

Board meeting, 4 July 2012 Minutes

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

1 Present

Mick Hamilton (absent for item 12.3), Kevin Sugrue, Cliff Prior (absent for item 12.2) Andrew Robinson (absent for item 10 and item 12.3), Alison Seabrooke (absent for item 12.3), Ben Lee (absent for item 12.1), Debbie Ladds, Mark Breen, Simrit Sandhu, Peter Thurston, Graham Finegold (items 1 – 9).

2 Apologies

No apologies.

3 Conflicts of interest

Alison Seabrooke: chief executive CDF - delivery partner for Big Local
Andrew Robinson: director, CCLA – proposed fund manager for Big Local
Andrew Robinson - trustee CDF – delivery partner for Big Local
Mick Hamilton: trustee CDF – delivery partner for Big Local
Ben Lee: director NANM – delivery partner for Big Local
Cliff Prior: chief executive UnLtd – funding and delivery partner for Big Local

In line with the co-operation concordat, Cliff declared a supporting community entrepreneurs pilot fund raising bid UnLtd are submitting.

4 Minutes of last meeting and matters arising

The board agreed the minutes of the last meeting. In terms of matters arising, the board noted the actions since last meeting report.

5 Big Local update

5.1 Update

Debbie presented a Big Local update since February 2012, outlining that Local Trust, partners and reps are doing an excellent job in delivering Big Local. Debbie set out that:

- 100 of the 150 areas have now been announced (50 wave 1 areas were announced 2 years ago and 50 wave 2 areas were announced in February 2012), the remaining 50 will be announced in the autumn at a date to be confirmed by the Big Lottery Fund (BIG).
- £762,807 has been paid to wave 1 areas as 45 of the 50 areas have submitted and had approved Getting People Involved round 2 proposals.
- Wave 2 areas have access to £20,000 via Getting Started. Guidance and proposal forms were available in May, but as yet Local Trust has not received any proposals.

- In May, Local Trust held 12 spring events for people from Big Local areas. Attendance was good with people from 79 of the 100 Big Local areas attending, 94% of those attending said the content was either good or excellent. Debbie thanked the NANM who had worked with Local Trust to organise the events.

5.2 Local authority involvement

Based on the data in the delivery report, the board discussed local authority involvement in Big Local and whether local authorities may be over represented in terms of involvement in Big Local. It was agreed that it would be concerning if local authorities were not involved, as it is important that residents have the support of their local authority.

Andrew and Alison indicated there had been some comments about Big Local at the CDF event at the LGA conference last month from two individuals who appeared to have some concerns about council involvement in two areas.

Debbie highlighted that local authority involvement in Big Local varies and is provided by different people including community development workers, neighbourhood workers, activists, and councillors. On an on-going basis it was agreed that Local Trust and partners should engage with the Local Government Association (LGA) as part of a positive communications strategy and be aware how areas are engaging with their local authorities. Local Trust could also enquire about drafting a piece for the Local Government Chronicle (LGC) about Big Local. Debbie explained that she and Sally had already met the LGA and would follow up the ideas and comments.

Action: Debbie

5.3 Wave 3 areas

Mick asked about the preparations that will be taking place for the announcement of the wave 3 areas. Debbie explained that they are likely to be approved by BIG at their November England committee meeting. Debbie explained that BIG might host an 'England portfolio' event in November at which the wave 3 areas could also be announced. We will be working with BIG to prepare for the announcements, including any potential event and wider communications activities including with local media (press, radio and TV).

Action: Debbie

6 Finance

6.1 Finance update

Simrit presented the finance update:

- **bank accounts:** we currently have four bank accounts open with the Co-op bank, with a total balance of £100,001,818.18 (two are for Big Local Trust and two are for Local Trust)
- **performance against budget:** key areas to date are: an underspend on staff due to staff starting later than initially planned; an over spend on expenses due to the spring events; an underspend on consultancy fees relating to staff recruitment, which will show for the June period; and, an overspend on IT as we purchased the server and computers at the start of the financial year. There will shortly be payments to acquire the funding and customer relationship management system and finance management system

- **payment of non-conflicted partners:** payments are now being progressed. The board were keen that Local Trust offered to cover delivery partners for any out of pocket expenses due to bank fees and interest relating to the delayed payment.

Action: Debbie

6.2 Future financial reporting

Simrit set out plans to provide the board with the following financial reports:

- summary of expenditure payments made to each Big Local area to-date and for the month
- budget vs. actual summary to date and a running total
- balance sheet
- investment information from the fund manager with relevant commentary
- cash – flow forecast
- SOFA format report of income and expenditure in the period against budget.

Mick asked that copies of recent bank statements are included in the reporting to verify amounts, Kevin asked that graphics be used to present financial data and that an explanation of variances is provided including any concerns for the future. It was agreed that the cash flow forecast should include financial commitments already made. The board indicated that a finance, audit and investment sub-committee might be required in the future once the new board members are in place. It was agreed that we are bringing good order to our financial management and reporting as we develop our systems and processes.

6.3 Expenses policy

Simrit presented a proposal for Local Trust's expenses policy to ensure we remain within HMRC guidelines at all times. It was agreed that where expenses are paid to people from Big Local areas who attend our events, the same policy will be implemented. Trustees agreed the expenses policy. It was confirmed that we will request staff for a copy of their vehicle insurance to ensure they are covered for business use.

Action: Simrit

6.4 Online banking

Simrit explained that the appropriate signatories have now been set up on our online banking system. We will be producing guidance shortly to all signatories on how to log into the system and authorise payments. Cliff asked that Simrit check whether anyone can log into the system after payments have been authorised and amend the list. If so, paper copies of the payments authorised will be required as well as online authorisation. In addition, signatories need to be able to see the detail of the payments being signed off, rather than just a total sum. Simrit agreed a report could be run from the finance system and emailed to the relevant signatories.

Action: Simrit

6.5 Allocation of interest and endowment

Simrit outlined the initial work that has taken place with CCLA to look at how Local Trust can best track and allocate the £100m endowment received so far and the interest being earned for each Big Local area and for Local Trust. Because we don't yet have the full endowment it

makes allocating funding (including interest) a more complex task given we have 100 areas and also our delivery costs. Alison suggested this information could be useful in prompting BIG to endow the Trust with the outstanding balance. The board discussed ideas related to the different ways that the funding and interest could be allocated and reported to Big Local areas and it was agreed that a discussion of the range of options was needed at a future meeting, involving CCLA as well as the board.

Action: Debbie and Simrit

7 Pension provider proposal

Debbie explained how we had approached the tendering process to identify a preferred supplier for a group personal pension plan for Local Trust staff with selection criteria based on:

- The extent to which the organisation's proposal fulfils Local Trust's stated requirements and needs.
- An assessment of the organisation's ability to deliver the pension plan in accordance with the specifications.
- The extent to which the organisation demonstrates value for money within their proposal and the overall cost of the service.
- The organisations stability, experiences, and record of past performance in delivering such a service to similar organisation to Local Trust.
- The extent to which the organisation can demonstrate they are an ethical and respected provider of financial services including the ability to adhere to set regulations, laws and standards in the provision of the service requested.

Debbie recommended Scottish Widows as the preferred supplier for a group personal pension plan for Local Trust staff using a salary exchange / sacrifice model. With the assumption that Local Trust will contribute the equivalent of 10% of the member of staff's salary to its chosen pension scheme, on condition that staff contribute a minimum of 3.5% (5% for the chief executive). The board were asked to approve this proposal.

Cliff asked if the employer contribution is subject to national insurance, and whether Local Trust had considered the impact of the Government's plans for employers to enrol workers into a workplace pension from later this year. Debbie was asked to research these points for the board; the board supported the pension proposal, on the basis that Cliff's two points were addressed.

Action: Debbie

8 Governance update

Debbie outlined her discussions with BIG to arrange twice yearly strategic meetings with BIG as outlined in the trust deed to ensure that where it is appropriate we work collaboratively to achieve better results in line with the aims of the trust and BIG's mission. Alongside Mick, both Alison and Kevin confirmed that they would be happy to attend. Cliff clarified that he would not wish to attend given UnLtd's other relationships with BIG. Peter confirmed that he will be in attendance as the Protector as will Debbie and Sally as staff. A mixture of trustees and senior staff will attend from BIG.

Action: Debbie

9 Trustee recruitment for Local Trust

Graham explained that Tank Consulting is progressing trustee recruitment in line with the proposals presented at the last board meeting. The board reviewed the draft advert and recruitment pack and Graham welcomed final comments. Both Cliff and Kevin asked that in the person specification it is made clearer that applicants should either have each of the competencies / technical skills listed or a commitment to gaining them over time. The board confirmed that they will not co-opt people as discussed previously but will hope to approve up to six trustees at the September board meeting. Graham confirmed that the recruitment process will be communicated clearly, and that it will be clear that we are recruiting trustees (who will also be directors) for Local Trust. Mick suggested that the last paragraph in section 5 of the recruitment pack should be amended as only expenses such as travel or child care can be reimbursed. Graham encouraged the board to share the advert with relevant people and offered to speak to interested candidates as well. A date for meeting the shortlisted candidates will be set for mid-September.

Action: Graham

Graham left the meeting.

10 Investment management

Andrew declaring a conflict of interest as a director of CCLA left the meeting for item 10.

10.1 CCLA investment management agreement

The board received the amended CCLA discretionary investment management service key information letter and terms and conditions and the CCLA investment strategy questionnaire. Based on advice from our solicitors, it was noted that although the wide powers relating to the investment and to investment management given to trustees by the Trustee Act 2000 are largely applicable to Big Local Trust, there are some specific alterations and limitations in the Big Local Trust deed which must be taken into account in the setting of the Big Local investment strategy and agreeing the management and reporting arrangements.

In particular:

- a) The scope of permitted investments is limited to 'qualifying charitable investments' as defined in the Income and Corporation Taxes Act 1988 (but not including land). The relevant definition is now contained in the Income Tax Act 2007 (ITA 2007) which when enacted it was intended that the new legislation should re-state, rather than alter, the previous provisions, but they are differently presented as 'approved charitable investments'. It is proposed to amend the trust deed to refer to ITA 2007, but it is appropriate for CCLA to acknowledge the obligation under ITA 2007 now.
- b) Local Trust is only entitled to invest the funds if the board are satisfied, having obtained proper investment advice, that the form of investment in question is suitable for the investment of money comprised in the Trust Fund. In assessing the 'suitability' of any investment, the board are required by schedule 5 paragraph 2 of the trust deed to take into account the size of the fund and the need to apply the fund and the income in furtherance of the objects and in accordance with clause 4. Clause 4 sets out the terms on which the trust fund and its income are to be held and applied to further the objects of Big Local Trust. This needs to be expressly acknowledged by CCLA.
- c) The board recognised that clause 7.2 of the trust deed can be read in such a way that it limits the amount that may be placed on deposit to the amount we consider will be

required for application in furtherance of the objects for a minimum period of eighteen months. The board agreed that this does not enable sufficient funds to be held as cash and proposed that clause 7.2 should be amended to:

“In addition to cash held by way of investment, the Trustee may place on deposit such part of the Trust Fund and the Income as the Trustee considers will be required for application in furtherance of the Objects within any period of eighteen months.”

The board recognised that they have power under clause 14(2) of the trust deed to amend clause 7.2, but only at a meeting held after four weeks’ notice of the resolution has been given. The board, at this meeting approved this change in principle and asked CCLA to acknowledge this in their agreement and will establish a meeting in the future to formally agree the change. In addition, BIG, the protector and the Charity Commission will be asked for their support to this change.

- d) The board noted that the CCLA agreement states that, in the absence of an investment policy statement (‘IPS’) prepared by the board, the ‘key information for you’ will constitute our IPS to satisfy our obligation under the Trustee Act 2000.
- e) CCLA uses third parties to act as custodian (Northern Trust) and to hold cash (The Royal Bank of Scotland) and paragraph 28 of the terms and conditions place responsibility on Local Trust to assess the custodian. Local Trust has power to delegate the custody on investments and holding cash to third parties, by virtue of paragraph 14 of schedule 3A of the trust deed.

In summary, the board are satisfied that the placing of investments on the terms of the agreement is suitable for the investment of the fund and that it is in the best interests of Big Local Trust to: enter into the agreement and questionnaire; amend clause 7.2 as described above; and, delegate the custody of investments and holding cash to the custodians.

The board approved CCLA as the fund managers and confirmed that the chief executive and / or any two non-conflicted board members are authorised to sign on behalf of Local Trust the agreement, questionnaire and any other related documents and to do anything else as they consider necessary or expedient in connection with establishing CCLA as the fund managers.

The board noted that the trust deed requires the board to review the appointment of CCLA as investment managers at “such intervals not exceeding 12 months as the Trustee thinks fit”; and that the board is also obliged to review the IPS formally (and record that they have done so) regularly, and these reviews could be undertaken at the same time, with the first review within 12 months of the date of this meeting.

Action: Debbie

10.2 Investment strategy and ethical approach

Following on from previous discussions and meetings, the board approved their investment strategy and ethical approach as previously discussed and in line with the trust deed. This is attached as appendix 1 to these minutes.

Action: Debbie

11 Trust deed

In relation to the Charity Commission scheme and further proposed amendments to the trust deed, the board noted that the Charity Commission had made a scheme to amend clauses 10 and 14.3 of the trust deed and it was resolved that the amendments are in the best

interests of Big Local Trust. The board agreed that the chief executive should seek advice on further changes to the trust deed which can be made by Local Trust with a view to putting a proposal for further proposed amendments to the trust deed to the board of Local Trust.

12 Conflicted partners – payments and agreements

Debbie explained that following legal advice and the issuing of the Charity Commission scheme, the most straightforward basis for dealing with payments to CDF, the NANM and UnLtd is for the board to consider making an offer of a 'one off' payment in recognition of the activities these organisations have carried out 1 April – 31 July 2012; and enter into contracts or grant agreements that cover the relevant arrangements going forward to 31 March 2014.

The basis on which the board could justify making such 'one off' payments – when not obliged to do so – is that doing so is in the best interests of Big Local Trust because these organisations cannot be replaced easily and so it is important to make payments for April – July to ensure that these partners continue working with Local Trust. In addition Local Trust has previously indicated to these organisations that they would get paid as soon as the Big Local Trust, trust deed was amended, and therefore the board might reasonably consider that they have a legal obligation to make payments, and if they do not the organisations might seek to bring a claim against Local Trust on the basis that they had a verbal agreement with Local Trust. In making these decisions the board would need to follow the procedure set out in clause 10.3 of the trust deed related to conflicts of interest.

12.1 NANM

Ben declaring a conflict of interest as a director of the NANM left the meeting for item 12.1.

The non-conflicted members discussed the work of the NANM have carried out and agreed to make a one off payment to the NANM to cover the networking and learning events and activities from 1 April – 31 July 2012 and in line with the budget allocation. In addition, the board confirmed that in relation to the future contract with the NANM:

- the services are required by Big Local Trust
- it is in the best interests of Big Local Trust to enter into such a contract; and the nature and level of the payment or other material benefit is no more than is reasonable in relation to the value of the goods or services.

12.2 UnLtd

Cliff Prior declaring a conflict of interest as chief executive of UnLtd left the meeting for item 12.2.

The non-conflicted members discussed the work of UnLtd and agreed to make a one off grant payment to UnLtd to cover the work of UnLtd on Star People and Star Partners, including match funding for the awards given during the period from 1 April – 31 July 2012 and in line with the budget allocation.

12.3 CDF

Mick Hamilton and Andrew Robinson declaring a conflict of interest as trustees of CDF and Alison Seabrooke declaring a conflict of interest as chief executive of CDF left the meeting for item 12.3.

Kevin chaired this item.

The non-conflicted members discussed the work of CDF and agreed to make a one off payment to CDF to cover the office rent for Local Trust from 1 April – 31 July 2012 and for research and evaluation work carried out by the CDF research team from 1 April – 31 July 2012 in line with the budget allocation. In addition, the trustees confirmed that in relation to the future contracts with CDF:

- the services are required by Big Local Trust
- it is in the best interests of Big Local Trust to enter into such a contract; and the nature and level of the payment or other material benefit is no more than is reasonable in relation to the value of the goods or services.

13 Any other business

Mick briefly outlined the progress he felt the Local Trust board had made to date, setting out that we will soon have a workable trust deed and that we have today approved the proposal about how to invest the funds. Mick suggested that the next steps are to appoint further members by the end of September and to examine the value of sub committees. When these steps have been progressed the board may wish to consider a session to discuss future strategy.

Finally, the board asked Debbie to thank Margaret Cooney on their behalf for the work she has completed for Local Trust, both whilst she has been on secondment from BIG and whilst she was responsible for Big Local Trust at BIG.

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

26 September 2012

19 December 2012

Investment strategy, Big Local Trust

July 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: 4 July 2012

Interim responsible investment policy, Big Local Trust

Local Trust, acting as the corporate trustee of Big Local Trust agreed to use CCLA's default responsible investment policy as developed with Charity Commission guidance (CC14) in mind, in response to CCLA client consultation as produced for Big Local Trust corporate trustee by Helen Wildsmith, Head of ethical and responsible investment, CCLA.

This policy (as used by the COIF Charities Investment Fund) avoids investment in companies:

- producing landmines or cluster bombs
- with significant (>33%) turnover relating to:
- tobacco
- online gambling
- production of pornography

In addition, remaining companies that continue, after persistent engagement, to violate international and/or industry norms in relation to the following will be excluded (but not before 2013):

- the production or sale of alcohol (end 2013)
- human rights, employment standards and climate change disclosure (beginning 2013).

See also CCLA's response to the UK Stewardship Code for Institutional Investors.

Local Trust, acting as the corporate trustee of Big Local Trust agreed to review this policy annually and to develop it over time with input from a range of stakeholders.

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

Agreed: 4 July 2012