

The Oversight Trust

Meeting of the Directors
at 8-10 New Fetter Lane

30 June 2023 at 9.30am - 12.30pm
BOARD AGENDA

1.	Introduction. Apologies. Conflicts. Approval of Minutes, Matters Arising	Presenter SE	Documents 24 March Board Minutes and 10 May off-site meeting notes	Timing 15 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">• Youth Futures• F4AF• Access	HE AR KD	Link Director Quarterly Reports These docs are in a separate Board Pack for each OpCo	45 mins
4.	Strategic/Governance Issues: <ul style="list-style-type: none">• YFF Articles• OpCo Funding• BS Foundation	AB AB AB	Explanatory note and Marked-up Articles Draft BSC Grant Letter Bates Wells Advice	20 mins
5.	Updates <ul style="list-style-type: none">• Dormant Asset (Gov Review and Aviva Announcement)• YFF Quad Review• OT Annual Report• Board & Chair Appraisal	SE/AB NP IH/AB SE/NP	CVs of New Panel Members Going Concern Language	25 mins
6.	Quarterly Financials	IH/AB	1H23 Budget Vs Actual and Full Year projection	5 mins
7.	Risk Registers	IH/AB	High Value Risks, Out of Threshold Risks, Risk Register	15 mins
8.	AOB	SE	Complaints and Whistleblowing Policy	5 mins

Next Board meeting 28 July 2023 (sign-off of Annual Report and Accounts) Zoom call

Minutes of the meeting of the Board of Oversight Trust
9:30am-12:30pm 30 June 2023

<p>In attendance, Board: Sir Stuart Etherington (SE) Chair Ian Hughes (IH) Helen England (HE) Andrew Rose (AR) Nicola Pollock (NP) Kevin Davis (KD) Clara Barby (CB) (by video conference) David Lindsell (DL) Vicki Thornton (VT) Rob Bell (RB) (by video conference from Item 2) Stephen Howard (SH)</p> <p>Company Secretary: Alastair Ballantyne (AB)</p> <p>Apologies: Jo Fox (JF)</p>	<p>OpCo attendees: Big Society Capital (Item 2 only) Robin Hindle-Fisher, Chair (RHF) Stephen Muers, CEO (SM)</p>
---	--

1	<p>Introduction</p> <p>The Chair introduced the meeting noting apologies from JF and that RB would join the meeting at 10am. No additional conflicts were declared. The minutes of the 24 March Board meeting and the notes of the 10 May off-site meeting were approved as an accurate reflection of what was discussed and agreed at those meetings.</p> <p>The recorded matters arising have all now been addressed.</p>
2	<p>Big Society Capital Deep Dive</p> <p>RHF introduced the presentation. Good progress had been made with the social investment portfolio but, given the current economic environment, it is anticipated that the next twelve months will be more challenging. Progress had been made on the Quadrennial Review Action Plan, Board recruitment and with BSC’s relationship with Schrodgers in relation to the investment trust.</p> <p>SM detailed how the current economic situation, and specifically rising interest rates, are affecting different parts of the social investment portfolio and the time delay involved. Social banks are benefiting from the changed interest rate environment and certain business models – eg. those addressing energy efficiency are doing well. However, social investment fund managers, in general, are facing pressures and there is a particular challenge in fund raising.</p> <p>There is a lag on the impact on frontline organisations being seen and reflected in investment valuations, in part because of Government interventions to lower energy costs and other temporary measures, but signs of strain are beginning to emerge.</p>

Treasury investments had also been volatile.

Overall, while it is too early to make clear predictions about the 2023 profit and loss outturn, a small loss could be the most likely scenario at this point.

He updated on the Quadrennial Review Action Plan. He noted that BSC has been:

- Focusing on Government influencing in coordination with others in the sector.
- Working more closely and supporting fund managers, particularly those critical to BSC and currently under stress.
- Recruiting to the Board and Investment Committee.

CB asked about the strains on fund managers BSC is investing in.

CB asked about the scoring framework around impact management which she saw as a helpful development in addressing issues for DCMS around Value for Money. SM explained that this is in an early stage of development and scoring is used to compare the impact of investments within segments of the portfolio. It is not being used for portfolio allocation across segments. RHF emphasised the need to simplify communication on what BSC does and this could be a useful tool.

SH asked about fund raising. SM explained that this was an issue across the whole investment fund market. CB pointed to the challenge of larger commercial asset managers looking to raise funds for “impact” products which underlined the need to differentiate high impact products, such as the BSC Schrodgers Investment Trust, and effectively communicate this.

DL asked about Impact Reporting. The Investment Trust has just published its latest Impact Report [**ACTION: Circulate report to OT Board**] and BSC will be publishing its next Impact Report in November. The BSC report will look at impact by themes – but the challenge remains the difficulty of aggregation.

NP asked about the balance between the systems change objective of growing the social investment market and impact on the frontline. SM responded that BSC’s mission is to grow the social investment market and outlined how there is a threshold for impact for both dimensions of systems change and impact on people.

The specific issue of housing was discussed and how decisions were taken in that context. SM mentioned a recent deep dive on the property portfolio at the Annual Performance Committee meeting. [**ACTION: circulate slides.**]

There are three themes:

1. Providing capital for additional affordable housing that would otherwise not be funded.
2. Areas of highest funding need. Looking at affordable supply in areas with the biggest gap between prices and incomes (housing stress).
3. Areas of highest homeless needs.

RHF referred to the need to demonstrate that BSC is acting as a catalyst to attract capital to where it is most needed (and least available).

There was a discussion of getting BSC's message through to Government on Impact and Value for Money. Government would like simple statistics of people helped rather than systems change over a longer timeframe. BSC sees officials respond well to figures of the amount of capital it has successfully leveraged into the social investment sector.

BSC operating costs have not historically been a focus of DCMS.

RHF outlined the background to the recruitment of the new Directors and the value they would bring given their respective perspectives.

SH asked about BSC dividends and how they could be used and if using the money for making grants through the BS Foundation could create an issue with Access. SM said BSC has a very close relationship with Access and BSC would like to see the funds used for broader market building initiatives that would not overlap with Access' work.

RHF emphasised that he strongly saw that it was OT's decision as to how any dividend income it received should be used and that while he was very pleased for BSC to be involved in the discussions, ultimately this was "OT's money".

In broad strategy terms, SM saw the major challenge for BSC was to build channels to enable larger providers of capital, that now are genuinely wanting to achieve social impact, to access higher impact investments.

In response to questions raised by RHF in his introduction, SE reported that DCMS were looking to appoint consultants for the dormant asset governance and oversight review by the end of July.

He outlined the two major questions were around:

1. Width (oversight of other organisations involved in the distribution of funds including for Community Wealth Funds); and
2. Depth (structure of reporting including on impact and value for money).

There is a need for an oversight structure that would be flexible for the future. Additionality is also a key issue for Government.

NP outlined the process for establishing OT's approach to the Quadrennial Review of BSC which will take place in the second half of 2024.

SM commented that BSC saw more value in the input and analysis from the expert panel rather than from surveying stakeholder, which BSC believes it already does itself. RHF committed that that the BSC Board would be fully engaged.

The OT Board discussed the Deep Dive.

3

Quarterly OpCo Updates

Youth Futures

HE detailed the current planned recruitment for new members of the Executive Team (Employer Engagement role and Policy and Comms role) and the Board (to replace Julia Cleverdon and LJ Rawlings who are stepping down).

Other updates:

- YFF are planning their approach to undertaking a strategy refresh during 2024 for the period starting 2025.
- A Parliamentary event is scheduled for 5 July launching their Youth Employment Toolkit (designed to be used by practitioners, policy makers and employers).
- She outlined the latest background data on youth unemployment for Q1 2023 – which has risen to 11.3% in the relevant (16-24) age group. NEETs aged between 18 and 24 are at the highest level they have been for the last two years,
- The expansion of the Connected Futures Programme is focused on three geographic areas: Greater Manchester and the North West, West Midlands and West and South Yorkshire.
- The Randomised Control Trial with 1625 Independent People is on track to begin in July.
- A feasibility study is also being initiated in London to explore another potential RCT focused on supporting young people (currently in the NEET group) moving into self-employment.

Impact reporting was discussed, they have just published their 2022 Impact Report. It is hoped that more evidence of their approach will be detailed in the next Deep Dive and the Quad Review.

Spend has been lower than budgeted year-to-date and it appears that some programmes take longer to mobilise once agreed than expected. It was questioned if there had been over optimism initially or if the bar had been set too high?

Fair4All Finance

AR referred to the CEO report in the Board Pack, which was encouraging.

He had discussed the company's outlook with the CEO in terms of a long-term big picture objective along with short term initiatives and steps needing to be implemented to achieve this.

The aspiration of changing the financial system is ambitious and he highlighted some of the positive developments and actions: the publication of a report on illegal money lending which generated significant media coverage, which was launched at a successful Parliamentary reception that had cross party support; publication of the Financial Inclusion Action Plan; the consolidation loan pilot; and the expansion of NILS (which currently has five providers with two new ones identified). He also referred to the success of F4AF receiving an allocation of £45m of new dormant asset money for initiatives responding to coat-of-living concerns.

He noted that, while there is real progress with visibility and stakeholder engagement, however, there are currently other significant policy pressures and “top of mind” issues for HMT such as mortgage interest rates (vs low savings interest rates) and inflation.

AR discussed the key KPIs and noted that capital deployed in the first quarter was only 3% of the total budgeted for the year as a whole. He discussed this with the CEO and the focus of the discussion was on cumulative rather than on quarterly statistics. While this is also below budget the CEO advised that the pipeline for investment remains in excess of funds available. The company is closely monitoring the financial condition of investee companies with a few now registering red in the RAG status. The CEO felt that the overall risk profile of investee companies remained satisfactory while recognising market conditions were challenging.

Given the cost-of-living crisis, many more individuals are struggling to access bank finance and the CEO reflected on the banks’ response to this. Some providers such as Nationwide, are being proactive and seeing increasing relevance of the issues being raised by F4AF for their customer base.

There was a general discussion of impact reporting.

Progress is being made on impact and milestones with development of F4AF’s Impact Report that has firmed up milestones against what they are trying to achieve in relation to their three objectives:

1. Changing the system
2. The organisations they invest in
3. Impact on individuals

HE commented that Sacha Romanovitch (CEO) had made a well-articulated case for change in the media. It exemplified how products could be identified and mobilised in the overall market and the pressing need, given the collapse in provision of finance from the regulated market.

Access

KD reviewed his approach to contact with Access which is primarily through the CEO (Seb Elsworth (SEI) and Senior Independent Director. (The current SID, Martin Rich, who has been there since Access was set up, will be retiring in the coming twelve months.)

The Access Deep Dive presentation to OT was helpfully postponed from June to October in order to reflect Access’ strategic discussions in September.

It was suggested that Access could be considered to possibly receive money OT earns as dividends from BSC (discussed below under BS Foundation).

Access has recruited three new members of staff to support capacity in the programme team and enable there to be more support for strategy development.

Access and BSC have been holding blended finance workshops which have demonstrated widespread interest in the topic.

KD also noted that, with a General Election due by the end of next year, he had discussed with SEI whether attention to developing contacts in the Labour Party would be prudent. SEI confirmed that these relationships are being developed.

	<p>HE raised the issue of sustainability and robustness in the sector. There was a discussion of service delivering charities approaching a tipping point of viability with smaller charities likely to be the first to fail. Access has historically focused on organisational resilience, and it was understood that the Ecorys evaluation of the Growth Fund looked at how successful the programme has been in delivering this.</p> <p>It would be helpful to have more explanation around key risks and more details impact information in the Access report. [ACTION: KD to follow-up with SEI on this prior to the Deep Dive presentation.]</p>
4	<p>YFF Articles</p> <p>The YFF Board is proposing that alterations are made to their Articles of Association reflecting:</p> <ul style="list-style-type: none"> • Reference to the Dormant Assets Act 2022 • Specific provisions for Young Directors • Decisions in writing to require a simple majority rather than unanimity • No requirement for Annual Directors meetings • Provisions for meetings to be held on-line • Quorum raised from two to higher of two and half of the Board <p>The Board agreed by a consensus decision that the proposed changes were agreed subject to wording being amended to reflect that the Dormant Accounts Act 2008 was superseded and replaced by the Dormant Assets Act 2020. The reference should be Dormant Assets Act 2008-2022 (as may be amended). SE was delegated to sign the Written Resolution on behalf of OT as the Member of YFF. [ACTION - AB to follow-up with YFF Co Sec and forward Written Resolution on condition that this wording is changed.]</p> <p>OpCo Funding</p> <p>AB outlined that tri-party (OT, NLCF and OpCo) funding agreements had been agreed for dormant asset allocations made to YFF (£20m in December 2021) and Access (£23m May 2023). A NLCF Grant Letter for OT to receive £8m (allotted in May 2023) to buy “A” shares in BSC is also being agreed. The banks have waived their pre-emption rights and a Subscription Letter is being agreed with BSC. Bates Wells has reviewed all the related documents and the OT Board agreed that SE is authorised to sign all the documents (including payment instructions) required.</p> <p>Big Society Foundation</p> <p>There was an extensive discussion of the points raised in the Board papers in relation to the history and background, purpose and structuring considerations for the BS Foundation.</p> <p>AR, CB and IH provided their perspectives as members of the Working Group with other Board members sharing their views.</p> <p>It was recognised that a commitment to using any dividends to support the development of the social investment market in the UK had been made in 2019 in the BSC Governance Agreement. Dividends are unlikely for at least three years and the quantum of these</p>

	<p>dividends would potentially be in the tens of millions of pounds over time. Given the congruence of BSC’s mission with how the funds should be used, it would be efficient to use the resources of BSC to support the running of the Foundation.</p> <p>There were questions about the independence of the Foundation and the degree to which BSC would be relied on to provide resources, including intelligence, which would guide and influence its strategy.</p> <p>In this context, there were strong arguments for BSC not to be the member, as it could result in them having too much control.</p> <p>The Board concluded that the OT working group (including DL) should meet Chris Wright (BSC Board designated point person) and SM to establish the principles of how the Foundation should be structured.</p> <p>OT’s agreed position is that:</p> <ol style="list-style-type: none"> 1. The Foundation should be established as a registered charity with the object of promoting social investment. 2. OT should be the sole Member responsible for organising Trustee appointments to the Board. 3. The Foundation Board should comprise an OT appointee, a BSC appointee and a majority of independent directors. 4. The Foundation should only be established after we have sight of the conclusions of the DCMS review of Dormant Assets Governance and Oversight clarifying the ongoing role of OT.
5	<p>Updates</p> <p>Dormant Assets SE had provided an update on developments under Item 2 above and referred to the announcement by the Reclaim Fund of Aviva being the first insurance firm to sign-up to the Dormant Assets Scheme.</p> <p>YFF Quadrennial Review NP updated on preparations for the YFF Quadrennial Review and noted the strength of the team that had been assembled to perform the Review.</p> <p>OT Annual Report AB updated that the audit was progressing. Unfortunately, the Audit Manager had left KPMG mid-audit but the Associate working with him is stepping-up to complete the audit by the target of 28 July when it is hoped the Annual Report will be signed-off by both the Board and KPMG. There was a discussion of the Statement of Going Concern with additional language added to the document that had been circulated prior to the Board meeting covering the issues of: accumulated profit; cash flows; and liquidity more specifically. The Board discussed and approved the revised statement.</p> <p>Board and Chair Appraisal SE updated that the one-on-one reviews with Board members for the Board Appraisal were almost complete and that he would be bringing a written report on his conclusions to the</p>

	next Board meeting. NP would also be producing a report on feedback on the Chair appraisal. [ACTION: add to July Board Agenda]
6	<p>Quarterly Financials</p> <p>The quarterly financials were reviewed, showing that OT was projected to be operating well within the Budget (£68k under Budget) based on projections for the year.</p>
7	<p>Risk Registers</p> <p>The Risk Registers had been amended to reflect decisions taken by the Board at the May Off-Site meeting.</p> <p>The Board reviewed the registers. There was a specific discussion around political risk and how this should be recorded in the register in light of a General Election being due before the end of 2024.</p>
8	<p>AOB</p> <p>Complaints and Whistleblowing Policies</p> <p>The revised policies had been discussed at the May Off-site meeting. The revised versions of the documents (as circulated) were approved.</p>

Next meetings:

28 July 2023 Extraordinary meeting of the Board as Directors and Members at 9:30-11:00am (Zoom call) to approve the annual report and accounts.

6 October 2023 9:30am–12:30pm New Fetter Place: Quarterly Board meeting (Access Deep Dive)

ACTION LOG

Item	Action	Status/ Owner
2.	Circulate BSC Schroders Investment Trust Impact Report	DONE – AB
2.	Circulate presentation on BSC Housing Portfolio for Evaluation Committee	DONE - SM
3.	Request from Access more information on Key Risks and Impact for Deep Dive	KD
4.	Subject to changes agreed, send to YFF confirmation of consensus vote to approve YFF Articles	DONE -AB
5.	Board and Chair Appraisal – add to July Board Agenda	DONE - AB