support	
<b>Total Capital &amp; Revenue Required During First Five Years:</b>															<b>Totals</b>
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grant - Revolving	0	713,056	633,750	0	0	0	0	0	0	50,000	0	0	855,556	0	2,252,361
Mezzanine Debt - Capital Project	0	27,788,362	975,000	0	0	0	0	620,000	0	200,000	0	0	3,297,778	0	32,881,140
Senior Debt (aligned only - outside the scope of C	0	26,645,460	0	0	0	0	0	1,180,000	0	0	0	0	4,977,778	0	32,803,238
Aligned Capital Grant - Governmental	0	10,066,667	0	0	0	0	0	200,000	0	0	0	0	777,778	0	11,044,444
Revolving working capital grant	0	0	0	0	65,000	0	0	0	85,000	0	80,000	216,667	0	0	446,667
Repayable Revenue Finance - Working Capital	90,000	0	0	0	260,000	200,000	0	0	255,000	0	70,000	433,333	0	187,500	1,495,833
<b>Five Year Total - Capital and Revenue</b>	<b>90,000</b>	<b>65,213,544</b>	<b>1,608,750</b>	<b>0</b>	<b>325,000</b>	<b>200,000</b>	<b>0</b>	<b>2,000,000</b>	<b>340,000</b>	<b>250,000</b>	<b>150,000</b>	<b>650,000</b>	<b>9,908,889</b>	<b>187,500</b>	<b>80,923,683</b>
<b>City Funds - Amount Required</b>															<b>Totals</b>
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grant - Revolving	0	356,528	475,313	0	0	0	0	0	0	37,500	0	0	641,667	0	1,511,007
Mezzanine Debt - Capital Project	0	13,894,181	487,500	0	0	0	0	465,000	0	150,000	0	0	2,473,333	0	17,470,014
Senior Debt (aligned only - outside the scope of C	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Aligned Capital Grant - Governmental	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revolving working capital grant	0	0	0	0	32,500	0	0	0	42,500	0	40,000	108,333	0	0	223,333
Repayable Revenue Finance - Working Capital	0	0	0	0	65,000	0	0	0	42,500	0	8,000	21,667	0	0	137,167
<b>Total</b>	<b>0</b>	<b>14,250,709</b>	<b>962,813</b>	<b>0</b>	<b>97,500</b>	<b>0</b>	<b>0</b>	<b>465,000</b>	<b>85,000</b>	<b>187,500</b>	<b>48,000</b>	<b>130,000</b>	<b>3,115,000</b>	<b>0</b>	<b>19,341,521</b>
<b>Aligned Funding Levered In</b>															<b>Totals</b>
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Grant - Revolving	0	356,528	158,438	0	0	0	0	0	0	12,500	0	0	213,889	0	741,354
Mezzanine Debt - Capital Project	0	13,894,181	487,500	0	0	0	0	155,000	0	50,000	0	0	824,444	0	15,411,126
Senior Debt (aligned only - outside the scope of C	0	26,645,460	0	0	0	0	0	1,180,000	0	0	0	0	4,977,778	0	32,803,238
Aligned Capital Grant - Governmental	0	10,066,667	0	0	0	0	0	200,000	0	0	0	0	777,778	0	11,044,444
Revolving working capital grant	0	0	0	0	32,500	0	0	0	42,500	0	40,000	108,333	0	0	223,333
Repayable Revenue Finance - Working Capital	90,000	0	0	0	195,000	200,000	0	0	212,500	0	62,000	411,667	0	187,500	1,358,667
<b>Total</b>	<b>90,000</b>	<b>50,962,836</b>	<b>645,938</b>	<b>0</b>	<b>227,500</b>	<b>200,000</b>	<b>0</b>	<b>1,535,000</b>	<b>255,000</b>	<b>62,500</b>	<b>102,000</b>	<b>520,000</b>	<b>6,793,889</b>	<b>187,500</b>	<b>61,582,162</b>

**Likely Sources of Funding**

Based on ongoing discussions with national funders City Funds is building an analysis of the types of initiatives that they are interested in funding and also the terms and returns that they will expect. Table 7.4 outlines “first brick funders” giving an indication of the initiatives they would fund and also the basis of grant vs investment.

**Table 7.4**

		CITY FUND THEMES			
		1	2	3	4
Re-payable finance		Big Society Capital (indicative) (funding across all themes)  Cash only  3% - 5% ROI		Bristol City Council (indicative) (funding across all themes)  Cash and Land/Buildings  3% - 5% ROI	
		↑ Cross subsidising			
Grants		ACCESS FOUNDATION (funding across all themes)			P2C (restricted funding)
		↓ Capital grant; risk tolerant			
Revenue grants: risk tolerant		Esmee Fairbairn (funding across all themes)			

The financial model is forecasting an Internal Rate of Return (IRR) of 6% for Bristol City Council based on the assumptions detailed above, this is 1% higher than the targeted 5% IRR. The key risks to achieving this IRR are:

- the number of projects being approved.
- the interest rates achievable on each project.
- the level of default rates.
- the amount of first loss funding available.

The focus point in managing the success of the fund should be on ensuring that the split between the themes stays on target as too many projects in Economic Inclusion and/or No Child Goes Hungry will reduce the IRR. The default, interest and first loss rate risks can be managed on a project by project case to ensure that it is adhering to the fund's parameters, however the split between the themes will need a more holistic overview to keep it in line with the model.

The following scenarios would need to occur in order for the IRR to drop below the 5% target:

- The number of projects would need to drop by 10% specifically in Community Initiatives and Environmental Transformation themes for the IRR to drop to 5.0% (these themes give the highest IRR by project whereas the Economic Inclusion and No Child Goes Hungry themes are low or negative IRR's so reducing the number of these actually improves the IRR)
- Interest rates would need to reduce by 1% across all projects for the IRR to drop to 5.0%
- Default rates would need to increase by 5% on all projects for the IRR to drop to 5.0%
- The amounts funded by first loss funders would need to reduce by 5% on all projects for the IRR to drop to 4.7%

Further stress testing shows the following:

- If the number of projects drop by 30% specifically in the Community Initiatives and Environmental Transformation themes the IRR will drop to 3.9%
- If interest rates reduce by 3% across all projects the IRR will drop to 3.2%
- If default rates increase by 15% on all projects the IRR will drop to 2.9%
- If the amounts funded by first loss funders reduce by 15% on all projects the IRR will drop to 2.4%

## 8. Key Risks

As with all projects that are at an early stage of inception there are a number of identifiable risks that need to be addressed in order to increase the likelihood of success. The Board and partners are working on the risks identified below to ensure that the objectives, structure and set up of the City Funds are defined and robust.

	Risk	Mitigation	Action and Responsibility
1	Funds do not focus on transformative outcomes – viewed and used as just another source of money	Clear funds objectives and purpose, principles of participation, application and approval process agreed and communicated	Board to finalise process and templates



	Risk	Mitigation	Action and Responsibility
2	Lack of detail about how the funds will be managed	Funds design and management plan drafted	BBRC and Quartet finalising and continuously improving
3	Funding priority groups not investment ready	Formal agreement of FPG leads and activities required to begin funding process	Board to identify and secure leads. Communicate terms of reference and expectations
4	Lack of formal investment commitment by initially identified funders	Funds objectives and high-level potential investment priorities communicated directly to each funder	Full report to be shared with potential funders for them to incorporate to respective Board sign off meetings
5	Lack of commitment from asset owners	Principles of asset transfer drafted and discussed with asset owners to reflect shared requirements	Ongoing discussions continuing
6	Lack of resource to drive funds set up and FPG development	Identify core resource required and secure funding	Board to continue to define resource requirement, job description and funding sources
7	Relationship with City Office becomes mis-aligned e.g. due to timing or communication issues	Clear process of joint working and communication established – potentially through shared resource	Board to continue discussions with City Office to establish terms of alignment
8	Set up and testing timelines are delayed causing investment opportunities to be missed	When basics of the fund are in place choose an opportunity to use as a pilot investment	Board to decide pilot investment and timeframe for investment
9	“Competition” with other funds/initiatives for money and resources – e.g. businesses for CSR and benefit in kind, HNW individuals	Identify other funds and potential collaboration opportunities	BBRC and Quarter to identify and communicate

## **9. Consultation/Stakeholder Engagement to Date:**

A wide range of stakeholders have been involved in both establishing this project and latterly, becoming part of the governance and oversight for City Funds.

These have included:

- 7 breakfast meetings with a cross-section of public and private sector key city influencers and decision makers
- Bi-monthly meetings with core funders group
- City Funds Board representative presentations at City Gatherings
- Monthly meetings with City Office to ensure alignment
- Monthly one to one meetings with potential core funders
- Meetings with emerging Funding Priority Groups
- Meetings with potential investees to assess investment readiness
- Partnership working within the Mayors Assets Group, including BCC Property & Communities, Mayors Office, Voscur, Locality, Power to Change, City Funds, BBRC

Within Bristol City Council, the Mayor's Office has acted as a key partner in developing City Funds and the Mayor has retained a direct interest and influence over the work to date and encouraged the alignment with the City Office work. Early discussions have also been held with the City Council's 151 officer, Denise Murray, and Craig Cheney as Cabinet Member for Resources. Cllr and Deputy Mayor Asher Craig.

## Appendix 1: Data & Evidence

- a) Indices of Multiple Deprivation – Deprivation in Bristol 2015 (identifying geographic areas of the city experiencing disadvantage against a wide range of domains. ([www.bristol.gov.uk/documents/20182/32951/Deprivation+in+Bristol+2015/429b2004-eeff-44c5-8044-9e7dcd002faf](http://www.bristol.gov.uk/documents/20182/32951/Deprivation+in+Bristol+2015/429b2004-eeff-44c5-8044-9e7dcd002faf)))
- Income Deprivation
  - Employment Deprivation
  - Education, Skills and Training Deprivation
  - Health Deprivation and Disability
  - Crime
  - Barriers to Housing and Services
  - Living Environment Deprivation

### Summary of key findings

- The Indices of Deprivation 2015 reinforce previously identified patterns of deprivation across the city. Bristol continues to have deprivation ‘hot spots’ that are amongst some of the most deprived areas in the country yet are adjacent to some of the least deprived areas in the country.
- Since 2010, Bristol has on the whole seen a greater increase in levels of relative deprivation than the other English Core Cities, however, this was mostly from a less deprived starting point.
- In Bristol 16% of residents - 69,000 people - live in the most deprived areas in England, including 17,800 children and 10,500 older people.
- Bristol has 42 LSOAs in the most deprived 10% in England for Multiple Deprivation. Of these 42 LSOAs, there are 26 in the most deprived 5% in England and 6 in the most deprived 1% in England.
- The greatest levels of deprivation in Bristol are in Whitchurch Park, Hartcliffe, Filwood and Lawrence Hill. ‘Bishport Avenue’ (E01032514) and ‘Hareclive’ (E01014726) are both ranked in the most deprived one hundred areas in England for Multiple Deprivation in 2015.
- A greater proportion of Bristol’s population live in the most deprived areas in England in 2015 than in 2010 – 16% of Bristol’s total population live in the most deprived areas compared to 14% in 2010 - an increase of two percentage points. 22% of Bristol’s children live in the most deprived areas - an increase of three percentage points - and 14% of Bristol’s older people live in the most deprived areas - an increase of 1.8 percentage points.
- Relative to other areas in England, Bristol has both more LSOAs in the most deprived 10% for Multiple Deprivation than in 2010 and also areas are ranked higher in terms of Multiple Deprivation relative to other areas than in 2010.
- In Bristol as a whole almost 72,000 - 17% of the population - suffers from income deprivation. The proportion varies greatly across the city from as high as 49% of people living in ‘Fulford Road North’ in Hartcliffe ward to 1% of people living in ‘University Halls’ in Stoke Bishop. On a ward basis, more than a third of people are income deprived in Lawrence Hill (36%) and Filwood (35%).

## Appendix 1: Data & Evidence

- Education, Skills and Training is where Bristol experiences some of the highest levels of deprivation. The distribution of deprivation based on this domain is more far reaching than other domains and is particularly concentrated in the social housing areas in South Bristol. Five LSOAs in Filwood and Whitchurch Park wards are ranked in the most deprived 100 out of 32,844 LSOAs in England.

b) **Joint Strategic Needs Analysis** – wide ranging data sets demonstrating differentials between geographic areas and communities of interest. Below is a selection of key indicators relating to area relevant to the thematic areas in City Funds ([www.bristol.gov.uk/documents/20182/305531/JSNA+2015+v4/fc4df8f4-5c65-4b2e-8ee3-e6ad56f1004f](http://www.bristol.gov.uk/documents/20182/305531/JSNA+2015+v4/fc4df8f4-5c65-4b2e-8ee3-e6ad56f1004f))

Heading	Evidence
Inequalities in Health	<p>Despite the rise in life expectancy, Bristol is significantly worse than national average for men.</p> <ul style="list-style-type: none"> <li>• Inequalities in life expectancy have not improved. The gap between the most deprived and least deprived areas is 8.9 years for men and 6.6 years for women.</li> <li>• The number of years people are living in ill health has a vast range from 11 years to 31 years for females and from 10 years to 24 years in ill health for males.</li> <li>• Premature mortality rates in some areas of Bristol are 3 times as high as other areas.</li> </ul>
Wider Influences on Health	<ul style="list-style-type: none"> <li>• A greater proportion of Bristol’s population live in the 10% most deprived areas in England in 2015 than in 2010; 16% compared to 14% in 2010</li> <li>• 72,000 people (17% of Bristol population) are “income deprived” – in Lawrence Hill (36%) and Filwood (35%) it is more than 1 in 3. 20% of people over 60 are income deprived.</li> <li>• Around 18 000 children live in low-income families in Bristol (23%) – this is significantly higher than the England average (18.6%), and there are stark inequalities across Bristol.</li> </ul>
Mental Health	<ul style="list-style-type: none"> <li>• 30,100 Bristol patients (7.6%) received a diagnosis of depression in the last year by GPs. Rates have been rising across Bristol, and the highest rate is currently in the North &amp; West (outer) area (9.3%).</li> <li>• There were 1,600 attendances for deliberate self-harm at the Bristol</li> </ul>

## Appendix 1: Data & Evidence

Heading	Evidence
	<p>Royal Infirmary in 2014. 18% made a repeated attendance during the year. This number has remained stable since 2011.</p> <ul style="list-style-type: none"> <li>• There are around 500 admissions from self-harm for young people (10-24 year olds) in Bristol and this rate exceeds the England average.</li> <li>• There are around 45 suicides a year amongst the Bristol population with middle aged men having the highest rate, mirroring the national picture. Around 37% of these were in contact with mental health services.</li> <li>• An estimated 10% of children and young people may be experiencing emotional health problems at any time.</li> </ul>
Education and Employment	<ul style="list-style-type: none"> <li>• Overall Bristol's education results are improving, but there remains significant variation within the city. 55.2% of Bristol pupils attained 5 or more GCSEs at grade C or above (including English and Maths), a point rise of 20% since 2008. For the first time, Bristol exceeded the national average (53.4%) in 2014.</li> <li>• Bristol schools are 150<sup>th</sup> out of 152 in the country for attendance – causing issues with skills attainment and employability.</li> <li>• There are 6.3% of 16-18 year olds in Bristol (2014) who are recorded as being not in education, employment or training (NEET). This is significantly worse than the national average of 4.7%, but is falling.</li> <li>• The unemployment rate in Bristol remains high at 8.3% compared to 6.4% in England.</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Housing affordability is a serious issue for Bristol. Over the past decade average house prices in Bristol increased by 29% compared to 16% for England and Wales.</li> <li>• The average house price is 8.6 times the average wage in Bristol in 2016.</li> <li>• Bristol will require 33,500 new homes to be built between 2016 and 2036.</li> <li>• The Mayor has committed to deliver 2000 homes per year and 800 of these will be affordable.</li> <li>• Rates of households considered statutorily homelessness (in priority need) is rising.</li> <li>• There has been a considerable increase in private renting (and in rental</li> </ul>

## Appendix 1: Data & Evidence

Heading	Evidence
Older People	<p>costs).</p> <ul style="list-style-type: none"> <li>• An estimated 4,100 people in Bristol have dementia. Of these people, 68.7% have a diagnosis, compared with a national diagnosis rate of 66.1%. This number is rising in line with an ageing population.</li> <li>• Bristol's hospital admission rates following a fall are significantly higher than the South West &amp; England averages, and are increasing. The estimated health &amp; social care costs of injuries following a fall are in excess of £11 million every year.</li> <li>• There are estimated to be between 6,300 and 11,400 older people socially isolated in Bristol. Socially isolated older adults have: longer stays in hospital, a greater number of GP visits and more dependence on homecare services.</li> <li>• In Bristol, 35.3% of social care service users say they have as much social contact as they would like, which is significantly lower than the national average (44.2%).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• The rate of first-time entrants to the Youth Justice System in Bristol is almost double the rate for England.</li> </ul>

- c) **Ward Profiles:** Bristol City Council has also collated ward level statistical profiles for the city. Although wards are not the perfect instinctive or natural boundary, they are a helpful way to understand how areas of the city are performing differently to each other. The link below is to an example ward profile for Filwood ward, selected because one of the potential projects within Community Initiatives is located in this ward. The profile demonstrates the key statistical issues within this neighbourhood differentiating it from many other parts of the city (see city ward maps against key themes). The approach of Community Initiatives related projects will be to seek to demonstrate how they will tackle one/some of these key local issues, empowering communities and building social capital in the process. Importantly, what these profiles show is the data for the neighbourhood to show headline needs. What City Funds in partnership with community organisations seeks to provide is knowledge and most importantly, understanding of how things work locally and how to galvanise the community to develop and deliver their own local solutions to key problems. (<https://www.bristol.gov.uk/documents/20182/436737/Filwood.pdf/d2f649ea-424e-4f36-a739-f93c79d6c40a>)

Known demand for social investment for charities and social enterprises in Bristol as of 2017: CLES/NEF : Investment in underserved areas: geographical deep dives. (<http://www.bab-rc.uk/wp-content/uploads/2017/11/DEEP-DIVES-FINAL-REPORT-NEF-CLES-30.10.17-1.pdf>). This narrative report provides a

## **Appendix 1: Data & Evidence**

context for the views of the local VCSE regarding how they would use social investment, the barriers they perceive to accessing it and their needs to support the development of investible projects. This forms a backdrop to evidencing why more accessible approaches to social investment are required in Bristol.

## Appendix 2: – The Current Funding Landscape

There are a number of active local and national funders in the Bristol market place, each with specific areas of focus and funding criteria. The table below highlights a selection of those that have expressed an interest in early alignment to City Funds. Further work will be undertaken to discuss where a strategic fit might exist and also to identify where there are gaps in funding that could be rectified through the existence of the City Funds mechanism.

### 4.1 Example Funders

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
Power to Change (Grant plus access to social investment via Key Fund)	<p>Better places through community business by:</p> <ul style="list-style-type: none"> <li>• Growing the community business sector: to create a greater number of sustainable community businesses delivering significant social, economic and environmental impact at the end of 10 years</li> <li>• Transforming Places – demonstrate that community businesses can transform places through positive social, economic and environmental impact</li> <li>• Making the case – inform and influence government, business, consumers and other funders that community business can be a powerful force for change, such that they increase their investment into and commitment to the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced social isolation</li> <li>• Improved health &amp; wellbeing for local people</li> <li>• Increased employability</li> <li>• Economic regeneration</li> <li>• Better access to basic services</li> <li>• Improved local environment</li> <li>• Greater community cohesion</li> <li>• Greater community pride and empowerment</li> <li>• Recognition of community businesses as a new model for change</li> <li>• Public sector savings</li> </ul> <p>2018-20 Business Plan focus:</p> <ol style="list-style-type: none"> <li>1) Sectors – community led housing, community energy &amp; health &amp; social care</li> <li>2) Places – focus on 10 places of different scale</li> <li>3) Cross cutting themes – community-owned assets - focus on broad asset ownership as part of strengthening local economies</li> </ol>	<p>100% match in terms of local Bristol needs/interest in addressing inequality and disadvantage.</p> <p>Significant interest in approach and community business led model (aligned with Locality research and proposition around local community anchor organisations leading local economic and community resilience).</p> <p>Complete alignment with City Funds thematic priority re: Community initiatives – but no clear strategic alignment with existing core city policies and strategies – testing newer ground.</p> <p>Matches BCC Corporate priorities regarding communities/VCS “stepping up” into service provision and support to communities – but possibly challenging old approaches to enabling community asset transfer</p>



## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
		and rebuilding local civic culture. Plus national infrastructure as enabler of thriving community business market.	
Esmee Fairbairn (Grant and social investment)	<ul style="list-style-type: none"> <li>• <b>Reveal the unseen and champion the unpopular:</b> Support people to address difficult issues which are not well known or understood. Where a combination of complex problems, silence or social pressure might lead to prejudice or stigma</li> <li>• <b>Strengthen and connect communities for change:</b> Belief that communities working together with partner organisations or social movements can make more of a difference to peoples lives. Supporting creative or unexpected approaches to community action, encouraging easier sharing of ideas, methods or data.</li> <li>• <b>Catalyse system change:</b> Supporting work that sets out to change the systems which prevent individuals, families and/or communities from living a fulfilling life or threaten to damage the natural environment. Backing organisations that have the vision and knowhow to improve lives in the UK to benefit current and future generations</li> <li>• <b>Unlock and enable potential:</b> Backing exceptional people with inspiring, practical ideas and organisations that have</li> </ul>	Don't set a pre-prescribed group of outcomes – it works with the projects coming in aligned to headline strategic statements.	<p>Strong match around innovation to tackle complex issues.</p> <p>Strong match regarding communities working together for change – maps into City Funds Community Initiatives and the wider values being shared from the City Office/One City Approach.</p> <p>System change interest maps directly into City Office and Funds aspirations.</p> <p>Support for experimentation is strong, though Bristol City Council's appetite for risk is low.</p>

## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
	<p>developed new approaches – through core funding and providing the space for experimentation, learning and refinement so that the sector and the people it serves discover how best to fulfil their potential.</p>		
<p>Big Lottery (Grant)</p>	<p>People in the lead:  <b>Bringing real improvements to communities, and lives of people most in need</b>            Big Lottery feel that strong, vibrant communities can be built and renewed by the people living in them.</p> <p><b>As a grant-maker (selected)</b></p> <ul style="list-style-type: none"> <li>• Tackling disadvantage by focusing on what people contribute, supporting communities (geographical or otherwise)</li> <li>• Strengthening their blended funding model:               <ul style="list-style-type: none"> <li>• Keeping open, demand-led funding at our core – making it more accessible and responding to what people tell us our money can help them achieve</li> <li>• Developing the interplay between different funding approaches across portfolios, sharing learning</li> <li>• Exploring new types of grant-making such as social investment and other funding instruments, opportunities to build on full cost recovery, and options for continuation funding.</li> </ul> </li> </ul> <p><b>As a catalyst</b></p>	<p>Supporting organisations which:</p> <ul style="list-style-type: none"> <li>• bring people together and build strong relationships in and across communities</li> <li>• improve the places and spaces that matter to communities</li> <li>• enable more people to fulfil their potential by working to address issues at the earliest possible stage</li> </ul>	<p>Headlines match the city’s overall objectives around empowered, resilient communities;</p> <p>More equal, fair and less disadvantaged</p> <p>Increased agency for community led and focussed solutions to key local issues.</p> <p>Interest in developing a learning set/approach with Locality and Community Anchor organisations to share practice, specific to other organisations and projects and to increase pace and confidence of developing pipeline projects</p> <p>Matches the collaboration aspiration of the City Office and City Funds approaches. Developing collaborations at community level is also building momentum and a key part of building resilience in neighbourhoods -it is not all about one organisation or one project – its working together to deliver change in the place.</p>

## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
	<ol style="list-style-type: none"> <li>1. Developing the skills of individuals and communities to take the lead in civil society, such as building community enterprises and increasing digital capability.</li> <li>2. Encouraging different parts of civil society - from informal associations to small and medium sized entrepreneurs, through to the biggest charitable organisations – to adapt to current opportunities and challenges.</li> <li>3. Backing innovation – giving momentum to people, communities and practitioners with new approaches to thorny problems, prioritising and growing the best ideas and practice.</li> <li>4. Creating partnerships with those who can support great community-led activity – civil society organisations, other funders, government, public and private sectors.</li> </ol>		
Access – Foundation for Social Investment (National partnership between Big Lottery Fund, Big Society Capital & Access)	<p>Support to charities and social enterprises to become more financially resilient and self-reliant, so that they can sustain and increase their impact.</p> <p>Growth Fund: Aim to bridge the gap between charities &amp; social enterprises on one side and social investors on the other, using blended finance</p>	<p>Key focus:</p> <ul style="list-style-type: none"> <li>• Seeking opportunities to supply more grant into finance blended models which help expand the reach of social investment, actively working with a range of partners</li> <li>• Actively supporting and managing the portfolio of social investors in the Growth Fund who are making loans to charities and social enterprises</li> </ul>	<p>Potential support for the development work for City Funds under two of their 3 thematic areas:</p> <ul style="list-style-type: none"> <li>• New Approaches: offer creative and relevant new products or new ways of delivering social investment to the sector</li> <li>• Reach: can offer social investment and make it relevant for charities and social enterprises who have not previously benefitted. #</li> </ul>

## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
		<ul style="list-style-type: none"> <li>• Leading the case for blended finance and convening the discussions with other potential funders of subsidy around the value of the approach, based on their learning</li> </ul>	<p>Offer of flexible unsecured repayable finance of up to £150,000 for charities and social enterprise</p> <p>Significant learning for Bristol from this work</p>
<p>Big Society Capital (social investment)</p>	<p><b>Priorities:</b></p> <ul style="list-style-type: none"> <li>• <b>Reduce inequality by spreading the cost of growth</b> – prioritising inclusive growth</li> <li>• Long-term strategic city-regional planning</li> <li>• Connecting and coordinating anchor institutions</li> <li>• Ensure incoming resources are more fairly distributed</li> <li>• Empower local community groups</li> </ul> <p>Belief that poverty and inequality is best tackled in a Place based approach</p>	<p>Special focus on: providing homes for people in need; supporting communities to improve lives; and early action to prevent problems.</p> <ul style="list-style-type: none"> <li>➤ <b>Creating jobs and local economic resilience</b> through increased access to finance for SMEs and social enterprises.</li> <li>➤ <b>Creating good places to live</b> through investment in affordable, quality housing and investment into childcare provision and other essential services.</li> <li>➤ <b>Increasing social capital</b> through backing of community owned businesses and assets.</li> <li>➤ <b>Upskilling the workforce</b> through investment in training providers and social enterprises supporting people furthest from the labour market.</li> <li>➤ <b>Improving the well-being of communities</b> through development of innovative</li> </ul>	<p>Really good fit strategically:</p> <ul style="list-style-type: none"> <li>• Community led housing</li> <li>• Community initiatives – driving local economic and community resilience through local community anchor organisations</li> <li>• Generally anti -poverty</li> <li>• Place based approach</li> <li>• Interested in Bristol as city level intervention</li> </ul>

## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
		models to address health & wellbeing needs of population	
Resonance (social investment)	<p>Provide:</p> <ul style="list-style-type: none"> <li>• Community Asset Finance – 5-7.5% interest up to £2m</li> <li>• Property Finance (residential) – variable interest rates on £10m+               <ul style="list-style-type: none"> <li>○ National Homelessness Property Fund</li> </ul> </li> <li>• Enterprise Growth Finance – 6% interest               <ul style="list-style-type: none"> <li>○ Bristol Sitr fund provides £100k - £500k loans to social enterprises that are helping to dismantle poverty and fight inequality in Bristol and the surrounding areas. Interest only unsecured loan.</li> <li>○ Health and Wellbeing Challenge Fund provides unsecured loans up to £150k for social enterprises working in health and care sector.</li> </ul> </li> </ul>	<p>Impact is measured on a case by case basis but guiding principles are:</p> <ol style="list-style-type: none"> <li>1) Resonance builds relationships that connect social enterprises to support and investment</li> <li>2) Stakeholders see the Fund as true to its intentions, aligning social and financial outcomes</li> <li>3) Social enterprises receiving investment restore the lives of individuals and communities, in part thanks to investment</li> <li>4) The Fund makes a contribution to dismantling poverty in that is greater than the sum of its parts</li> </ol>	<p>Bristol Sitr Fund focuses on dismantling poverty and inequality which is a cornerstone of City Funds objectives</p> <p>Community Asset Finance alignment to Community Initiatives FPG</p>
Triodos (social investment)	<ul style="list-style-type: none"> <li>• National retail and investment bank</li> <li>• €2.5bn assets under management for Impact investment</li> <li>• Offers investors the opportunity to invest in companies or projects that contribute to positive change, covering areas such as microfinance, renewable energy, organic food and agriculture, sustainable real estate and arts &amp; culture.</li> <li>• Have a range of funds and also a crowdfunding platform</li> </ul>	<p>Have a vast portfolio of investment across a range of funding mechanisms and impact outcomes – further discussion will highlight desired outcomes for working with City Funds</p>	<p>Most likely to align with community asset/housing opportunities and community energy projects.</p> <p>Also opportunities for sustainable businesses</p>

## Appendix 2: – The Current Funding Landscape

Funder	Headline Strategic statements/priorities	Key national outcomes	How/does it connect with what Bristol wants?
	<ul style="list-style-type: none"> <li>• <b>Nature &amp; environment:</b> Finance all kinds of sustainable environmental businesses and initiatives, from organic farms and food producers, through renewable energy companies, to eco-development schemes.</li> <li>• <b>Culture &amp; Welfare:</b> Lend to businesses and initiatives that help people develop and act as free and responsible citizens. This can cover everything from schools and medical centres, through arts and cultural activities, to community projects of all kinds.</li> <li>• <b>Social business:</b> Fund businesses of any kind whose key objectives are to add value to society or the environment, from Fair Trade retailers or wholesale traders, through housing associations and eco-tourism initiatives, to manufacturers of environmentally responsible products.</li> </ul>		

## Appendix 3: – Mayors Asset group – Strategic Approach to Assets

### Moving Forward

There are a number of related initiatives currently live that will inform and support how the Community Assets agenda is taken forward. These include:

- The development of a council **Property Strategy**, which will clarify how additional value will be generated from its property portfolio. It will clarify how these assets will be used to support the council's corporate priorities – e.g. addressing disadvantage and inequality.
- Putting in place sound **Asset Management Planning (AMP)** foundations that will enable the property strategy to be delivered. This will include collecting/cleansing key property and finance data and making this more accessible to key partners. Good reliable property data is crucial to moving forward with successful asset transfers.
- Developing strategic **Property Partnerships**, such as the One Public Estate (OPE) partnership, to ensure that the benefits of collaboration in this area are fully realised. This will include creating community facilities with multiple partners, to generate efficiencies and integration benefits for local residents.
- Creating an **Inclusive and Sustainable Economic Growth Strategy**. This may include an action to undertake an audit of council assets to identify spaces and places that could be utilised for use by local entrepreneurs, social enterprises and the third sector.
- Examining the options for **measuring and recognising non-financial value** (e.g. social value) that can be generated from property assets, such as the Housing Association Charitable Trust (HACT) 'social value' calculator
- Developing an approach towards **Community-Led Housing**, as part of a range of different delivery options.

All of these initiatives need to be properly linked with the development of the Community Assets work.

### Next Steps

The next step is to support and inform the policy development through quickly initiating a number (approximately six) of pathfinder projects that can subsequently be applied city-wide. The key areas identified for the pathfinders to test are:

- Establishing the transformational outcomes that can be generated – e.g. what is the return from the asset transfer
- Community-led housing – e.g. how can this approach accelerate the scale and pace of housing delivery and how can it generate sustainable community benefit
- How community capacity can be developed within Community Anchor organisations
- Measuring and recognising non-financial value

Given the need for pace, these pathfinders should be selected from existing projects that already have a degree of momentum.

## Community Assets

### Enabling Economic Resilience and Inclusive Growth

### Proposed Mission

Since adopting the Community Asset Trust, Bristol has successfully transferred over 100 assets to community-led organisations. This success has been built on working in partnership with communities and local organisations yet to be developed the approach further and this council and its partners.

This paper recommends collaboration as achieving this ambition and the adopting this approach, informed by a number of collaborative projects (e.g. involving community anchor organisations) to move things forward.



## Appendix 4: City Funds Collaboration Agreement

### City Funds Collaboration Agreement

Bristol City Council (1)

and

Quartet Community Foundation (2)

and

Bristol & Bath Regional Capital CIC (3)



# Appendix 4: City Funds Collaboration Agreement

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# Appendix 4: City Funds Collaboration Agreement

THIS AGREEMENT is made on

2018

## BETWEEN:

- (1) **BRISTOL CITY COUNCIL** (acting through the Mayor's Office) of City Hall, College Green, Bristol BS1 5TR (acting through the Mayor's Office, "**Mayor's Office**");
- (2) **QUARTET COMMUNITY FOUNDATION** a company limited by guarantee incorporated in England and Wales (company number 03981052) and registered charity number 1080418 whose registered office is at Royal Oak House, Royal Oak Avenue, Bristol BS1 4GB ("**Quartet**"); and
- (3) **BRISTOL & BATH REGIONAL CAPITAL CIC** a community interest company incorporated in England and Wales (company number 09672937) whose registered office is at Narrow Quay House, Narrow Quay, Bristol BS1 4QA ("**BBRC**").

## WHEREAS:

- (A) The City, via its emerging City Office, is seeking to mobilise business, its universities, local statutory bodies and the voluntary, charitable and social enterprise sectors to work together and focus on shared priorities for the City (the "**City Plan**").
- (B) One aim of the City Office is to enable the collective spend of these organisations to be better targeted on priority areas, such as community-led housing and tackling inequality within the City, in a sustainable way and through enterprise and investment models.
- (C) A new initiative has been developed to help to fulfil priority objectives of the City Plan called "**City Funds**". As a pilot City Funds has a target to raise significant funding to invest into areas of need, as identified by the City Plan. Proactive and innovative match funding partners will be sought to help the City Funds achieve this aim, via a combination of repayable finance and grant funding.
- (D) Quartet is a charitable community foundation which matches those who want to give money locally with those working to improve local communities. Each year it awards around a thousand funding grants.
- (E) BBRC brings together investors with local projects and enterprises and the community to give them access to loan and other finance at competitive rates which will deliver both a financial and social return.
- (F) The parties have come together and agreed to enter into this Agreement for the purpose of regulating the management and operation of the City Funds initiative and certain aspects of their relationship with City Funds and with each other.

## 1 INTERPRETATION

- 1.1 In this Agreement the following expressions have the following meanings, unless the context otherwise requires:

"**Business Day**" means a day on which clearing banks are open for ordinary banking business in England excluding Saturdays, Sundays and any day which is a public holiday in England;

## Appendix 4: City Funds Collaboration Agreement

“**Chair**” means the chair of a meeting of the Governing Board or of a Funding Priority Group, as the context requires;

“**City**” means the City of Bristol;

“**City Funds**” shall have the meaning given to it in Recital (C);

“**City Plan**” shall have the meaning given to it in Recital (A);

“**Conflict of Interest**” means any direct or indirect interest of a Member (whether personal, by virtue of a duty of loyalty to another organisation or otherwise) that conflicts or might conflict with their role as a Member of the Governing Board and/or of a Funding Priority Group (as applicable);

“**Data Protection Legislation**” means, for the periods in which they are in force and are applicable to this Agreement, the European Union Data Protection Directive 95/46/EC, all laws giving effect or purporting to give effect to European Data Protection Directive 95/46/EC (including the UK Data Protection Act 1998) or otherwise relating to data protection (to the extent the same apply) and the GDPR or any successive or replacement applicable personal data protection law with similar effect;

“**Funding Priority**” means a funding priority identified from the City Plan and selected by the Governing Board as one which City Funds should target for implementation;

“**Funding Priority Group**” means a priority group established to implement one of the Funding Priorities, as more particularly described in clause 2.4;

“**GDPR**” means Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);

“**Governing Board**” means the governing board established to run City Funds, as more particularly described in clause 2;

“**Losses**” means all direct losses, damages, claims, demands, actions, costs, charges, expenses or liabilities (including necessary or properly incurred legal expenses calculated on a solicitor and client basis) recoverable at law and “**Loss**” shall be construed accordingly;

“**Member**” means a member of the Governing Board and/or of a Funding Priority Group, as the context requires;

“**party**” means a party to this Agreement and “parties” shall be construed accordingly;  
and

“**Personal Data**” has the meaning set out in the Data Protection Legislation.

1.2 In this Agreement, unless the context otherwise requires:

- (a) references to clauses and schedules are to clauses of and schedules to this Agreement;
- (b) the headings to the clauses and schedules are for convenience only and shall not affect the construction or interpretation of this Agreement;

## Appendix 4: City Funds Collaboration Agreement

- (c) 'includes', "including" and other similar phrases mean including without limitation; and
- (d) a provision of any statute or other legislation is to be construed as a reference to such provision as amended or re-enacted or as its application is modified from time to time (whether before or after the date of this Agreement) and shall include a reference to any provision of which it is a re-enactment (whether with or without modification) and to any orders, regulations, instruments or other subordinate legislation (and relevant codes of practice) made under the relevant statute or other legislation except to the extent that any amendment or re-enactment coming into force after the date of this Agreement would increase or extend the liability of any party to any other person under this Agreement.

### 2 GOVERNING BOARD

- 2.1 The Governing Board shall be established by the parties as soon as possible following the signature of this Agreement and will operate in accordance with the Terms of Reference set out in Schedule 1.
- 2.2 Notwithstanding anything to the contrary in the Terms of Reference set out in Schedule 1, each party shall have the right to appoint a Member to represent it on the Governing Board and to remove such Member and any such appointment or removal of a Member shall be by notice in writing served at a Governing Board meeting and shall take effect as at the date of the notice.
- 2.3 Each party shall be indemnified by a party who removes a Member representing it from the Governing Board, against any claim connected with that Member's removal from office.
- 2.4 The parties currently envisage that, once established, the City Office will provide or procure (on a 'pro bono' basis) suitable office space and administrative assistance for the day to day running of the Governing Board and the Funding Priority Groups. Where the City Office is unable to do so for any reason, the parties will use all reasonable endeavours to procure such support (on a 'pro bono' basis) from elsewhere.
- 2.5 The parties shall use all reasonable endeavours:
  - (a) to ensure that their respective appointees as Members shall attend each meeting of the Governing Board; and
  - (b) to procure that a quorum (in accordance with the provisions of this Agreement) is present throughout each such meeting.
- 2.6 The parties will use reasonable endeavours to ensure that the Governing Board complies with the Terms of Reference set out in Schedule 1.

### 3 FUNDING PRIORITY GROUPS

- 3.1 A Funding Priority Group will be formed in respect of each Funding Priority selected by the Governing Board. Each Funding Priority Group will operate in accordance with the Terms of Reference set out in Schedule 2.
- 3.2 Notwithstanding anything to the contrary in the Terms of Reference set out in Schedule 2 each party shall have the right to appoint and to remove a Member to each Funding Priority Group and any such appointment or removal of a Member shall be by notice in writing served at a Governing Board meeting and shall take effect as at the date of the notice.
- 3.3 Each party shall be indemnified by a party who removes a Member representing it from a Funding Priority Group, against any claim connected with that Member's removal from office.

## **Appendix 4: City Funds Collaboration Agreement**

3.4 The parties shall use all reasonable endeavours to ensure that their respective appointees as Members shall attend each meeting of the relevant Funding Priority Group and to procure that a quorum (in accordance with the provisions of this Agreement) is present throughout each such meeting.

3.5 The parties will use reasonable endeavours to ensure that each Funding Priority Group complies with the Terms of Reference set out in Schedule 2.

### **4 QUARTET**

4.1 In respect of the City Funds, Quartet will operate in accordance with the Terms of Reference in Schedule 3.

### **5 BBRC**

5.1 In respect of the City Funds, BBRC will operate in accordance with the Terms of Reference in Schedule 4.

### **6 DATA PROTECTION**

6.1 The parties agree to comply with (and will procure that the Governing Board and each Funding Priority Group complies with) all relevant Data Protection Legislation in respect of the operation of City Funds as well as assisting the Mayor's Office to meet its statutory duties under the Freedom of Information Act 2000, to the extent applicable to City Funds.

6.2 Each party represents and warrants to the other parties that:

- (a) it has the consent (as that term is understood by reference to GDPR) of all relevant data subjects to disclose such of their Personal Data as is disclosed by or on behalf of the party to the other parties pursuant to or in connection with this Agreement;
- (b) prior to disclosure of any Personal Data to the other parties by a party, each of the relevant data subjects will be provided in writing with confirmation of all of the information required to be provided to those data subjects under Data Protection Legislation and the GDPR in connection with processing of their Personal Data by a party pursuant to this Agreement notwithstanding that the GDPR is not in force until 25 May 2018;
- (c) it will on request, provide copies in hard and/or electronic format as the other parties require of the written confirmations referred to in clause 6.2(b) above;
- (d) it will take reasonable steps prior to disclosure by it of any Personal Data to the other parties, to ensure that the Personal Data is accurate; and
- (e) it will not breach Data Protection Legislation by processing the Personal Data disclosed to it by or on behalf the other parties in the manner and for the purposes contemplated by this Agreement.

6.3 Each party shall indemnify and hold harmless the other parties against any and all Losses arising directly or indirectly from any regulatory action or claims brought against it under the Data Protection Legislation as a result of it processing Personal Data in the manner and for the purposes contemplated by this Agreement.

### **7 EQUAL OPPORTUNITIES**

7.1 The parties agree to comply with (and will procure that the Governing Board and each Funding Priority Group complies with) all relevant equalities legislation in respect of the operation of City Funds and to take all reasonable steps in the provision of funding and in any other activities related to City Funds:

## Appendix 4: City Funds Collaboration Agreement

- (a) to ensure that there is equality of access, use and involvement for everyone and that neither the parties nor the Governing Board nor any Funding Priority Group discriminates directly or indirectly on the grounds of any protected characteristic as defined in the Equality Act 2010 including disability, sexual orientation, age, gender reassignment, religion and belief, sex, race, pregnancy and maternity. This does not mean that Funding Priorities cannot be targeted at particular equalities groups, where there is evidence of need and a targeted service is the best way of meeting those needs;
- (b) to contribute to delivering the Mayor's Office's public sector equality duty under the Equality Act 2010 by giving due regard to the need to:
  - (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act;
  - (ii) promote equality of opportunity between different groups; and
  - (iii) foster good relations between people from different groups.

### 8 INTELLECTUAL PROPERTY

- 8.1 All intellectual property rights in the "City Plan", "City Office" and "City Funds" names, logos and branding shall at all times remain the property of the Mayor's Office, which undertakes to protect the same.
- 8.2 The Mayor's Office hereby grants a non-exclusive, royalty-free, non-transferable licence to the other parties and to the Governing Board and each Funding Priority Group to use the "City Plan", "City Office" and "City Funds" names, logos and branding solely in connection with the operation of the City Funds, subject to the terms of, and for the duration of, this Agreement.

### 9 NOTICES

- 9.1 Any notice or other communication given under this Agreement or in connection with the matters contemplated in it shall be in writing (including electronic mail) signed by or on behalf of the person giving it and shall except where otherwise specifically provided, be addressed as provided in clause 9.2 and served:
  - (a) by personal delivery in which case it shall be deemed to have been given upon delivery at the relevant address;
  - (b) by first class pre-paid post within the United Kingdom, in which case it shall be deemed to have been given two Business Days after the date of posting;
  - (c) by e-mail, in which case it shall be deemed to have been given when despatched subject to confirmation of delivery by a delivery receipt,

provided that in the case of sub-clause (c) above any notice despatched other than on a Business Day between the hours of 9:00a.m. to 5:00p.m. will be deemed to have been given at 9:00a.m. on the next Business Day.

- 9.2 Notices under this Agreement shall be sent for the attention of the person and to the address or e-mail address, subject to clause 9.3, as follows:
  - (a) the Mayor's Office
    - Name: ●
    - Address: as set out against its name on page 1
    - E-mail address: ●

## Appendix 4: City Funds Collaboration Agreement

- (b) Quartet
  - Name: ●
  - Address: as set out against its name on page 1
  - E-mail address: ●
- (c) BBRC:
  - Name: ●
  - Address: as set out against its name on page 1
  - E-mail address: ●

9.3 Any party to this Agreement may notify the other parties of any change to its address or other details specified in clause 9.2 provided that such notification shall only be effective on the date specified in such notice.

### 10 CONFIDENTIALITY AND ANNOUNCEMENTS

10.1 Each party undertakes to the others that:

- (a) it will not at any time use or divulge or communicate to any person (other than to its own officers, employees or professional advisers whose province it is to know the same) any confidential information concerning City Funds, City Office or the City Plan or concerning any of the parties, which may come to its knowledge; and
- (b) it shall procure that the Governing Board and each Priority Funding Group also abides by the terms of this clause 10.

10.2 The obligations set out in this clause 10 shall continue to apply after a party shall cease to be a party to this Agreement or otherwise involved in City Funds without limit in time but shall cease to apply to information which has come into the public domain other than by a breach of this clause 10 or which for any other reason other than through the default of that party shall have ceased to be confidential.

10.3 Each party acknowledges to each of the other parties that confidential information received from or referencing any of the other parties may constitute or include information that is commercially sensitive and whose disclosure to third parties may be prejudicial to the interests of one or more of the parties to this Agreement and therefore each party undertakes to each of the other parties to:

- (a) identify where reasonably practicable all such commercially sensitive information either orally or in writing; and
- (b) take all such steps as are reasonably possible to refuse or restrict the disclosure of such commercially sensitive information to any third party including in response to a request for disclosure by reference to any applicable legislation such as the Freedom of Information Act 2000.

10.4 No announcement or publicity concerning the terms of this Agreement or the interests of any party with regard to it shall be made or issued by any of the parties without the prior written approval of the other parties.

10.5 The provisions of this clause 10 shall not apply so as to restrict any disclosure or announcement required by law or by the rules of any regulatory organisation to which any of the parties is subject (in which case the parties shall, where permitted to do so, consult with each other on the form of the disclosure or announcement).

## **Appendix 4: City Funds Collaboration Agreement**

### **11 GENERAL**

- 11.1 The parties will not (and will procure that neither the Governing Board nor the Funding Priority Groups will) in respect of City Funds promote or oppose any political party or candidate for office, which includes not agreeing to fund organisations that promote or oppose any political party or candidate.
- 11.2 The Governing Board may from time to time issue such further guidance to the Funding Priority Groups as to the receipt and allocation of funding as it shall see fit.
- 11.3 Other than as expressly stated in this Agreement a person who is not a party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.
- 11.4 No variation of any provision of this Agreement shall be effective unless it is in writing, refers specifically to this Agreement and is duly executed by each party.
- 11.5 No party may assign, transfer, hold on trust or otherwise dispose or deal with all or any of its rights or obligations arising under this Agreement without the prior written consent of the other parties.
- 11.6 Each party agrees to comply with all applicable laws and regulations in respect of this Agreement and its involvement in the City Funds initiative.

### **12 LIABILITIES**

- 12.1 No party may incur any liability on behalf of any other party in respect of this Agreement.

### **13 NO PARTNERSHIP**

- 13.1 Nothing in this Agreement shall constitute or be deemed to constitute a partnership between any of the parties to it and none of them shall have any authority to bind the others in any way.

### **14 DURATION**

- 14.1 This Agreement shall continue in full force and effect from the date of this Agreement until the earliest of the following:
- (a) the date on which all the parties agree in writing to its termination;
  - (b) the date of termination of the City Funds initiative.
- 14.2 Termination of this Agreement, with respect to any or all the parties, shall be without prejudice to:
- (a) any rights or liabilities of any party that have accrued prior to that termination; and
  - (b) clauses 10 and 16.

### **15 ENTIRE AGREEMENT**

- 15.1 This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements understandings and arrangements between them and representations by them whether oral or written, which relate to the subject matter of this Agreement, save to the extent that they arise out of the fraud or fraudulent misrepresentation of a party.

### **16 GOVERNING LAW AND JURISDICTION**



## **Appendix 4: City Funds Collaboration Agreement**

- 16.1 This Agreement and any and all matters (including any contractual or non-contractual obligation) arising out of or in connection with this Agreement, its subject matter or formation shall be governed by and construed in accordance with English law.
- 16.2 The parties irrevocably submit to the exclusive jurisdiction of the English courts for all purposes relating to this Agreement, its subject matter or formation.

This Agreement has been signed and takes effect on the date stated at the beginning of it.

# Appendix 4: City Funds Collaboration Agreement

## Schedule 1

### Governing Board Terms of Reference

#### **1 PURPOSE AND OBJECT**

- 1.1 The main purpose and objective for which the Governing Board is established is to oversee the City Funds initiative.
- 1.2 The Governing Board should do this by:
- (a) selecting a manageable number of clearly defined Funding Priorities;
  - (b) establishing a Funding Priority Group in respect of each Funding Priority (e.g. the “[Subject] FPG”), deciding who should sit on each Funding Priority Group and delegating responsibility for the implementation of the relevant Funding Priority to that group;
  - (c) providing support, advice and guidance to each Funding Priority Group, as required;
  - (d) reviewing the progress of and continuing need for each Funding Priority Group, at least annually;
  - (e) preparing an annual report on the overall progress made against each Funding Priority, which shall be made publicly available.
- 1.3 The Governing Board may add to, amend or vary the Terms of Reference for each Funding Priority Group as it shall see fit.

#### **2 APPOINTMENT OF MEMBERS**

- 2.1 The Governing Board will consist of:
- (a) the Mayor of Bristol, or a duly appointed representative of the Mayor’s Office;
  - (b) a duly appointed representative of Quartet;
  - (c) a duly appointed representative of BBRC;
  - (d) a representative of at least one City-based, community organisation;
  - (e) one or more experts, being persons with professional qualifications, experience and/or skills which are aligned to and will benefit the implementation and delivery of the Funding Priorities from time to time; and
  - (f) an independent Chair, who will be drawn from a suitable organisation based within the City of Bristol,

provided that the Governing Board shall:

- (g) seek to include representatives from businesses, relevant trade unions, academia and other relevant groups located in the City;
- (h) to the greatest extent possible reflect the diversity of the people of the City including with regard to factors such as social demographic, age, disability, sex, sexual orientation, race and religion and belief; and
- (i) consist of no more than 9 persons unless the Governing Board shall otherwise agree unanimously.

## Appendix 4: City Funds Collaboration Agreement

2.2 All appointments to the Governing Board shall be for such period as the Governing Board may specify, bearing in mind the nature of the Funding Priorities selected from time to time.

2.3 The Governing Board may at any time resolve:

(a) by unanimous decision (excluding the relevant Member), to remove a Member from the Governing Board ; or

(b) to remove a Member from a Funding Priority Group,

but without prejudice in each case to a party's right to appoint a replacement pursuant to clause 2.2 or clause 3.2 respectively and provided that neither the Mayor nor a representative of the Mayor's Office shall be capable of removal as a Member.

2.4 Each Member appointed to the Governing Board shall be asked to sign a copy of these Terms of Reference by way of acceptance of their terms.

### 3 MEETINGS

3.1 The Governing Board shall meet at least quarterly and the dates of each quarterly meeting during a twelve month period commencing each year on 1 April shall be set at the last meeting held during the prior twelve month period ending 31 March. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each Member and to any other person requested to attend (in respect only those aspects relevant to their attendance), no later than 5 Business Days prior to the date of the meeting.

3.2 The quorum for meetings of the Governing Board shall be at least half of the Members which shall include at least the Mayor (or his representative) and a Member representing each of Quartet and BBRC.

3.3 If within half an hour from the time appointed for a Governing Board meeting a quorum is not present, the meeting shall be adjourned by the Chair and each Member not present at the meeting shall be notified by the Chair (by any form of notice in writing in accordance with this Agreement) of the date, time and place of the adjourned meeting. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall be dissolved.

3.4 All decisions of the Governing Board shall be made by way of resolution. No resolution of the Members of the Governing Board shall be effective unless carried by at least three-quarters of the Members.

3.5 In the absence of the Chair and/or any appointed deputy at any meeting, the remaining Members present shall elect one of themselves to chair the meeting.

3.6 The Chair shall not have a casting vote.

3.7 No Member will be paid for their attendance at Governing Board meetings provided that, at the sole discretion of the Governing Board and only to the extent that resources are or become available outside of the City Funds, travel expenses may be paid to Members who would otherwise struggle to attend meetings (on a case by case basis).

3.8 The Governing Board shall minute its proceedings, recommendations and decisions in respect of all of its meetings, including the names of those present and in attendance.

3.9 Minutes of meetings of the Governing Board shall be circulated promptly to all Members and will, once approved, be made public subject only to the redaction of any reserved, confidential business.

## **Appendix 4: City Funds Collaboration Agreement**

### **4 ANNUAL PERFORMANCE REVIEW**

- 4.1 There will be an annual meeting in the third quarter of each twelve month period commencing 1 April to review the current Funding Priorities and to agree any change to the Funding Priorities for the following twelve month period.
- 4.2 The Governing Board shall, at least once a year, review its own performance, membership and Terms of Reference to ensure that it is operating at maximum effectiveness and make any changes it considers necessary.

### **5 CONFLICTS OF INTEREST**

- 5.1 Whenever a Member finds himself or herself in a situation that is reasonably likely to give rise to a Conflict of Interest, he or she must declare his or her interest to the Governing Board.
- 5.2 Whenever a matter is to be discussed at a meeting of the Governing Board and a Member has a Conflict of Interest in respect of that matter then, subject to paragraph 6, he or she must:
- (a) not be counted in the quorum for that part of the meeting; and
  - (b) shall have no vote on the matter.
- 5.3 If any question arises as to whether a Member has a Conflict of Interest, the question shall be decided by a decision of the Governing Board (excluding that Member).

### **6 MEMBERS' POWER TO AUTHORISE A CONFLICT OF INTEREST**

- 6.1 The Members have power to authorise a Member to be in a position of Conflict of Interest provided that:
- (a) in authorising a Conflict of Interest, the Members can decide the manner in which the Conflict of Interest may be dealt with and they can decide that the Member with a Conflict of Interest can participate in a vote on the matter and can be counted in the quorum; and
  - (b) the decision to authorise a Conflict of Interest can impose such terms as the Members think fit and is subject always to their right to vary or terminate the authorisation.
- 6.2 If a matter, or office, employment or position, has been authorised by the Members in accordance with paragraph 6.1 then, even if he or she has been authorised to remain at the meeting by the other Members, the Member may absent himself or herself from meetings of the Governing Board at which anything relating to that matter, or that office, employment or position, will or may be discussed.
- 6.3 A Member shall not be accountable to the Governing Board for any benefit which he or she derives from any matter, or from any office, employment or position, which has been authorised by the Governing Board in accordance with paragraph 6.1 (subject to any limits or conditions to which such approval was subject).

### **7 REGISTER OF MEMBERS' INTERESTS**

- 7.1 The Members shall cause a register of Members' interests to be kept. A Member must declare the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement involving the City Funds or in any transaction or arrangement involving the City Funds which has not previously been declared.

# Appendix 4: City Funds Collaboration Agreement

## Schedule 2

### Funding Priority Group Terms of Reference

#### **1 PURPOSE AND OBJECT**

- 1.1 The main purpose and objective for which a Funding Priority Group is established is to implement a particular Funding Priority as identified and delegated to it by the Governing Board.
- 1.2 A Funding Priority Group should do this by:
- (a) focusing on delivery of the Funding Priority assigned to it by the Governing Board;
  - (b) preparing an annual report on the overall progress made against its allocated Funding Priority.
- 1.3 The Governing Board shall be responsible for setting the Terms of Reference for each Funding Priority Group.

#### **2 APPOINTMENT OF MEMBERS**

- 2.1 Each Funding Priority Group will consist of:
- (a) the Mayor of Bristol, or a duly appointed representative of the Mayor's Office;
  - (b) (to the extent that grant funding is relevant to that particular Funding Priority Group) a duly appointed representative of Quartet;
  - (c) (to the extent that investment funding is relevant to that particular Funding Priority Group) a duly appointed representative of BBRC;
  - (d) such additional persons (being experts or members of any relevant local community) as are deemed by the Governing Board as necessary for the implementation and delivery of the applicable Funding Priority,
  - (e) such person to act as Chair as is nominated for the purpose by the Governing Board,
- provided that:
- (f) to the greatest extent possible each Funding Priority Group shall reflect the diversity of the people of the City including with regard to factors such as social demographic, age, disability, sex, sexual orientation, race and religion and belief; and
  - (g) no Funding Priority Group shall consist of more than 8 persons unless the Governing Board shall otherwise agree.
- 2.2 All appointments to a Funding Priority Group shall be for such period as the Governing Board may specify, bearing in mind the nature of relevant Funding Priority.
- 2.3 The Governing Board may resolve to remove a Member from a Funding Priority Group (but without prejudice to the relevant party's right to appoint a replacement pursuant to clause 3.2).
- 2.4 Each Member appointed to a Funding Priority Group shall be asked to sign a copy of these Terms of Reference by way of acceptance of their terms.

## **Appendix 4: City Funds Collaboration Agreement**

### **3 MEETINGS**

- 3.1 In the absence of the Chair and/or any appointed deputy at any meeting, the remaining persons present shall elect one of themselves to chair the meeting.
- 3.2 Each Funding Priority Group will meet at least quarterly and the dates of each quarterly meeting during a twelve month period commencing each year on 1 April shall be set at the last meeting held during the prior twelve month period ending 31 March. Ideally meetings of each Funding Priority Group will be scheduled sufficiently ahead of the next scheduled Governing Board meeting to allow reporting back ahead of that Governing Board meeting.
- 3.3 Unless otherwise agreed, notice of each meeting of the Funding Priority Group confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the group and to any other person requested to attend (in respect only those aspects relevant to their attendance), no later than 5 Business Days prior to the date of the meeting.
- 3.4 All decisions of a Funding Priority Group shall be made by way of resolution. No resolution of the Members of a Funding Priority Group shall be effective unless carried by at least a majority of the Members.
- 3.5 The Funding Priority Group shall minute its proceedings, recommendations and decisions in respect of all of its meetings, including the names of those present and in attendance.
- 3.6 Minutes of each meeting of the Funding Priority Group shall be circulated promptly to all Members of the group and will, once approved, be made public subject only to the redaction of any reserved confidential business.
- 3.7 Each Funding Priority Group shall report formally to the Governing Board and ensure that copies of the minutes of its meetings are also circulated to each Member of the Governing Board. Any such report will follow such template as may be specified by the Governing Board from time to time and shall be made public following its approval by the Governing Board.
- 3.8 No Member will be paid for their attendance at a Funding Priority Group meeting provided that, at the sole discretion of the Governing Board and only to the extent that resources are or become available outside of the City Funds, travel expenses may be paid to Members who would otherwise struggle to attend meetings (on a case by case basis).

### **4 PERFORMANCE REVIEW**

- 4.1 Each Funding Priority Group shall, at least once a year, review its own performance and Terms of Reference to ensure that it is operating at maximum effectiveness and refer any concerns or changes it considers necessary to the Governing Board.

### **5 CONFLICTS OF INTEREST**

- 5.1 Whenever a Member finds himself or herself in a situation that is reasonably likely to give rise to a Conflict of Interest, he or she must declare his or her interest to the Governing Board.
- 5.2 Whenever a matter is to be discussed at a meeting of the Funding Priority Group and a Member has a Conflict of Interest in respect of that matter then, subject to paragraph 7, he or she must:
  - (a) not be counted in the quorum for that part of the meeting; and
  - (b) shall have no vote on the matter.

## **Appendix 4: City Funds Collaboration Agreement**

5.3 If any question arises as to whether a Member has a Conflict of Interest, the question shall be decided by a decision of the Governing Board (excluding that Member).

### **6 MEMBERS' POWER TO AUTHORISE A CONFLICT OF INTEREST**

6.1 The Governing Board has the power to authorise a Member of a Funding Priority Group to be in a position of Conflict of Interest provided that:

(a) in authorising a Conflict of Interest, the Members can decide the manner in which the Conflict of Interest may be dealt with and they can decide that the Member with a Conflict of Interest can participate in a vote on the matter and can be counted in the quorum; and

(b) the decision to authorise a Conflict of Interest can impose such terms as the Governing Board thinks fit and is subject always to its right to vary or terminate the authorisation.

6.2 If a matter, or office, employment or position, has been authorised by the Members in accordance with paragraph 7.1 then, even if he or she has been authorised to remain at the meeting by the other Members, the Member may absent himself or herself from meetings of the Funding Priority Group at which anything relating to that matter, or that office, employment or position, will or may be discussed.

6.3 A Member shall not be accountable to a Funding Priority Group and/or to the Governing Board for any benefit which he or she derives from any matter, or from any office, employment or position, which has been authorised by the Governing Board in accordance with paragraph 7.1 (subject to any limits or conditions to which such approval was subject).

### **7 REGISTER OF MEMBERS' INTERESTS**

7.1 The Members shall cause a register of Members' interests to be kept. A Member must declare the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement involving the City Funds or in any transaction or arrangement involving the City Funds which has not previously been declared.

## Appendix 4: City Funds Collaboration Agreement

### Schedule 3

#### Quartet Terms of Reference

- 1 Where any part of the solution adopted by a Funding Priority Group involves grant funding, this shall be advertised, promoted, coordinated and administered by Quartet in the name of City Funds, including the collection and distribution of funds.
- 2 Quartet will charge an administration fee of 10% of the funds it raises (excluding any funds collected by way of interest or tax relief) or such other amount as may be agreed between Quartet and the Governing Board in respect of any particular funding initiative. To the extent that a relevant funder is willing to meet some or all of Quartet's charges as outlined above then Quartet will not seek to charge any additional fee under this paragraph 2 in respect of the monies invested by that investor. All other fees charged pursuant to this paragraph 2 in respect of any particular funding initiative shall be deducted from the relevant funds raised and Quartet will advise the Governing Board of its charges made, if any, on a quarterly basis.
- 3 Quartet will provide a quarterly written report to the relevant Funding Priority Group of all sums collected and distributed during the period covered by the report in connection with the relevant Funding Priority, itemising organisations to which money has been paid and for what purpose. The report will also detail Quartet's operating costs in connection with carrying out the work reported on. To the extent that the report shows that the administration fee charged by Quartet for its work exceeds its relevant operating costs for this work then the excess shall be credited against Quartet's fees for the next quarter and/or Quartet shall consider reducing its fees going forward.
- 4 It should generally be a condition of grants that the recipient is prepared to feature in photographs, case studies, news stories etc (with reasonable exceptions, such as womens' refuges).
- 5 100% of any interest earned on funds or any form of tax relief received by Quartet as a result of the administration of such funds will be reinvested back into the funds.
- 6 Quartet will monitor and evaluate at an appropriate time after any grant is paid, to confirm that it has been used for the purpose intended.
- 7 Quartet will allocate grants in accordance with any guidelines specified by the relevant Funding Priority Group or by the Governing Board.
- 8 Quartet will keep relevant accounts in permanent form. These must be capable of annual audit by someone who is a member of a recognised accountancy body and copies of any such audit must be provided to the relevant Funding Priority Group and the Governing Board no later than 10 months from the end of the accounting year to which they relate.
- 9 Quartet must inform the Governing Board of any changes affecting its service delivery, management functions or financial viability or otherwise its ability to carry out its role as set out in this schedule and the Agreement.
- 10 If requested Quartet will give any person which the Governing Board or the Mayor's Office may nominate access to Quartet's financial records and any other records which it may reasonably request in order to satisfy itself that Quartet is complying with this Agreement.

### Schedule 4

#### BBRC Terms of Reference



## Appendix 4: City Funds Collaboration Agreement

- 1 Where any part of the solution adopted by a Funding Priority Group involves investment funding, this shall be advertised, promoted, coordinated and administered by BBRC in the name of City Funds, including the raising and distribution of funds.
- 2 BBRC shall be entitled to charge an administration fee of 5% of the funds it raises or such other amount as BBRC and the Governing Board may agree in respect of any particular funding initiative. To the extent that a relevant investor is willing to meet some or all of BBRC's charges as outlined above then BBRC will not seek to charge any additional fee under this paragraph 2 in respect of the monies invested by that investor. All other fees charged pursuant to this paragraph 2 in respect of any particular funding initiative shall be deducted from the relevant funds raised and BBRC will advise the Governing Board of its charges made, if any, on a quarterly basis.
- 3 BBRC will provide a quarterly written report to the relevant Funding Priority Group of all sums raised and distributed during the period covered by the report in connection with the relevant Funding Priority, itemising organisations to which money has been paid and for what purpose. The report will also detail BBRC's operating costs in connection with carrying out the work reported on. To the extent that the report shows that the administration fee charged by BBRC for its work exceeds its relevant operating costs for this work then the excess shall be credited against BBRC's fees for the next quarter and/or BBRC shall consider reducing its fees going forward.
- 4 It should generally be a condition of grants that the recipient is prepared to feature in photographs, case studies, news stories etc (with reasonable exceptions, such as womens' refuges).
- 5 BBRC will monitor and evaluate at an appropriate time after any investment funding is paid, to confirm that it has been used for the purpose intended.
- 6 BBRC will procure investment funding in accordance with any guidelines specified by the relevant Funding Priority Group or by the Governing Board.
- 7 BBRC will keep relevant accounts in permanent form. These must be capable of annual audit by someone who is a member of a recognised accountancy body and copies of any such audit must be provided to the relevant Funding Priority Group and the Governing Board by no later than 10 months from the end of the accounting year to which they relate.
- 8 BBRC must inform the Governing Board of any changes affecting its service delivery, management functions or financial viability or otherwise its ability to carry out its role as set out in this schedule and the Agreement.
- 9 If requested BBRC will give any person which the Governing Board or the Mayor's Office may nominate access to BBRC's financial records and any other records which it may reasonably request in order to satisfy itself that BBRC is complying with this Agreement.

**SIGNED** by **BRISTOL CITY COUNCIL** )  
acting by )  
)

---

## Appendix 4: City Funds Collaboration Agreement

**SIGNED** by **QUARTET COMMUNITY** )  
**FOUNDATION** acting by a director )  
)

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**SIGNED** by **BRISTOL & BATH** )  
**REGIONAL CAPITAL CIC** acting by a )  
director )

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# Appendix 5: Structuring note on City Funds LP prepared by Burges Salmon

## CITY FUNDS LP

### PROJECT STRUCTURE AND GOVERNANCE

#### 1 DEFINITIONS:

##### 1.1 In this note:

“**Adviser**” means Bristol & Bath Regional Capital CIC;

“**BCC**” means Bristol City Council;

“**BSC**” means Big Society Capital Limited;

“**City Funds**” means an initiative promoted by BCC, the Adviser and Quartet;

“**Collaboration Agreement**” means an agreement dated 23 March 2018 between the Adviser, BCC and Quartet to promote the City Funds initiative;

“**Fund**” means City Funds LP, an English limited partnership with registration number LP020081;

“**Governing Board**” means a committee of this name constituted by the Collaboration Agreement (and shall be deemed for the purposes of this note to include any “Funding Priority Groups” also established under the Collaboration Agreement);

“**GP**” means CF General Partner Limited, a limited company incorporated in England and Wales with number 12025521 of which the Adviser is the sole shareholder;

“**Initial Limited Partner**” means CF Initial Limited Partner Limited, a private limited company incorporated in England and Wales with number 11772200 of which the Adviser is the sole shareholder;

“**Investment Advisory Committee**” or “**IAC**” means a committee of this name to be constituted pursuant to the LPA having the responsibilities described below;

“**LPA**” means the limited partnership agreement to be entered into between the GP, BCC and BSC governing the operation of the Fund;

“**Manager**” means NCM Fund Services Limited, which will be the manager of the Fund and provide administration services to it; and

“**Quartet**” means Quartet Community Foundation.

#### 2 PROJECT

- 2.1 The overall project aims to see the Fund established with committed funding of £5 million from each of BCC and BSC structured as loans aside from a thin layer of equity. While not legally controlled by City Funds or the Governing Board, the Fund will formally adopt strategic aims and objectives which are consistent with those of City Funds and its ‘One City’ approach. The GP will appoint the Adviser to assist in the sourcing and initial evaluation of applications for funding from the Fund. The Adviser will “filter” initial opportunities which will be referred to the Investment Advisory Committee. The IAC will perform an advisory role and will have discretion on whether: (i) to confirm to the Adviser that in its opinion an individual opportunity is suitable for investment by the Fund; (ii) to deny authority for the Adviser to

## **Appendix 5: Structuring note on City Funds LP prepared by Burges Salmon**

recommend the investment to the Manager; or (iii) to express no view. Once this initial “pre-vetting” has been undertaken by the Adviser and the IAC, and unless vetoed by the IAC, the Adviser will formally refer a proposal to the Manager for a decision on behalf of the Fund. If the Manager approves a particular investment, it will make arrangements to implement that. While there will be close links between the Fund and City Funds, there will be no formal legal connection although both entities will fall under the same broad social “umbrella” and the Fund may well be regarded within the Bristol community as being in some (non-legal) sense an emanation of City Funds.

- 2.2 This note has been prepared with a view to helping all relevant parties to confirm agreement to the overall structure ahead of drafting of definitive Fund documentation and in particular with a view to avoiding wasted time and costs.

### **3 CURRENT STATUS OF THE FUND**

- 3.1 As at the date of preparation of this note, the Fund has been registered as a limited partnership and it has been agreed that the Fund should convert to a ‘private fund limited partnership’.

- 3.2 An initial limited partnership agreement between the GP and the Initial Limited Partner has been executed. It is intended that this is simply a holding document and that on the Fund’s formal launch the LPA will be entered into. The Manager will be appointed immediately prior to admission of BCC and BSC (at which point the Fund would become a collective investment scheme and require a regulated manager). The Initial Limited Partner will at that point cease to be a member of the Fund. BCC and BSC will execute the LPA itself. It is axiomatic that the LPA will need to be acceptable in form and content to BCC and BSC and, in particular, contain any prescribed content essential for them, especially BSC (whose standard riders we have received).

### **4 GP GOVERNANCE AND OWNERSHIP**

- 4.1 The GP has been created as a limited company and as such is under the control of the Adviser as its parent. It would be appropriate, we suggest, for at least one other individual associated with the Adviser to be a director of the GP. It is intended that the GP should apply to register for VAT as part of the same VAT group as the Adviser. The limited partners will have the potential to remove the GP, the Adviser and/or the Manager should they so choose.
- 4.2 The GP will receive an ‘advanced priority’ profit share from the Fund and the Adviser will invoice the GP directly (i.e. on its own account and not as agent for the Fund) in respect of its remuneration. As the Adviser and the GP will be part of the same group for VAT purposes, VAT should not be due on the remuneration paid by the GP to the Adviser. The VAT on the remuneration of the Manager, however, which will be invoiced to the GP on behalf of the Fund, is likely to be an irrecoverable cost to the Fund.
- 4.3 In addition to its advanced priority profit share, the GP may receive a 20% share of residual profits on the conclusion of the life of the Fund e.g. rather than pay residual profits to limited partners only pro rata to their profit share. For example, 20% (akin to a manager’s ‘carry’) might be paid to the GP to be applied for charitable or social purposes. This point, we understand, remains to be finally agreed and the payment may be made instead to a ‘Community Legacy Partner’.

### **5 INITIAL LIMITED PARTNER**

- 5.1 The Initial Limited Partner is simply a company which has been incorporated to perform the specific function of helping the Fund to be formed and registered, to enable the creation of bank accounts, etc. Generally speaking, limited partnership agreements prohibit limited partners from withdrawing their capital since that results in loss of limited liability to the extent of the capital withdrawn. However, in the case of private fund limited partnerships, such capital can be returned at any time without the limited partner being liable for debts and

## **Appendix 5: Structuring note on City Funds LP prepared by Burges Salmon**

obligations on the amount withdrawn, enabling the Initial Limited Partner to withdraw its capital and retire from the Fund at the point of admission of the two “real” limited partners. The Initial Limited Partner can, if the Adviser so wishes, then simply be struck off the register of companies.

- 5.2 As with the GP, the Initial Limited Partner is under the control in practice of the Adviser. It may be sensible for there to be at least two Directors of the Initial Limited Partner, but this is not essential given its limited ‘shelf life’.

### **6 THE ADVISER**

- 6.1 The Adviser is an appointed representative of The Social Investment Markets CIC, which trades as “Investing for Good”. A formal investment advisory agreement will be implemented between the GP and the Adviser. The precise terms of the investment advisory agreement are to be determined but it is envisaged that the Adviser will:

- provide its advice to the GP in its capacity as such;
- act in effect as “gatekeeper” for enquiries to the Fund, conducting anti money-laundering checks as agreed with the Manager;
- seek to identify and evaluate at a high level potential investment opportunities for the Fund;
- evaluate, by reference to a criteria agreed with the Manager, applications for funding, lead on financial “due diligence” and credit risk analysis and in effect be the Fund’s representative in negotiations with prospective recipients of funding.

- 6.2 The Adviser will not have the power to bind the Fund or to make any decisions as to any investments on its behalf. Its role will be purely advisory. It is not inconceivable that in the future the Adviser will seek to expand the scope of its FCA permissions to include a full fund management permission such that it may succeed also to the role of the Manager. However, that is not in immediate contemplation. In some fund structures the adviser is appointed by the manager and so in effect acts as its subcontractor. That structure is often adopted due to the commercial specifics where a new fund is promoted by a manager as an established investment management business. In this case, however, it is considered that the Fund is a discrete and independent entity, born out of the City Funds initiative, and it is appropriate for the GP to contract separately as principal with the Adviser on the one hand and, as agent for the Fund, the Manager on the other. Any decision to remove the Adviser would in principle be a matter for the Fund acting by its limited partners, as mentioned above.

### **7 THE INVESTMENT ADVISORY COMMITTEE**

- 7.1 It is of fundamental importance to the perception of the Fund that it operates on an ethical basis and in a fashion which is consistent with the wider City Funds initiative, while also pursuing objectives consistent with those articulated by the Governing Board. As mentioned, it is not appropriate for there to be any formal legal linkage between the Governing Board and the Fund and in many ways having an Investment Advisory Committee for the Fund is unnecessary; it would be possible in principle for the Adviser and Manager to be directed to ensure compliance with the ethical objectives and strategy adopted by the Governing Board. We understand, however, that there is considered to be wider benefit in having the IAC to review all proposed investments of the Fund. It is emphasised that, as with the Adviser, the IAC will have no legal decision-making power on behalf of the Fund, but the Adviser will not be able to recommend an investment to the Manager / the Manager will be unable to make an investment if, in either case, it has been vetoed by the IAC. The IAC will also perform an unofficial oversight role in relation to conflicts, adequacy of governance and undertake (at least) an annual review of the performance of the Fund, the Adviser and the Manager. The Terms of Reference for this committee will be set out in the LPA and will be subject to annual review. The IAC will therefore be constituted pursuant to the LPA. The exact size and

## Appendix 5: Structuring note on City Funds LP prepared by Burges Salmon

composition of the IAC is still under consideration. As initially contemplated neither BSC nor BCC were considered likely to require IAC representation, but BSC has now concluded that it does and BCC may therefore wish to opt for equivalent treatment. Please see below for further discussion of this; observer rights on the IAC might in any event be a preferred alternative i.e. BCC could have the right either to have a representative on the IAC or to send an observer. For continuity it is intended that the Adviser should have one nominee on the IAC, indicatively its Head of Credit.

- 7.2 Consideration has been given to whether representation by the limited partners on the IAC would involve them in day to day management of the Fund. It is our understanding that the generally accepted position for English limited partnerships has been that if a fund's terms allow a limited partner representative body to give or withdraw the authority of a manager to make a decision to buy a particular investment, that does not compromise the limited liability of those partners who have appointees on that body. A key point is that with its authority in place the manager retains the discretion to make or not to make the investment i.e. it is not directed to buy the investment. In the case of the Fund, the IAC is one step further removed from the concept of a limited partner representative body in that there would only be two limited partner representatives, and they would be a minority and thus not able to block or approve a recommendation. As such in our view BSC and BCC could have representation on the IAC without their limited liability being compromised but this is only our opinion and, while we are confident in it, it has not been tested by the courts.
- 7.3 However, the Limited Partnerships Act 1907 was recently amended to introduce 'private fund limited partnerships' ("PFLP") which are available in addition to the existing limited partnership regime. One advantage of a PFLP is that the Act sets out (section 6a) a list of actions which, if undertaken by a limited partner, are not to be regarded as taking part in the management of the partnership business. That section includes:
- 'taking part in a decision approving or authorising an action proposed to be taken by a.....person appointed to manage the partnership, including in particular a proposal in relation to.....(ii) the acquisition or disposal of a type of investment or a particular investment by the partnership'*
- 7.4 While the fact that PFLPs benefit from this express qualification does not automatically mean that the same activity by a limited partner in a non-PFLP would be considered to be taking part in management and thus lose limited liability, on discussion with BSC the decision has been taken to convert the Fund to a PFLP simply to benefit from this safe harbour. The decision to give the IAC power to recommend, veto or **abstain** i.e. if it abstains the Manager can still decide to invest and so IAC approval is not a pre-condition to investment, whatever happens in practice, means that the IAC is not a necessary part of the decision-making process and further supports the case that participation in it does not amount to management or control. It is considered that these factors in combination give as much certainty and security as it is commercially feasible to obtain for a limited partner seeking IAC representation.
- 7.5 Unlike a conventional investment fund which invests in quoted securities or makes other investments in a fast-moving environment, it is probable that the time line for approval of investments by the Fund will be relatively generous, such that the involvement of the IAC should not be an impediment to decision-making. The IAC should be capable of being quorate with perhaps only a defined percentage of its membership present and so maybe have a pool of expertise from which to draw, e.g. there could be an IAC of seven but which would be quorate with five. Thought should be given as to whether IAC members should be covered by Directors' and Officers' insurance. We understand a 'job description' has been prepared for prospective members of the IAC and recruitment for the initial membership is in progress.
- 7.6 As outlined at section 2 above, investment recommendations sourced and prepared by the Adviser will be considered by the IAC, which has the power to deny authority for the Adviser to make the recommendation to the Manager. The Manager can only make a decision on

## Appendix 5: Structuring note on City Funds LP prepared by Burges Salmon

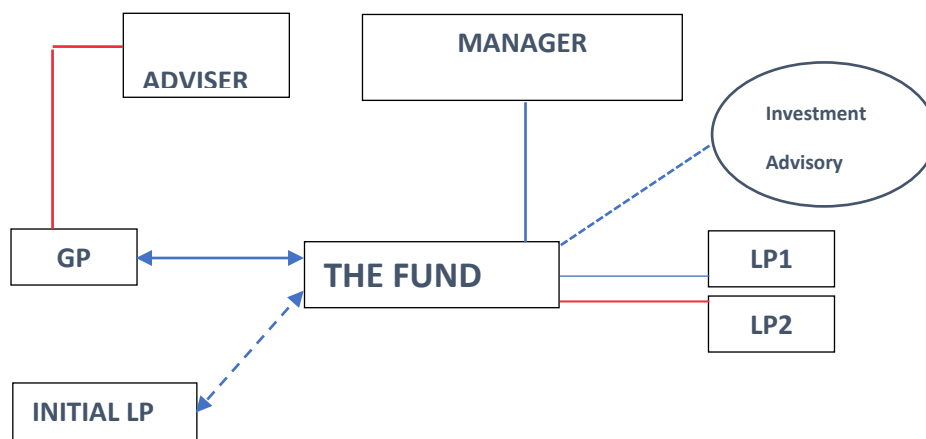
recommendations put to it by the Adviser. A recommendation by the IAC will not be essential but the Adviser will have to wait a sufficient period to allow IAC deliberation / consideration and this will be written into the LPA. We envisage that in practice there would be a process agreed between the Adviser and the Manager so as to streamline so far as possible all processes prior to the bringing of proposals to the Manager.

### 8 ROLE OF THE MANAGER

8.1 The Manager will have a crucial regulatory role. It will perform all functions which are required by law to be performed by the manager of an alternative investment fund and since this cannot be performed by the Adviser, it will need to assess and evaluate each investment proposal and to have a completely unfettered discretion on approvals subject to (a) an Adviser recommendation; and (b) no IAC veto. As stated, there will be a separate investment management agreement between the Fund (acting by the GP) and the Manager and additionally a separate administration (and fund accounting) agreement between the Fund (acting by the GP) and the Manager.

### 9 OVERVIEW

9.1 The overall structure may be represented diagrammatically as follows:



### 10 CONCLUSION

10.1 We hope this note is of use in explaining the current state of the project and we look forward to progressing this project with all concerned.

**BURGES SALMON LLP**  
CG01

24 June 2019

## Appendix 6: City Funds LP: Investment Policy - DRAFT

### Definitions

In this Policy:

“**Adviser**” means Bristol & Bath Regional Capital CIC;

“**BCC**” means Bristol City Council;

“**BSC**” means Big Society Capital Limited;

“**City Funds**” means an initiative promoted by BCC, the Adviser and Quartet;

“**Collaboration Agreement**” means an agreement dated 23 March 2018 between the Adviser, BCC and Quartet to promote the City Funds initiative;

“**Fund**” means City Funds LP, an English limited partnership with registration number LP020081;

“**Funding Priority Group**” means an advisory group as defined in the Collaboration Agreement formed around a specific thematic priority for funding and investment;

“**Governing Board**” means the committee of this name constituted by the Collaboration Agreement. See [www.bristolcityfunds.co.uk](http://www.bristolcityfunds.co.uk)

“**GP**” means CF General Partner Limited, a private limited company incorporated in England and Wales with number 12025521;

“**Investment Advisory Committee**” means a committee to be constituted pursuant to the limited partnership agreement regulating the operation of the Fund having the responsibilities described below;

“**Investment Policy**” means the policy adopted by the Fund (from time to time) to inform investment decisions;

“**Manager**” means NCM Fund Services Limited, which will be the manager of the Fund and provide administration services to it; and

“**One City Approach**” means citywide collaboration to bring together a range of public, private, voluntary and third sector partners within Bristol. They share an aim to make Bristol a fair, healthy and sustainable city. A city of hope and aspiration, where everyone can share in its success;

“**One City Plan**” means Bristol first ever One City Plan setting out ambitious targets for the future of Bristol, decade by decade up to 2050. Partners from across the city’s business, charitable, academic and public sectors all contributed to the first draft of the plan which aims to make Bristol fair, healthy and sustainable with reduced



## Appendix 6: City Funds LP: Investment Policy - DRAFT

inequality. The plan has a vision for each decade and goals which fall under six priority themes; Health and Wellbeing, Economy, Homes and Communities, Environment, Learning and Skills, and Connectivity.

“**Quartet**” means Quartet Community Foundation.

### What is the problem that City Funds is trying to solve?

Bristol is a city with entrenched systemic **inequality** and **disadvantage**.

**Social** and **environmental** factors contribute to the problem: it's bad for everyone but **most negatively impacts specific neighbourhoods and groups of people**.

Financial, physical, human and natural **resources are not effectively and equitably leveraged** into and within the city, which makes it harder for those in the city to respond.

### Given this problem, what is City Funds' vision?

**City Funds' vision is to help create a sustainable city, reducing inequality and poverty, so everyone can thrive.**

City Funds is a disruptive, place-based, locally-led initiative which **aims to catalyse sustainable and transformational change** where the need is greatest in Bristol.

City Funds will work collaboratively, seeking to involve the marginalised to the powerful, across all sectors, **in alignment with the One City Approach**.

### Given this vision, what activities will City Funds undertake in order to address the problem?

- Provide **financial resources** to enable local organisations to bring about transformational change.
- Broker **non-financial resources** that provide the support funded organisations need to thrive.
- Maintain inclusive **governance of the Governing Board** to include and involve those most at risk of disadvantage.
- Decide and review **funding priorities** in line with the One City Plan.
- **Assist** funded organisations to improve financial and impact performance.

## Appendix 6: City Funds LP: Investment Policy - DRAFT

- **Work in collaboration** to influence city-wide priorities in line with the One City Approach.

### Once these activities are in place, what outcomes does City Funds seek to deliver?

- Increased **transformational change** delivered by projects.
- Increased **capacity** within local organisations to deliver change.
- A **sustainable placed-based fund**, supporting the goals of the One City Plan.
- Increased **alignment** within the city seeking to deliver change in line with the One City Approach.
- Increased **influence** on policy and practice across Bristol to enable places to take action.

### Governance

While not legally controlled by City Funds or the Governing Board, the Fund will formally adopt strategic aims and objectives which are consistent with those of City Funds and the One City Approach, seeking to further the objectives of the One City Plan.

The Fund, acting by the GP, will appoint the Adviser to assist in the sourcing and initial evaluation of applications for funding from the Fund. The Adviser will “filter” initial opportunities which will be referred to the Investment Advisory Committee. The Investment Advisory Committee will perform an advisory role but will confirm whether in its opinion an individual opportunity is suitable for investment by the Fund, although it has the option to abstain. Once this initial “pre-vetting” has been undertaken by the Adviser and the Investment Advisory Committee, and unless the Investment Advisory Committee has vetoed a proposal, the Adviser will formally refer a proposal to the Manager for a decision on behalf of the Fund. If the Manager approves a particular investment, it will make arrangements for the GP to implement that. While there will be close links between the Fund and City Funds, there will be no formal legal connection although both entities will fall under the same broad social “umbrella” and the Fund may well be regarded within the Bristol community as being in some (non-legal) sense an emanation of City Funds.

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

Given this context, this Investment Policy is technically that of the Fund. It will be enshrined within its constitution (the limited partnership agreement), but will be capable of variation as described in this document.

It is of fundamental importance to the perception and operation of the Fund that it operates on an ethical basis and in a fashion which is consistent with the wider City Funds initiative while also pursuing objectives consistent with those articulated by the Governing Board.

The link between the Governing Board and the board of the GP is therefore of high importance. Formally, the Chair of the Governing Board will write to the board of the GP in December each year with advice on the following matters:

1. The link to the One City Approach, One City Plan along with any considerations that the Fund should take into account in its future investment policy.
2. Preferred Funding Priorities.
3. Any other information that is relevant to the operation of the Fund.

During the year, the Governing Board will work closely with the Adviser and the Funding Priority Groups to shape investment opportunities for the Fund.

As part of its annual cycle, the Board of the GP will then act on these updates from the Governing Board, Funding Priority Groups, LP's, Adviser and Fund Manager to update this Investment Policy by 31 March each year and communicate the same to the Manager.

The initial Funding Priority Groups include:

1. No Child Goes Hungry, addressing the roots causes of food poverty;

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

2. Economic Inclusion, to enable all communities in Bristol to access employment, education and skill development;
3. Community Initiatives, including community-led housing, up-skilling communities to take on new assets and empowering community anchor organisations to increase their resilience; and
4. Environmental Transformation to support the transition to a carbon neutral, zero waste city and restore the natural environment on which the city depends.

Where there is a clear fit with the One City Approach but no specific Funding Priority Group is in place, the Manager may none the less approve investment, with clearly documented reasoning provided by the Adviser and a decision to support from the Investment Advisory Committee.

Any proposed change to the Terms of Reference for Funding Priority Groups or the creation or deletion of a theme/Funding Priority Group from City Funds needs the agreement of the Governing Board. Per the Collaboration Agreement, the Adviser has the right to a position on the Funding Priority Group and through this place will ensure on-going communication and an effective interface between the Governing Board, Funding Priority Groups and the Fund.

The Investment Advisory Committee will comprise skills outlined in Appendix 3. The structure of the Committee will include representatives from the GP, Governing Board, Adviser and independent members. The Committee will operate with a delegated authority from the GP.

### **Investment Objective**

The aim of the Fund is to provide place-based repayable finance by way of loan and/or equity investment in incorporated organisations, based in Bristol City Region that are delivering identifiable social and/or environmental impacts that meet the criteria identified by the Governing Board, and Funding Priority Groups as described

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

above. Investments will be expected to generate a financial return and measurable social and/or environmental impact.

The overall aim of City Funds is to catalyse the local “market” into developing new models of delivering social value, supported by professional investors, who understand and care for the Bristol City Region and its people. The Fund will be place-based and focused on the key strategic priorities for Bristol, outlined in the One City Plan, which will reduce disadvantage and inequality, whilst improving environmental sustainability, leading to a fairer and more inclusive city.

The aim is to help to drive inclusive and collaborative approaches that can be replicated across the Bristol City Region. The existence of aligned grant and investment funds will enable faster, more targeted decision making as investment will come from one, as opposed to multiple disparate sources. This will enable the Fund to collaborate with a range of co-investors, grant makers and other risk partners to bring additional investment for the key strategic priorities into the City Region.

### **Investment Policy**

The Fund can invest in incorporated organisations providing a range of activities, services and facilities that include:

- a) Registered charities and Charitable Incorporated Organisations
- b) Community Interest Companies (Limited by shares or guarantee)
- c) Companies limited by guarantee
- d) Co-operative or Community Benefit Societies
- e) Wholly-owned subsidiaries of the above (a-d) regardless of legal form
- f) Companies limited by shares who have a clear social and/or environmental mission or can evidence that their business will deliver a clear social or environmental value

Examples of potential investments, which may or may not qualify for investment from the Fund, are shown in Appendix 1.

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

### **Social and/or Environmental Impact**

All organisations will be able to demonstrate clear social and/or environmental objectives articulated within their constitutional documents. The Fund will only invest in organisations that already generate or are expected to generate a positive, clearly defined and measurable social and/or environmental impact, which aligns to the City Funds objectives. Every investment made by the Fund will be approved by the Manager after support from the Investment Advisory Committee and the Adviser and will include an assessment of social and/or environmental impact with the aim of creating balanced impact portfolio.

Wherever possible the Fund will seek to collaborate with a range of co-investors, grant makers and other risk partners to bring additional investment for the key strategic priorities into Bristol City Region. It is therefore a stated aim of this policy to multiply investment via effective collaboration.

### **Investment Types (see also table at Appendix 2)**

- **Secured lending** (growth and recurring revenue) mainly larger investments (£250,000+) for organisations seeking to grow and develop new products or services or purchase or develop a property to deliver their products or services.
- **Unsecured lending** (proving business model, expanding market; working capital growth; and scaling up) for organisations looking to grow and develop new products or services or deliver contracts.
- **Risk investments** (loans or a small number of equity investments) for organisations looking to grow and develop new products and services. To provide working capital and cashflow for organisations delivering larger projects.

The Manager will aim to allocate 40-60% of the Fund in secured lending, 30-50% of the Fund in unsecured lending and approximately 10% in risk investments (including equity investments).

### **Investment size limits (see also table at Appendix 2)**

- Minimum investment £50,000

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

Maximum investment £1m. Investments over £1m may be considered by exception, with reference to the published guidance of the Governing Board if it is considered that the investment will make a demonstrable contribution to the One City Plan or One City Approach. e.g. Bristol Housing Festival.

### **Investment restrictions**

The Fund will NOT:

- Commit more than the higher of £1m or 10% of the total commitments of the Fund in any single investment.
- Invest more than the higher of £1m or 10% of the total commitments of the Fund in any single organisation or legal group of organisations.

Investments will be limited by sector within the Fund's investment portfolio. The aim is to create a balanced portfolio in sectors across the City Funds themes.

### **Investment terms**

Indicative investment types and terms are shown in Appendix 2, showing the different potential pathways to investment, which applicants to the Fund may use.

**Interest rates** - generally in the range of 4% to 10% representative annual interest rates for secured, unsecured investments subject to compliance with State Aid and review over the life of the loan/investment and the Fund. The Fund will seek to create packages of blended finance (a package of grant and loan) to increase the potential for successful sustainability where possible.

Interest rates for risk investments may be higher than the 10% quoted above and will be assessed on a case by case basis.

**Arrangement, monitoring and similar remuneration** - to be agreed for each investment and being between 1-3% of the amount of the loan/investment.

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

**Repayment terms** – to be a maximum of 8 years for secured, unsecured and risk investments.

**Repayment holidays** – may be made available for a period of 12 months or a maximum period of 24 months in exceptional circumstances. These may relate to delays in repayment of capital only or capital and interest.

**Security** - will be taken where appropriate to mitigate risk.

**Ranking of loans** – where a secured investment is being made to an organisation from both the Fund and another investor, both entities may take security in respect of the investment made. At the discretion of the Investment Advisory Committee these securities will be ranked in proportion to the amount invested by each entity or on a pari passu basis depending on the legal agreement between the parties.

The above terms are subject to review over the life of the Fund. The specific terms for each investment are to be approved by the Manager after support from the Investment Advisory Committee and the Adviser.

### **Risk assessment and decisions**

The detailed process of risk assessment and decisions is provided in the Investment Procedures and Responsibilities document held by the Adviser and agreed by the Investment Advisory Committee. These procedures are to be reviewed regularly by the Investment Advisory Committee and the Manager to ensure they meet the requirements of the Fund.



## Appendix 6: City Funds LP: Investment Policy - DRAFT

### Appendix 1 - Investment Policy

Below are examples of possible investments, *which may qualify* for investment by the Fund. These are listed by City Funds themes.

#### Economic Inclusion

- £100k invested in a single counterparty in order to distribute to specialist groups on specialist terms with the counterparty taking the risk.
- A co-operative business seeking to move low paid employees into a position of co-ownership in their work.

#### Community Initiatives

- £1m as part of an overall deal in a £25m housing scheme led by a local organisation in a disadvantaged neighbourhood.
- £200k on a pilot with Bristol Housing Festival where there is clear additionality and impact.

#### Environmental Sustainability

- £200k pre-planning for a wind farm, with a view that the investment stays in post planning.

Below are examples of possible investments, *which would not qualify* for investment by the Fund.

- A commercial business, which has some minor impact aspects to it: e.g. a recruitment consultant seeking to improve the efficiency of match making using a tech solution.
- A large organisation with HQ in London seeking to create a minor local subsidiary to carry out more of its existing activities.
- A sole trader who has an amazing vision, but no intention of working in collaboration with a board or other partners to achieve this vision.
- A company who could easily source private sector capital.
- Fully funding a large housing scheme of £10m
- Funding a housing scheme where BBRC has a commercial risk position other than via City Funds.

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

- A business, which has operations, that is contrary to the values of Bristol and Bath Regional Capital and/or City Funds.
- A direct investment in individual intermediaries without suitable governance.

## Appendix 6: City Funds LP: Investment Policy - DRAFT

### Appendix 2 – Indicative investment types and terms

<b>Business stage</b>	<b>Proving business model</b>	<b>Expanding market</b>	<b>Product Market Fit Revenue /Capital</b>	<b>Scaling up Revenue/Capital</b>
<b>Purpose of finance</b>	Core costs	Project support loan	Growth	Recurring revenue
<b>Category of finance</b>	Quasi-equity	Project finance	Working Capital/Asset Finance	Working Capital/Asset Finance
<b>Grant funding/blended finance</b>	Possible	Possible	Possible	None
<b>Investment type</b>	Unsecured lending	Unsecured lending	Working Capital – unsecured Asset Finance – secured	Working Capital – unsecured Asset Finance – secured
<b>Minimum/Maximum investment</b>	Minimum £50,000 Maximum £500,000	Minimum £50,000 Maximum £1m	Minimum £50,000 Maximum £1m	Minimum £50,000 Maximum £1m
<b>Interest rates</b>	4-10%	4-10%	4-10%	4-10%
<b>Arrangement, monitoring and similar remuneration</b>	1-3%	1-3%	1-3%	1-3%
<b>Repayment terms</b>	Maximum of 8 years	Maximum of 8 years	Maximum of 8 years	Maximum of 8 years
<b>Repayment holiday</b>	Available	Available	Available	Available
<b>Security</b>	To be taken where applicable but limited value	To be taken where applicable but limited value	To be taken where applicable	To be taken where applicable
<b>Ranking of loans</b>			For secured investment	For secured investment

## Appendix 6: City Funds LP: Investment Policy - DRAFT

			rank in proportion to amount invested or pari passu	rank in proportion to amount invested or pari passu
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### Appendix 3 – City Funds LP Investment Advisory Committee – structure, competencies and skills

The Committee will operate with a delegated authority from City Funds LP

City Funds role	Committee role	Existing People competencies and skills	Lending	Investment	Fund/lending portfolio management	Business management	Knowledge of third sector (including local knowledge)	Social purpose
GP Board member	Protect interests of City Funds and City Funds LP Champion social investment on both Boards		X	X	X	X	X	X
Governing Board member	Protect interests of Governing Board in particular social and environmental impact					X	X	X
Head of Credit Adviser	Accountability for Adviser's role		X		X	X	X	X
Independent	External overview							

## Appendix 6: City Funds LP: Investment Policy - DRAFT

committee members x4	of proposals							
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### Observers

Representative Big Society Capital	Protecting investment and keeping up to date as fund develops		X	X	X	X	X	X
Representative Bristol City Council	Protecting investment and keeping up to date as fund develops					X	X	X

**Members of the Committee will be required to:**

## **Appendix 6: City Funds LP: Investment Policy - DRAFT**

1. Have the ability to think through a social investment proposal, see the positives and negatives and be able to discuss these constructively with other members of the committee.
2. Consensus decision required for proposals to proceed, i.e. all members of the committee in agreement with a proposal. If this is not the case the reason for disagreement is discussed, if no way forward can be found the proposal is either declined, or deferred for further work.
3. If consensus cannot be achieved after considerable discussion a decision on a proposal may be escalated to the General Partner for a final decision.
4. Be flexible and able to make quick decisions, by email and/or conference call.
5. Have a genuine interest in social investment and the opportunities it presents for Bristol City Region and potential applicants.
6. Be responsible for decisions on investment proposals up to £1m each.