

The Oversight Trust
Meeting of the Directors
25 February 2021 at 8.30 - 11.30am
BOARD AGENDA

		Presenter	Documents	Timing
1.	Introduction, Apologies for Absence, Approval of Minutes, Conflicts, Matters Arising	SE	Draft 19 November Minutes	5 mins
2.	Chair Update <ul style="list-style-type: none"> • DCMS Dormant Assets • BEIS State Aid Consultation 	SE/OpCos	DCMS/HMT Response Note on OT Group Response	25 mins
3.	Update from OpCos <ul style="list-style-type: none"> • Youth Futures Foundation • Access • Big Society Capital 	NH/SEI	Reports	55 mins
4.	F4AF Deep Dive	RCK/SR	Deep Dive Report	60 mins
5.	Equity, Diversity and Inclusion	SE/SH	Paper (updated from October)	15 mins
6.	Report of Noms and Rems Committee <ul style="list-style-type: none"> • Board Review • Board Remuneration • Board Training • External Governance Review • BSC Chair 	SH/SE	Minutes of meeting on 4/2/21 Skills Matrix Paper on Board Remuneration	15 mins
7.	Review of OpCo Board Papers	AB + Link Directors	Note of Link Directors meeting Summary of Info. Required	10 mins
8.	Update on Quad Review	NP	Call for Evidence	5 mins
9.	Risk Register	SE	Key Risks Risk Register	5 mins
10.	AOB			

Next OT Board meeting: 14 June 2021 at 8:30-11:00am (including Access Deep Dive)

**Minutes of the meeting of the Board of Oversight Trust
8:30-11:30am 25 February 2021**

In attendance, Board:

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

Fair4All Finance

Richard Collier-Keywood, Chair (RCK) (until Item 4)
 Sacha Romanovitch, CEO (SR) (until Item 4)

Youth Futures Foundation

Joe Montgomery, Chair (JM) (for Item 3)
 Anna Smee, CEO (AS) (until Item 3)

Access

Nick Hurd, Chair (NH) (until Item 3)
 Seb Elsworth, CEO (SEI) (until Item 3)

Big Society Capital

Harvey McGrath, Chair (HM) (until Item 3)
 Stephen Muers, Acting CEO (SM) (until Item 3)

Other attendees

Alastair Ballantyne, COO OT (AB)

		ACTION
1	<p>Introduction</p> <p>The Chair confirmed there were no Apologies. In response to the request to declare any undisclosed conflicts, HE declared that her son had been appointed to the Ambassadors Group of YFF. (AS confirmed that the appointment was made entirely on merit through an open and transparent process.) KD also declared an interest (Agenda Item on Equity, Diversity and Inclusion) as he serves on a committee of Business in the Community in the West Midlands.</p> <p>The minutes of the OT Board meeting on 19 November were approved.</p>	<p>Nov 19 Board minutes to be published on the OT website – AB</p>
2	<p>Chair Update</p> <p>Dormant Accounts</p> <p>IH commented that the DCMS response to the consultation on Dormant Assets was supportive of the proposals but that Parliamentary time was unlikely to be available until 2022. There will be a significant first disbursement when new asset classes come under the scheme. The rules for these assets will need to be very different from those of Dormant</p>	

	<p>Accounts (such as in terms of the length of dormancy). The scope of the proposed assets to be covered has been increased to include personal pensions and there is a possibility that solicitors' accounts may also be brought within scope in the future.</p> <p>In the meantime, funds continue to flow from Reclaim Fund from dormant bank accounts and there may be an announcement on 1 April. It was noted that the Reclaim Fund will need to change its year end when it becomes a public body at the end of March.</p> <p>BEIS State Aid Consultation</p> <p>The position of NLCF will be that all funds under the Dormant Accounts Act (and the National Lottery Act) should be deemed outside the scope of State Aid requirements.</p>	
3	<p>OpCos Quarterly Report</p> <p>Access</p> <p>SEI outlined adaptations that had been made to Access's programmes in response to Covid.</p> <p>He highlighted that Access is expanding the Enterprise Development Programmes in the areas of: the environmental voluntary sector; and BAME-led charities and social enterprises.</p> <p>Work on analysing successful business models is accelerating.</p> <p>Reach Fund – a decision will be made on continuation or expansion of the programme and will be looked at by the Board in March.</p> <p>Various adaptations have been made to the Growth Fund and some of the funds will have a longer deployment period. NLCF has agreed to an extension of Access's SLA to run the Growth Fund by two years.</p> <p>Local Access has been impacted by COVID – however Bristol and couple of other areas are due to receive their commitments in the next few months. There have been learnings from the process.</p> <p>He also updated on the performance of the Covid Response Funds.</p> <p>From Access's perspective the Quadrennial Review is progressing well so far.</p> <p>NH commented on the legacy activity and planning around this issue through a sub group looking at the milestones which need to be in place for Access to be confident that its mission has been achieved. The Quad Review should also help in this process.</p> <p>KD highlighted that the reporting of Access was out of sync with the OT Board meetings and it would help if this could be looked into. [ACTION: AB to circulate Dashboard when available and discuss meeting timing with SEI.]</p> <p>There was a discussion of further Dormant Account funds – NH indicated that, while they were not actively requesting more funds, they would be responsive to any proposals from DCMS.</p> <p>Access's approach to BAME-led organisation data collection was discussed.</p> <p>The figures for 1Q21 staff costs were queried. [ACTION: SEI to follow-up.]</p> <p>The impact of Covid on strategy was discussed. The major impact appears to be on timing of demand – which Access is confident will recover. There is also an opportunity for innovation around more patient and flexible capital.</p>	<p>Circulate Access KPI Dashboard and discuss meeting timing -AB.</p> <p>Revert to SH on staff costs -SEI.</p>

	<p>YFF is looking for examples of employers who have good experience and those who want to learn more. Major research projects are in train and the team is exploring how to disseminate findings most effectively.</p> <p>The big gains to be made are by translating the findings from all its research into policy engagement with Government. The Government is actively seeking advice and guidance. JM emphasised that there is an issue for programmes such as the Towns and Cities Fund focusing on capital spending solutions to the levelling-up issue rather than recognising the need to set aside money to target “human” programmes.</p> <p>YFF has a lot of attention from Government (including from DCMS) but DWP and HMT are the major focus. But there are examples of other departments (such as CLG) where major changes could be extremely helpful.</p> <p>There was also a question of regional government including Metro Mayors. This is a challenge for YFF given its limited resource – but happy to be guided by any suggestions for further contact.</p> <p>HE highlighted the importance of YFF’s research into the impact of Covid on the youth labour market.</p> <p>It was noted that there are a lot of people seeking attention from employers – YFF generally works through representative bodies and targets specific, relevant sectors.</p> <p>The YFF Treasury balance is currently very liquid (intentionally because of Covid uncertainty) and this will be reviewed in the coming months.</p> <p>SE thanked the OpCos for presenting and flagged that the next meetings with them would be individually at the Governance Review meetings in April.</p>	
4	<p>F4AF Deep Dive</p> <p>Governance</p> <p>RCK outlined the Board and Committee structure that is now in place. The ten non-executive Board members are very engaged in both the Board and most of them also support the organisation’s workstreams by contributing their expertise which also helps with “real-time governance”. An internal Board effectiveness review (conducted at the end of 2020) had been positive about the operation, culture and Board presentation materials but recognised that it would be helpful to have greater diversity of perspectives and, in particular, more exposure to the end-user group. Key actions were: to establish an end-user group and more exposure for Board members to some of our investee clients; appointment of a DEI Board sponsor and steering committee; and where necessary to fill any gaps, to co-opt additional sub-committee members.</p> <p>Strategy</p> <p>SR presented the high-level strategy of F4AF.</p>	

The fundamental premise of the organisation is that the financial services industry in this country does not currently serve people in vulnerable circumstances in a way that enhances their financial wellbeing. It is possible for it to do so on a sustainable basis – recognising that it would be good for society as a whole if it did. It is the responsibility of the financial services industry as a whole to serve these customers and not just specialist providers.

In principle, F4AF's activity is to focus on who is providing services (affordable credit and other financial services) to the targeted customer group well - in order to scale these activities and provide a blueprint for others, including the mainstream.

The intention is to provide the evidence required to influence policy makers and others who can effect change.

F4AF wants to be clear that its role is not to provide support to affordable credit providers if they do not have a sustainable business model or are not serving the target customer group.

SR outlined the questions that were reviewed with stakeholders when developing the strategy. The strategy includes looking at new products that target people in vulnerable circumstances and partnering with mainstream banks.

AR emphasised the size and ambition of the task F4AF had set itself.

Engagement

Engaging Government and financial service providers is key – Government is engaged and committed but can be siloed and responsibilities around this issue are fragmented. This makes influencing and driving change more difficult – the FCA Woolard Review has been helpful in developing awareness of the issue at a bank board level – but the banks are strategically challenged at present with a focus on Covid response. RCK added that vulnerable customers are not the top of either the Government or banks' agendas and because of the efforts put into the Covid loan programmes, this has slowed the progress that has been made with them. However, high-cost credit providers are increasingly eager to engage with F4AF and FinTech solutions are emerging (which has associated potential use of public money and related State Aid challenges for support from F4AF).

Informal lending systems in particular communities, such as partner schemes, were discussed. F4AF is working on research into minority ethnic community provision looking at structural barriers and understanding informal systems that F4AF can help support where they work well. Aspects of illegal money lending are also being looked into – it was noted that this is the other side of the informal economy in this area.

Risk

F4AF recognised the potential tension between it having public funding and the organisation having been established as a start-up so that it would have the energy and distance from government to enable it to act as a disrupter to the system. This is reflected in the approach to risk appetite. While being prudent in terms of financial management, the organisation needs to be bold and not everything F4AF does will work - losses need to be expected in

	<p>relation to some investments as F4AF is committed to have a transformative impact.</p> <p>Key elements of risk are to ensure the organisation remains relevant to customers and providers (eg recent developments in “buy now pay later” promotions). Also, to look at appropriate impact measurement goals and what quantitative and qualitative tests and measures can be developed.</p> <p>Reputation risk involves issues such as supporting credit providers charging high headline interest rates to higher-risk individuals whose only alternative would be loans from illegal lenders. The narrative around these issues can be very challenging.</p> <p>CB shared her experience in micro-finance and the political dimension of being seen to endorse high interest rates. Research can demonstrate experience from history both in the UK and internationally and build evidence and develop the narrative through influencers and storytelling. However, translating international experience can be challenging as the cost of providing services can vary substantially.</p> <p>Communication with stakeholders is being analysed. This involves looking at the issue as a part of a system – identifying who is best placed to influence particular stakeholders - ultimately providing those with the power to effect change with the evidence they need. The dominant features of what is required for this market are still being worked on. As they become defined, there will be more specificity in the asks of HMT and others.</p> <p>There was agreement from members of the OT Board on the articulation of the approach to risk appetite and innovation, however it flagged the link to reputation and the importance of recognising and contemporaneously documenting this risk so that it is clear to funders even with hindsight.</p> <p>Reputation and ways to assess this was raised as an issue. The impact report will be key to get proper indicators.</p> <p>The ability to secure additional funds was raised as a possible risk that should be recognised. SR discussed F4AF’s plans for fundraising and developing leverage.</p> <p>External Context</p> <p>In summary, as reflected in the FCA’s recent Financial Lives Survey, the problem F4AF is addressing has become bigger. The number of people in vulnerable circumstances during the pandemic has gone up by 3 million to 14 million people or 25% of working age population. F4AF is working closely with the sector and adopting a “stabilise – assess – plan” approach.</p> <p>Priorities and Activities</p> <p>These include:</p> <ul style="list-style-type: none"> • Covid resilience fund has helped support 50% of affordable credit provision. • Scaling the five pilot affordable lenders. • Unlocking other financing – F4AF does not want to be known as a grant maker – rather as a catalyst to unlock other funds – such as in the case of working to develop models that enable affordable credit providers to scale and piloting engagement with Housing Associations to scale community finance. The aim is to increase 	
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	<p>community finance from £300m currently to £400m by the end of the year and to £850m by 2024.</p> <ul style="list-style-type: none"> • Raising of a debt fund with two pioneer banks involved in the first raise in second half of 2021. • New products – non-interest loan pilot (working with HMT and others on providing funding); and appliance poverty models to develop affordable rental offerings. <p>Key features of the approach are: to keep focused; be bold and experimental; and prepared to say “no”.</p> <p>Funding</p> <p>RCK raised the issue of funding through Dormant Accounts and how the balances held by RFL and the OpCos are being invested. There were two issues that could be improved: (1) He suggested looking at the system as a whole which might enable better investment of the funds as there is better forecast of spend and (2) it would be helpful to give more certainty of funding for the OpCos as they plan their response to long term problems over an extended period of time. IH indicated that RFL is likely to become even more conservative in its investment policies as an NDPB.</p> <p>SE thanked RCK and SR for the presentation. SR welcomed continued engagement and advice from the OT Board.</p>	
5	<p>Equity, Diversity and Inclusion</p> <p>AB reminded the Board that this issue had been discussed at their meeting in October.</p> <p>Since then, the idea of setting-up a practice group had been raised with the OpCo CEOs, however they were not keen to pursue this, given the pressures on their time.</p> <p>AB is developing Board training with BiTC (on advice from YFF) – which will create an opportunity for the Board to meet together to explore the issue in a less formal environment. From his one-on-one chats with Board members, SE saw training sessions as being both informative and as a way of the Board getting to know each other better in the absence of physical meetings. This had also been discussed at the Noms and Rems meeting. Training sessions on Impact and Investment had been suggested. [ACTION: set-up 3 training sessions - AB]</p> <p>The Diversity Statement was approved to be put on the OT website incorporating some minor wording changes suggested by NP. It is important that the statement is followed-up with steps to ensure it is implemented (should be a standing item for the Board to verify) and the OpCo Governance Reviews should also check that they are implementing their own statements on this issue. [ACTION: AB to follow-up.]</p>	<p>Set up training sessions in the coming months - AB.</p> <p>Finalise wording on the EDI statement and publish on OT website – AB.</p>
6	<p>Nominations and Remuneration Committee</p> <p>SH reviewed the Noms and Rems Committee Minutes.</p>	

	<p>Because of new additions to the Board it had been agreed that the existing Board to bed-down for a little longer before further recruitment. The Skills Matrix had been reviewed and updated.</p> <p>Board appraisals should be formalised including the appraisal of the Chair by the SID (in the summer when he will have been in the role for a year).</p> <p>A wider review of Board effectiveness by an external group should be kicked-off in the autumn for the review to be conducted at the beginning of 2022. He asked for suggestions of names of organisations we should approach to procure this work. [ACTION: Board to suggest recommendations to SH and AB.]</p> <p>The Committee recommends that NED remuneration should be raised by CPI (currently 0.7%pa). This was approved by the Board.</p> <p>Board culture and ways to further engage the Board had been discussed by the Committee (see previous mention of Board training opportunities).</p> <p>The Committee also agreed that OT should definitely observe the BSC Noms and Rems Committee process for selecting the Chair to take over from HM in 2022.</p> <p>Directors liability insurance will continue at £10m despite a considerable rise in the cost (to £19,000 + VAT).</p> <p>SE added that subsequent to the meeting the annual evaluation for the COO had been conducted and concluded very satisfactorily.</p> <p>Following the one-on-one calls with the Chair, there was a request for further discussion of the interpretation of role of OT particularly in the context of further Dormant Asset allocations. This could be done informally and in person (when this is possible). It was noted that future flows of funding directed by DCMS does not necessarily have to be through OT Group companies. [ACTION: AB to set-up a meeting.]</p>	<p>Produce shortlist of possible external reviewers = SH & AB.</p> <p>Meeting of Directors to discuss the role of OT – AB to arrange when possible it is to do this in person.</p>
7	<p>OpCo Papers</p> <p>The Link Directors had met to discuss the issue of OpCo Board papers and presentations. They had agreed a possible framing for the content of the OpCo oral presentations.</p> <p>The idea of procuring a Board Paper management system had been discussed – but it was felt to be unnecessary and continuing with a pdf system was preferable – with a separate pdf for the papers provided by each OpCo. It was requested that the Agenda should also be provided on a separate pdf document. [ACTION: AB]</p> <p>It was agreed that the Link Directors should be actively discussing risks with each OpCo and a key risk document should be provided for each OpCo when available. [ACTION: AB to communicate to OpCos.]</p> <p>KD highlighted that the Access Dashboard and Risk paper will be distributed to the board when available (it would be helpful for the Access and OT meetings to be better synchronised if possible). [ACTION: AB to distribute.]</p>	<p>Produce Board pack as agreed - AB.</p> <p>Communicate Board papers required to OpCos - AB.</p> <p>Distribute additional Access papers - AB.</p>

8	<p>Quadrennial Review</p> <p>NP updated the Board on the Access Quadrennial Review including the publication of the Call for Evidence in January and the Panel interview process having started at the beginning of the week.</p> <p>There will be fortnightly catch-ups of the OT Review Team with the Panel.</p> <p>The first draft of the report should be available by Easter.</p> <p>A follow-up with BSC on their Quad Review Actions is in the diary. SE commented that HM has been in contact about the BSC CEO recruitment process and they are close to moving ahead on this.</p> <p>The next Quadrennial Review in 2022 will be of either F4AF or YFF. There is logic to F4AF coming first as they were the first off the ground and likely to have more evidence. The relevant Link Directors were asked to communicate if they had any strong views to NP. [ACTION]</p>	HE and AR to consider the ordering of Reviews. [DONE]
9	<p>Risk Registers</p> <p>SE introduced the Item and handed over to NP to lead on the issue of the risk identified concerning the article in Third Sector on an internal NCVO report. NP reminded the Board of the steps that had been taken to discuss the issue with the Chair, inform the Board, to monitor and address any reputational risks, which she had communicated to the Directors. These steps also ensured that the issue was reflected appropriately on the risk register and it was agreed that the relevant reputational risk probability should be increased (reflected in an increase in its score from 3 to 4) which also reflected the extra scrutiny there had been on the issue. The Board were encouraged to raise any further issues on this topic directly with NP.</p> <p>IH suggested that the risk concerning IT problems and cyber attack should have its impact raised. [ACTION]</p>	Raise impact score for cyber attack on OT systems - AB. [DONE]
10	<p>AOB</p> <p>None.</p>	

Next meeting: 14 June 2021 at 8:30-11:00am (Access Deep Dive).