

The Oversight Trust

Assets for the Common Good

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THE OVERSIGHT TRUST RESPONSE TO QUADRENNIAL REVIEW OF FAIR4ALL FINANCE

Overview

The Oversight Trust (OT) commissions Quadrennial Reviews as part of its oversight of Fair4All Finance, by appointing an independent Review Panel to assess Fair4All Finance's effectiveness in delivering against its objects. This statement sets out OT's response to the report of the Independent Review of Fair4All Finance.

OT welcomes the report from the Review Panel ("the Panel") and would like to thank all those involved in its production. OT also welcomes Fair4All Finance's response to the report, and the suggested actions, which OT considers to be a strong basis for an actionable plan which will provide a framework for its future oversight of Fair4All Finance.

OT understands that, unlike the previous Quadrennial Reviews of Big Society Capital and Access – the Foundation for Social Investment, this review comes comparatively early in the organisation's life, so there can only be limited assessment of its impact at this stage. Given this, OT is pleased to see the finding that Fair4All Finance is perceived as being uniquely engaged in addressing the challenging underlying issues related to financial inclusion and has been effective in convening, influencing and collaboration; OT suggests that Fair4All Finance builds on this success in the future.

In summary, the key points of OT's response are:

- OT recognises the scale and complexity of the problem of financial exclusion which, while long-standing, has become more critical in recent years due to the pandemic and current cost-of-living crisis. The problem is multi-dimensional and tackling it involves a number of sectors including government, regulators, commercial interests and community finance.
- This scale and complexity has informed Fair4All Finance's broad and ambitious mission, yet success in achieving this critically depends on the engagement and delivery of others. It is not therefore simply a question of the amount of time and money for Fair4All Finance, but how the various forces of the interested parties can be harnessed to achieve change.
- OT therefore considers that, now that Fair4All Finance is established, has built relationships across sectors, engaged in research and some "learning by doing", it is timely to consider its mission and strategy in the light of what is achievable with and without the support of other players, including exploring different scenarios and their impact on its aims and targets; this should be supported by an updated evaluation strategy with specific indicators to monitor progress and understand and measure its impact.

OT also notes the Panel's observations which relate to OT itself, specifically that some of the issues identified are comparable with those in the previous Quadrennial Reviews of Big Society Capital and Access, and the multiple accountabilities of Fair4All Finance. These will be considered across the OT Group and necessary actions taken.

Introduction

OT's role is to oversee the operating companies that have received funding under the English allocation of monies under the Dormant Bank and Building Society Accounts Act 2008 (Dormant Accounts Act) with the aim of ensuring that those four non-governmental entities remain true to their objects. These operating companies are Access – the Foundation for Social Investment, Big Society Capital, Fair4All Finance and Youth Futures Foundation. This oversight regime includes commissioning a quadrennial independent review of the effectiveness of each organisation in delivering against its objects. The first such review, which was of Big Society Capital, was published in July 2020 and the second, published in June 2021 was of Access.

The Review Panel for Fair4All Finance comprised: Keith Leslie (Lead); Claire Brown; and Danielle Walker Palmour with Fiona Young Priest as Secretariat. In line with the Terms of Reference (Appendix 1) they were to carry out interviews with stakeholders and Fair4All Finance staff and Board members, issue a call for evidence and review background information in order to produce a brief, high level report highlighting achievements in relation to Fair4All Finance's objects and raising issues for further consideration. The Terms of Reference do not include the production of specific recommendations in relation to addressing those issues.

OT is very grateful to the many stakeholders who gave generously of their time and thoughts. We would also like to thank the Fair4All Finance team for their support and active engagement in the process.

OT would also like to thank the Panel members for their flexibility and their insights into the complex and evolving issues around financial exclusion.

The Quadrennial Review

We encourage all interested parties to read the report in full and reflect on the issues raised in relation to how Fair4All Finance is tackling the issue of financial exclusion in England. Below we highlight some of Fair4All Finance's achievements and comment on the main issues raised by the report. OT welcomes Fair4All Finance's response to these issues and, as with previous reviews, will use its ongoing oversight role which includes an in-depth update meeting, scheduled for March 2023, to ensure OT and Fair4All Finance are aligned on the actions needed, and how these should be monitored.

Achievements

OT is pleased to note the achievements of Fair4All Finance which are detailed in the report. Following the release of funding in late 2019, a fully functioning organisation has been established with relationships and a recognised convening role across multiple sectors. While OT understands that it is too soon to analyse the impact of the work, the report points to a number of substantial outputs which have the potential to lead to longer term outcomes. These include a portfolio of research and evidence, investment in community finance providers, the delivery of the Covid-19 resilience fund and Fair4All Finance's co-ordination of the pilot for the No Interest Loans Scheme.

Issues

The report outlines a number of issues for Fair4All Finance to consider under five main headings covering its areas of work. OT welcomes Fair4All Finance's high-level commitments under each of these and looks forward to further discussion and agreement on a plan to implement and monitor progress on these. While this will cover the detail, at this stage OT has the following observations and expectations:

1. Focus of Fair4All Finance impact on the complex bundle of issues around financial inclusion

OT welcomes the report's analysis of financial exclusion as a large and complex problem that Fair4All Finance cannot solve alone, and considers that the scale of this challenge means it is vital for Fair4All Finance to provide clarity on what it aims to achieve, and how it will do this.

Alongside the helpful actions listed in Fair4All Finance's response, OT would therefore encourage it to consider what can be achieved with and without the support of other actors, to ensure its priorities and long and short-term goals can be delivered within its resources and timespan, taking account of the imminent decision on dormant assets. This would also lead to greater clarity and increase transparency for all stakeholders.

From OT's perspective, there is also a need for Fair4All Finance to develop and communicate its impact framework through detailed measures and tools so that progress against defined milestones can be effectively monitored and results understood. OT recognises the challenges of attributing impact in a complex environment of many stakeholders, but this makes the need for focus and indicators of what can be measured even more important.

2. Fair4All Finance's contribution to engaging mainstream finance

OT acknowledges the report's finding that closing the £3billion gap in affordable credit requires the participation of the mainstream finance market, and that success will require government and regulatory action; OT notes that Fair4All Finance is working with these stakeholders.

While OT welcomes the actions proposed by Fair4All Finance and the structural changes identified, it would also encourage further consideration of the opportunities suggested in the report to help determine and plan for the most effective use of Fair4All Finance's resources for its programme of work in engaging mainstream finance; OT anticipates that this would also inform the consideration of what Fair4All Finance can achieve with and without the support of other players

3. Fair4All Finance's contribution to scaling community finance

Fair4All Finance's investment in and support for the community finance sector is an important strand of its work.

OT welcomes Fair4All Finance's commitment to improved communication and engagement with these stakeholders, and the specific, practical actions identified. While the report shows that sector would appreciate a greater understanding of Fair4All Finance's activities, there is also a need to go beyond clearer communication, to build mutual understanding and co-develop responses. The commitment to reviewing the investment process is also timely, taking account of the capacity of the community finance organisations to engage in the

assessment and due diligence process and reduce delays in decisions; OT suggests that greater transparency about investment criteria and reviewing Fair4All Finance's investment experience and learning with investees could help improve positive engagement with the sector.

OT also suggests that Fair4All Finance responds to the question that, as part of its strategic discussions, it examines what success looks like in terms of the ecosystem for the provision of affordable credit both within and beyond the current community finance sector. OT considers that Fair4All Finance is uniquely positioned to use its experience, expertise, research and learning to share and promote what this might be as part of its mission.

4. Influencing through research, convening and articulating options

The report identifies this as a major strength of Fair4All Finance and that achieving system change is essential to its ultimate success.

OT is pleased to see Fair4All Finance's commitment to and framework for research and evidence, and its plans for building on this. Having built strong cross-sectoral relationships, now would be a good time for Fair4All Finance to revisit its influencing strategy, which could include publishing its theory of change for system change and impact measurement in this area. to ensure it uses all strands of expertise and experience to best effect in developing its mission and strategy. Fair4All Finance could also helpfully apply its analysis and learning around impact measurement to enhance its convening and influencing.

OT would also encourage Fair4All Finance to explore ways to expand this activity including those suggested in the report: to be as transparent as possible with its extensive research and analysis, including its investment experience; to share learnings; and to publish findings as early as practicable.

5. Improving Fair4All Finance's organisational effectiveness and transparency

The report recognises the relative youth and growth of Fair4All Finance, and provides valuable insights and intelligence from stakeholders which should inform its evolving organisational design and culture.

OT welcomes Fair4All Finance's commitment to greater transparency and strengthened communication about its people and activities, and would also encourage increased two-way communication with stakeholders; it suggests Fair4All Finance identifies some specific actions to achieve and embed this, which could include mutual secondments. Greater integration throughout the organisation of lived experience is likely to be central to this, as is the experience and role of the board.

OT also notes Fair4All Finance's reflections on enhancing stakeholder engagement and relationships, and suggests that actions and conclusions from these are included in the plan.

OT would suggest that Fair4All Finance maximises the potential of its website, as a public-facing repository for its research, analysis and engagement. More details on the organisation and key personnel would also contribute to Fair4All Finance's desire to improve communication. This reflects a general theme of the need for greater transparency which runs through the report and to which Fair4All Finance has responded. Opportunities such as greater sharing of learning, increased collaboration and fuller disclosure around the investment process would do much to shift the dial on this.

OT learnings from the Fair4All Finance Review

Having now commissioned three Quadrennial Reviews and we will take stock of what has worked well and what could be improved in the process, reflecting on where the reviews have proved helpful to the operating companies and other stakeholders.

Big Society Capital has used its review as a part of its induction process for new staff members. Access found their review helpful in their advocacy for the need for governmental support for blended capital. Both have helpfully provided OT with periodic updates on the actions resulting from their reviews, and shared some of these more widely through their websites or annual reports.

This review also included two specific areas for OT to consider. The first were some common themes across all three Reviews completed so far, related to the imbalance between organisations which are relatively well resourced to tackle a problem in an area where those on the ground have considerably less capacity and scale; OT will discuss this with organisations in the OT group to share experience and identify actions. The second is about the accountabilities and stakeholders relevant to the OT group of organisations; while all have a variety of relationships and reporting channels, the report sees Fair4All Finance having a particular reliance on action by others (such as government, regulators and mainstream financial institutions) to deliver on its core mission. OT will discuss this with Fair4All Finance and consider whether there are any actions which OT can take to mitigate this.

Having published this Review and responses from Fair4All Finance and OT, we would welcome any comments from interested parties and commit to looking to enhance the review process, where possible, including for the review of Youth Futures Foundation in 2023.

Signed:

A handwritten signature in dark ink, appearing to read 'S. Etherington', with a long horizontal stroke extending to the right.

Sir Stuart Etherington (Chair)