

# The Big Society Trust

**Meeting of the Directors (Members)**  
**1 July 2020 at 8.30 – 11:00am**  
**New Fetter Place, 8-10 New Fetter Lane, London EC4A 1AZ**  
**BOARD AGENDA**

1.	Introduction, Apologies for Absence, Approval of Minutes, Conflicts, Matters Arising	<b>Chair</b>	<b>(5 mins)</b> <b>Draft Minutes</b>
2.	BST Board: Appointments Update NED Induction Link Directors + Gov Review Leads Board Rotation Planning	<b>Chair</b>	<b>(10 mins)</b>
3.	Quadrennial Review Next Steps - DCMS meeting - BSC meeting  Governance Review – DCMS meeting	<b>Chair/NP</b>  <b>Chair/RB</b>	<b>(45 mins)</b> <b>Final Review</b> <b>BSC Response</b> <b>Note on BST Response</b> <b>Analysis of BSC Resp</b>
4.	BST Budget and Half Year Costs	<b>AB</b>	<b>(5 mins)</b> <b>Report on BST Costs</b> <b>Board Papers System</b>
5.	<b>FINANCIALS</b> 1. OpCo Annual Report and Accounts a. YFF b. F4AF c. Big Society Capital d. Access  2. BST Chair's Statement	<b>Chair/</b> <b>IH</b>	<b>(20 mins)</b> <b>Annual Accounts and Auditor Reports</b>  <b>Draft Statement</b>
6.	Access Annual Review	<b>NHurd</b> <b>SElsworth</b>	<b>(60 mins)</b> <b>Strategy Papers</b>
7.	AOB	<b>Chair</b>	<b>(5mins)</b>

BST Board meeting to be followed at 11:00am by BSC AGM

Next BST Board meeting: 17 September 2019 at 8:30-11:30am (BSC Deep Dive)

**Minutes of the meeting of the Board of the Big Society Trust  
8:30-11:00am 1 July 2020**

**In attendance:**

Sir Stuart Etherington (SE) Chair  
 Robin Budenberg (RB)  
 Stephen Howard (SH)  
 Ian Hughes (IH)  
 Jo Fox (JF)  
 Nicola Pollock (NP)  
 Peter Holbrook (PH)

**Other attendees**

Nick Hurd (NH) Access Chair (for Item 6)  
 Seb Elsworth (SEI) (for Item 6)  
 Alastair Ballantyne (AB) COO

		<b>ACTION</b>
1	<p><b>Introduction</b></p> <p>The Chair confirmed that there were no Apologies to record and no additional conflicts were declared.</p> <p>The minutes of the previous Board meetings on 9 June were approved without alteration and Matters Arising were reviewed.</p>	<p>AB to publish agenda and minutes of the 9 June Board meeting on the BST website.</p>
2	<p><b>BST Board Matters</b></p> <p>SH updated the Board on the induction process for the newly appointed Board members who would officially join the Board at the 17 September Board meeting (which is expected to be the Annual Retirement Meeting when the BSC Consolidated Accounts are approved).</p>	
3	<p><b>Quadrennial Review</b></p> <p>NP updated the Board on the latest response of BSC to the Quadrennial Review Panel's Report. The BSC response letter had been received earlier in the week and circulated to the BST Board.</p> <p>The BST response to BSC was discussed by the Board in some detail including the public and private elements to the response and how to keep pressure on BSC to address the issues raised through the combined tools of the Quadrennial Review process, the forthcoming Deep Dive with BSC scheduled for September and subsequently when welcoming the new CEO.</p> <p>The was agreement that BSC should identify concrete actions in three areas:</p>	

	<ol style="list-style-type: none"> <li>1. Mission and Strategy</li> <li>2. Investment Process</li> <li>3. Culture</li> </ol> <p>Stakeholders who had contributed to the report would be disappointed if issues raised (with a very high degree of consensus) were selectively addressed.</p> <p>The Board expressed surprise that the BSC CEO candidates were not being shown the Review before interview and that the BSC Board had not had an opportunity to meet the authors of the report.</p> <p>It was agreed that BST should go back to Harvey McGrath (HM) with a written response outlining BST’s ongoing concerns and making suggestions of how the BSC response letter could be adjusted to address these issues. The Grid analysing the report’s recommendations with BSC’s proposed actions could be a useful tool for identifying gaps and required actions.</p> <p>IH pointed out that BST’s role is to keep BSC on mission and it is reasonable to believe that an improper response to the Review is a risk to the mission and so does not represent proper governance. DCMS would be looking to BST to demonstrate it was fulfilling its role appropriately.</p> <p>The timing of publication of the Review was discussed. DCMS had indicated that it was important that the BSC Board had time to reflect fully on the issues and that, from their perspective, publication could be delayed until September, if necessary. The BST Board had a clear preference for publishing by the end of July.</p> <p>A sub-group of the Board comprising SE, NP, RB and SH was delegated the task of drafting a response to HM.</p> <p>A meeting with the shareholder banks will be arranged prior to the BSC Board meeting on 17 July [ACTION: AB to arrange meeting].</p> <p>RB debriefed the Board on the conversation with DCMS on BST’s Governance meetings and how the issues that had been raised with individual OpCos were being addressed.</p>	<p>AB to arrange meeting with BSC shareholding banks and SE + RB + NP -DONE</p>
4	<p><b>BST Budget and Half Yearly Costs</b></p> <p>AB explained that the costs of BST were considerably less than budgeted. This reflected that, when the budget was prepared in November 2019, it had been assumed that BST would require an office location for the Secretariat with associated overheads. It had also been assumed that greater administrative support would be required and would need to be co-located in an office. In addition, a number of the budgeted costs (including Directors’ fees) started later in the year than originally envisaged.</p> <p>To date cost of the Quadrennial Review had been significantly lower than budgeted. The Board agreed that the Review had turned out to be deeper</p>	

	<p>than anticipated and there would need to be follow-through involvement by the leader Panel member. In recognition of this Keith Leslie (KL) should be offered compensation for continuing to provide input to the Review follow-up and compensated appropriately. [ACTION: NP and AB to agree compensation to be paid to KL and communicate this to him.]</p> <p>IH pointed out that, if by year end there was an underspend of the money BST had received from NLCF, consideration should be given to paying some of it back, as otherwise tax could be incurred.</p> <p>There was a discussion of whether the BST Board should purchase a board paper management system. The conclusion was that the on-going licensing cost of £7,200 pa +VAT (in addition to set-up costs) as quoted by Diligent Boards was high given that the Board was comfortable with the existing pdf approach and did not anticipate using the full functionality of the more advanced system.</p>	<p>NP and AB to follow-up on extending KL's contract - DONE</p>
<p>5</p>	<p><b>Group Financials</b></p> <p>IH led the discussion on the OpCo financial statements.</p> <p>The most important issue for the Group is that Group accounts could not be produced until YFF had finalised their company accounts. It is a concern that there has been an on-going debate about grant income recognition. The YFF Board has the responsibility for deciding how this should be done with challenge from the auditor when appropriate. It is understood that the YFF Board is seeking guidance from the auditor on this matter. BST has been clear that it believes the performance method should be used - with income only being recognised to the extent that YFF has provided the services expected under the grant agreement. Currently the latest available draft accounts still show income of £90m for 2019,</p> <p>Because there are four operating companies with widely different scale and approaches, the consolidation will be complex. Given the scale of BSC's accounts, its portfolio of social investments and the reporting required as an FCA regulated entity, there will necessarily be a lack of balance between the level disclosure from BSC and the other three companies.</p> <p>Going forward, BST will need to do more co-ordination and establish clear deadlines for when Group information is needed.</p> <p>In terms of the individual OpCos who have produced their annual reports there are no material accounting issues and the auditors' reports are reasonably clean. For F4AF and YFF the auditors noted that, as they are in a set-up phase, a limited number of people have been involved in the control processes.</p> <p>IH also noted that the accounts had been discussed with each of companies at the OpCo Governance meetings in May.</p>	

6	<p><b>AOB</b></p> <p>SE outlined his thoughts on looking at BST’s own governance over the summer with reference to the Board Effectiveness Review that was done by an external consultant (Compass) in 2016 and the Code of Good Governance.</p> <p>JF suggested that in addition to the induction process, ways should be found to introduce the new Board members to others on the Board less formally – such as through virtual coffees. [ACTION: AB to explore.]</p> <p>It was agreed that, with changes to the BSC Finance Team, Sean Suthagaran should be replaced by Tom Hutchby on the BST Signing Authority Mandate when Sean leaves BSC in August.</p>	<p>AB to explore ways to engage the new Directors. FOR FURTHER DISCUSSION</p> <p>AB to amend bank mandate. IN PROCESS</p>
7	<p><b>Access Deep Dive</b></p> <p>SEI outlined the presentation material that had been circulated.</p> <p>The Access <b>Theory of Change</b> is about boosting the resilience of charities and social enterprises through growing enterprise-based income and filling gaps in the provision of capital. Access has a fixed life which makes it essential that it works with others using a networking approach so that they ensure leave are able to leave a legacy of learnings and experience through these networks.</p> <p>Access’s programmes connect different organisations at different stages of development and can be grouped as:</p> <ol style="list-style-type: none"> <li>1. Organisations thinking about developing trading income and models (at an early stage)</li> <li>2. Trading charities looking to grow</li> <li>3. Investment ready organisations needing access to subsidised capital</li> </ol> <p>Access has two main categories of work: Capacity Building - funded by DCMS endowment Blended Finance funded by NLCF, Growth Fund and Dormant Accounts (more recently)</p> <p>He outlined Access’s operational plan and the effect of the Covid crisis – including repayment holidays and the fact that demand for some grant programmes has fallen, because of their strategic nature. Access funding is not best placed to provide emergency response funding – but will rather focus on the recovery phase. As a result, Access may spend less in 2020 than planned.</p> <p><b>Enterprise Development Programme</b></p> <p>The programme started in 2018 focused on Youth and Homelessness sectors and was seen as broadly successful, and provided examples of how</p>	

enterprise models work for each sector. Access is now also looking at mental health and equality sectors – chosen in part because of them having a national organisation covering these topics which Access could have an effective relationship with and there was identified scope for Access’s funding approach. The equalities sector may be more challenging in terms of developing revenue models but has high impact potential – despite this sector being traditionally funded through foundations, enterprise models are emerging. An important part of the programme is being part of a cohort who can learn from, and help support, each other. Trading activities in generally have been badly hit by the Covid crisis and while the cohorts are developing in all four sectors, it is at a slower pace than originally hoped.

### **Reach Fund**

Grants to access investment – the crisis has reduced demand as organisations are more focused on emergency funding – this should change as rebuilding begins to occur in the recovery phase.

The Impact Management stream of work has seen its final grants made and the programme is now being evaluated. While the programme has been useful for organisations, it is not clear that it has been catalytic in helping them access capital, when compared to initiatives looking at the underlying revenue base.

### **Blended Finance**

The Growth Fund has been a powerful source of small-scale unsecured debt needed to develop enterprise models. Average investment size is £63,000.

Half of money has gone to the third most deprived wards in the UK and a quarter of the money has gone to the 10% most deprived wards. There is no other source of capital that is as skewed towards deprived areas.

Half of the available money has now been lent to over 400 social enterprises.

The fund has responded to the crisis by supporting fund managers to provide repayment holidays and additional grants have been made available for charities and enterprises. There is now a focus on the future of the organisations given the likely defaults and slowdown of new loans. Bounce-back loans have absorbed a lot of demand for current lending under £50k. Access is now working with the fund managers to develop longer term plans.

**Local Access** (£10m Dormant Account money alongside BSC) has identified initiatives in six specific places. Access is also providing £8m from its endowment to provide capacity building in these places. There has been an inevitable delay in plans progressing as a result of COVID, but momentum is now building in anticipation of recovery. Access is providing development grants to progress those plans.

The newly allocated £30m of Dormant Accounts will be focused on Covid response:

1. £10m for emergency response for blended finance through the Resilience and Recovery Loan Fund (RRLF) and with other fund managers providing emergency support. It is important that this money is not replicating government schemes – rather filling gaps.
2. Providing funding for more flexible financial tools for the recover. This would involve more patient, equity-like finance to support the sector. The money provided by Access will be made available to fund managers who will bring in other capital alongside. A lot of work is required to design the products with an aim to make them as straight-forward as possible. A Call for Ideas around this initiative

	<p>has just been launched through the Connect Fund (with BCT) together with early market testing with fund managers. There will be a particular focus on ensuring inclusion.</p> <p><b>The Connect Fund</b> that supports the sector’s infrastructure (with BCT) – it is currently looking at understanding business models disproportionately affected by Covid and supporting further work to promote equality and diversity in the sector.</p> <p><b>Learning and Influencing</b> – a lot of learning has been done by Access, now it is at the half-way point of its life, and this needs to be disseminated collaboratively with others. There is a communications challenge to make the topic of “resilience” generally easier to understand.</p> <p>The 31 March 2020 <b>financials</b> were reviewed – emphasising the Total Impact Approach for managing the endowment – £37m managed by Rathbones, with half of investments in charity bonds with the intention to hold to maturity. The key risk is the possibility of defaults in the portfolio (there had been a loss of £400,000 from Our Power default in 2018). Spending plans will be reviewed at a forthcoming Board Awayday. For cash deposits, bank facilities are held with Charity Bank and Triodos.</p> <p>Access has been actively promoting its approach to Treasury management and is part of a forthcoming ACF publication on intentional investing.</p> <p>NH commented on the new strategic risks and opportunities. Future appetite for enterprise lending and borrowing is unclear given that there is a great deal of uncertainty and turbulence. This does not help Access explain and promote what has been achieved.</p> <p>The conversation with Government is developing, focusing on the ability of Access to get to the “hardest to reach” in the “hardest to reach areas” which will increasingly become a political priority. He will share the narrative that has been developed with others in the sector (including those within the BST Group). [ACTION: AB to circulate.]</p> <p>The £30m from Dormant Accounts clearly reflected a vote of confidence in Access and it was encouraging that the need for blended capital as part of the RRLF was generally acknowledged. DCMS will be monitoring this closely.</p> <p>Access Board has three upcoming vacancies and is in the process of recruiting. John Kingston’s term was extended for six months to September 2020 to aid consistency during the crisis.</p> <p>SH asked about the challenges faced by Access and whether there needed to be a major change of strategy in the Covid recovery phase.</p> <p>NH suggested that the strategy had adjusted, but it was too early to tell if a fundamental shift will be required. SEI added that the strategic focus on enterprise was unlikely to shift given Access’s mission.</p> <p>Asked for examples of the new forms of patient capital, SEI outlined how the challenge was to make long term debt have characteristics of equity –</p>	<p>AB to circulate sector policy narrative document -DONE</p>
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	<p>reducing the pressure of having to make quarterly payments that could drain capital from an embryonic organisation. Funding would have a closer relationship between the investee and the capital provider. Revenue Participation Agreements and Repayment Triggers based on turnover milestones being reached – are approaches that have been tried, but have often proved very difficult to document successfully.</p> <p>PH pointed to his appreciation of the leadership and successful interpretation and implementation of Access’s strategy and the strength of the culture that has developed. He asked about barriers Access is facing for the future.</p> <p>SEI referred to the ongoing flow of subsidy. BSC shares with Access concerns about the resilience of the intermediaries in the sector. There is also too much concentration of ideas generation at the centre of the social investment market and, going forward, an opportunity for the market to develop and encourage intermediaries to be the place where innovative ideas are generated – there are already some good examples developing but the intermediaries need to have more capacity to do this effectively.</p> <p>IH referred to the investment strategy and the risks involved. SEI referred to the well diversified portfolio of bonds including from the housing sector which are relatively secure.</p> <p>SE asked about relationships with the BST Group Cos. NH outlined the political imperative to focus issues being addressed by Access and others in the sector. SEI commented specifically on work that was being done with YFF including providing information on relevant Growth Fund investees. While F4AF have broader tools at their disposal, there was an on-going conversation about how to structure programmes and successfully engage with the broader sector.</p>	
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Next meeting: 17 September 8:30–11:30am Zoom call (followed by F4AF AGM pre-meeting meeting at 12:00noon and full F4AF AGM at 12:30pm)