

The Oversight Trust

Meeting of the Directors
at 8-10 New Fetter Lane

27 September 2024 at 9.30am - 12.30pm
BOARD AGENDA

1.	Introduction. Apologies. Conflicts. Approval of Minutes, Matters Arising	Presenter SE	Documents July EBM Minutes
2.	Reclaim Fund Presentation	Lawrence Weiss, Chair Adrian Smith, CEO Taryn Cornell, Chief of Staff	Presentation
3.	Quarterly OpCo Updates <ul style="list-style-type: none">• Youth Futures• F4AF• BSC	SO/BS RCK/Kate Pender RHF/SM	OpCo Quarterly Reports These docs are in a separate Board Pack for each OpCo
4.	Access Deep Dive	SEI Kate Kuper, Chair of Audit Committee	Deep Dive Presentation These docs are in a separate Board Pack
5.	Board Discussion of OpCo Updates	SE	
6.	Updates <ul style="list-style-type: none">• Chair Recruitment• Dormant Assets Gov Review• BSC Quad Review• OT Review (Campbell Tickell)	RB SE/AB NP/AB AB	Draft DA Charter doc - OT Responsibilities
7.	Board and Chair Appraisals	SE/NP	Summary of Board and Chair Appraisals
8.	Quarterly Financials	IH/AB	3Q24 YTD Budget Vs Actual and Full Year projection
9.	Risk Registers	IH/AB	High Value Risks, Out of Threshold Risks, Changes, Risk Register
10.	AOB	SE	

Next Board meetings:

BSC Quadrennial Review (Zoom call) on 6 December 2023, 8:30-10:00am

Quarterly Board meeting on 18 December 2024, 9:30-12:30pm (YFF Deep Dive)

Minutes of the meeting of the Board of the Oversight Trust
9:30am-12:30pm 27 September 2024

<p>In attendance, Board: Sir Stuart Etherington (SE) Chair Nicola Pollock (NP) Ian Hughes (IH) Kevin Davis (KD) David Lindsell (DL) Andrew Rose (AR) Vicki Thornton (VT) Jo Fox (JF) Rob Bell (RB) Meera Craston (MC)</p> <p>Board Apologies: Helen England (HE)</p> <p>Company Secretary: Alastair Ballantyne (AB)</p>	<p>Better Society Capital (Item 1-3) Robin Hindle Fisher, Chair (RHF) Stephen Muers, CEO (SM)</p> <p>Fair4All Finance (Items 1-3) Kate Pender, CEO (KP)</p> <p>Youth Futures Foundation (Items 1-3) Seyi Obakin, Chair (SO) Barry Fletcher, CEO (BF)</p> <p>Access (Items 1-4) Kate Kuper (KK), SIT designate Seb Elsworth (SEI), CEO</p> <p>Reclaim Fund Ltd (Items 1-4) Lawrence M Weiss, Chair (LMW) Adrian Smith, CEO (AS) Taryn Cornell, Chief of Staff (TC)</p> <p>Other Apologies: Richard Collier Keywood, Chair F4AF (RCK) Nick Hurd, Chair Access (NH)</p>
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1	<p>Introduction</p> <p>The Chair introduced the meeting welcoming MC as a new Director and noting apologies from HE. He welcomed the OpCo Chairs/CEOs and the representatives of the Reclaim Fund (RFL) who were invited to join the meeting to present on their activities and observe the OpCos' presentations.</p> <p>The July Board minutes were approved and follow-up actions were noted. No additional conflicts were declared.</p>
2	<p>Reclaim Fund Presentation</p> <p>LMW introduced the presentation. He emphasised the importance of governance in the Dormant Asset Scheme to provide comfort to the participants. AS outlined the history of RFL which he had been involved in establishing in 2010.</p> <p>RFL's priority is the reunification of funds with their owners (and it was noted that claims can be made in perpetuity) and then optimising how much money can be distributed to good causes. He emphasised that financial services companies participate on a voluntary basis.</p>

After originally being set-up by the Co-op Group as a private sector body, RFL became an Arms-Length Body of HMT (with DCMS as policy co-owner) in 2019, which had significant ramifications. RFL continues to have an independent Board and is regulated by the FCA.

He outlined the Alternative Scheme for smaller organisations which benefits targeted (often local) causes.

Overall, the Scheme has now made over £1 billion available for distribution.

He outlined the relationship with stakeholders, including those in the room, and emphasised the huge number of accounts involved in the Scheme (many with very small balances). While RFL has data provided by the Scheme participants, the underlying client information (including personal data) is kept and managed by the participating financial institutions. RFL therefore does not have the same duties to consumers, which would be very burdensome. The agreements with banks are very standardised and straight forward. (He saw this would also be the case for other financial services participants under the expanded Scheme.)

The Scheme is attractive to financial services firms as (unlike donating to a foundation it owns) the money moves off balance sheet and the liability for it is extinguished. Also, the institution is seen to be supporting good causes, thereby bolstering its ESG credentials.

While banks continue to contribute, following the 2022 DA Act the Scheme is expanding with Insurance (Aviva and L&G are already signed-up), securities (which is slow to take off) and investments and wealth (which still have some legal challenges to overcome).

RFL invests the money it holds very carefully in a portfolio of high quality assets including BoE deposits (which pay Base Rate).

IH asked about projections for the Expanded Scheme. AS suggested that the original estimate of £880m was arrived at through a bottom-up assessment and, while realistic, could materialise over a longer period than had been originally expected. A larger than expected amount of £143m was made available from banks last year and it is estimated that £350m will be available for England in the period 2025-2028 from all assets (including the banking scheme).

DL asked about RFL's reserves and reclaim experience. AS outlined how, since inception, the RFL retention rate had fallen from 80 to 40% (reflecting FCA requirements and actuarial estimates). LMW highlighted an anomaly in the FCA's Internal Capital Guidance for RFL, which requires more capital in a high interest rate environment. RFL is working with FCA on a proposal to address this.

SM asked whether RFL had considered investing some of its reserves in impact funds. AS responded that, in the past, the RFL Investment Committee had looked at impact investing but had considered it too risky. SM suggested it would be worth further consideration given the development of the market. **[ACTION: SM to follow-up on this point with RFL.]**

3

Youth Futures

SO outlined three key issues:

1. Plans for developing the new Board;
2. An External Board effectiveness review by Beevers and Struthers (who will be also appointed internal auditors) to be done by the end of year; and
3. The strategy refresh.

BF updated that the Board had approved the new strategy (a draft of which had already been shared on a call with HE, SE and AB). The OT Quad Review had provided helpful input particularly on long-term impact. The strategy sets an overarching goal for UK to have the lowest NEET rate in the OECD and remove gaps in participation for marginalised young people.

As well as defining targets, the strategy focuses on key audiences and “path to impact”.

The possible change in government had meant there had been a need to make the issue of youth unemployment more prominent to policy makers prior to (and post) the Election. Initiatives included working on a Youth Employment Outlook report with the BBC, who filmed grantees, which, when broadcast, drove engagement and achieved considerable reach. The Youth Guarantee idea was picked up in the Labour Party Manifesto.

Subsequently, the PM at the Labour Party Conference spoke about “eradicating youth unemployment”.

Work needs to be done on linking Government’s stated targets in a sustainable way, without unintended consequences.

SE highlighted the engagement in the strategy of addressing mental health in the context of youth employment.

KD asked about recent events to launch and expansion of Connected Futures programmes in Walsall and in West Yorkshire targeting Bangladeshi and Pakistani communities. BF emphasised the long-term nature of the commitment (4 years) for those projects. The programmes are working with employers on the discrimination minoritised communities face.

On mental health, YFF is linking into the health system (including NHS) and commissioning a report (with Manchester University) looking into the reasons for the rise in youth mental health issues.

There was a discussion with RFL of how interested financial services firms participating in the DA Scheme were in the various themes. AS reflected that while there is an obvious connection for the banks with the issue of financial inclusion, he saw youth unemployment as being the next of the defined causes of most interest.

The issue of how to most effectively communicate impact to participants was explored.

F4AF

KP introduced herself. While she is the new F4AF CEO, but she has been involved with F4AF for a number of years, joining as it was being established.

Following the earlier discussion of the new Government, its commitment to a financial inclusion strategy is a very exciting opportunity for potential change.

F4AF saw an opportunity for a strategy recalibration looking at the detailed Theory of Change presented a couple of years ago, during a previous more comprehensive strategy refresh, to emphasise areas that may now be do-able given the change in the political landscape.

Pace continues to grow for F4AF to invest under the Community Finance Resilience Fund and Cost of Living Fund including work on approaches to structuring capital for credit unions (which has proved to be very challenging).

The F4AF financial inclusion conference in the summer had been well attended.

Unfortunately, lease negotiations on their office space at Toynbee Hall have fallen through. It was noted that BSC/Access and OT were in the process of moving to offices near Old Street in March 2025 and it could be worthwhile following-up conversations with BSC on their arrangements. [ACTION: F4AF to connect with BSC Operations Team.]

DL emphasised the challenge of getting money out of the door following the drawdown of £90m of DA funding from NLCF at the end of 2023. KP outlined F4AF's frustrations in connection with £30m Cost of Living funding and £15m for Community Finance and the challenges around getting commercial deals done with structuring and legal requirements which can take a long time to negotiate. She saw F4AF now being in a much better situation to make progress in delivering investments.

BSC

RHF touched on four themes:

1. Approaches to addressing criticism of BSC being too London-centric;
2. After serving a full term, Kieron Boyle will be leaving the Board in June;
3. Quad Review process is progressing smoothly; and
4. BSC's Strategy Review will reflect Quad Review findings.

SM outlined that a half year valuation exercise had recently been done and BSC is now projecting slightly better results for the full year compared with forecasts made earlier in the year.

This reflects the social investment portfolio performance ahead of, but Treasury behind, expectations.

In terms of progress against strategic goals, the overarching goal of doubling the size of the social investment market had been achieved by the end of 2023 (two years early).

Fund raising for the Schroders BSC Social Impact Fund had not been possible given market conditions but, of the other 18 underlying indicators, 12 are green, 5 amber and only one is red.

There was encouraging engagement with the new Government and HMT on Outcomes Contracts (with a helpful contribution from Gordon Brown). Also, there are helpful conversations about renewables and community energy.

A new CFO (Andrew Yuill) has been appointed. David Burndred (former CFO) is continuing as a two day a week consultant during a handover period.

VT asked about the new Government's policies around philanthropy and access to more potential seed financing. From BSC's perspective, foundations have shown a growing interest in social investment for their endowments. TC commented that DCMS has a new

	<p>philanthropy team under the same Deputy Director as Social Investment team and Dormant Assets team.</p> <p>There was a detailed discussion of the approach to the trade-offs between strategic goals in the strategy refresh (developing BSC’s approach to targeted impact investments and growing market as a whole) and the approach being taken by BSC to define the specific outcomes it will be looking to achieve.</p> <p>RHF commented that the reaction to BSC’s name change had been very positive, both internally and externally.</p> <p>KK asked about BSC’s convening role and SM responded by providing examples of where this had been done in areas where there is a communality of approach.</p> <p>SE reminded the OpCos that OT is reviewing its processes and that Campbell Tickell will be contacting the OpCos for their input during October.</p> <p>BSC, YFF and F4AF representatives left the meeting.</p>
4	<p>Access Deep Dive</p> <p>SE welcomed KK as the SIT designate for Access. NH had sent apologies but a chair-to-chair catch-up with SE had been scheduled for the following week.</p> <p>SEI reviewed the documents that had been provided for the meeting and presented Access’s 2024 Strategy Refresh.</p> <p>The Strategy Refresh had been kicked-off in Spring 2023. Access wanted to articulate its role in relation to the System Change it wanted to achieve.</p> <p>The Overview summarises Access’ mission. He contrasted Access’ role with that of BSC with Access focusing on what charities’ and social enterprises’ capital needs whereas BSC has a broader role in growing the market for social investment more generally.</p> <p>The investment ecosystem was analysed from three perspectives: access to markets; access to capital; and access to knowledge and support.</p> <p>The challenges across the ecosystem were identified and detail provided on how these issues are being addressed by Access.</p> <p>He outlined Access’ “vision for the ecosystem” to provide resilient providers of capital for the sector with a co-ordinated offer and Access’ role within the ecosystem.</p> <p>He referred to the detailed Theory of Change slide and emphasised the need for clear KPIs combined with indicators that Access is on path to achieving its vision.</p> <p>Access’ three levers of change were outlined: providing funding; sharing data and insights; and mobilising others in three ways: broadening and deepening of access to blended finance; enterprise grants; and investing endowments for impact.</p> <p>He outlined how the KPIs that have been developed will be presented to the Access Board as a dashboard and provided examples of how this would work in practice.</p> <p>There is also a dashboard of broader programme performance published every quarter on Access’ website.</p> <p>He emphasised the issue of geography, with data demonstrating that Access’s investments were well distributed around England (with the North West having the most engagement). Chart also demonstrated Access’ engagement in deprived communities.</p>

The statistics show that deployment has been increasing significantly (with a target of roughly £10m per quarter) and reflecting that Access mainly supports smaller charities with debt products.

In addition to commenting on the data available on Access's programmes, he spoke of work and analysis they are doing on the resilience of intermediaries.

He referred to Access' EDI strategy and how the EDI objectives are tracked.

The Access Board had had an extensive discussion on risk appetite and how this is being assessed in relation to the five areas of the new strategy. The risk register will be revamped for the next ARC meeting in November.

He outlined the key points of his update to the Access Board:

1. Focus on clarifying communications around Access's role;
2. Refreshing messaging, website and publishing an impact report;
3. The delay in the decision on the next round of Dormant Assets is becoming a significant issue for partners;
4. Comprehensive approach to developing networks, including reaching new investors; and
5. Practical actions following Board and staff reviews.

KK referred to the positive conclusions in the Blue Jay Governance Review – and the follow-up Access has done to respond to the recommendations therein.

She also spoke to the Board's engagement on risk and the increased focus on the resilience of intermediaries.

There has been a reallocation of Board responsibilities with Sue Cooper taking over as Chair of ARCC and KK taking over as SIT from Martin Rich in early 2025.

There had been Board discussion of the skills needed for two new Board members and how this would be reflected in the Board recruitment process.

The leadership team has become more integrated and strengthened. There is a new Director of Finance and Operations (FD), Mel Palmer.

SE acknowledged Access' the helpful response to the OT Governance Review letter.

KD asked about staff changes and if there were lessons to be learned. SEI outlined the charitable background of the new FD who had had a handover period with her predecessor. More resource to support the FD is planned after she has settled into her new role.

KD also asked about Pathway. SEI reported that Pathway has now appointed a Board and that he continues to be on their Advisory Board. It is now running a few pilot programmes. Access will support Pathway in its mission to build the capacity of social investment for minority led enterprises. While Pathway will not be an OpCo, it will be supported by DA funding from Access.

The governance mechanisms for Access in relation to Pathway are being worked on – to give them more flexibility than other intermediaries and to effectively manage risk.

RB asked about the ambition of the mobilising work, in particular some of the challenges in relation to foundations and supporting enterprise. It was noted that foundation grants officers have powers to steer charities into poorly thought-through enterprise initiatives. SEI outlined consideration of how grant funded organisations can navigate their approach to assessing revenue models. He suggested that there is a critical distinction between grant

	<p>funders who typically support a specific project whereas social investment typically is intended to provide support to the whole organisation.</p> <p>AB asked about the Total Impact approach to Treasury investment in light of the default of the Thera Trust bond. SEI said he remained confident in the performance of the portfolio that he believed that the Total Impact approach was right for Access and noted that they had exceeded investment return benchmarks.</p> <p>MC was encouraged by the maturation of Access' approach to recognising impact.</p> <p>IH asked about the question of what had been decided about aligning of the dates of the Management Accounts with the Statutory Accounts. SEI explained that as reporting for the DCMS Grant Agreement runs to the end of March, the Board had agreed to stick with the current reporting cycles.</p> <p>JF asked about Access' networking activity and peer to peer learning. SEI and KK outlined how this activity had developed and how it could be grown as the market matures and if resources are available.</p> <p>LMW asked about the mechanics of the social investment in Fat Macy's, a social enterprise that had hosted an event for RFL following a recent Board meeting. SEI explained that the investment was done through BII as an intermediary that is supported by a grant from Access.</p> <p>RFL and Access representatives left the meeting.</p>
5	<p>Review of RFL and OpCo Presentations</p> <p>There was a Board discussion issues raised in the RFL and OpCo presentations.</p>
6	<p>Updates</p> <p>Chair Recruitment</p> <p>RB updated that Gatenby Sanderson (GS) had been selected to perform the Chair search. The Job Description and Person Specification had been reviewed by Karl George (RSM) to highlight any EDI issues.</p> <p>RB reviewed how the head-hunter selection process had been done.</p> <p>GS will prepare for the search in 4Q24 and launch it publicly in January targeting recruitment by April. SE will be stepping down at the end of July so, if the initial search is unsuccessful, there should be time for a relaunch.</p> <p>DA Governance Review</p> <p>AB had shared with the Board the section of the draft DCMS DA Charter that described the role and responsibilities of OT and the comments he had provided to DCMS.</p> <p>AB explained that when the new OT Governance arrangements were established in 2019, a key issue had been maintaining OT's independence from Government, so it was important that the document reflects the wording of the legal agreements between parties, rather than what could be subsequently arranged informally.</p> <p>Reference was made to the OpCo CEOs' introductory meeting with the new Minister responsible for DA, Stephanie Powers, the previous week.</p>

	<p>BSC Quadrennial Review</p> <p>NP updated that the Quad Review had kicked-off on 9 September with internal BSC interviews. She highlighted the contrast of the enthusiastic tone of BSC engagement this time with the last review four years ago.</p> <p>There is clearly a core tension between OT’s objectives of market building and high impact investing which Keith Leslie (leading the Review) has commented on and he has shared some initial thoughts (under headings of: Impact; Sustainability; Engagement; and Organisation).</p> <p>The OT Quad Review Team will have its first catch-up call with the Panel on Monday 30 September.</p> <p>RHF had asked if the Panel could present to the BSC Board on its draft Report findings at its meeting on 5 November and also if Claire Brown could present to a broader BSC group (including employees) specifically on the question of engagement with investees, which continues to be an issue (power imbalance).</p> <p>It was emphasised that the Panel is independent and OT’s role is not to steer its conclusions.</p> <p>OT Review of Processes</p> <p>AB updated that Radojka Miljevic (Campbell Tickell) had conducted her internal interviews with the OT Board and would be following-up with OpCos, NLCF and DCMS interviews in October.</p> <p>She is framing the discussion as where the role of OT should land on the spectrum from Advocate to Protector to Regulator.</p> <p>The consensus from the conversations with OT Directors was that the OpCos should be prepared to provide more standardised reporting (dashboard); there should be a review of how issues are escalated; and further consideration of the role of the Link Directors.</p> <p>SE emphasised there would have to be a conversation/negotiation with the OpCos around any changes as they would need to be agree by them.</p>
7	<p>Board and Chair Appraisals</p> <p>SE noted that the Board review had been circulated and there had been a discussion of the Chair role at the last Board meeting.</p> <p>The Board and Chair Review reports were formally circulated at this meeting and the conclusions noted.</p>
8	<p>Quarterly Financials</p> <p>AB updated on the 3Q24 financials which show OT operating within budget and projected to do so for the full year.</p> <p>The main overspend is in Financial Management costs, reflecting that the transfer of the audit from KPMG to PwC which had involved costs with OT’s accounting advisers (RSM) having to do a lot more work (there were seven drafts of the document compared to three last year). There is also additional cost related to co-ordinating Carbon Reporting for the Group companies for the 2024 consolidated accounts.</p>

<p>9</p>	<p>Risk Registers</p> <p>There was a discussion of the registers.</p> <p>IH raised the issue of data risk.</p> <p>AB explained that OT had received a Subject Access Data Request from a former OpCo employee. OT has done a thorough search and, working with Bates Wells, has produced OT’s response.</p> <p>IH suggested that the current risk level should be maintained at 3 rather than increased because the risk of this happening again had not increased. This was agreed. [ACTION: AB to reflect in the Register.]</p> <p>There was also a question about whether possible actions resulting from the DCMS Review of Dormant Assets Oversight (Oliver Wyman Report) were a negative risk or rather an opportunity for OT to assume more powers and be more sustainable (including helping to address key person risk)?</p> <p>IH also commented that the Actions column on the Register tended to be too backward-looking and should rather reflect future actions to be taken to address the risk.</p>
<p>10</p>	<p>AOB</p> <p>AB to circulate to the Board the Register of Interest for update. [ACTION: AB]</p>

Next meetings: 06 December 2024 11:00am -12:30pm Meeting of Directors to review Quadrennial Review.

ACTION LOG

Item	Action	Owner/Status
9	Amend Risk Register Data Risk	AB/DONE
10	Circulate Register of Interests	AB/DONE