

Board meeting, 23 May 2012

Unit 5, Angel Gate, 320 - 326 City Road, London, EC1V 2PT

1 Present

Michael Hamilton, Kevin Sugrue, Andrew Robinson (absent for items 6 – 7), Alison Seabrooke, Ben Lee, Debbie Ladds, Peter Thurston, Nicola Hutcheson

Ben Cairns and Leila Baker for items 1 – 5

2 Apologies

Cliff Prior

3 Conflicts of interest

Alison Seabrooke: chief executive CDF - setting up Local Trust and delivery partner for Big Local

Andrew Robinson: director, CCLA – proposed fund manager for Big Local

Ben Lee: Director the NANM – delivery partners for Big Local

Andrew Robinson - trustee CDF – setting up Local Trust and delivery partner for Big Local

Michael Hamilton: trustee CDF – setting up Local Trust and delivery partner for Big Local

4 Minutes of last meeting and matters arising

4.1 Following a discussion about the wording of item 6, internal controls; it was agreed to clarify the minute and insert: *The fundamental principle of control and responsibility being together in one place (e.g. such as those functions that rest with the Chief Executive) was agreed. Once the controls are in their final form, the level of expenditure not requiring Board approval should be increased beyond the ceiling of £25k currently proposed. With necessary exceptions (e.g. specialist services with only one supplier) competition should apply to all contracts irrespective of price albeit the process will vary at the different levels (e.g. full tenders or written quotations).* The minutes were then agreed and signed as an accurate record of the meeting.

4.2 In terms of matters arising, the board noted the actions since last meeting report. Debbie also explained that the written resolution has been sent to the Charity Commission for the scheme to be issued regarding clause 10 of the trust deed.

5 Collaboration

Mick welcomed Ben C and Leila to the meeting and invited them to speak to the collaboration report. Ben C explained that the purpose was to take stock of collaborative working relationships across the partnership: what's working well, and why; what requires attention, and how. In terms of an overview, Ben C explained that there has been a very positive start; much praise for Debbie and team; likewise CDF and its careful handling of the transition into Local Trust. There are outstanding questions about the next period: enabling

the Board to be strategic; ensuring the Board has the right skills mix, as well as buy-in to the vision; getting the most of the partners and the partnership; continuing to reconcile some of the inevitable tensions (e.g. authority/accountability and flexibility/innovation).

Ben C indicated that there are some practical steps which could help. For example:

- Delineation of roles, especially around learning (needs to be a useful process: NB. Principles of 'evaluation for strategic learning' as distinct from reporting about how money has been spent).
- Encouragement/permission for bilateral relationships (not to be viewed as undermining the centre). Option to develop more a spoke and hub model, with links between the spokes as well as to the hub.
- Encouragement/permission for face to face contact: might seem like a luxury but this is a massive undertaking. It dwarfs most, if not all, other initiatives that partners have been or will be involved with; so it's worth taking the extra time to make it solid so it can work.
- Acceptance that the strength and importance of relationships will vary across the group; for that to feel comfortable, there needs to be a red thread, a tie that binds, i.e. the ethos and vision.
- Further exploration of the ethos, with the importance of avoiding assumptions about shared values and ideologies, eg. around 'a community development approach'; 'lasting change'.

Ben C concluded by explaining that there are some choices/dilemmas to consider. For example:

- Does everything need to go through the centre?
- Are relationships essentially contractual? What does that then mean for the idea of collaboration? What can be shared and joint? What is/isn't up for grabs?
- The risk of relying too heavily on the chief executive to bind the group together and to reconcile the tensions that exist between the contract and the collaboration.
- Question about phases of the collaboration – informal network; formal and hierarchical; market; network; issue is about consciousness, choice and then design. Driven by mission, the programme objectives and the primacy of contractual commitments and obligations, but in the context of this being a collaborative endeavour. So, management of expectations is critical.

Discussion and feedback from the board included:

- Need for the board to have strategic overview and development of Big Local. To understand what is coming out of the areas too.
- Need to understand the need for partnership working, but the board will also need to rely on the chief executive providing un-bias advice to the board. And recognition that the centre has to have the final say.
- Part of the Local Trust culture should be to maximise the skills of the partners, identify who can help with what.
- Basecamp is a fascinating snapshot into conversations with and between reps and delivery partners.

Action: Debbie to add all trustees to basecamp

- The report highlighted interesting feedback on roles, responsibilities and activities over past 18 months.
- Need to ensure the board capture stories and are connected to the grassroots. To be able to speak with passion about local effects and changes made to individuals.
- Roles and responsibilities will change over time – as programme develops. That isn't a reflection on poor performance but on communities being successful.
- Having partnership agreements and shared values, ethos and approach in place will enable everyone to understand and support this.
- There will be discussions to have going forward as delivery needs change.

Debbie agreed to follow up with Ben C so that the report is shared with Local Trust staff and with delivery partners and the feedback is explained and understood and plans for the future are put in place.

Action: Debbie to follow up with Ben C

Mick thanked both Ben C and Leila for their work, and for producing a very well written response to a lot of passion over the last 18 months. And explained it is useful to already have one evaluation report so early in the life of Local Trust.

Ben C and Leila left the meeting.

6 Investment strategy

At the request of the chair, Andrew Robinson left the meeting due to conflicts of interest.

Mick explained that until the Charity Commission issue a scheme related to clause 10 of the Trust Deed we cannot approve CCLA as fund managers or the investment strategy but having agreed with Peter, we can discuss it and then approve by email. Also the proposed formal agreement between CCLA and Local Trust is with our solicitors who are checking it against the trust deed.

In line with schedule 4, power of investment, in the trust deed; Mick explained that the proposed strategy is in line with the deed. Namely that we may only acquire Qualifying Investments and we have obtained proper investment advice, that the proposed investment strategy is suitable for the investment of the money and applies the Trust Fund and the Income in furtherance of the Objects and in accordance with Clause 4 of the trust deed.

Mick explained that CCLA were part of the original consortium that bid to the Big Lottery Fund (BIG). That the proposed investment strategy is based on the conversations the Community Development Foundation (CDF) led consortium had with BIG during the assessment of the proposals put forward by CDF for Big Local Trust in 2011. This strategy was independently assessed during the assessment process and subsequently CCLA discussed the proposed strategy with Nat Sloane, the chair of the England committee. The proposed investment strategy is in line with the Big Local Trust, trust deed and supports the approach to the Big Local programme. The proposal is also in line with the training sessions and discussions between CCLA and the board in January 2012. Mick and Alison confirmed the investment approach had been key to BIG selecting our consortium as we had looked past year 10 and the potential of sustainability for the communities.

Mick acknowledged that there is always a risk in holding equities as they can go up as well as down but it is the right approach at the start of 10 years or more. Mick commended the proposed strategy to the board and explained that the strategy will change over time as our needs change.

Alison endorsed the recommendation and explained that CCLA bring their socially and ethically responsive approach to their work and as part of the consortium. This was important to the integrity of the programme in terms of its aims and the beneficiary areas. In her previous experience of working with CCLA there is a more honest relationship – there is no hard-sell and a partnership approach to developing proposals and solutions; CDF trustees had asked similar questions and satisfied themselves. Kevin and Ben also endorsed the proposed investment strategy.

Alison reported she had recently attended a useful trustee training session run by CCLA, confirming that all Trustees had now taken part, having missed the session in January 2012. All board members have now attended at least one trustee training session run by CCLA.

The proposed investment strategy is in annex A. Debbie agreed to circulate for approval once the Charity Commission have issued a scheme.

Action: Debbie

7 Managing the fund centrally

Mick explained that there have been several requests by Big Local areas to manage their £1m fund locally. In the absence of a clear policy statement from the board, we anticipate that these requests will grow in number and become more difficult and diverting to manage. The board therefore need to formally consider this issue and make a decision that can be disclosed as required to address these requests.

It was acknowledged that the prospect of the management of a £1m fund locally will attract a wide range of interested parties, including commercial financial firms such as IFAs, organisations such as credit unions and local government. Pressure on communities from these organisations to give them the job of managing their fund will in some cases be intense and difficult to manage.

The board agreed that Big Local is set up to enable residents to be in the driving seat and able to concentrate their efforts on the use of the money, not the management of the money. Some areas might be considering establishing a local trust but in line with the trust deed, the endowment is expendable and therefore cannot be used as a permanent endowment with just the interest being spent and whether the funds are spent early on in the life of the programme, equally over each year or towards the end of the programme; areas are linked into Big Local for at least 10 years.

Because the spirit and ethos of Big Local is for strong delegation to areas, it is appropriate for the board to fully consider the pros and cons of this issue before reaching a conclusion. The issues presented to the board included:

- Cost of management - even excluding the cost of central control, the true pro-rata cost of managing 150 £1m pools of funds will be many times the costs of managing it centrally.
- Contingency management- if funds are delegated to areas, then each area will have to hold sufficient reserves to deal with local contingencies. These reserves are effectively

'dead' money, because they cannot be spent. Because problems will only occur in a small number of areas at one time, the sum of all contingencies held in a delegated model would be much greater than that required in a single fund in the centre. This would result in a much higher level of 'dead' money.

- Appropriate investment strategy - the management of a fund that has an extended life, but is to be spent, is a sophisticated mandate, requiring a clear understanding and careful management of risk and reward. In line with the trust deed Local Trust would have to assess the competence of each local manager of the funds individually and monitor that management on a regular basis. This would be time consuming and expensive and open up an unnecessary area for conflict with the areas should there be a disagreement.
- Security and governance - delegation opens up a significant risk of fraud, theft and legal, but inappropriate investment of the funds. Time consuming and expensive central control would be required to manage this risk.
- Reputational risk - the high visibility of the programme means that any material failure of investment management in an area could be particularly damaging. Whilst central control would reduce this risk, it would be very difficult to eliminate.

It was agreed that each area will benefit from a common investment; that this will not preclude areas investing in social investment, micro finance or social enterprises and areas can focus on spending and using their Big Local funding to meet their long term vision for their area.

In conclusion and for reasons of cost, efficiency, competence and risk management, the board agreed that the Big Local Trust assets are managed centrally, and this decision can be disclosed as required to address requests for local management of the funds.

Action: Debbie

Peter confirmed that this approach is in line with the trust deed and the original submission to BIG.

8 Internal financial controls

Andrew Robinson re-joined the meeting

Nicola outlined to the board the proposed internal financial controls, explaining that Sayer Vincent had worked with us to create them. In particular, the head and programme manager are proposed as bank signatories for certain amounts along with the chief executive. Nicola also explained that the internal financial controls will be reviewed in the future to ensure they are relevant and appropriate.

As a result of the discussion the following actions were agreed:

- Competitive written quotations are obtained for everything, regardless of value to ensure value for money. To add to the internal financial controls document.
- There was a discussion about all suppliers being asked to have an equal opportunities policy, to ensure we support the right kind of organisations. It was agreed to investigate what others do for all suppliers and for regular suppliers and build something into our procedures – in tenders, for regular suppliers, for partners and maybe for all suppliers (and of course, those in receipt of grants) and into the internal financial controls document.

- It was agreed that it is important that in all expenditure we reflect our values and spend money in line with our values. For example using local caterers or holding events in community venues in Big Local areas. It was agreed to add a statement of intent reflecting this to the internal financial controls document.
- The payment schedule on page 8 needs to be amended to say 30 days or in line with the contract (or grant).
- Item 10 needs to include the investment strategy and approach.
- £350,000 is high for bacs payments and those authorised to make payments must not delegate that to others or keep their card reader / pin together. Details must remain confidential. In addition, those authorising bacs payments need to be able to see the detail of what they are approving; not just the total amount.

Action: Nicola

It was noted that Peter, as the protector has to be consulted if open procurement is not used, for contracts valued over £25,000.

With the amendments or comments above included, the document was approved.

In line with the agreed internal financial controls, the board agreed to add Sally Rawlings and Rachel Rowney as signatories to the bank account.

Action: Nicola

9 Trustee recruitment

Mick explained that the board can co-opt two members now, and can also recruit additional trustees to take numbers to 12. Mick suggested we might co-opt now, and once the governing documents are in place we go to open recruitment as outlined in the paper from Graham Finegold of Tank Consulting. Mick explained this would be in line with what we always said we would do, and would help ease the conflicts of interest around the board if there were additional non conflicted board members. It would also aid external perception too.

Mick suggested ideas for co-options were fed through to Graham directly so names could be circulated and considered by the full board.

Action: all

The board discussed section 2.7 of the proposal from Tank Consulting whereby potential board members were 'interviewed' in a competitive environment as although a conversation was necessary and new members needed to 'gel' with the existing board, the board did not want to put off potential new volunteer board members via a difficult recruitment process.

Alison explained that she had been involved in a similar recruitment process for board members at SCDC as Tank Consulting is proposing for Local Trust and the recruitment process had been effective. Potential Trustees met existing ones and each other (to see if there could be a working relationship) and selection was made after this. The need to 'let down gently' influential people, based on this and the skills balance had been discussed beforehand and those conversations were conducted by the chair. There were suggestions that say, the top six candidates were invited for an informal meeting so that there was the potential to offer all six a place on the board. Andrew raised the concern of using two approaches simultaneously – co-opting and recruiting as this is not necessarily open and transparent; although it was recognised that we do need at least one additional member to

bring us to seven in line with our articles. It was also acknowledged that we need to recruit relevant skills including, legal, financial / investment and media and also reflect diversity.

Mick invited the board to send their ideas to Tank Consulting so that Graham could progress this work.

Action: all

10 Local Trust and Big Local update

Debbie provided a short update for the board on progress to date. Particular points highlighted were:

- The non-conflicted board members will be sent partner contracts / grants for approval before they are signed because they are new agreements.

• **Action: Debbie**

- Mick requested that we be ready to move the investment to the fund manager or into government bonds before the Greek election; once the scheme has been issued by the Charity Commission. Andrew agreed to ask his colleague about cash management and feed that back to the board.

Action: Debbie / Nicola

- Debbie reported that the spring events are going well and had been attended by some of the board, including Peter.
- The board noted that Ambreen Shah is now the deputy director at BIG responsible for Big Local and asked Debbie to invite her to the next board meeting.

• **Action: Debbie**

11 Dates of future meetings (all 3-5pm)

4 July 2012

26 September 2012

19 December 2012

Proposed investment strategy, Big Local Trust

May 2012

Introduction

This investment strategy is for the investment assets of the Big Local Trust (the fund) to provide the resources required by Big Local (the programme), and to manage the assets in a manner that maximises the impact of the funds to enable Big Local areas to extend the life of Big Local beyond 10 years and £1m each.

The strategy

Whilst the programme will provide funding to 150 Big Local areas on a delegated basis, for reasons of cost, efficiency, security, governance and risk management, the corporate trustee of the Big Local Trust (the trustee) has decided that the fund will be managed as a single pool of assets under their control ensuring funding is available when required to enable Big Local areas to use the funding available to them over at least 10 years in line with their Big Local plan.

By making use of the scale and duration of the programme, the investment strategy is to provide the best long-term return whilst ensuring that at all times sufficient short-term funds are available to support spending. This will be achieved by investing a high proportion of the fund in cash, fixed income and similar securities, with a smaller portion invested in equities and similar securities in the UK and overseas that are expected to provide a higher return over the long-term.

The investment strategy will be implemented in a controlled way to ensure that risks are appropriately managed and consistent with the objectives of the programme.

Formal restrictions and controls

Reflecting this strategy, there are formal restrictions and controls on the investments which can be held within the fund. These are summarised below:

Cash and near cash

Cash and near cash will be a minimum of 18 months expected forward spend on the programme, with a maximum of 100% of the fund. In terms of individual counterparties, there is no limit to the amount which can be placed with a deposit fund rated AAA by a recognised rating agency. Deposits with any individual counterparty however must not exceed 10% of the fund. All counterparties will be approved by the trustee.

Fixed interest and similar securities

The maximum amount that can be held in fixed interest and similar securities is the entire fund less the minimum cash level noted above. The minimum credit rating for any security at the time of purchase is A- by a recognised rating agency. There is no limit to the proportion of the fund which can be invested in issues by or supported by the UK government. The exposure to bonds from any other single issuer is limited to a maximum of 5% of the fund at the time of purchase.

Equities and similar securities

The maximum level of equities and similar securities at inception will be 22% of the fund, and will vary over the life of the programme. There is no minimum holding of these securities. The holdings will be diversified on a geographical and industry basis. The maximum holding of any single equity at the time of purchase is 1% of the fund.

Social responsibility

The fund is to be managed on a socially responsible basis. From inception the securities of companies manufacturing indiscriminate weapons, and those with a significant involvement in the manufacture of tobacco products will be excluded. The socially responsible investment policy will be reviewed and amended by the trustee from time to time.

Performance benchmark

The performance benchmark of the fund is Bank of England's Official Rate + 1% p.a.

Reporting

The investment manager of the fund will report to the trustee at least once a quarter, and the trustee will review the investment strategy once a year in line with the trust deed.

Local Trust, acting as the corporate trustee of the Big Local Trust

Agreed: insert *date*