

**Minutes of the meeting of the Board of the Big Society Trust
17 November 2016**

In attendance:

Baroness (Jill) Pitkeathley (JP) (Chair)
 Sir Harvey McGrath (HM)
 Robin Budenberg (RB)
 Peter Holbrook (PH)
 Stephen Howard (SH)
 David Robinson (DR)
 John Kingston (JK)

The following attended from Item 2:

Alastair Ballantyne (Company Secretary)
 Cliff Prior, BSC CEO (CP)
 Seb Elsworth, Access CEO (SE)

Other attendees:

Stephen Muers (SM), Simon Rowell (SR) and Douglas Sloan (DS) (BCG Secondee) for Item 5

Apologies:

Helen Stephenson (HS)
 Asheem Singh (AS)

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1	NED only discussion	
2	<p>Introduction</p> <p>JP introduced the full meeting noting the Apologies. The draft minutes were approved without change. Potential conflicts of interests: SH disclosed that he chairs Thames Reach which has received a loan from Big Issue Invest. Matters Arising: AB outlined the public information available about BSC Board and staff diversity reflected in bios available on the BSC website.</p>	
3	<p>BSC CEO Update</p> <p>CP referred to the note he had circulated to the Board covering a number of issues. He also highlighted the following:</p> <ul style="list-style-type: none"> • The BSC Board had asked the Executive to ensure the Spending Budget for 2017 did not exceed £6 million (1% of total committed capital). • A major development had been the Reclaim Fund increasing its payment to BST (via the Big Lottery Fund) which had enabled the 	

	<p>Merlin banks to make their full subscription for BSC shares (£200 million, in total).</p> <p>SH raised the issue of the Reclaim Fund using insurance to increase the level of pay-out from the unclaimed monies they received. CP explained that the Reclaim Fund is engaged in remodelling its reserves policies potentially to unlock more funds and it recognises that the possibility of using insurance is a part of this process. HM noted that in the early days of BSC, when this was first explored, insurance options looked expensive. However, there is now substantially more reclaims data available to work with.</p> <p>Keith Smithson had spoken to the shareholder banks about ongoing engagement with BSC and a meeting of HM and CP with the banks was arranged for mid-December. HM believes that, given the banks' interest in demonstrating social responsibility, there could be an opportunity for more active engagement (in such areas as: product delivery and supply).</p> <ul style="list-style-type: none"> • CP reported that the State Aid renewal from the EU Commission had not yet been received. [State Aid approval subsequently received.] • There had been good engagement with the new Government. Its approach was generally to focus on project ideas that are "doable" and useful to Government in contrast to the previous position of regarding BSC and social investment as "a good concept" in itself. In its approaches to Government, BSC had worked closely with others in the sector (including the Social Enterprise Alliance and the UK end of the Global Social Impact Initiative). • BSC pricing and affordability continues to be an issue of concern. CP pointed out that one of the key constraining factors besides affordability was availability – particularly of unsecured loans which are difficult to find and where subsidy through grants (eg Access) or tax breaks (SITR) may be required. There is a need to build further understanding as well as other options (eg more evergreen funds for lending). <p>The Board asked how constrained BSC pricing was by the IRR requirements agreed with the shareholder banks.</p> <p>CP explained that this was not only a question for the banks but also for BSC's State Aid approval because the business model was considered by the EU Commission as part of the application process. Any fundamental change to the business plan could require the Government to approach the EU Commission which would be particularly challenging in the post-Brexit environment.</p> <p>PH stated that reducing BSC return requirements would make a substantial difference to the viability of intermediaries and also help frontline beneficiaries.</p> <p>CP also reiterated the balance of interests that needed to be struck given the need for BSC to attract co-investment.</p> <p>RB commented that there must be a recognition of both the legal and tactical consequences of any consideration of reducing IRR expectations.</p>	
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4	<p>Access CEO Update</p> <p>SE presented progress on Access’s main programmes.</p> <p>The Reach Fund had been launched in October offering small investment readiness grants via social investors (Access Points). An initial allocation of £80,000 had been made to each of ten organisations as the first cohort of Access Points.</p> <p>The Impact Management Programme had a soft launch in October and its website went live. Following a number of workshops, the first round of grants will be committed in April 2017. Access is working closely (and well) with Power to Change who are co-funding the programme.</p> <p>The tender for a fund manager to run the Infrastructure Investment Fund will be decided at the end of November.</p> <p>On the Growth Fund, the £5.5 million Key Fund investment has now been signed and First Ark £4 million investment fund has also been launched. Four other deals are currently being executed and three more are in the process of due diligence.</p> <p>SE also highlighted market championing research with which Access is engaged and the planned “Gathering” to engage with the sector for a conversation about products and pricing (organised with BSC and Joseph Rowntree Foundation).</p> <p>Reflecting on the IVAR research (of the experience of charities with turnover below £1 million taking on investment) SE reflected on two points: 1) there was mixed experience of the due diligence process (ranging from it being seen as a helpful exercise to it being seen as opaque and lacking context); and 2) the need for a different mind-set from bidding for grants – rather than focusing on financing gaps, as charities are used to doing for grant requests, the process of taking on investment must look at assets, strengths and opportunities.</p> <p>DR emphasised the need for research not to be seen as a “snap-shot” but rather an ongoing narrative to allow stakeholders (on both sides) to share an understanding of the process and to help it to develop. SE noted that the evaluation of the Growth Fund will include this longitudinal approach.</p>	
5	<p>BSC Strategy</p> <p>SM, SR and DS joined the meeting to discuss BSC Strategy Development. The three phases of the process were identified as:</p> <ol style="list-style-type: none"> 1. Exploration (outward facing) 2. Definition of options and choices 3. How to deliver 	

	<p>Learning from BSC stakeholders and looking at past strategy and assumptions highlighted some important questions including:</p> <ul style="list-style-type: none">• How far was temporary Vs permanent support needed for social investment?• Role of government – eg was it a good use of BSC resources to help the social sector compete for government contracts?• Opportunities could change dramatically with external shocks such as Government renewables policy <p>There were broader market issues such as: the range of organisations BSC should be involved with; the need for revenue models to create opportunities; scale of the total investible world; broad range of potential investors; intermediaries; and products.</p> <p>The six key question identified were:</p> <ol style="list-style-type: none">1. What are investible assets in the regulated social sector?2. How can the SIFI market work effectively?3. Where are the social investors?4. How will impact best be delivered?5. How can social investment build awareness and credibility?6. Who should impact ultimately be generated for? <p>He also outlined some of the themes coming through the BSC Strategy Away day.</p> <p>There followed a general discussion:</p> <p>RB felt the fundamental question “What does BSC want to be?” needs to be answered. BSC needs to prove it is useful and identify steps for the next five years or so towards achieving that vision.</p> <p>CP highlighted the challenge that BSC has a combination of objectives and priorities as the organisation builds from concept to delivery. Initially it had been sufficient to get behind the idea of developing social investment, now it was increasingly important to identify those social issues where social investment could have greatest effect.</p> <p>SH suggested that the market was only viable if grants were available to support it – meaning building relationships with grant makers was essential and developing a track record to demonstrate social and financial returns and their prioritisation.</p> <p>DR thought BSC needed to be realistic and specific about its ambitions. In its early years some cynicism had been engendered by an overstatement of what could be achieved. In a massively changing world, new entrants and new approaches would emerge and so BSC needed to be disciplined about recognising its purpose.</p>	
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	<p>PH emphasised that social investment represents a global movement which is collectively struggling with the question of whether it is the role of social investing to finance social organisations or to play a part in socialising the whole economy. Depending on the answer there could be very different roles for BSC - there needs to be more clarity of vision.</p> <p>JP felt that social investing should have as its primary focus the beneficiaries it was trying to help.</p> <p>CP suggested that the next step of BSC’s strategy development was about addressing these sorts of issues.</p> <p>There was a discussion of the need to manage expectations of politicians who are urgently looking to deliver practical solutions to social issues.</p> <p>JK provided his perspective on the development of social investment, which was no longer seen as an end in itself. He reflected the continuing importance of charitable foundations in working as and alongside social investors and reflected that the relationship of social investment organisations with charitable foundations had significantly improved in recent months.</p> <p>DR cautioned against BSC looking beyond the most disadvantaged 10% in society to develop viable business models – which he felt risked leaving these people behind. The focus should remain on this group.</p> <p>HM summarised the breadth of the discussion. He emphasised the need to address whether the primary purpose of BSC should be social investment for the social sector or the impact investment space more broadly in the UK. The next step in the development of strategy will be a BSC Board Away day on 1 February and he welcomed BST’s engagement.</p> <p>SM talked about the Strategy Team’s approach to sharing publicly the strategy and engaging with broader stakeholders.</p> <p>The issue of the relative lack of venture philanthropy in the UK was discussed – it was pointed out that this had not been seen as part of the original remit of BSC. BSC could be more involved in targeting this issue with the Foundation (and Community Foundation) community if it had another pot of money on different terms and more flexibility on how it could be deployed.</p>	
6	<p>Update Lords Select Committee on Charities</p> <p>JP updated the Board on recent hearings she has been chairing on the sustainability and governance of charities. While social investment will not be the main focus of the Select Committee’s report, there had been some criticism at the hearings to date from the charitable sector who characterised social investment as being unaffordable and “not for the likes of us”.</p>	

	<p>HM and CP have been invited to give evidence at a session specifically on the topic of social investment. (JP will not be chairing for reasons of conflict of interest.)</p> <p>There was a discussion of the need to address issues around the “perception of affordability” and how successful investees were individuals who can be characterised as leaders and risk takers driven by a desire to find solutions to social problems.</p>	
7	<p>AOB</p> <p>The conclusions of the BST Governance Review will be presented at the next BST Board meeting.</p> <p>The next scheduled meeting of the BST Board will be on February 21 at 8:30am -10:30 am (change from the time originally communicated).</p>	<p>Red-line version of the Governance Review requested by RB to show any changes from the original draft of the report -AB</p>