

The Oversight Trust

Meeting of the Directors (Members)
17 September at 8:30–11:30am

BOARD AGENDA

		Presenter	<i>Documents</i>	<i>Timing</i>
1.	Introduction Welcome to new OT NEDs (Links)	Chair		5 mins
2.	Update from OpCos Fair4All Finance Access – the Foundation for Social Investment Youth Futures Foundation Summing Up by Chair	RCK, SR NH, SE JM, AS Chair	Update Update Update	45 mins 10 mins
3.	Big Society Capital Deep Dive	HM, SM	CEO Report and Activity Review Update post July Board + Quad Review Actions Covid-19 Lessons Background materials on Quad Review	60 mins
4.	Introduction to OT Directors' Meeting Apologies, Declaration of Interests, Approval of Minutes	Chair	Minutes of previous meeting	5 mins
5.	Quadrennial Review Process BSC Conclusions and follow-up Planning for Access Review	NP	Quad Review follow-up and planning for 2021	15 mins
6.	Annual Group Consolidated Accounts Presentation of Accounts Delegation of Approval for signing OT Accounts and Auditors' Representation Letters YFF Annual Report and Auditor's Report	KPMG IH Chair	Draft OT Annual Report Auditor's Report and Rep Letters (to follow) YFF Annual Report and Auditor's Report	20 mins

The Oversight Trust

7.	<p>Legals</p> <p>OT name change registration</p> <p>Proposed changes to:</p> <p>Access Articles</p> <p>OT Articles</p> <p>Delegation of Authority to Chair to sign revised funding agreement with F4AF</p> <p>Delegation of Authority to Chair to appoint Auditor and agree audit fees</p>	<p>AB</p> <p>Chair, AB</p>	<p>Cert. of Incorporation</p> <p>Mark-up of Access Articles</p> <p>Mark-up of OT Articles</p>	10 mins
8.	<p>Diversity</p> <p>OT Diversity Policy</p>	Chair/AB	Diversity Paper	10 mins
9.	<p>The Role of OT</p> <p>Review of OT Processes Document</p>	RB	The Role of OT and Processes	For noting
10.	<p>AOB</p> <p>(incl delegate authority to Chair to vote at F4AF AGM)</p>	Chair/AB	Authorised Signatories	5 mins

F4AF meeting and AGM to follow at 12 noon.

Next BST Board meeting: 19 November 2020 at 8:30-11:30am (YFF Deep Dive)

**Minutes of the meeting of the Board of Oversight Trust
8:30-11:30am 17 September 2020**

In attendance, Board:

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

KPMG

Richard de la Rue, Audit Partner (RR) (for Item 8)
 Chris Heseltine, Audit Manager (CH) (for Item 8)

Other attendees

Joe Montgomery, Chair YFF (JM) (for Items 1-2)
 Anna Smee, CEO YFF (AS) (for Items 1-2)
 Richard Collier-Keywood, Chair F4AF (RCK) (for Items 1-2)
 Sacha Romanovitch, CEO F4AF (SR) (for Items 1-2)
 Seb Elsworth, CEO Access (SEI) (for Items 1-2)
 Harvey McGrath, Chair BSC (HM) (for Items 1-3)
 Stephen Muers, Acting CEO BSC (SM) (for Items (1-3)
 Tom Hutchby, Finance Manger BSC (TH) (for Item 8)
 Alastair Ballantyne, COO OT (AB)

		ACTION
1	<p>Introduction</p> <p>The Chair confirmed that there were no Apologies from the OT Board. He welcomed the four new Directors to their first OT Board meeting and noted that this would be the last OT Board meeting for Peter Holbrook and Robin Budenberg who retire from the Board at the end of the meeting. He thanked them both for their substantial contribution to the company over many years and, in particular, Robin’s contribution to the design of the new governance structure and his period as Chair, leading the organisation at a critical time.</p>	
2	<p>Update by the OpCos</p> <p>F4AF</p> <p>SR highlighted key issues for F4AF. F4AF is now working with over 40% of the affordable credit sector and has been focusing its support on growing lending capacity. The Covid crisis has meant there has been a credit squeeze</p>	

<p>with 3-5 million additional people falling into vulnerable circumstances at the same time as there being a contraction in available lending. F4AF launched its Covid Response Fund to help address the pressure on affordable credit provision. £4 million is now deployed and £1m is still to be allocated (it was noted that the local lockdowns that are being introduced are often in areas of higher deprivation).</p> <p>F4AF has been looking at the evidence of impact of the Fund and will be reporting to their board on this – but initial reporting suggests that lending available to vulnerable groups has been maintained.</p> <p>F4AF will also be discussing with its board its strategy refresh which will emphasise the recognition that, in order to achieve the scale required, there will need to be a focus on engagement with mainstream credit providers – not only through referral mechanisms but also direct support for affordable lending.</p> <p>F4AF is looking at measurement of the benefit to society of affordable lending. It has funded a report for Fair for You by the Centre for Financial Responsibility that demonstrates that Fair for You has created £15m of social value (including savings to government such as those to the NHS). F4AF is also beginning to look at data to analyse the impact of ethnicity on lending and explore if there are systemic issues that need to be addressed.</p> <p>SH and CB asked if the Impact Paper and Risk Register referred to in the Board papers could be shared with the OT Board. [ACTION - SR/AB]</p> <p>Relations with government were discussed. SR outlined the strong engagement with HMT (Financial Inclusion Team) and DCMS (Office of Civil Society) – the relevant Ministers are also helpfully engaged. Developing a pilot for the No Interest Loan Scheme with Fair by Design and Toynbee Hall was an example where government had helped define what would be doable in the context of current legislative constraints.</p> <p>Asked about what was needed for a fundamental breakthrough to address such a vast problem, SR responded that the economics of lending small amounts to the target demographic was challenging and unlikely to be solved by technology (as the target group needed more personal contact rather than more automation). The approach F4AF is taking is to help existing providers scale and grow proven systems. She outlined how getting a better (and more affordable) capital base into these organisations was key. She also referred to models that help people afford household goods.</p> <p>RCK added that working on the model for affordable credit would show what cost of capital would be sustainable for the sector and this may require a policy response from government to achieve, which would be informed by examples of approaches taken in other countries.</p> <p>CB outlined the example of the Indian government’s initiative around micro finance and how very targeted evidence could play key role in influencing policy makers. SR agreed that the groundwork is being done to analyse options and build a movement so that further progress can be made in the future when there is more possibility for Government action.</p>	<p>Circulate Impact Paper and Risk Register – SR/AB</p>
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	<p>The affordable credit sector has been substantially challenged since the crisis developed – however since April, lending and default levels appear to be more manageable. SR referred to the spectrum of CUs and CDFIs between larger more sustainable organisations and smaller community CUs which are often in very deprived areas and are the most challenged. Sustainability grants have been offered to some of these sub-scale CUs to explore the possibility of merging with others in the region to become sustainable.</p> <p>F4AF is also monitoring lending by customer type, such as benefit claimants or the self-employed to ensure it remains focused on its target beneficiary group.</p> <p>Access</p> <p>SEI outlined a risk that the crisis may have impacted on the perception of enterprise development in the sector. However, it was encouraging that Access was continuing to see demand for Enterprise Development grants across all four cohorts.</p> <p>Unsurprisingly, the Reach Fund had seen a fall in demand as organisations focused on crisis response rather than more strategic matters. It is expected that demand will increase in the future.</p> <p>The majority of work over the summer has been on blended finance – both the Growth Fund and the blended finance initiative funded by the latest NLCF grant. Reforecasting has been done on all the Growth Fund intermediaries, with three of the funds now working towards an early wind down and the other ten anticipating slower deployment over a longer period. Under the new programme £7m of grant commitments have been made for emergency blended finance. Access is also working with Barrow Cadbury Trust on £2m of direct support for intermediaries because of the effects of Covid and is in the final stages of planning and designing the Flexible Finance for Recovery Programme (£21m).</p> <p>Access has contributed to research including ACF work on how foundations invest their endowment and it has shared learning from the Local Access programme.</p> <p>He noted that level of commitments made for the blend for emergency lending funds was in line with expectations and had been well spread geographically across the country.</p> <p>YFF</p> <p>AS presented an update on YFF’s activities.</p> <p>Its Strategic Plan is coming together against a very negative backdrop on youth unemployment data.</p> <p>A lot of focus has been on influencing policy (HMT and DWP) with a large number of helpful conversations ongoing on initiatives such as Kick-Start and Youth Hubs – helping design programmes with consistency across the country informed by local input. The team is also working with DofE and DWP to help both young people and employers to navigate what is available. (Including help in convening SMEs.)</p> <p>YFF’s mantra to its Covid response has been to: act on evidence, act fast and act together. There have been three areas of focus:</p>	
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	<ol style="list-style-type: none"> 1. Policy development: Youth Employment Group has been very effective in developing policy recommendations based on evidence on what works and also making development and impact grants to support this. 2. Inspiring Futures Fund (£3.5m from YFF matched by Children in Need) has been launched which is oversubscribed and is looking to provide roughly 80 grants. The Infrastructure Resilience Fund has also seen a high level of demand. YFF funding is used for grants in England and Children in Need money is used for demand from the other home nations. 3. Initialising systems change – YFF is working in partnership with organisations (including major employers and community organisations) in a number of regions to develop this initiative. <p>The issue of Youth Corp was raised as a specific area of interest which YFF has been discussing with Government. [ACTION: circulate YFF paper – AS/AB]. AS outlined YFF’s thoughts and agreed that there were potential challenges however, the overall approach to collaboration was very much welcomed.</p> <p>RCK explained that F4AF has similar issues related to UK-wide initiatives when its funds are provided only for England and suggested that it would be helpful to share information and compare notes about different approaches across the OT Group. [ACTION: see below]</p> <p>SH suggested that having an independent Grants Committee could become challenging if it was disconnected from the management team. He also cautioned that some organisations can struggle to collaborate effectively and may try to pursue their own agendas.</p> <p>HE highlighted the complexity of communicating to different and diverse audiences and the resources required. AS responded that YFF’s approach has been to map the various related initiatives and look at customer journeys. YFF are exploring Comms approaches including working with the Government’s websites and others (such as CBI and youth-friendly platforms).</p> <p>Areas of Collaboration</p> <p>Topics to consider and determine if there are initiative that could be worked on collectively:</p> <ol style="list-style-type: none"> 1. Geographic distribution 2. Diversity issues 3. Systems change – sharing experience and developing a consistent approach to engagement with government to influence policy <p>[ACTION: SE/AB to follow-up off-line.]</p> <p>IH asked that there should be a financial report in each update. All OpCos agreed they were happy for OT to share their OT Update Reports with the other OpCos. [ACTION: AB to distribute OpCo updates to all prior to the next OT Board meeting.]</p>	<p>Circulate YFF paper on Youth Corp – AS/AB</p>
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		<p>Follow-up on Issue Groups – SE/AB</p> <p>Distribute all Updates to OpCos at future OT Board meetings - AB</p>
3	<p>BSC Deep Dive</p> <p>HM introduced the Review of BSC’s operations that would focus on the BSC Quadrennial Review and the response of the sector to Covid and how this would affect BSC’s ongoing strategy.</p> <p>Quadrennial Review</p> <p>He saw the Quadrennial Review as a useful exercise. The action points should be integrated into the company’s 2021 Business Plan rather than being a standalone list. It was noted that some of the actions involved longer term issues related to aspects of BSC’s culture.</p> <p>The BSC Exco team had recently had a very constructive meeting with the Review Panel and the management team was now disseminating the output from the Review across the organisation.</p> <p>SM recognised that a major theme of the Review had been how BSC approaches external stakeholders and the need to work in genuine partnership. There will be a range of actions to be taken including reviewing the channels for engagement such as the Advisory Board, consultative groups and other mechanisms for engagement. This also involved teaming-up with others in the sector to have a more co-ordinated and consistent approach in influencing Government – a current lobbying initiative with Access and SIB is an example of this.</p> <p>Another aspect of external engagement was around criticism of the investment process. Systematic feedback from investees is being sought, and Claire Brown from the Review Panel has agreed to present on this aspect of the findings to the Investment Team.</p> <p>The approach to cost of capital needs to be explained better. BSC has already engaged in restructuring the Growth Fund and reducing BSC’s expected return for these investments. There needs to be a conversation involving OT with the shareholder banks on the issue of returns.</p> <p>SM recently wrote a blog on how BSC is approaching the issue of diversity and inclusion including reporting on investments. (blog available on BSC website). An independent report has been commissioned to look at how BSC operates internally in terms of diversity in areas such as recruitment, promotion and pay.</p> <p>SH asked about the points of disagreement with the Panel’s conclusions. SM thought there was remarkably little, although the issue about BSC’s relationship with Government did not reflect that BSC had to act</p>	

	<p>independently and, given the nature of its investments, had to take a longer term view and not always be responsive to changing political priorities. BSC sees many segments to the social investment market – some off which depend on government (local or national) support (eg blended finance, housing for vulnerable people) and others do not (eg charity bonds, tech funds and other property investments). Some of the crucial relationships are with specific areas of the public sector at a more granular level of policy than the overarching issue of promoting the broader social investment market. This may explain the feedback the Panel received from the senior policy makers they spoke to.</p> <p>The Review highlighted that relationships needed to be worked on by BSC, and clearer messaging developed. BSC accept this as something they need to focus on going forward.</p> <p>NP thanked BSC for their positive response to the Review and highlighted some areas where BSC had gone further than the report had suggested. However, there were some gaps in BSC’s response such as comments around the due diligence process and, in particular, the fact that a spread of co-investors shared the view that processes were more rigorous than they needed to be.</p> <p>SM agreed that work needs to be done on this. He emphasised the range of risk appetite of different investors and the initiative to ask for feedback from investees on how the process can be improved in specific areas.</p> <p>CB’s experience is that due diligence processes in the private sector asset management industry are often criticised and that unless questions in surveys of stakeholders are made very specific, including to try to identify any areas where rigour has helped the investee, people’s responses will always be very general and negative.</p> <p>There were suggestions in the Review around BSC’s leadership role in the sector and the need to share learnings more effectively which BSC saw as a longer-term issue. A new communications strategy targeting different stakeholder groups has just been agreed with the BSC Board. BSC will be publishing a follow-up Impact Report in the autumn – which they intend to be very transparent and include comments on failures as well as successes.</p> <p>Rather than waiting for the next Deep Dive session with BSC, OT would be interested in having a follow-up on progress on implementing the Review’s findings (as reflected in the emerging Business Plan) part-way through the year with a meeting involving the OT Board Review Team (NP and SH) and the Link Director and possibly involving the BSC Board sub-group. HM welcomed the suggestion of having an ongoing dialogue – the form this would take would need to be discussed further. [ACTION: SE to discuss next steps with HM.]</p> <p>A lot of the review is about culture and the OT Board welcomed the acceptance of criticism and the tone of BSC’s response. BSC will be feeding back to the Review Team on their experience to help structure the Reviews that will follow. [ACTION: Meeting with BSC is being arranged – AB.]</p>	<p>SE to meet HM to discuss next steps on Quad Review next steps. [DONE]</p> <p>Arrange Quad Review Feedback meeting with BSC – see below [DONE]</p>
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	<p>Covid</p> <p>The impact of Covid has been less than initially feared by BSC and the sector generally. This in large part reflects government initiatives such the Bounce Back Loans Scheme which has seen good take-up by the sector.</p> <p>However, going forward there is the prospect of a harsh winter as Government support schemes are wound down. CBILS was specifically referenced as it is due to end soon.</p> <p>The impact on the BSC portfolio is very varied. For example, health-related tech investments were doing particularly well whereas Arts and Culture organisations are very challenged.</p> <p>[The predicted social investment portfolio write-down of £40m is likely to be significantly lower at June 30 (half year) – potentially less than £10m. However, this could change in the coming months as Government support for the sector begins to decline.]</p> <p>Strategy Review</p> <p>HM outlined that BSC was in the final year of a three-year strategy. The strategy development process was currently being discussed with the BSC Board. Covid had resulted in a pause in the review of objectives, but a high-level framework for goals will be agreed at the November Board meeting which will be further developed with the new CEO.</p> <p>HM updated the OT Board on the process for recruiting the CEO, which is continuing.</p>	
4	<p>OT Board Introduction</p> <p>SE introduced the “OT Board only” part of the meeting. There were no apologies.</p> <p>In terms of potential conflicts of interest, CB highlighted that she is legally employed by a non-profit vehicle that is a legal entity owned by Bridges Asset Management and the vehicle has two directors of Bridges on its board (alongside other, independent, directors). A number of Bridges’ funds have investments from BSC however CB has no commercial relationship with those funds.</p> <p>The Board was content with this declaration and were comfortable with CB acting as OT Link Director for BSC.</p> <p>The minutes of the Board meeting on 1 July were approved.</p>	<p>AB to publish OT minutes from the last Board meeting on 1 July on OT’s website</p>
5	<p>Quadrennial Review</p> <p>NP reflected that the press response to the Review was generally positive. There had been criticism of the use of the term “impact” in a general sense</p>	

	<p>and the report had not covered a detailed assessment of the measurable impact of BSC, which was seen as beyond its scope.</p> <p>The Review Team had seen the report as a “collective endeavour” with BSC and wanted it to be seen as a positive challenge by them so that OT could work with them on developing an appropriate response. DCMS agreed this approach.</p> <p>SE suggested that the fact that BSC has a substantial Comms Team and OT has none made the approach to the press unbalanced. He proposed that OT could employ freelance support for the COO for future Reviews. [ACTION: Explore alternatives Comms proposals in November – SE/AB.]</p> <p>RB suggested that both BSC and DCMS should be involved in feeding back on their experience of the BSC Review to help scope next year’s review of Access. [ACTION: Arrange meeting with BSC (as above) and also DCMS - AB.]</p> <p>There was a discussion of the issue of whether the Review should include specific recommendations rather than synthesising and highlighting issues raised. It was agreed that this could involve more work for the Panel and potentially broaden its scope. It could also be unhelpful to have recommendations if this would result in a drawn-out negotiation process to agree specific wording as there would be a risk of the process possibly watering-down the Review’s observations. In the case of BSC, not having specific recommendations helped keep OT involved with the shaping of the response – rather than the alternative of effectively delegating the formulation of specific actions required to the Review Panel.</p> <p>NP suggested that she and CB should meet-up to discuss follow-up with BSC. [ACTION – DONE.] Panel membership needs to be further discussed and she asked for feedback on any views on structuring the Panel for the next review. The current Panel was seen to have done a very good job and there was a logic to inviting the same Panel to do the Access review given the similarities between the missions of the organisations. This would not be the case for the other two OpCo Reviews.</p> <p>The OT Review Team for Access should also include the Link director.</p>	<p>Explore Comms alternatives – SE/AB</p> <p>Arrange meetings with BSC and DCMS to feedback on Review – AB [DONE]</p> <p>NP and CB meet to discuss BSC follow-up [DONE]</p>
6	<p>Legal Decisions</p> <p>The Board noted the registration of the change of the Company’s name to “The Oversight Trust – Assets for the Common Good” with Companies House.</p> <p>SE outlined the background to the request for the change to the Access Articles to increase the maximum number of directors to twelve from nine (SE indicated that Access had initially suggested no upper limit , but he had requested that a limit be retained).</p>	

	<p>He had also confirmed that Access had done thorough due diligence on all the four proposed new Directors. He was comfortable with the process as outlined.</p> <p>PH suggested that the Board needed to keep an eye on the growth of the OpCos over time.</p> <p>The OT Board unanimously approved the proposed change to the Access Articles and supported the Chair’s approval of the four new Access NEDs.</p> <p>The Directors ratified the written decision by the Directors to delegate responsibility to the Chair to agree and sign the Access Funding Agreement (that had been agreed unanimously by email).</p> <p>This written decision had highlighted that wording should be added to the OT Articles to specifically detail how written decisions should be made by the Board where they did not require a Special Decision or a Consensus Decision. The Directors also unanimously approved the proposed changes to the OT Articles. A written resolution will be sent to the Members of OT (who are also the Directors) to formally agree to the change. (The Members will also be sent a second written resolution to approve the appointment of the OT auditors and agree to delegating to the Chair the negotiation of their audit fee.)</p> <p>It was noted that BSC may come to the Board with a proposal to amend its Articles to include reference to it having social and environmental objects which are required if it is to qualify for registration as a “B Corporation”.</p> <p>The Board delegated authority to the Chair to agree a new (or amended) triparty funding agreement with NLCF for F4AF on substantially similar terms to the existing agreement - relating to the increase in dormant account monies it has been allocated under the direction of the Secretary of State.</p>	<p>SE to sign Access Written Resolution [DONE]</p> <p>Circulate Written Resolutions – AB [DONE - approved]</p>
7	<p>The Role of OT</p> <p>RB presented the document outlining the role of OT for clarity of what OT does and “what it does not do”, how OT goes about it and the limits to what it can do. He emphasised that OT is not running four OpCos but rather overseeing them to keep them on mission.</p> <p>On social impact reporting, it was clarified that the Quadrennial Reviews look at whether the OpCos are doing enough in terms of impact and the quarterly updates look at what social impact is being reported.</p> <p>IH asked for clarification in the document of the role of the Cabinet Office and clarifying that NLCF funding to Access was at the behest of the Secretary of State. [ACTION: AB.]</p>	<p>AB to reflect clarifying drafting changes – AB [DONE]</p>

	<p>It was agreed that the OpCos and DCMS should review the document. [ACTION: AB]</p> <p>RB would welcome one-on-one discussions with the new NEDs to discuss both this document and the individual OpCos each is responsible for (reflecting the output from the Governance Reviews in May). [ACTION: RB's office to set up meetings.]</p>	<p>Circulate the Role of OT document to OpCos and DCMS – AB [DONE]</p> <p>Schedule new NEDs meetings with RB [DONE - CC]</p>
8	<p>OT Annual Report and Accounts</p> <p>SE introduced RR, CH and TH.</p> <p>IH outlined the process for producing the Annual Report which the BSC Finance Team have worked-on for OT.</p> <p>The report was delayed as a result of the YFF having to sort out accounting issues, principally in regard to its approach to income recognition of its grant from NLCF which OT had raised as a concern and has now been changed.</p> <p>There are still some outstanding issues including around how related party and other interests are reflected in the document.</p> <p>He confirmed that he had reviewed the draft Annual Report and Accounts and was comfortable with the content.</p> <p>RR updated on on-going audit work. He outlined the audit strategy decisions including: materiality, significant risks and scoping.</p> <p>Materiality is based on 2.5% of the total assets for the group. There are major risks around the valuation of the BSC portfolio of investments and the possibility of fraud or management over-ride of controls (a standard audit requirement). Other areas of focus are: cash (particularly for new OpCos), revenue - income testing, going concern and Covid.</p> <p>BSC represents roughly 80% of the group in terms of assets. Access audit has been reviewed and a report from their auditor is due imminently. For the new OpCos, the audit of cash account balances is the major item.</p> <p>This year Going Concern is a focus area for all companies' reports because of Covid – there is a mandatory risk consultation on this issue and more disclosures than usual need to be reflected.</p> <p>SE explained that the OT Board will have to meet again to approve the accounts.</p> <p>Disclosures on connected parties and related activity were discussed. KPMG advised that it is better to disclose any additional interests (not required</p>	

	<p>under the Related Party Transactions section of the financial statements) in the Strategic Report.</p> <p>The OpCos have all seen the consolidated report and have been asked to provide any comments.</p> <p>The valuation of BSC's portfolio is as of 31 December and Covid is treated as a non-adjusting post balance sheet event. There is disclosure of the impact of Covid in the Strategic Report as well as in the financials.</p>	
9	<p>AOB</p> <p>The Board agreed that the Diversity Paper (circulated to this meeting) will be covered at a future Board meeting (either the meeting to approve the accounts or the November Board meeting). PH was asked if he could provide input.</p> <p>The Board also agreed to delegate authority to the Chair to vote on its behalf at the F4AF AGM.</p> <p>IH offered Link Directors an opportunity to talk to him about the development of the new OpCos if that would be helpful.</p>	

Next meetings: 19 October 1:30-2:30pm for signing of accounts; 19 November at 8:30-11:00am (YFF Deep Dive).