



Impact Investment Fund



Impact Report 2020



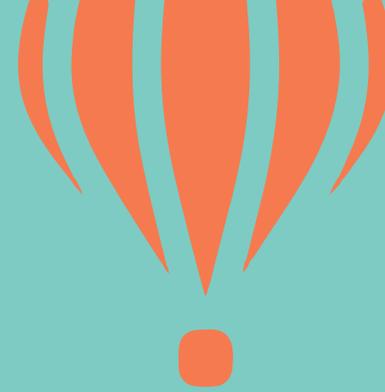
**BRISTOL & BATH
REGIONAL CAPITAL**

In partnership
with:



Quartet
**Community
Foundation**

A message from the Chair



2020 was a tough year for all, with Covid-19 hitting hard from March onwards. As an impact investor, we've seen how the ongoing pandemic has disproportionately affected many of the communities that we have a mission to fund — and particularly those living in the context of long-term economic, social, and environmental inequality.

This has highlighted more clearly than ever the need for a local and democratic approach to finance that is targeted and effective. We know that to 'Build Back Better',

we need to invest in projects that tackle the root causes of inequality in our communities.

To that end, we're very proud to have invested in four organisations in 2020 that are contributing to a fairer and more sustainable future in Bristol. We're committed to doing more over the coming year, confident that we can build on the progress and impact already achieved.

Andy Street, Chair, City Funds



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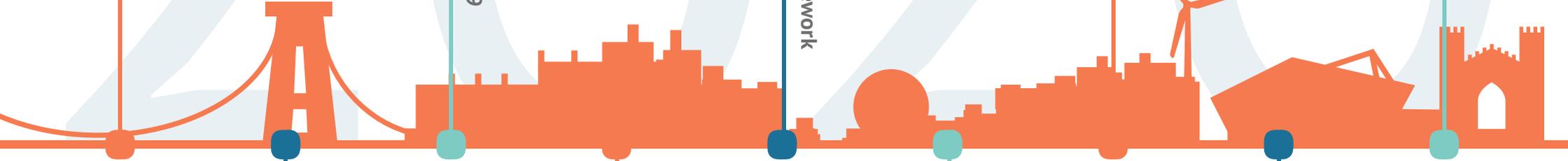
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Background



City Funds invests in organisations with an ambition to deliver positive impact across Bristol. Our vision is that Bristol is a thriving and healthy city, built on a fair social foundation within sustainable environmental boundaries.

Under the City Funds umbrella, our £10m Impact Investment Fund is designed to advance the ambitions of organisations building positive impact in Bristol.

Our investments are tailored to help organisations and communities implement their own solutions to some of the biggest problems facing our city. We shape our terms to design the best financial structure for each organisation's long-term success, working with each project on a case-by-case basis on the investment amount, rate, term and repayment schedule that best unlocks resilient solutions for Bristol.

Because City Funds is exclusively focussed on investing in Bristol, we have local insight that other lenders may lack and can assess each project on its specific local value. In this way, we can fund ideas and projects that others might overlook. Ultimately, our goal is to use all the tools at our disposal to help our investees solve some of the biggest problems facing our city and communities.

Our Partners:

City Funds is a partnership between BBRC, Bristol City Council and Quartet Community Foundation. By bringing investment, grant, and city leadership together, City Funds is facilitating new solutions to inequality.



Our Funders & Supporters:

We would like to thank our funders and all those who have volunteered countless hours to making City Funds what it is. We look forward to working with you through 2021 and beyond.



City Funds Theory of Change



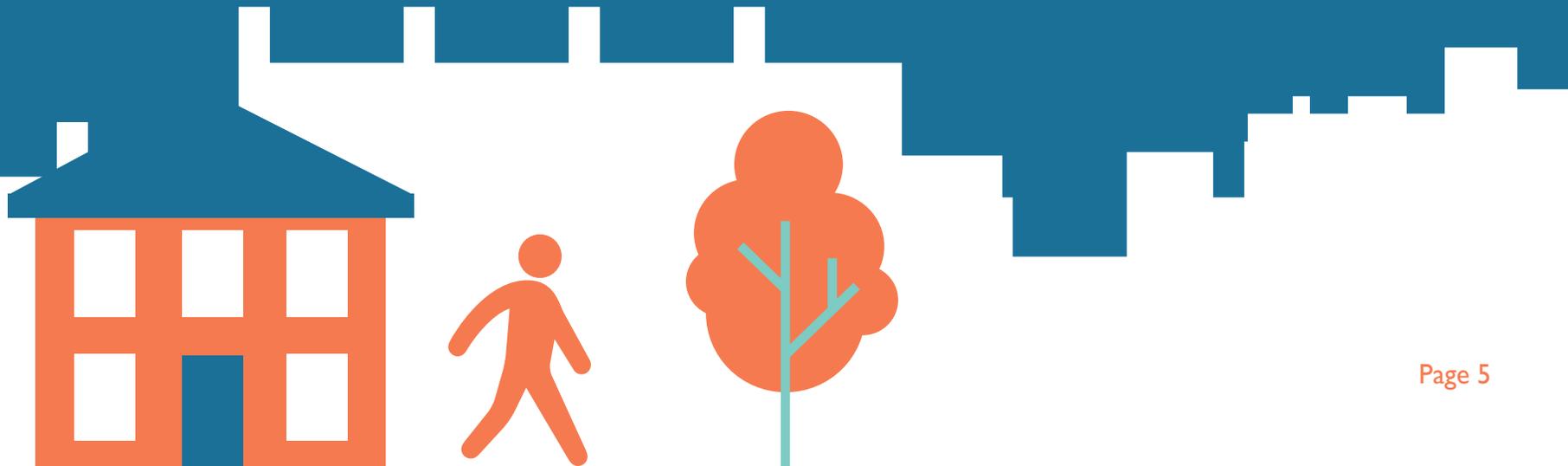
City Funds seeks to use investment as a tool to help local organisations achieve the priorities of the City Plan using the One City Approach.

Our investment goals are:

- to address systemic disadvantage and inequality due to reduced service provision in the Bristol area; and
- to fill a gap in the financial markets that often offer limited or unaligned funding options to organisations addressing those systemic challenges.

To support these goals, we:

- act as a catalyst, bringing increased investment and grants into Bristol, uniting local and national funders to facilitate strategic and targeted local support
- offer a mix of funding options to projects at different stages of their development
- work with project teams on their funding journey to make them investment ready.



Theory of Change



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 the constant challenge being 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.

Impacts of COVID-19



As a placed-based impact investor, we work closely with excluded communities. As a result, we have seen first-hand the immense challenges that the pandemic has created for those already struggling with economic, social or environmental exclusion. These experiences provided some of the insights into local research efforts to quickly identify and respond to these acute challenges.

Research carried out by Black South West Network (supported by City Funds) into the impacts on Bristol's VCSE sector has shed light on the key needs of communities emerging from the pandemic. Preliminary findings suggest these include mental health services and improved digital infrastructure to combat digital exclusion and technological poverty.

Research commissioned by City Funds similarly highlighted these needs, as well a number of key ways we can develop an inclusive recovery, including:

- **retraining and re-skilling people** for new roles or different ways of working in response to economic shifts
- developing a **local circular economy** that enables the city's carbon footprint to be reduced and utilises local supply chains
- developing **sustainable and low-cost** transport and pedestrianisation to support better health and environmental outcomes.

We are working closely with our partners so we can help to address these needs as part of Bristol's emerging sector-wide strategy for an inclusive and sustainable recovery.



Impact methodology



When we assess the impact of an investment, we look at a combination of track-record and projected impacts and how these address key local priorities. These priorities are outlined in Bristol's One City Plan and aligned with the UN Sustainable Development Goals (SDGs). To put this into practice, City Funds worked with The Centre For Thriving Places to co-create an Impact Analysis Tool called the One City Framework. More detail on this can be found on page 9.

To complement this, we also survey investees at the post-drawdown stage to gain their insights into how securing investment has impacted their organisation's mission. We conducted this survey with our four investee organisations of 2020, the results of which are shown on page 17.

Finally, we also track the impact performance of City Funds as a whole against Key Performance Indicators, which are reported to investors.

One City Framework



The One City indicator framework is the backbone of our impact evaluation process. It sets out our key impact areas, their themes and the detailed indicators within these.

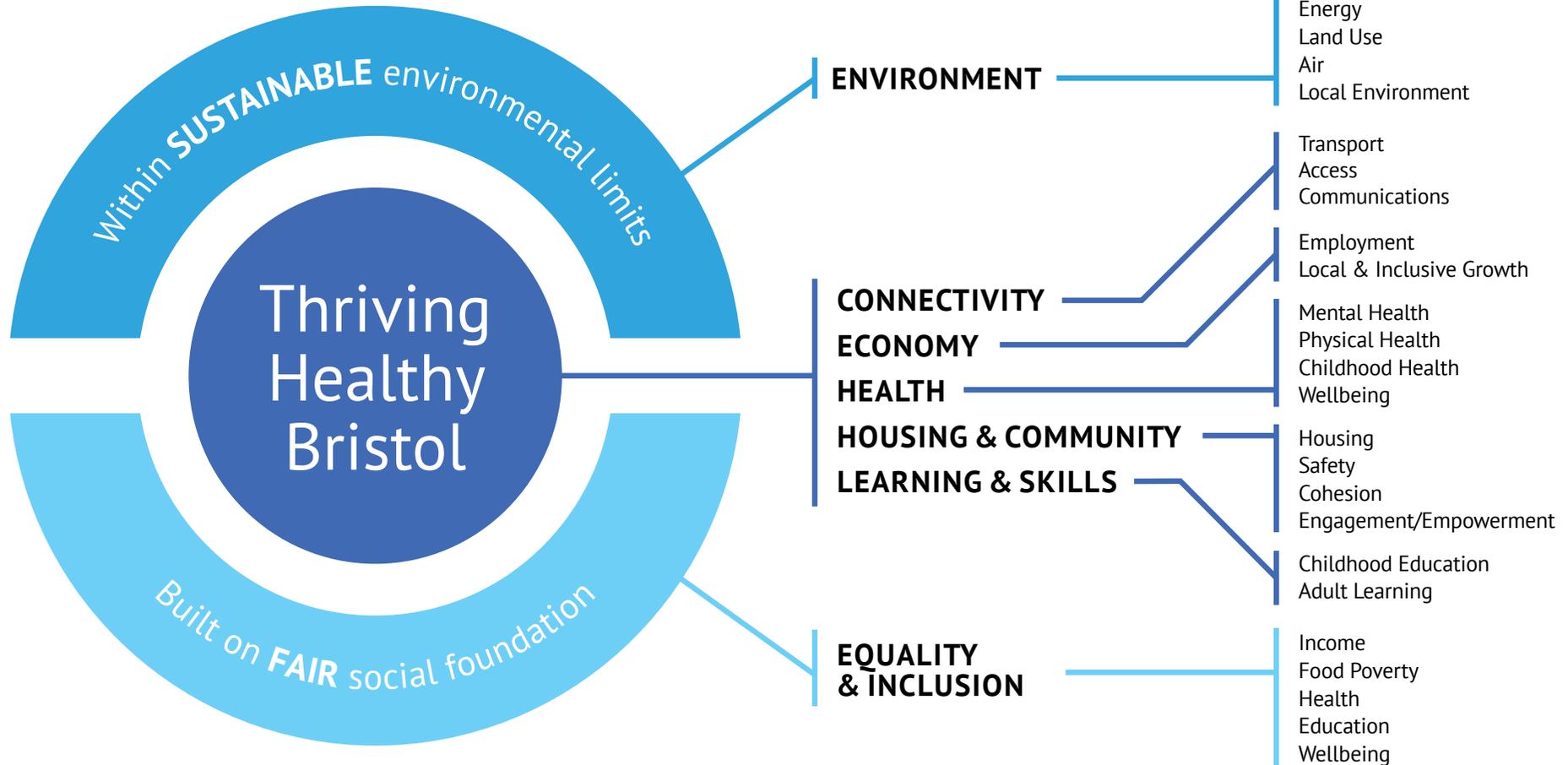
The multi-level approach taken by Centre for Thriving Places to develop the evaluation framework means that we have:

1. a clear set of shared **headline goals** across the city - fair, healthy and sustainable - against which we can produce scores at the local authority level based on reputable secondary data sources
2. a set of **domains** which match the One City Themes, providing distinct policy areas for which scores can be produced to track progress

3. a detailed set of **sub-domains** giving more granular priority areas within each domain to help focus resources and effort based on the scores that have been tracked
4. a broad range of **indicators*** to reflect the diversity of action and actors in systemic place-based change.

*not pictured

One City Framework



All investments at a glance by impact theme



Currently, we have arranged the impact framework into four long-term goals:

Economic Inclusion

We fund initiatives that promote full participation and ownership in a diverse and local economy

Community Initiatives

We fund community initiatives to help them play an impactful role in Bristol and develop community resilience

Environmental Transformation

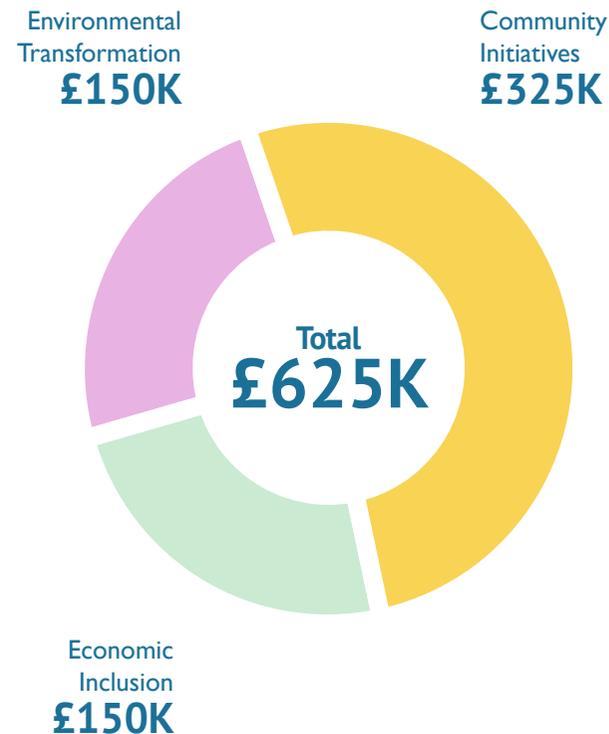
We fund the transition to a carbon neutral, zero-waste city, that promotes the health of the natural environment

Health and Wellbeing

We fund initiatives that contribute to positive health and wellbeing and address health inequalities in Bristol

Altogether, City Funds has been able to direct £625,000 of impact investment into these areas.

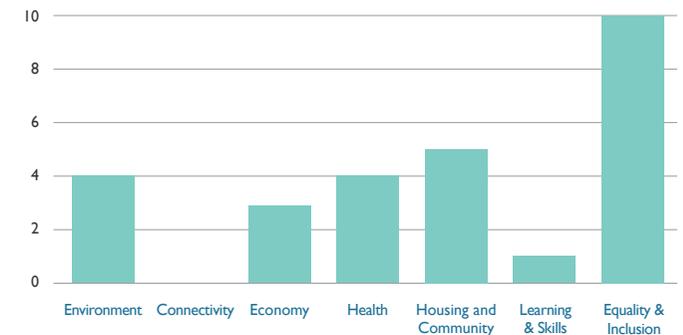
Amount invested, by primary impact theme:



Impact alignment with One City Plan

City Funds seek to maximise the breadth and depth of impact generated by our investments. This means that the projects we support will target at least one indicator identified in the One City Framework, but often many. In 2020, our investees targeted between 5 and 10 different positive outcomes each.

Altogether, our four investments will generate a positive outcome in line with the One City Plan in 27 different ways, and every investment has had a positive impact on our equality and inclusion goals.



Case Studies



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Lawrence Weston secures funding for wind turbine project

£150,000 City Funds investment to generate £1.5m to address local fuel poverty

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Wellspring Settlement lands investment for new community space

£250k from City Funds will transform Barton Hill pub into multi-use venue, affordable flats

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Talking Money plans to transform debt service with impact investment

£150,000 investment from City Funds helps the shift to a systems approach

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Frank Water secures funding to grow sustainable water scheme

Impact investment of £150k from City Funds expand capacity for social enterprise

Lawrence Weston secures funding for wind turbine project

£150,000 City Funds investment to generate £1.5m to address local fuel poverty

Ambition Community Energy (ACE) is a social enterprise generating clean, affordable energy for the people of Lawrence Weston.

As a CIC, ACE is working to co-design and build low-carbon assets that generate economic and environmental benefit for Lawrence Weston and the surrounding areas.

To deliver on the green energy ambitions of the local community plan, ACE wanted to build a 4.2Mw wind turbine between Severn Beach and Avonmouth. The profits for the turbine would fund the charitable activities of parent organisation Ambition Lawrence Weston, as well as help reduce fuel poverty in the area.

City Funds was able to approve a loan of £150,000 to help ACE secure planning permission and fund pre-construction. This investment has allowed ACE to achieve planning permission as well as secure an additional £500,000 capital grant from WECA.

“ Without the support and funding from City Funds this project would have stopped dead in its tracks. Now we have the funding needed to help secure planning permission. This will ensure the project delivers a mass of community benefits to Lawrence Weston and the surrounding areas. Not only will this project provide the direct environmental and financial benefits to Ambition Lawrence Weston, but we also hope this will give confidence to other community groups to make positive ambitious changes to their own communities in the future. ” *Mark Pepper, Development Manager at Ambition Lawrence Weston*

One City Plan

Community energy was identified as a core part of the local Community Development Plan, “The Way Forward 2018-2023”, helping address carbon reduction goals as well as generating income for a community where up to 70 per cent of households struggle with their energy bill.

The new turbine will generate enough energy to power **3850** houses the equivalent of

Surpluses will generate **£1.5m** for local fuel poverty over 30-year lifespan



Indicators targeted:

- Environment: Emissions, Energy
- Economy: Local and Inclusive Growth
- Housing & Community: Engagement/Empowerment
- Equality & Inclusion: Income



Talking Money plans to transform debt service with impact investment

£150,000 investment from City Funds helps the shift to a systems approach

Talking Money provides free, independent, specialist debt advice to individuals and families.

By empowering individuals to tackle financial challenges through advice, financial education and support, the charity hopes to strike at the heart of systemic poverty and break the terrible cycles of indebtedness.

Talking Money wanted to transition to a systems approach that considers debt issues as part of a greater whole, moving away from a crisis maintenance approach to providing longer term support.

A loan of £150,000 from City Funds in April 2020 has provided the working capital flexibility needed to help the transition while minimising any disruption to services. (Although progress has inevitably been slower than originally anticipated as a result of the impact of COVID-19).

As a result, Talking Money will be able to rebuild structurally and create long-term financial resilience for both their clients and the organisation.

“ When we came to City Funds, we were in a typical catch-22: to pivot the organisation we needed time and money, but all our time and money were going into day-to-day operations. This investment has given us the working capital needed to take the pressure off financially so we can rebuild without disrupting our services. Over and above the financial support, City Funds helped us develop a plan for how the investment was going to be used for the greater good to evolve the charity--it allows us to explore new pathways typically not employed by grants. ” *Anna Brown, CEO, Talking Money*

One City Plan

Based in Lawrence Hill, one of the most deprived wards in the city, Talking Money works with a range of people citywide, including ex-offenders, vulnerable women and people in psychological distress.

talking money
advice, support & information

2,833 enquiries from the public

£1,049,439 of financial gains achieved for service users



Indicators targeted:

- Equality & Inclusion: Income, Health, Education, Wellbeing
- Economy: Local & Inclusive Growth
- Health: Mental Health
- Health: Wellbeing

Wellspring Settlement lands investment for new community space

£250k from City Funds will transform Barton Hill pub into multi-use venue, affordable flats



Wellspring Settlement enables the community of Barton Hill to actively participate in positive, life-affirming activities. The charity offers a unique space for residents to celebrate, learn, create, develop, relax, socialise and play.

When The Swan pub became available, Wellspring developed a vision for a new multi-purpose community asset with an added focus on young people. City Funds approved a loan of £250,000 for Wellspring to secure the building.

Following site improvements, the new space will provide a valued community asset for the residents of Barton Hill as well as new affordable rent flats.

“ Our community hub has been here for over a century and the addition of this property is the final piece of the jigsaw. The support we received from City Funds helped us bridge the gap between the local impact that we can make with a new space and the financial requirements of purchasing the building. Having an investor who understands both meant we could get this project off the ground and into the community. ” *Joanna Homes, Co-Director of Wellspring Settlement*

One City Plan

Barton Hill is among the 10% most disadvantaged areas of the city, according to the 2019 Indices of Deprivation. Wellspring’s spaces serve as an anchor to support community inclusion, strong families, health and wellbeing and economic development.

Wellspring Settlement, formerly Barton Hill Settlement, **1911** was founded in



30,513 service users per year



Indicators targeted:

- Housing & Community: Housing, Cohesion, Engagement/Empowerment
- Learning & Skills: Adult education
- Health: Mental health, wellbeing
- Equality & Inclusion: Income, health, education, wellbeing

Frank Water secures funding to grow sustainable water scheme



Impact investment of £150k from City Funds expand capacity for social enterprise

Frank Water's mission is to alleviate global water poverty while protecting our natural environment, by improving how people understand and use water.

The charitable activities – providing long-term access to clean water, sanitation and hygiene overseas – are partly funded by a Bristol-based social enterprise that markets sustainable water as both a product and service.

Having grown organically for 15 years, Frank Water wanted to invest in growing the social enterprise arm while not reducing the amount of surpluses going to fund the charity. City Funds was able to invest £150,000 to help grow Frank Water's capacity by expanding staffing and equipment resources. This has enabled Frank Water to grow their business to meet a market need while also not reducing their charitable activities.

Since 2005, Frank Water has provided a water-secure future for almost **430,000** people overseas.

“ For a long time, our assumption was that we should be able to grow the business without needing outside investment – a sort of ‘living within your means’ approach. But as part of our partnership with City Funds, we were able to open ourselves up to the opportunity that investment brings, beyond just the financial. This was a key turning point for us. Through impact investment, we are now able to grow our business and earmark our surpluses for our charity at the same time. It was vital that we had a financial partner like City Funds, people who really want to support the social side of the business, not just seek financial benefit for themselves. ” *Katie Alcott, Founder & CEO, FRANK Water*

New venture aims to reduce single-use plastics by **300,000** a year

One City Plan

Bristol Water projects that water demand will outstrip supply in Bristol by 2025*. City Funds investment will enable Frank Water to respond to this increasing pressure by bringing an awareness of water management and environmental action into Bristol schools with a special focus on those in the city's most disadvantaged wards. Supported by volunteers from their partner organisations, Frank Water launched the project in February 2020 but had to pause when lockdown was announced. The programme will restart as soon as it can be delivered safely.



Indicators targeted:

- Environment: Emissions, Energy
- Economy: Local & Inclusive Growth
- Housing & Community: Engagement/ Empowerment
- Equality & Inclusion: Income

Investee feedback



Our theory of change indicates that the role of City Funds is to both invest in the strategic priorities of Bristol and be a source of finance for those projects and ideas that may not be able to raise capital elsewhere. We asked our investees how they thought we did. Here are the results.

100%



of investees reported that finding alternative mission-aligned capital would be considerably unlikely, with one saying highly unlikely

75%



of investees said City Funds enabled them to pursue their mission to a great extent, with 100% reporting a notable positive effect

3/4



of investees responded by saying that City Funds had a positive impact on their business model

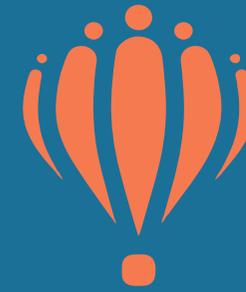
“ The [investment] process was good, quick responses and it felt like a proper interactive process with people who understood our business as well as theirs. I can't think of how it could have been better. ”

“ Without the support and funding from City Funds this project would have stopped dead in its tracks. ”

“ We are incredibly pleased with the support and level of engagement from the City Funds Team, which has been excellent. ”



Looking towards 2021



Looking forward to 2021, we are confident that City Funds impact investments will have a significant and positive effect on Bristol's economic, social and environmental recovery. In addition to the £625k invested as of September 2020, almost £1.8 million has been approved and committed across five further investments in social care and mental health services, affordable housing and a community capital project. We expect to announce these investments in the first half of the year.

Dark clouds often have silver linings, and as Bristol emerges from the tragedy of this pandemic, we can see that the economic landscape has the potential to shift to the positive. As a result of the #BuildBackBetter campaign, inclusive growth and environmental stewardship strategies have taken root at both the city and regional levels. We see an increasing number of founders who want to solve social or environmental problems, as demand for these products and services continues to grow. And

support for the VCSE and community sectors is growing at government level, and with the public. This is fertile ground to grow new social enterprises and impact businesses, and City Funds will be at the centre of that activity in Bristol this year and for years to come.

Local Access Partnership

The Local Access Partnership (LAP) is a £33m, 10-year initiative bringing together grant and repayable finance to help build a thriving local social economy in the UK, funded by Access - the Foundation for Social Investment. BBRC/ City Funds is a partner in the Bristol LAP (one of six places across the UK that are part of the first phase of this programme), working together with other infrastructure and front-line organisations in Bristol. The goal is to build diversity, increase economic inclusion, and improve resilience in the local social economy.

A £900k enterprise development programme (commencing in early 2021), will soon be joined with c£1.9m of blended investment funding (subject to final approvals) to provide enterprise support and flexible finance for charities and social enterprises in Bristol. This blended investment funding will create more opportunities for City Funds to respond in a flexible way to the needs of the city and the social enterprise sector. It will support the fund in balancing investment risk with affordability, thus expanding inclusion, bringing forward more projects, and reducing inequality.



CityFunds

Funding Bristol's Brighter Future



**BRISTOL & BATH
REGIONAL CAPITAL**

In partnership
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**Quartet
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