

The Oversight Trust

Meeting of the Directors
at 8-10 New Fetter Lane

21 June 2024 at 9.30am - 12.30pm
BOARD AGENDA

		Presenter	Documents	Timing
1.	Introduction. Apologies. Conflicts. Approval of Minutes, Matters Arising	SE	Draft OT Board Minutes (March) Off-site meeting note (May) Noms & Rems Minutes (March)	10 mins
2.	BSC Deep Dive	RHF/SM	Deep Dive Presentation These docs are in a separate Board Pack	50 mins
3.	Quarterly OpCo Updates <ul style="list-style-type: none">• Access• Youth Futures• F4AF	KD HE DL	Link Director Quarterly Reports These docs are in a separate Board Pack for each OpCo	45 mins
4.	Noms and Rems Committee <ul style="list-style-type: none">• NED Recruitment• Chair Recruitment• EDI• SID Role Description	RB	Shortlisted NED Candidates + Shortlist of Chair Headhunters 2021 EDI Strategy Paper Amended SID Role Description	25 mins
5.	Updates <ul style="list-style-type: none">• OT Review• BSC Quad Review• BS Foundation	AR NP AB	Campbell Tickell Proposal	15 mins
6.	Financials <ul style="list-style-type: none">• OT Group Annual Report• Going Concern Analysis• Quarterly Financials	IH/AB	Related Party Transactions Note to Auditor 1H24 Budget Vs Actual and Full Year projection	20 mins
7.	Risk Registers	IH/AB	High Value Risks Out of Threshold Risks Score Changes Risk Register	10 mins
8.	AOB (Travel and Expense Policy)	SE	OT Travel and Expense Policy	5 mins

Next Board meeting 26 July 2024 (sign-off of Annual Report and Accounts) Zoom call

**Minutes of the meeting of the Board of the Oversight Trust
9:30am-12:30pm 21 June 2024**

In attendance, Board:

Sir Stuart Etherington (SE) Chair
Ian Hughes (IH)
Nicola Pollock (NP)
Kevin Davis (KD)
David Lindsell (DL)
Andrew Rose (AR)
Vicki Thornton (VT)
Jo Fox (JF)
Rob Bell (RB)
Helen England (HE)

Apologies:

Stephen Howard (SH)

Company Secretary:

Alastair Ballantyne (AB)

Better Society Capital (Item 2 only)

Robin Hindle Fisher, Chair (RHF)
Stephen Muers (SM)

1	<p>Introduction</p> <p>The Senior Independent Director introduced the meeting noting apologies from SH. No additional conflicts were declared.</p> <p>The March Board minutes were amended and approved and follow-up actions were noted. The note of the May Away Day meeting was also approved.</p> <p>The Chair arrived during this Item, having been delayed by disruption to trains. Reclaim Fund Chair and CEO had been invited to the meeting but were unable to attend because of pre-General Election purdah rules.</p>
2	<p>Better Society Capital Deep Dive Presentation</p> <p>RHF introduced the Deep Dive, emphasising BSC's desire to be open and transparent. SM reflected on the challenging macroeconomic environment in the last year which had resulted in fund managers struggling to raise capital and, as a result, BSC making fewer investments. BSC now has more investments in the pipeline and expects to invest over £60m in the current year (compared to £44m last year). There are a lot of risks and the valuations of the portfolio can be challenging, but generally speaking, the outlook has improved.</p> <p>He outlined the three key external factors identified in the presentation materials:</p>

- Broadened interest in Impact

More investors are interested in impact and the FCA is trying to establish standards.

- Election and Spending Review

BSC has been actively engaged cross-party in efforts to reflect social investment approaches in policy making and manifestos.

- Social and Environmental coming together.

Joined-up thinking on these issues is helpful for BSC's mission, including opportunities in areas such as community energy.

RHF emphasised the change of tone from last year – reflecting work done with fund managers and BSC is less anxious about the future.

However, as the demand from the market seems to be mainly for full market return rather than where returns are compromised for particular impact or to be catalytic, he sounded a note of caution.

RHF and SM had met Keith Leslie to discuss the Quad Review. The BSC Board had subsequently discussed the process and is enthusiastic to be engaged.

The Strategy Review is underway. It is in its early stages. Previous reviews had reflected other drivers – such as BSC being in its set-up phase and then reflecting the challenges of the Covid era - and so this review is an opportunity to look at things more openly and potentially be more ambitious. While the basic mandate will not be challenged, the way BSC approaches its remit operationally could change. Work done on the review to date by Bain & Co had been very helpful. The timing of the Strategy Review dovetails with the Quad Review and decisions made will reflect the Quad Review outputs.

RHF also referred to the ongoing work to set up the BS Foundation to receive OT's dividends from BSC in the future.

SE asked about whether the BSC model worked for riskier investments and how BSC positions itself in relation to the trade-off between impact and market return. SM said the Board was involved in exploring impact scoring. It is not the case that high impact funds deliver lower financial returns. VT saw the key to be developing evidence of impact to help engage with partners.

AR asked about additionality and SM outline the example of BSC driving up the standard of impact practice in the area of community housing which has enabled them to attract additional investment.

There was a discussion of the Schroders BSC Social Impact Fund which is investing as expected but there is a fundamental problem of raising funds for investment trusts. RHF explained that the while the Trust creates a shop window for the sector it is costly to run and would need to grow to become economic.

KD asked about blended finance and how BSC engages in this area. SM agreed that there is a piece of the market (particularly small-scale loans) that needs blended finance and there is a need to demonstrate how that works. Others, besides Access (including Government or LAs) are required to help support the sector by providing targeted grant funding. There are lessons to be learned from the international development market, such as through the World Bank programmes to provide catalytic investment on a global scale.

	<p>There was a discussion of “total return” and impact weighted accounts. Scoring systems currently are at very early stages of development and can be simplistic.</p> <p>NP asked about the Quad Review and if there were things that came out of the last review that had not been pursued. SM highlighted the challenge of scaling fund managers and building their capability. Building deep impact fund managers from scratch is very challenging and it may be helpful for fund managers to be attached to other, larger organisations to make them less fragile.</p> <p>The Ten Lessons Learned document was helpful in demonstrating thought leadership. Since the last Quad Review SM believed that BSC had made a lot of progress on looking at the investment process.</p> <p>HE was encouraged by the level of stakeholder engagement, and SM said a stakeholder survey would be shared with OT in the context of the Quad Review. SM also outlined how BSC’s strategy could only respond to policy changes in the immediate aftermath of the election – but policies will necessarily continue to evolve over time.</p> <p>AR asked about staffing in the Investment Team. SM outlined BSC’s hiring approach. There is currently demand from mainstream finance for people with impact experience so BSC’s culture is an extremely important part of its approach to staff retention.</p> <p>IH asked about BSC’s relationship with its minority shareholders. RHF was pleased with the engagement of the new Bank Appointed Director who is in close contact with his colleagues from the other shareholder banks. Lloyds is very engaged with BSC through the CDFI fund.</p> <p>SE updated BSC on OT’s review of its own processes and will be asking BSC for input.</p> <p>The Board reviewed the presentation and discussed the political context and engagement of policy makers in social investment. NP mentioned that devolution is also a key issue.</p>
3	<p>Access</p> <p>KD outlined the challenge for Access of potentially losing both of its job-sharing FDs this summer.</p> <p>Access is considering a redesign of its website.</p> <p>The delay in Dormant Asset funding which had been expected in September was a concern to Access and also to progressing with the establishment of Pathway. (KD and AB had discussed with Seb Elsworth issues around the governance structures that would be required.)</p> <p>Access has responded very swiftly to many of the recommendations of the Blue Jay Governance Review, including the formal appraisal of the CEO and work on developing a risk appetite policy. Some issues, such as developing a value for money test for completed projects, have not yet been actioned.</p> <p>SE reminded that OT needs to report back to DCMS on follow-up to the Blue Jay recommendations highlighted in the Governance Review letter.</p>

AB mentioned that SEI had circulated a message for political parties outlining issues related to Dormant Assets policy that had been created with input from the other OpCos. The message reminds policy makers that Dormant Assets had always enjoyed cross-party support and as the uses of funding had been widely consulted on, it would be unhelpful if funding allocations were delayed by further review. **[ACTION: AB to circulate this letter to OT Board - DONE.]**

Youth Futures

HE outlined YFF's strategy refresh including the possibility of engaging with delivery of Mental Health initiative linked to Youth Employment.

She also highlighted some of YFF's recent successful Comms initiatives.

The "Youth Guarantee" in Labour's manifesto is a helpful development.

Progress is being made with employer engagement with trials in practice areas such as anonymised recruitment. They have engaged with BITC and are also working with CIPD, both initiatives have helped to build their profile with employers.

The Chair and CEO are both very positive about the contribution of new Board members and the Board dynamic, with external consultants working with them on Board development. HE will observe a future Board meeting.

NP asked if OpCos were just for Dormant Asset funded activity or whether they could be used for other things? AR asked if money came from elsewhere, would that affect the role of OT or not? There are clear implications for OT about YFF's strategic discussions and OT should be kept informed. **[ACTION: AB to contact YFF to raise this issue – DONE]**

Fair4All Finance

DL outlined plans for CEO recruitment. SE, AB and DL provided input to the head hunter working on the search.

He had recently had a meeting with Kate Pender (Joint Deputy CEO) and Sacha Romanovitch (CEO) – much of the discussion was about deployment which was well behind budget (1Q24 £19m budgeted but only £5m committed and less than £3m actually deployed). The budgeted deployment for the full year is £62m.

F4AF cited a range of factors to explain the shortfall. In essence, F4AF sees these as teething problems that are now largely resolved.

The major challenge for F4AF is engagement with the major UK banks which could involve the banks needing to fundamentally re-think their credit risk strategies. It was noted that the General Election could mean there is greater opportunity for F4AF to engage politically to put pressure on the banks to address this.

F4AF rates its progress with its strategic priority of increasing affordable lending as green and gives amber ratings to its other two strategic priorities (partnering with banks and financial service providers and developing the market to consistently provide products).

It was noted that OT has not yet seen the F4AF staff survey. **[ACTION: DL to follow-up]**

4	<p>Nominations and Remuneration Committee</p> <p>Board Recruitment</p> <p>RB updated the Board on the recruitment process for a new NED with impact evaluation experience. Through contacts and networks, seven candidates had applied and four were shortlisted by the Noms and Rems Committee to be interviewed by them on 28 June. The interviews will be done by tele-conference calls.</p> <p>The candidates were reasonably diverse and had a wide range of experience.</p> <p>The new Board member, once selected, could join after taking references, possibly in the summer.</p> <p>Chair Recruitment</p> <p>The working group (and interview panel) has been established as RB, NP and JF.</p> <p>The process will include NP feeding back comments from her one-on-one meetings with the Board in July that will cover questions on both Chair appraisal and Chair recruitment.</p> <p>The Working Group plans to approach head hunters in late summer with a Job Description and Person Specification that will be shared with the Board. Interviews will be scheduled after Christmas with a target of hiring in March/April to give a period of overlap with the current Chair to shadow him before taking over the role at the July 2025 Board meeting.</p> <p>SE suggested there needed to be sufficient time built-in to the process in case the head hunters failed to find someone appointable at their first attempt and needed to try a second time. DL highlighted that it would be a challenging role to fill, given the unusual nature of OT as an organisation and its mission.</p> <p>HE asked about sense checking the time commitment involved in the role, pointing out that, in her experience, it is often underestimated.</p> <p>Next steps, the Panel will meet to discuss head hunters and details of the recruitment process. [ACTION: arrange meeting on 26 June - DONE] AB to circulate the Chair Role Description and Person Specification by the end of July. [ACTION: AB]</p> <p>SE reminded the Board that DCMS would need to be able to work with the new Chair and so the name of the selected candidate would need to be passed by them before appointment.</p> <p>Equity, Diversity and Inclusion</p> <p>Following-up the session at the last Board meeting, EDI strategy was discussed. Having been part of the working group that previously produced the original OT Strategy, HE felt it was time to look at it again to update the statement and agree actions to take it forward. It was agreed that the approach needs to be developed and implemented.</p> <p>SE suggested going back to Karl George to ask how he could help with this project to sharpen-up policies and develop levers we need in the context of the Chair recruitment process.</p> <p>It was noted that Karl George’s presentation showed that he came from a governance background and had an appreciation of the issues for OT.</p> <p>[ACTION: AB to produce a ToR for the Working Group (HE, RB and KD) and ask Karl George what services he can offer to assist the group and the Chair recruitment process (eg look at role description and wrap around how we approach the Chair hiring process)].</p>

	<p>Senior Independent Director The revised SID Role Description was approved.</p>
5	<p>Updates</p> <p>OT Review SE led a discussion of the planned Review process.</p> <p>JF was encouraged by the statement in the proposal from Campbell Tickell that referred to the questions that had been raised being about transactional processes and that it would also be helpful to understand what it is that contributes to effective working relationships and a spirit of candour between the OpCos and the Trust.</p> <p>AR highlighted the timeline – which he thought worked well. SE wanted new processes to be in place before he leaves so that the incoming Chair can see how the processes are developing.</p> <p>DL thought that the Role of Directors need to be clarified in legal terms with a clear dividing line between OT’s responsibilities and those of the OpCos’ Boards.</p> <p>It was noted that it would be helpful for OT to work with someone who is already familiar with OT’s current practices.</p> <p>The Board was reminded that the working group looking at this comprises AR, RB and HE.</p> <p>The Board approved proceeding with Campbell Tickell’s proposal.</p> <p>BSC Quad Review NP updated on the BSC Quad Review which had just had its kick-off meeting with Keith Leslie on 20 June. It was encouraging that BSC is setting-out strategic questions to ask us.</p> <p>BS Foundation BSC and the OT working group (AR, IH, DL and VT) had responded to a Questionnaire from Bates Wells (BW) to enable them to proceed with drafting governance documents. BW had raised the issue of how to frame the Objects if the foundation were to be a charity which was challenging because social investment is not a charitable activity. The Board agreed that for tax reasons, and as a sign of independence, the foundation should be a charity if this was possible.</p> <p>[ACTION: AB to follow-up with BW - DONE]</p>
6	<p>Financials</p> <p>Annual Report and Accounts IH and AB updated the Board. PwC has just started reviewing documents for the audit. DL had raised issues about expanding the Group aspects of the Report (OpCo performance and s172 Directors’ Responsibility Statement). The Directors’ Responsibility Statement was discussed with IH explaining how OT complies with the requirements although, as VT</p>

	<p>pointed out, this was not in the traditional sense for the parent company with operating subsidiaries in a normal group structure.</p> <p>AB reported that he received a helpful email from the PwC Audit Manager confirming that there were no immediate problems that the Board should be alerted to.</p> <p>The Board confirmed they had reviewed the disclosure of conflicts.</p> <p>Going Concern IH explained the Going Concern materials which were reviewed. The Board agreed the materials and that the OT Group is a going concern.</p> <p>Quarterly Financials AB presented the quarterly financial information provided to the Board.</p>
7	<p>Risk Registers AB noted the risks that had changed since March:</p> <ol style="list-style-type: none"> 1. Probability of loss of OpCo Personnel risk had increased. 2. The chance of there being policy change in relation to Dormant Assets allocations had increased with the announcement of an earlier than anticipated General Election. 3. Risk of there being a lack of impact expertise on OT Board was less likely with the current recruitment of a new NED to cover this. <p>It was noted that the Chair transition is coming next summer but has been anticipated and is appropriately reflected in the register.</p> <p>There was a discussion about whether it was possible to close the gap for all risks outside the Board’s appetite or if there are some risks we cannot do anything to actively address.</p> <p>JF raised the key person risk for AB, and that reference should be made in the register to the fact that he had prepared handover materials. [ACTION: AB to add reference to the Risk Register]</p>
8	<p>AOB</p> <p>The Board agreed that the OT Travel and Expense Policy should be re-worded to reflect the rise in hotel prices in the last couple of years (since Covid). Rather than a specific price limit, it was agreed that the policy should refer to the prevailing cost of rooms at budget hotel chains such as Premier Inns and Board members should strive for a competitive price. [ACTION: AB]</p> <p>It was noted that train prices could be very unpredictable.</p>

Next meetings: 26 July 2024 11:00am -12:30pm Extraordinary Meeting of Directors and Members to approve the 2023 Annual Report and Accounts (tele-conference meeting).

ACTION LOG

Item	Action	Owner/Status
3	Circulate letter outlining OpCo pre-election messaging to Political Parties	AB - DONE
3	Ask YFF to keep OT informed of any changes to its remit	AB - DONE
3	DL to request F4AF Staff Survey results	DL
4	Meeting of Chair Recruitment Working Group	DONE
4	Circulate draft Chair role description and Person Spec	AB - Done (Board papers)
4	EDI working Group ToR	AB - Done (Board papers)
4	Contact Karl George (RSM) for EDI advice proposal	AB – Done
5	Follow-up with BW on BS Foundation Objects	AB – Done
7	Add reference to handover manual to Risk Register	AB – Done
8	Amend OT Expense Policy	AB – Done (Board papers)