
UK National Advisory Board: Planning Meeting Minutes

Date: 27th April, 1030-1330

Location: 38 Seymour Street, London W1H 7BP

Attendees:

- David Blood (Co-Founder of Generation Investment Management)
- Dawn Austwick (CEO, Big Lottery Fund; former CEO, Esmée Fairbairn)
- Sir Harvey McGrath (Chair of Big Society Capital & Heart of the City)
- Keith Smithson (Managing Director in Treasury at Barclays)
- Nick O'Donohoe (Former Chair of UK NAB, Senior Advisor on Blended Finance to Bill and Melinda Gates Foundation)
- Sir Tony Hawkhead (CEO of Action for Children)
- Tim Farazmand (Chair of BVCA; Managing Director at LDC and Non-Executive of ClearlySo)
- Presenter: Claire Michelet (Acting Head of Social Investment at the Cabinet Office)
- Michele Giddens (Chair, Co-Founder of Bridges Ventures)
- Zoe Burgess (Secretariat, Bridges Charitable Trust)

Apologies:

- Alan Milburn (Chair of Social Mobility & Child Poverty Commission)
- Baroness Stroud (Co-Founder of Centre for Social Justice)
- Helia Ebrahimi (Business Correspondent for Channel 4 News)
- Laurie Spengler (President of Enclude)
- Sacha Romanovitch (CEO of Grant Thornton)
- Saker Nusseibeh (CEO of Hermes Investment Management)
- Active Observer (Tim Kiddell, PM Private Secretary at No. 10)

Minutes

Introduction, Definitions and Vision

- The Chair invited each participant to share the single most important thing they would like the NAB to achieve during the course of their membership. There was consensus around the need for an “authoritative” mapping of the responsible, sustainable and impact investment landscape to provide clarity on how each segment differs and who is playing where. Other requests included: (i) the exploration of a social pension option or other appropriate measure to promote fiduciary involvement, (ii) to anchor the work of the NAB in its fundamental purpose, which is to achieve better outcomes for beneficiaries, (iii) to connect our activities and ambitions with that of the UK-based international development community, (iv) to catalyse retail participation and (v) to frame the promotion of government commissioning for outcomes around prevention, early intervention and improvement of outcomes rather than simply critiquing current practice.
- Bridges “Spectrum of Capital” was perceived to be a useful tool to describe the ecosystem today, but one that could be updated to (i) reflect a direction of travel, for example a convergence of business towards social and vice-versa over time, (ii) remove provocative language and value judgements (e.g., ‘high-impact solutions’ to become ‘measurable impact solutions’), (iii) refine and merge responsible and sustainable categories and (iv) position impact investment as a complement to, not a substitute for, traditional philanthropy.
- The Chair asked participants whether they agreed that the UK may be at a “tipping point” in the evolution of the impact investment sector. Participants agreed this may be the case in terms of the availability of finance, but there was no evidence of a demonstrable increase in the achievement of impact. Evidencing this requires a more systematic and rigorous approach to impact measurement and management, which participants agreed is lacking across the “spectrum”. A participant suggested the UK-based international development community may be a useful source for impact evidence given the scale of its activity and the relatively simpler societal needs it is addressing. Another questioned if underlying demand for capital was developing at a slower pace than its supply.
- One participant noted that the traditional investment paradigm is less well suited to achieve social return the further you move towards the right hand side of the “Spectrum of Capital”. This may be explained by distinct financial return, risk and growth profiles among voluntary and community sector organisations and within smaller charities. The NAB may choose to innovate and create constructs to fulfil those needs, or not, but either way it must not frame impact investment as a silver bullet since such hype will be counterproductive.

Key decisions and/or actions:

- 1. The group were happy to adopt the long-term vision of the Global Steering Group subject to the inclusion of a compelling rationale (articulated as a “because” statement).**
- 2. Participants committed to develop an “authoritative” mapping of the responsible, sustainable and impact investment landscape articulating “what is in” and “what is out”, who plays where and how each segment is set up to achieve outcomes.**
- 3. The group agreed to refine the “Spectrum of Capital” incorporating a direction of travel, removing provocative language and refining and merging responsible and sustainable categories to present at the next meeting of the NAB in June.**
- 4. Participants agreed to (i) clarify what impact investment in its current form is and is not set up to achieve, and (ii) to outline at high level the type of change required to support the achievement of impact at the right hand side of the “Spectrum of Capital”.**

Role and Membership of GSG, UK NAB and UK PC

- The Chair highlighted that one of the primary objectives of the UK NAB is to be a conduit for sharing best practice across the globe. This involves sharing lessons from the UK with other countries, and remaining open to learn from international experience and expertise.
- Participants welcomed the progress towards international consistency and coherency achieved by the Global Steering Group under Sir Ronald’s leadership. A participant noted that it will be important

to maintain the positive momentum once Sir Ronald steps down as Chair, and to support his successor when the time comes.

- The GSG has undertaken a major communications effort together with Weber Shandwick to increase the understanding and appeal of impact investment worldwide. Members of the NAB will have the opportunity to feed into the emergent narratives, content creation and dissemination in due course.

Highlights of activities of GSG and its member countries

- The Secretariat noted the extent and range of market building activity occurring among member states inspired by the recommendations published by the G8 Taskforce. Several relatively newer countries (e.g., Portugal) have developed very rapidly 'piggy-backing' off the learnings of the former group. A few themes have gained particular traction, e.g., (i) SIBs have been implemented, piloted or are in planning in nearly all member states and (ii) the B Corp movement has experienced significant growth from the first certification in 2007 to >1700 B Corps across 50 countries today with a combined revenue of ~\$28B (equivalent to the GDP of Zambia or Estonia).
- The Secretariat shared 10 narratives on impact investing identified by M360 following a detailed analysis of ~60k articles and blog posts across the UK and US between Oct 2014-15. She highlighted that 70% of the narrative landscape was positive and only 18% critical. Positive narratives cite the use of private resources to fund innovative social programmes ('powerful government tool'), a rising momentum behind the opportunity to align money with values ('taking off') and link it to a target demographic ('millennials demand it'). Critical comments focus on the need to improve measurement standards to increase accountability and credibility and voice concern that it is not the solution for all societal challenges, such as those with no revenue model.
- M360 found a significant divergence between impact narratives in the UK and US with 'powerful government tool' skewing the narrative landscape considerably in the UK. This may be explained by the relatively large number of SIBs in the UK and a media bias towards covering SIBs over and above other forms of impact investment.
- Whereas positive narratives may resonate with multiple stakeholders, negative narratives are typically associated with specific audiences and require distinct responses. For example, impact investment should be positioned as a complement, not a substitute, to traditional grant making for philanthropists; investors and entrepreneurs will respond well to evidence of financial returns and growth whereas HNWI are supportive and likely to endorse positive narratives. M360 advises against countering negative narratives with HNWI since it risks priming downsides they have not considered.

Key decisions and/or actions:

- 1. Members of the NAB are invited to join the Plenary Meeting of the Global Steering Group on 7-8th July in Lisbon. This is a voluntary but strongly recommended event offering members the chance to meet international NABs and share best practice. The schedule includes an update on the global communications effort as well as a series of keynote speeches and roundtable discussions. The Secretariat will share logistical information for the event shortly and we encourage you to make travel arrangements as soon as possible.**

Agree framework for work of UK NAB, including our definition of success

Key decisions and/or actions:

- 1. Participants agreed on the framework for the work of the NAB, subject to the inclusion of target outcomes, not just inputs.**
- 2. The group commended the diversity of the NAB, and encouraged the Chair to invest upfront to bring all members on to the same page. The Chair and Secretariat agreed to meet all those unable to attend before the next meeting to share an update and gather their feedback.**

Size and structure of UK responsible, sustainable and impact investment markets

- Participants voiced the need for a high level market sizing and segmentation to (i) understand the market we are seeking to grow and (ii) determine whether it has grown. The group recognised that judgement will be necessary to balance coherence with precision in the light of multiple patchy data sources and agreed that both social and environmentally focused investments should be included. One participant proposed widening the market definition to include impactful investments where

the investor and/or the investee are not explicitly motivated to create impact, as outlined by [Big Society Capital](#). This led the NAB to question the significance of intentionality in the definition of impact investment, which was not resolved.

- The Acting Head of Social Investment at the Cabinet Office informed the NAB that self-identification makes it difficult to precisely quantify the number and size of ‘mission-led’ businesses in the UK. Trends are more insightful than absolute values. The NAB asked whether it was possible to evaluate the organisational forms of these businesses, (e.g., what proportion are CICs vs. B Corps) and Claire agreed to analyse historical survey data and share her findings.

Key decisions and/or actions:

- 1. Participants agreed to develop a UK market sizing and segmentation leveraging Big Society Capital’s work on the wider market and introducing environmental forms of investment. If members are aware of any research on the subject, please reach out to the Secretariat.**
- 2. The Acting Head of Social Investment at the Cabinet Office offered to analyse the growth of self-certified ‘mission-led’ businesses in the UK over the last decade and, if possible, to evaluate its composition by organisational form.**

Extent to which UK has achieved recommendations set by the G8 and former NAB

- The Acting Head of Social Investment at the Cabinet Office updated the NAB on recent government activity relating to 3 high-level recommendations set by the G8 and former NAB:
 - Fiduciary duties of Trustees: government actively endorses the development of a social pension option in the UK and is prepared to revisit pension fund investment regulations and/or guidelines, in particular on stewardship and fiduciary duty as they relate to social investment, if necessary. *Note: this represents a renewed effort since 2015, when DWP held a consultation on the subject and decided not to make any significant changes.*
 - Pay-for-success commissioning: this space has developed rapidly in recent years meaning the government now responds to calls rather than going out to seek opportunities. The partnership with Blavatnik is intended to catalyse local level SIB development working together with intermediaries to grow the market, not to steal share. It is likely to evolve into an independent source of expertise and data on payment-by-results commissioning. A participant noted that ‘payment-by-results’ and ‘pay-for-success’ are equivalent umbrella terms used in the UK and US, respectively, that encompass a range of instruments besides SIBs, many of which are not classified as impact investment.
 - Mission lock for profit with purpose businesses: the government has launched a technical review to better define and quantify ‘mission-led’ businesses in the UK and to understand their barriers to growth. Findings are likely to be published within the next six months, and will include a number of recommendations for government and industry.
- The Chair of the new Dormant Assets Commission informed participants that the Commission is likely to uncover a significant volume of assets and to be granted support from the Cabinet Office to access them. The allocation of these assets is still under question, however, given no commitment by the Cabinet Office to use them to support impact investment and the subject is explicitly out of scope for the Commission. Participants suggested that there may be an opportunity for the NAB to lobby government on this topic.
- A participant highlighted the government’s failure to implement the Social Value Act effectively, citing an absence of any contracts in which the Act had been the determining factor. The individual questioned why this was the case and whether there may be an opportunity to reboot the Act. The Acting Head of Social Investment at the Cabinet Office noted that the Social Value Act was weak, asking Commissioners only to “consider” how to increase the impact of their procurement at the very start of the process. The Social Value Act was the “strongest signal” that government could achieve at the time, but it has been insufficient to drive real behavioural change.
- Another participant queried whether the NAB should be form neutral or form specific on the subject of government commissioning. While it is certain that lobbying will increase the volume of spending on impact investment, the individual questioned whether there was evidence to prove that socially

motivated contracts drive better outcomes in practice. Another participant concurred that it is better to lobby government to focus on impact delivery regardless of who provides it, framing it in the context of better value for money and prevention rather than cure.

Key decisions and/or actions:

- 1. Participants agreed to lobby government to focus on impact delivery, agnostic to the form of delivery, framing it in the context of better value for money and prevention rather than cure.**

What broad themes should be priorities for the NAB over the next 1-2 years?

Key decisions and/or actions:

- 1. The group agreed to adopt the prioritisation framework to help select opportunities for the NAB to work on over the next 1-2 years. A proposal to add ‘that the opportunity has relevance beyond UK markets’ to the “attractiveness” axis was turned down by the group given a preference for the NAB to focus on what was needed domestically.**
- 2. Participants felt that the NAB was not qualified to work on several of the proposed opportunities, such as capacity building and ‘accounting for externalities’. The group agreed to work towards the publication of a short, crisp report in Q1 2017 summarising the UK market context and outlining a number of specific recommendations to different stakeholders to promote its growth.**

Hypotheses for the UK NAB to explore and next steps

- 1. Impact investment is a term that is inconsistently applied, which creates confusion and may risk brand dilution.**
 - Next step: Participants to develop an “authoritative” mapping of the responsible, sustainable and impact investment landscape articulating “what is in” and “what is out”, who plays where and how each segment is set up to achieve outcomes.
- 2. Evidencing outcomes requires a more systematic and rigorous approach to impact measurement and management within organisations across the entire “Spectrum of Capital” to ensure we are able to find out that impact investment does efficiently create target outcomes.**
 - Next step: (i) codification of best practice around impact measurement and management across asset classes and organisational types; (ii) training and talent management to support the development of impact expertise within organisations.
- 3. Addressing the “intermediary challenge” will unlock large volumes of capital for impact investment.** The group noted that it is far easier to raise funds for impact investment when speaking directly with the source of capital rather than going through an intermediary.
 - Next step: Participants to identify obstacles to impact allocation among fiduciaries and identify solutions to address these, looking at examples from the Global Steering Group’s international experience such as the “Fonds Solidaires”.
- 4. The scale and quality of government commissioning for outcomes remains very limited with insufficient policy or other incentives to drive real behavioural change.**
 - Next step: Lobby government to focus on impact delivery, agnostic to the form of delivery, framing it in the context of better value for money and prevention rather than cure.
- 5. The UK impact investment sector has developed independently from the international development community and there is an opportunity to align them to achieve better outcomes.**
 - Next step: Collaborate effectively with the UK-based international development community to share best practice, evidence outcomes and catalyse capital supply into the sector.