
UK Practitioners' Council: Meeting Minutes

Date: 26th May 2016, 0930-1230

Location: 38 Seymour Street, London W1H 7BP

Attendees:

- Catherine Howarth (CEO of ShareAction)
- Cliff Prior (CEO of Big Society Capital, former CEO of UnLtd)
- David Hutchinson, OBE (CEO of Social Finance)
- Edward Siegel (MD of Big Issue Invest)
- James Perry (Entrepreneur and Co-Founder of UK B Lab)
- Jonathan Jenkins (CEO of Social Investment Business)
- Kieron Boyle (CEO of Guy's and St Thomas' Charity, former Head of Social Investment and Finance at the Cabinet Office)
- Matt Robinson (CDC, Former Head of Strategy & Market Development at Big Society Capital)
- Shamez Alibhai (Partner & Portfolio Manager at Cheyne Capital)
- Whitney Thomas (IR Manager at Triodos Bank)
- Active Observer: Claire Michelet at Cabinet Office
- Active Observer: Marie Audren at BVCA
- Active Observer: Lisa Stonestreet at UKSIF
- Active Observer: Andrew Croft at SEUK
- Speaker: Simon Rowell at Big Society Capital
- Speaker: Aine Kelly at Big Society Capital
- Speaker: Camilla Parke at Big Society Capital
- Chair: Michele Giddens (Co-Founder of Bridges Ventures)
- Secretariat: Zoe Burgess (Bridges Charitable Trust)

Apologies:

- Alastair Davis (CEO of Social Investment Scotland)
- Rod Schwartz (CEO and Founder of ClearlySo)
- Jennifer Tankard at Responsible Finance (former CDFA)

Introductions and Highlights of activity from the Global Steering Group

- The Chair welcomed a wider group of participants for the second meeting of the UK Practitioners' Council (PC) and invited all attendees to introduce themselves.
- The Chair updated the group on the global communication work led by Weber Shandwick, requesting feedback on the draft equation "***purpose + profit = impact***". **Participants agreed that each term of the equation must be clear and easy to understand by the public. The words "impact" and "profit" raised concern** since "impact" is often perceived to be concessionary by fiduciaries and "profit" sits uncomfortably alongside pressing social and/or environmental needs for many stakeholders in the UK. Labels obtain value by their usage, prompting the group to suggest simple, positive language like "Good Business, Good Returns", which the public may find more accessible. UKSIF conducted in-depth customer research to support the re-brand of "National Ethical Investment Week" to "Good Money Week" and agreed to share this research with the NAB.
- The group requested that the work of Weber Shandwick be collaborative, not duplicative, with the activities of other platforms such as the GIIN. There was consensus around a need for globally relevant content (which can be picked up, translated and distributed across international platforms) rather than creating a parallel Anglophone platform. The Chair noted that Weber Shandwick is focused on collaborative content creation, eliciting input from the international National Advisory Boards, and agreed to feedback the need for material to be open source.
- The Chair informed participants that the **UK NAB will need to raise money** in order (i) **to fund a small secretariat for the Global Steering Group** over the next 1-3 years to advance the communications work and ecosystem development, and (ii) **to support the NAB to develop its hypotheses** and produce a report by Q1 2017. The sum is likely to be in the **range of £60-90k**. The group were supportive of this idea and proposed reaching out to organisations that have funded the GIIN in the past. Others suggested that personal contributions from members of the UK Practitioners' Council and National Advisory Board would help strengthen any fundraising proposal.

Key decisions and/or actions:

- 1. Feedback comments on the communications work to Weber Shandwick**
- 2. Write a short fundraising brief for the UK NAB to share with potential funders.**

Update from the NAB, including 5 hypotheses to explore further

- The Secretariat requested feedback on the vision for the group (lifted from the Global Steering Group and combined with a proposed rationale): "*measurable impact is embraced as a deliberate driver in **every** investment and business decision to: (i) create **additional** social or environmental outcomes for those in need and (ii) help build a more inclusive and sustainable world*". Participants felt there was a **need to elevate the business case**, highlighting that this is a smart and advantageous thing to do, not simply a matter of good conscience. There was a suggestion that the word "**every**" be replaced for "**core**" (since there will always be outliers) and that "**additional**" be replaced by "**better**" since the former is a technical and poorly understood term. One member suggested that the vision reads better as a mission statement, conveying a means to an end. A more appropriate call to action may be "*Building a just and inclusive economy where all stakeholders are included (not just shareholders)*". This wording will continue to be refined.
- The Chair highlighted a real need for an authoritative mapping of the sector to frame the work of the NAB, and updated participants on 5 key hypotheses the NAB proposed to explore further. These were welcomed by the practitioners and it was noted that many were in keeping with the group's original suggestions. The Chair asked **whether profit-with-purpose businesses should fall within the remit of the NAB**. There was a consensus for their inclusion (for access *not* to subsidised capital but rather for support e.g., with communications, governance structures and impact management). **Participants noted that profit-with-purpose offers a significant opportunity for the industry to bridge traditional capital and social markets, which is vital for all aspects of society.** The Chair agreed to dedicate a subsequent meeting to the subject, and a few participants volunteered to present to the NAB in due course should that be useful.

- One participant noted that the ‘financial intermediary challenge’ and the ‘rise of the profit-with-purpose business’ hypotheses are connected by a demand from individuals to match their money to their values, making not just a profit but also a difference.

Key decisions and/or actions:

1. **Refine the vision and mission statement and iterate with members of the PC and the NAB.**

Update on “authoritative” mapping of the sector

- The Secretariat presented a revised Spectrum of Capital and a **market segmentation including environmental forms of investment in the “core” and wider forms of mainstream investment into mission-driven organisations as part of a “potentially addressable” market**. One participant noted that while the intention of the investor/investee may be possible (albeit not simple) to evaluate, the degree to which meaningful measurement is conducted is very difficult to tell outside-in.
- A participant suggested that public sector spend on social services (not just social infrastructure) be included in our addressable market since the NAB would like to influence these pots of money.

Key decisions and/or actions:

1. **Refine Spectrum of Capital and market sizing and iterate with members of the working group.**
2. **Develop case study library of suppliers/recipients of capital within each segment.**

Hypothesis: Placing impact effectiveness at the heart of public sector procurement

- A participant with experience within the Cabinet Office made the following 3 observations. The overarching lesson for the NAB may be summarised as “**know your audience**”, however this is easier said than done since the government is comprised of many different types of audience.
 1. Everyone was brought into the idea that impact investment offered great opportunities but a **lack of cohesion around what those opportunities were meant that initiatives were not landed as effectively as they could have been**: *“several brilliant ideas were coming to the door at once, bouncing off the frame without getting through”*.
 2. Decision-makers within government vary depending on the precise subject, meaning **itches need to be focused and pragmatic**: *“Very few people wanted to talk about social investment or public sector procurement in a round. They wanted to talk about it within their sector or geography, meaning our pitches often felt too abstract”*.
 3. The vast majority of players are interested in better outcomes, not social sector supply chains or the investor piece. **Framing arguments within the context of better outcomes will be crucial to gain traction and some messages may resonate best if backed by agents outside of the impact investment sector** (like Gus O’Donnell backing the wellbeing agenda).
- The Chair noted a few roles the NAB may play in this area, but challenged the practitioners to consider which ideas are the most appropriate for the NAB to be involved in. The group agreed that there is a **lack of solid evidence in the UK to support the claim that mission-driven organisations deliver better outcomes than traditional private sector providers, which weakens any policy ask**. Participants felt passionately that such evidence must exist due to the alignment between the fiduciary responsibilities of the state and mission-driven organisations (who are incentivised to *create stakeholder value*) in contrast to traditional private sector providers (who are incentivised to *extract short-term value for shareholders*). Building such an evidence base could be very powerful to **create an argument for improved outcomes (today and/or the capacity for improved outcomes tomorrow) & reduced risk**. There may be an opportunity to leverage evidence from US health data.
- One participant highlighted that a country’s culture and history is an important factor shaping its commissioning and procurement practices. The UK had a high level of public service provision which was gradually outsourced with a low proportion going to a relatively small social sector. In contrast Germany outsources 90% of its services to 5 organisations that existed before the welfare state was formed. In the light of this, it may be fruitful for the NAB to evaluate the commissioning and procurement models of countries with a similar size of welfare state, searching for those that are set up to achieve benefit rather than creating highly specified contracts that extract significant opportunities for improvement and innovation.

- There was broad consensus that **procurement is a bigger obstacle to change than commissioning**. Those in charge of procurement are typically very risk averse and demand greater evidence. The result is that bold or innovative commissioning practices often get destroyed in procurement. The group agreed that the NAB could help to shift the dial by building an evidence base around effective procurement and/or by providing a safe harbour for brave commissioners wanting to do things differently. The group agreed that the **Social Value Act does not have teeth during the procurement process** and discussed whether the NAB may be able to lobby government to restrict a portion of outsourced human services to mission-driven providers in order to level the playing field. One participant noted such a change may require legal amendment at the European level.
- Participants interested in the procurement issue were invited to attend a Cabinet Office session on 9 June, which is trying to enable more VCSEs to deliver public sector contracts. Please get in touch with the Secretariat if you are interested to participate.

Key decisions and/or actions:

1. **Build an evidence base to test the hypothesis that mission-driven organisations deliver better outcomes (today and tomorrow) at lower risk vs. traditional providers.**
2. **Reflect on the most appropriate spokesperson to deliver the idea of aligned procurement.**
3. **Articulate the difference between commissioning and procurement, and evidence how existing procurement practices undermine improvement and innovation.**
4. **Evaluate the effectiveness of policy interventions such as the Social Value Act in promoting better outcomes, and propose solutions to address key weaknesses or gaps.**

Hypothesis: Addressing the “financial intermediary challenge” through a UK social pensions option

- 3 members of Big Society Capital joined the Practitioners’ Council to present their learnings from the French “Fonds solidaires” and to share their perspective on what a UK social pension option may look like. This was followed by a discussion of the roles the NAB could play to catalyse change.
- While there are many similarities between the French and UK models, a few key differences were highlighted: (i) **the pool of investable assets for the high impact segment is greater in France than in the UK** (if we consider regulated UK social sector organisations only) since organisations are regulated at the local level in France and eligible based on governance structures rather than social mission and (ii) **the French model relies on participation using discretionary savings whereas the UK encourages individuals to contribute from their primary source of savings for retirement**. This may result in a much lower appetite for risk among UK beneficiaries, and may stall uptake of a social pension option if it is perceived to be concessionary or greater risk than traditional models.
- The idea of a UK social pension option resonated strongly with the group, and Big Society Capital confirmed that there was also an openness within government to engage with the idea. A participant noted that the **French model has entrepreneurial roots before being picked up by government and made into law, suggesting the UK may need to develop something on the ground “to give policy makers something to grab hold of”**. The group discussed whether there may be owners of capital motivated to trial this to differentiate themselves while also providing a case for change. Suggestions included: (i) trialling the option with a subset of corporates starting with Big Society Capital, accessing charity pension funds or endowments, and (iii) targeting The Pensions Trust or a large mainstream pension provider interested in impact investment, such as Legal & General. Finally, the group discussed whether a discretionary savings product may be worth exploring in parallel with a social pensions option.

Key decisions and/or actions:

1. **Help to develop competitive tension on the ground by encouraging a mainstream provider to pilot a social pensions option.**
2. **Explore social savings schemes in parallel with the above evaluating the extent to which mainstream institutions may wish to develop/pilot social savings products (given a higher risk appetite likely with discretionary savings versus primary sources of savings for retirement).**
3. **Evaluate extent to which NAB should lobby government or regulators to make it obligatory for pension fund trustees to evidence they are acting in accordance with the wider interests of their**

beneficiaries, e.g., by asking pension fund holders whether they care about achieving social or environmental outcomes alongside a risk-adjusted financial return.

Next steps and wrap-up

- The Chair thanked the group for an insightful and constructive session and informed participants that key proponents of each hypothesis will be invited to present their ideas to the NAB. The Chair also noted that **working groups would be developed to advance the thinking behind each hypothesis between meetings. She invited participants to volunteer to join these** working groups by getting in touch with the Secretariat after the meeting.