

The Oversight Trust

Meeting of the Directors – Toynebee Hall

18 March 2022 at 9.30am - 12.30pm

BOARD AGENDA

		Presenter	Documents	Start time
1.	Introduction, conflicts, approval of minutes and matters arising	SE	1.1 Draft December Board Minutes	9:30am 5 mins
2.	Governance Review	SE/RM	2.1 Draft Board Effectiveness Report	9:35am 15 mins
3.	Updates <ul style="list-style-type: none"> • Dormant Assets Act (CWF) • Noms and Rems Committee • OpCo Recruitment • Quad Review 	SE SH SE NP	3.1 Update Summaries 3.2 Letter to Minister 3.3 Noms and Rems Minutes	9:50am 20 mins
4.	Link Director Role	SE/Link Directors	4.1 Role Description 4.2 Email to NLCF	10:10am 10 mins
5.	<i>[OpCos join meeting]</i> Oversight Trust Group Areas of Common Interest <ul style="list-style-type: none"> • Dormant Assets Act • Additionality • Subsidy Rules • Annual Accounts 	SE/OpCos	5.1 Email exchange with NLCF on Additionality	10:20am 15 mins
6.	Quarterly Updates from OpCos: <ul style="list-style-type: none"> • Big Society Capital • Access • Youth Futures Foundation 	HM/SM NH/SE TH/JE	6.1-6.3 Quarterly Reports	10:35am 45 mins
7.	<i>[OpCos leave meeting except F4AF]</i> Fair4All Finance Deep Dive	RCK/SR	7.1 Deep Dive Materials	11:20am 50 mins
8.	<i>[F4AF leave meeting]</i> OT Board Discussion and Risk Register	SE	8.1 Key Risks 8.2 Risk Register	12:10pm 20 mins
9.	AOB (COO evaluation)	SE		12:30pm

**Minutes of the meeting of the Board of Oversight Trust
9:30am-12:30pm 18 March 2022**

In attendance, Board:

Sir Stuart Etherington (SE) Chair
Stephen Howard (SH)
Ian Hughes (IH)
Helen England (HE)
Andrew Rose (AR)
Kevin Davis (KD)
Jo Fox (JF) (by video conference)
Nicola Pollock (NP) (by video conference)
Clara Barby (CB) (by video conference)

Company Secretary:

Alastair Ballantyne, COO OT (AB)

OpCo attendees:

Fair4All Finance

Richard Collier-Keywood (for Items 6-8 by video conference)
Sacha Romanovitch (for Items 6-8)

Youth Futures Foundation

Tony Hawkhead (TH) (for Items 6&7)

Big Society Capital

Stephen Muers (SM) (for Items 6&7 by video conference)

Access

Seb Elsworth (SEI) (for Items 6&7 by video conference)

Other attendee:

Campbell Tickell

Radojka Miljevic (RM) (for Items 1&2)

1	<p>Introduction</p> <p>The Chair confirmed that there were no apologies and that there were no additional conflicts to declare.</p> <p>The Minutes of the 16 December 2021 meeting were approved and it was noted that the matters arising have all been actioned.</p> <p>[ACTION: publish minutes on website – AB]</p>
2	<p>Governance Review</p> <p>SE introduced the high-level presentation on the Board Effectiveness Review conducted by Campbell Tickell. He emphasised that the Board will have an opportunity to discuss the Report in detail at the Away Day scheduled for 26 May.</p>

	<p>RM stated that the report reflected a strong capable and diligent Board. The challenges for it were around the application of the OT model and these challenges had been reflected in the questions that came out of the interviews she conducted for the review.</p> <p>At the Away Day it would be sensible to discuss questions like:</p> <ul style="list-style-type: none"> • How do we know if we are effective? • What do we do when things go wrong? <p>She noted that the impact of the pandemic has been challenging for all Boards in terms of management of relationships both internally and, in the case of OT, with the OpCos.</p> <p>There are no fundamental governance issues, but there are some issues of detail that should be addressed, particularly given OT’s role in the governance of others.</p> <p>SH welcomed the review and emphasised that, while he had reviewed the first draft, this is clearly an independent report by Campbell Tickell.</p> <p>SE saw OT follow-up comprising two elements: the tidying-up of detail and wider issues of purpose and effectiveness.</p> <p>HE suggested that the Board considers how it will need to evolve over time.</p>
3	<p>Updates to the Board</p> <p>Dormant Assets Act</p> <p>SE reviewed the next steps for the Dormant Assets Act. He reported on a conversation with Matt Leach concerning the Community Wealth Fund and their suggestion that OT provide oversight for them.</p> <p>OT needs to be prepared for various scenarios of how money could be distributed in the future. He invited Board members to contribute to the development of a paper outlining a straw man of alternatives for how OT’s operations could develop. [ACTION – AB]</p> <p>The letter he sent to the Minister had emphasised that oversight needed to be considered at the same time and the consultation of how Dormant Asset money will be distributed. In addition to the consultation, DCMS needs to look at the regulations around how dormancy rules will apply to the new asset classes and work with the Reclaim Fund on encouraging industry participation.</p> <p>Because of all the legal and other preparation required, IH thought it unlikely that any distributions will happen before the end of 2023. DCMS will be reluctant to create new entities for oversight as this would add to costs for the Scheme as a whole.</p> <p>Noms and Rems</p> <p>SH debriefed the Board on the recent meeting of the Committee:</p> <ul style="list-style-type: none"> • It was suggested that the rotation of Link Directors could be done after the fourth Quad Review (end 2023) • The Board needs to consider SE’s reappointment as Chair with NP (as SID) seeking input from Board members

	<ul style="list-style-type: none"> • Adding new Trustees was discussed, possibly with accounting and investment skills • Directors' insurance cover will be maintained at £10m • The recommendation to adjust NED remuneration in line with January CPI (5.5%) was agreed by the Board. • Appointments for the Quad Review Panel had been agreed by the Committee. NP mentioned that the names had been shared with F4AF to establish that they accepted the Panel was qualified and independent. <p>OpCo Appointments</p> <p>For YFF, SE outlined to the Board the sequencing of the appointment process for the Interim CEO, Chair, permanent CEO and Head of Engagement. This process will take some time. TH is currently acting as both Interim Chair and CEO.</p> <p>BSC had announced the appointment of Robin Hindle Fisher as its new Chair to take over from Harvey McGrath when FCA approval is received and the appointment will be ratified at the BSC AGM.</p>
4	<p>Link Director Role</p> <p>The role description circulated to the Board was approved.</p> <p>There was a discussion of the correspondence with NLCF about the suggestion of establishing a new contact between them and each of the Link Directors. IH explained that the initiative had been intended to help address tensions between NLCF and the OpCos.</p> <p>AR questioned how the proposed approach fit in with the current governance arrangements, given the relationship between Link Directors and OpCos, and he had strongly advocated maintaining the current structure, with IH being the point of contact with NLCF.</p>
5	<p>Other Issues</p> <p>Board Updates</p> <p>The Board agree that the approach to sending periodic updates by email was helpful in keeping them informed of developments between meetings and reducing the amount of paperwork that was required to be circulated for Board meetings.</p> <p>BSC Issues</p> <p>CB updated the Board on a conversation with SM about how the performance of the Social Investment Trust vehicle (joint venture with Schroders) can be effectively communicated to stakeholders including OT.</p> <p>OpCo Reviews</p> <p>The Board discussed its approach to the OpCo Reviews for this meeting and the information that had been provided by them</p>

6	<p><i>[The OpCos joined the meeting.]</i></p> <p>Oversight Trust Group Areas of Common Interest</p> <p>Dormant Assets Act – SE updated on OT’s letter to the Minister concerning the oversight of new distributions under the Act and his conversation with the Community Wealth Fund. SR has had conversations with the identified Dormant Asset Champions and indicated there is a major job to do in persuading the industry to participate.</p> <p>Additionality – AB updated on recent correspondence with DCMS concerning a new approach to the workshop on this issue based on a legal text proposed by NLCF (that had just been circulated to the OpCos). IH explained that the document reflected an approach of OpCos having a policy in place to acknowledge consideration of additionality issues.</p> <p>Subsidy Rules Training – AB highlighted that NLCF is offering to host training for the Group which it is anticipated OpCos’ legal experts may want to attend.</p> <p>Accounts – AB mentioned that the process for compiling the data for the consolidation of accounts will be managed by RSM – overseen by the BSC Finance Team.</p> <p>OpCos were asked if there were other issues that the Group should be considering collectively. TH raised the issue of the implications of the war in Ukraine including its impact on the UK economy (including social ramifications) and competing demands on Government finances.</p>
7	<p>OpCo Updates</p> <p>Access</p> <p>SEI referred to a recently completed informal internal Board review by the SID that would help inform an External Governance Review planned for the summer. Post pandemic, Board members would like to spend more time with fund managers and frontline organisations.</p> <p>Access is very pleased with the additional £20m distribution to facilitate a successor to the Growth Fund.</p> <p>Access will be developing a consolidated investment committee for Dormant Asset monies (apart from Local Access).</p> <p>He outlined staffing changes.</p> <p>There has been active Board discussion of the revised Strategic Framework. The strategy had also been discussed with BSC to ensure it complements what they are doing.</p> <p>A major focus of work will be to secure the future funding of Blended Finance. Research by NPC (commissioned by DCMS) will be informed by recently published data on the Growth Fund.</p>

KD asked how OT would feed into the external Governance Review. SEI will be in contact with SE or KD to discuss what is appropriate **[ACTION]**.

Reviewing the slide on legacy, SEI commented that if blended finance were not funded by Dormant Assets, Access would not be expecting to find finance of the scale required from elsewhere and the Board would need to explore other options, as outlined.

The Access Board will be developing an organisation-wide action plan to reflect that it has signed the Diversity Forum Manifesto.

SH asked about challenges in “getting money out of the door” (in particularly for Local Access). SEI outlined the varying spend profiles on individual programmes (many related to Covid recovery) and the Access board’s recent discussions on the topic.

Big Society Capital

SM highlighted the announcement of the new BSC Chair and FCA’s Investment Firm Prudential Regime regulations concerning OT as the group holding company.

Following conversations with FCA, it appears highly likely that the new regime will only require BSC to produce an additional straightforward annual submission to the FCA on behalf of OT as its holding company. However, as FCA has a large processing backlog, it may take some time for this issue to be formally addressed and confirmed.

The Board had recently discussed its external Board evaluation report which SM offered to share. **[ACTION]** Maintaining Board cohesion during and after Covid had been identified as an issue. There was also a question about longer term strategy development (post 2025).

He shared the likely outcome of the year-end financial results for 2021 – reflecting a profit of £15m+. Publicity around the figure (mainly as a result of unrealised social investment gains) will need to be carefully managed.

The Social Investment Trust will shortly be publishing interim results which will be shared with OT. Its first impact report will be published at the end of May.

CB was pleased to see that BSC is positively engaged with the pathway to Net Zero. This will be a subject for further conversations concerning the whole portfolio. She emphasised that this is a core governance question for most asset managers.

SM pointed out that the least advanced fund managers on environmental issues are generally smaller specialist managers who are the most advance in terms of delivery of social impact.

SM was asked about management’s concerns over staff turnover. The Finance Team had been particularly affected in 2021, however there has been more stability in the last quarter.

Youth Futures

TH outlined the ongoing process for interviewing for the Interim CEO after which his focus will shift to hiring a Chair (by September).

	<p>There are plans to hire an Interim Director of Engagement (formerly titled Director of Strategy) in the coming weeks.</p> <p>He outlined that senior management had accepted a lower level of uplift to their remuneration to enable more to be paid to other staff.</p> <p>There are delays in the full implementation of a number of YFF projects, reflecting Covid challenges and low levels of young people being put forward for programmes by statutory authorities. (YFF is engaged with DWP on the issue.)</p> <p>These issues were discussed in the context of risk management by the Board.</p> <p>HE was encouraged by the engagement with employers and in particular the partnership with CIPD.</p> <p>SH asked about how staff were reacting to the senior management changes. Morale amongst staff now seemed to be improving but the new hires will obviously be critical. In terms of timing. The interim CEO will be hired initially for a period of 9-12 months. TH believes a new permanent Chair needs to be in place for the recruitment of the new CEO. The grants and evaluation teams are fully staffed and the Board is engaged and helping deliver direction.</p> <p>There was also a discussion about how social media is being managed.</p> <p>IH asked about deployment and the amount of cash YFF has at its disposal. TH explained how YFF recognises that it has made longer term financial commitments.</p> <p>[OpCos except F4AF left the meeting.]</p>
8	<p>Fair4All Finance</p> <p>RCK gave an overview of the governance processes of F4AF and the strong level of Board engagement, including in work streams.</p> <p>Jennifer Rademaker has now taken over from him as Chair of the Finance Committee.</p> <p>There are regular Non-Executive only elements of Board meetings and it is planned to have an external Board review in April/May.</p> <p>As background, SR outlined how the number of people in financially vulnerable circumstances has increased massively, with over half the adult population of the UK having one of the characteristics of vulnerability. While F4AF continues to focus on those in the bottom four deciles of the index of multiple deprivation, Covid has created particular new challenges for people through bereavements and job losses. F4AF is working closely with organisations that work directly with those affected and helping to identify emerging issues.</p> <p>There is also a challenge as the poor in society get poorer and dip into a situation where it is not possible to lend to them sustainably without subsidy. With this in mind, she pointed to the No Interest Loan Scheme (NILS) as a particularly encouraging initiative.</p>

F4AF's initial focus has been on the provision of affordable credit. There has been a collapse in the provision of regulated credit from £3bn to c£1.5bn. This reflects the precariousness of the market and it is making investors and mainstream banks more nervous about getting involved. Available affordable credit in the UK pre-pandemic was roughly £300m a year. Covid had a major impact but the Covid Resilience Fund established by F4AF supported providers delivering 50% of the affordable credit provision. Part of the technical assistance provided has helped transform some of the service provision and made it possible for it to scale in the future.

F4AF commissioned external support to develop their Impact framework and measurement approach, and how to describe it – looking at both indirect impact (through impact on people in vulnerable circumstances and changing market operation) and the direct measurable impact of F4AF's interventions on organisations they work with. A framework for this analysis has been developed.

In terms of legacy, F4AF is working to demonstrate how it is possible to serve the target customer group, prove effective models for delivery and also evidence how subsidy can be most effectively targeted. The focus is to lay foundations for the creation of systems that will take this agenda forward.

However, significant additional funding and collaboration will be needed to make change happen – including through mainstream banks. While they recognise something needs to be done – this requires strategic leadership which is particularly challenging for them at present as there has been a lot of change of key personnel and increased demands on their resources. At a smaller scale, SR noted that collaborations with BSC and CofE had been encouraging.

HE asked about implementation risk. SR outlined how, to mitigate this risk, F4AF had invested in programme management capacity.

SE asked about the approach to systems change when some of the key actors are not on-board and if the strategic focus of F4AF needed to be narrowed.

SR noted that the strategic review has confirmed a need to focus on key areas that most impact people in vulnerable circumstances. F4AF's approach has always been to work collaboratively with government, regulators, financial institutions and other organisations working in the field of financial inclusion.

In terms of systemic interventions, it has commissioned research from LSE on examples in other markets, including in Europe, to inform the development of possible policy interventions.

She also noted that major financial institutions and government have been dealing with multiple challenges, including Covid, which means that financial inclusion is less of a priority issue for them. However, she noted the increasing strategic emphasis on ESG and reporting on financial inclusion. Government backing for work in this area is important in getting engagement from banks and other financial institutions.

	<p>CB saw increasing emphasis on ESG issues generally with social issues are becoming more prominent within that (as reflected on the Lord Mayor’s Advisory Group which both SR and CB are part of).</p> <p>SH asked if the ambition of F4AF is achievable and how delivery can be tracked. SR outlined how there is a detailed theory of change and programme plans to support the delivery of the ambition with the initial focus on affordable credit. This is supported by research and evidence which provides the data that is required on the market to inform F4AF’s strategic focus. The programme of work is designed to build the broader evidence for long term structural market change.</p> <p>SE asked about policy leverage. SR noted that they have good ongoing engagement with HMT and they are building evidence to support policy development. She noted that HMT are supportive of engagement with banks. Government support is extremely important for the banks and helpful in managing the reputational aspects of involvement with this customer group.</p> <p>RCK referred to engagement with policy initiatives such as consolidation loans, debt advice and changes to credit union regulations to make them more efficient at serving the most vulnerable. There is also engagement through SR’s participation in the Levelling-Up Advisory Board.</p> <p>NP asked if the evaluation strategy has been done. SR explained that this is still a work in progress.</p> <p>IH asked what the plans and assumptions were behind the figures presented for £230m of additional funding needs and the extent to which this figure reflects elements of direct investments or “what works” evidence gathering. SR outlined how different elements of F4AF’s programmes work together. There was a discussion of the approach of identifying the most effective ways of addressing an issue and articulating estimated monetary aggregates that might be required.</p> <p>SR is engaging with Dormant Asset Champions on wider ambitions and what is needed in terms of funding.</p> <p>KD suggested working with specific geographic areas (such as the West Midlands) to provide a test area with strong local political support.</p> <p>In anticipation of the Quadrennial Review, SE suggested that AR should follow-up with SR on the linkages between strategy, F4AF’s choices, performance indicators, outcome measures and impact. [ACTION]</p> <p><i>[F4AF left the meeting.]</i></p>
9	<p>Board Follow-up Discussion</p> <p>There was a discussion of the OpCo presentations.</p>

10	<p>Risk Registers</p> <p>The Registers were reviewed. AB outlined adjustments that had been made.</p> <ul style="list-style-type: none"> - Senior personnel changes in OpCos - probability has increased to 5 - FCA IFPR issue prob reduced to 2 <p>OT needs to develop its Risk Register around the fallout from the war in Ukraine and rising inflation. [ACTION - AB]</p>
11	<p>AOB</p> <p>The background to the email requesting information on Board members' list of Related Parties (including minors) was explained. If Board members object to the disclosure, the Board will collectively not provide that data.</p> <p>AB Performance was discussed (AB recused).</p>

Next meetings: Away Day 26 May from 12:00noon – dinner at Reform Club
Board meeting 28 June 9:30am -12:30pm Access Deep Dive – BSC/Access offices

ACTION LOG

Item	Action	Status
1.	AB to publish minutes on website	Done
3.	AB to prepare paper on alternative structures for OT in light of new Dormant Asset allocations	Done - brought to 26 May OT Board Away Day
7.	SEI to explore input to Access Governance Review from OT SM to share BSC Governance Review Report	Review postponed to 2023 Done
8.	AR to arrange to meet SR for discussion on strategy and performance measurement	Done
10.	AB to reflect discussed changes to Risk Register	Done