

The Oversight Trust

Meeting of the Directors
1 October 2021 at 9.30am - 12.30pm

BOARD AGENDA

		Presenter	Documents	Timing
1.	Introduction. Apologies. Conflicts.	SE		5 mins
2.	Update on Issues of Mutual Interest <ul style="list-style-type: none"> • Dormant Assets Bill • State Aid 	SE/OpCos	RFL Publication on Dormant Assets Bill	15 mins
3.	Quarterly Updates from OpCos <ul style="list-style-type: none"> • Access • Youth Futures Foundation • Fair4All Finance 	NH/SEI JM/AS RCK/SR	Quarterly Reports	60 mins
4.	BSC Deep Dive	HM/SM	BSC Quarterly Report Deep Dive Report	60 mins
5.	Introduction to OT Board Directors' meeting. Conflicts, approval of minutes and matters arising.	SE	Draft 19 July Board Minutes Away Day Notes Draft Noms and Rems Minutes	10 mins
6.	Equity, Diversity and Inclusion Statement	SH/HE	Revised EDI Paper	5 mins
7.	Operational Updates to the Board: <ul style="list-style-type: none"> • Board Planner • Quad Review Plan • Accounting Issues • External Governance Review • Away Day 2022 	AB	Board Planner Quad Review Outline Plan	15 mins
8.	Risk Register	SE	Key Risks Risk Register	10 mins
9.	AOB		Signing Authorities	

Next OT Board meeting: 16 December 2021 at 9:30am - 12:00noon (including YFF Deep Dive)

Minutes of the meeting of the Board of Oversight Trust
9:30am-12:30pm 1 October 2021

In attendance, Board:

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

Company Secretary:

Alastair Ballantyne, COO OT (AB)

OpCo attendees:

Big Society Capital

Harvey McGrath, Chair (HM) (until Item 4)
Stephen Muers, Acting CEO (SM) (until Item 4)

(The following by all attended by Zoom)

Fair4All Finance

Richard Collier-Keywood, Chair (RCK) (until Item 3)
Sacha Romanovitch, CEO (SR) (until Item 3)

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)

		ACTION
1	Introduction The Chair confirmed there were no Apologies and no additional conflicts to declare.	
2	Update on Issues of Mutual Interest SE led a discussion of the recent changes to Ministerial responsibilities and the delay to the announcement of the Minister responsible for Civil	

	<p>Society and the Dormant Assets Bill. Lord Parkinson will be overseeing the Bill from the Lords.</p> <p>The Bill is likely to receive Royal Assent in April/May – after which there will be a three months consultation, meaning decisions on distributions could be made by the end of 2022.</p> <p>IH explained that State Aid rules in the UK came to an end on 31 December 2020 to be replaced by UK subsidy rules. The key issue is that any drawdown by OpCos from NLCF after this date needs to be under the new rules and the OpCos’ Funding Agreements need to reflect this.</p> <p>The new subsidy rules will contain similar reporting obligations to State Aid. F4AF has found process negotiating changes to its Funding Agreement very slow. IH explained that, in part, the delay was caused by legal advice given to the two entities not being consistent, but this has now been resolved.</p> <p>The Reclaim Fund Ltd (RFL) Dormant Assets Bill Information Guide (published in July) had been circulated with the Board papers.</p> <p>It was seen as a helpful initiative to explain the Dormant Assets process to potential participants – although it was noted that a more collaborative document (reviewed by OT and the OpCos) could have avoided some of its inaccuracies. OT had passed suggested amendments to RFL for any future version of the document.</p>	
3	<p>Quarterly Updates from OpCos</p> <p>Access</p> <p>SEI presented the update based on the new format report to OT. He referred to the recent Board Away Day which had included a stock-take on programmes and a discussion on strategy around legacy.</p> <p>Chloe Staples has joined the Team as Director of Partnerships and Advocacy. It was noted that the Quad Review had proposed strengthening Access’ Advocacy role.</p> <p>Access is recruiting a new Trustee following the resignation of Tokunbo Ajasa-Oluwa.</p> <p>The Finance Team has also been strengthened with the appointment of a Financial Controller.</p> <p>As part of Access’s response to the Quad Review, a recent independent staff survey (that will be reviewed by the Audit Committee in October) had not highlighted major concerns that the Access Team generally felt overstretched.</p> <p>He referred to the presentation on the assessment of Resilience in the sector that had been circulated. Data on the Growth Fund had come from internal data and a survey from Ecorys. Just under half of organisations</p>	

	<p>surveyed said they were more resilient and a third said their resilience was sustained. (The data is pre-pandemic.) The data also supports the case for Access having benefitted a broad range of charities and social enterprises – particularly in terms of size of organisation.</p> <p>NH commented on the request to DCMS for further funding from Dormant Accounts to sustain the Growth Fund. He emphasised that the strategy for making the case for long-term subsidy for blended finance needed to be built with sector partners.</p> <p>KD asked about the make-up of the Access Board and the issue of diversity. SEI responded that in terms of skills, breadth of experience and gender balance the Board is very strong but ethnic diversity needs to be addressed and frontline experience would be very much valued in any recruitment process.</p> <p>KD asked about the conclusions of the Board Away Day concerning legacy and particularly whether the Access Board wanted to review its limited life. The main theme from the Away Day was a shift in emphasis in Access’ strategic plans from a focus only on delivering programmes to, now that it has an evidence base, also building its advocacy and strategic plans. SEI confirmed that a paper on strategy will be coming to the next Board. Crucially, DCMS has to consider its position as it will be responsible for directing future funding.</p> <p>Following the Quad Review, NP emphasised that OT could potentially be helpful when Access is looking at appraising strategic options for a successor body, and help nudge action by DCMS.</p> <p>Youth Futures Foundation</p> <p>JM introduced the update commenting that YFF had its first face-to-face Board meeting (including new Board members) the previous day. Grants are pivoting to focus on place-based interventions in deprived areas while the organisation continues to fund investment in building the evidence base (What Works Centre). In terms of Governance, the Board has been strengthened recognising the need for further finance and HR capability. (He mentioned that YFF is happy to work with other OpCos on lessons learned on Board recruitment.) YFF have also hired a new dedicated Co Sec</p> <p>AS emphasised that YFF’s work (including the new Systems Change and Infrastructure funds) require a long-term approach and multi-year funding commitments and she had been actively advocating for further funding commitments on this basis from Government.</p> <p>YFF’s place-based work is very much focused on particularly deprived areas, working locally rather than at a regional level. This reflects how marginalised young people typically access support, training and work and includes looking at entrepreneurship and self-employment options. YFF is also looking at the “future of work” to ensure young people are supported to access sustainable jobs in growth areas with progression opportunities.</p>	
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	<p>HE noted the volatility in the employment market and, with small staff teams focusing on big agendas, OpCos could be at risk of individuals being poached. AS confirmed that this is particularly an issue for YFF, given the strength of diversity in its team – making it vulnerable to approaches from other employers who are looking to address that agenda. There is also growing wage pressure noted in recent recruitment – emphasising the issue of skills gaps in the labour market.</p> <p>SM highlighted that BSC has seen more pressure on staff retention in recent months.</p> <p>There was a discussion of why YFF is behind budget. AS explained that this was because of time lag – and it is anticipated that all the reported under-spend will be caught up by the next update to OT.</p> <p>JF asked about links with the Ministry for Housing, Communities and Local Government (MHCLG). AS saw this as a huge opportunity to engage with the levelling-up agenda and any new suggestion of new contacts beyond the individuals they are already in contact with would be helpful. NH emphasised that this is a tremendously powerful Department and offered to make introductions, where that would be helpful.</p> <p>AS outlined the new System Change Fund which is looking to be flexible to have a blend of urban and rural pilot areas. It will be looking initially at a wider cluster of areas with a view to focusing in on a smaller number at a later stage. The definition of neighbourhood will vary and the composition of consortiums they are working with will also vary a great deal according to what is needed in each place. YFF will be looking to include examples where a hyper-local approach has successfully engaged with national programmes (such as Jobcentre Plus) and how that has worked.</p> <p>IH pointed out that the YFF strategic statements are very broad in contrast with the hyper-local approach. AS explained that learnings from individual elements of each local intervention will need to transfer to regional and national policy – Government is looking for evidence at this level. YFF is finding “test & learn” approaches helpful as well as learning from research of international experience. The What Works model is designed to make the link between local and national initiatives.</p> <p>CB pointed out that evidence is key and OpCos are gathering evidence very differently. OpCos may want to share their different approaches to understand the level of “precision for the decision” needed.</p> <p>Fair4All Finance</p> <p>SR emphasised the number of people falling into vulnerable circumstances is increasing, particularly in light of the ending of Furlough and the withdrawal of the up-lift to Universal Credit, and affordable finance providers are seeing collections slowing – a sign of more “stress and distress”. Estimates are now of 27m financially vulnerable people in the UK including around 14m with low financial resilience who have less than £100 in savings.</p>	
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	<p>Regulated credit providers are exiting the market, including Provident (doorstep lending), Amigo and Perfect Homes. Overall, regulated lending to this customer group has reduced from roughly £3bn to £2bn – there are also market structural issues related to the activities of claims management companies – many of which are shell companies with foreign backing. It is anticipated that there will be continued pressure on high-cost credit providers in the autumn – likely resulting in further exits from the market. F4AF expects that this will lead to an increase in illegal moneylending. In light of this market shift, to build the evidence base, F4AF is commissioning research on illegal lending, aspects of which have become significantly more sophisticated. The research should help regulators explore actions required to prevent harm and enable appropriate provision.</p> <p>Scaling affordable credit has been a starting point for F4AF and it has now committed c£30m that will deliver an additional £500m of capacity into the system. (In 2019, community finance providers were providing c£300m of affordable credit). F4AF has also commissioned research in a number of areas to build the evidence base on: the handling of those declined credit to establish best practice for delivering improved outcomes to individuals in this situation; the potential pitfalls of payroll deduction lending; business models that work (including collaborative models with housing associations) and the impact of different approaches on end customers. F4AF is also working closely with the Money and Pensions Service.</p> <p>Financial inclusion asks from existing mainstream banks is currently challenging given the other pressures they are responding to. The first step is conducting research to identify what was possible to do during the pandemic, when retail banks mobilised quickly to support people in vulnerable circumstances and evidence their cost and impact to consider what elements of those approaches could be sustained.</p> <p>Sustainable funding of community finance providers as well as direct provision of services to this customer group is critical. All the banks have concerns about reputational issues with being seen to be associated with lending at perceived expensive APRs to this customer group and the public’s perception about how debt collection in this space. The Economic Secretary to the Treasury, John Glen, has been very supportive of the need for provision of small amounts of unsecured credit to this customer group at more affordable rates than high-cost credit options.</p> <p>In terms of advocacy, financial inclusion needs to be seen as a key part of the Levelling Up agenda and RCK saw an important element of the approach being to make the connection between mainstream banks and local CDFIs.</p>	
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	<p>F4AF is also looking at new products and services (particularly at gaps in the market) and has support from all of the UK nations for a pilot No Interest Loan Scheme. F4AF will be running the pilot with Toynbee Hall and Fair by Design. The lending will be done by local community finance credit providers and co-funding will come from local partners such as housing associations, foundations or local government. F4AF has committed up to £5m for England and the devolved nations have each committed £1m lending capital. HMT has also committed £3.8m to fund the pilot which will be delivered in up to six places (three in England and one in each of the devolved nations) to test the impact and sustainability of such a scheme.</p> <p>The F4AF team has grown to 30 people (compared with six pre-pandemic) and many have taken a pay cut from previous employment because they believe in the cause.</p> <p>The focus of the recent Board Strategy Day was to remind the Board of F4AF's limited life and to target what will have been achieved by 2027 to make a sustained difference. (This will be shared with the OT Group in due course.) RCK emphasised the day was an important opportunity for the Board to build relationships, many having not met before in person.</p> <p>IH asked if there could be a breakdown of budget Vs actual figures in the Management Accounts. SR noted that this was part of the full pack that goes to the F4AF board. [ACTION: SR to circulate this additional report to OT.]</p>	<p>Circulate Budget information – SR [DONE]</p>
<p>4</p>	<p>Big Society Capital Deep Dive</p> <p>HM introduced the update referring to the challenging year which the BSC has successfully responding to by developing and executing its strategy (including responding to the Quad Review) in a way that had made the Executive Team under SM more cohesive and effective. He also referred to improved communications both internally and externally.</p> <p>From a governance perspective he believes the Board and its Committees are performing well. The Board is looking to recruit two new Directors to replace those retiring. The intention is for one to have skills required to sit on the Audit Committee and the other to have Impact expertise.</p> <p>Besides this, BSC will be recruiting a new Chair next summer and SE will be fully involved in the process.</p> <p>SM referred to the arc of the last year: Covid response programmes (exceeding expectations), stabilising the Team (and managing remote</p>	

	<p>working); launching the Investment Trust (implementation has been challenging given legal and regulatory requirements for a listed vehicle as well as the culture change needed in order to accept client money); setting the 2025 goals; and processes to deliver the strategy. The Quad Review is clearly reflected in business planning. BSC's financial position has been more positive than expected primarily because of Government support schemes. (The recent half year valuation has seen a further uplift in the value of the social investment portfolio.)</p> <p>There was a discussion of the level of subsidy in the investments made by BSC. SM explained that for blended finance, Access provides the grant subsidy element, other investments are normally made with other investors on a pari passu basis. However, particularly for smaller investors, BSC can provide guidance and advice and absorb some of the development costs associate with an investment, thereby, arguably, introducing a level of subsidy. BSC is also not always investing in the same way as other investors and can be taking a different level of risk and require a higher return for a junior position in a particular capital structure.</p> <p>There was a discussion of the paper published by Gareth Davies MP (encouraging BSC to lend to more commercial organisations with a social benefit – eg social housing construction). While SM did not agree with the suggestions being made, he thought it was helpful for BSC to be included in the conversation and be seen as relevant.</p> <p>As the BSC Board has a meeting taking place next week, there was a question about the timing of OpCo Board meetings being in line with the meetings of OT. AB explained the challenge of having to plan meetings well in advance around four OpCos' Board dates, which are subject to change.</p> <p>Reflecting the Quad Review commentary, NP raised the question of risk and return and, with BSC's new strategy, how is it anticipated will this develop? SM responded that BSC has a broad range of investments which need to be looked at separately. He used the example of property – which should not be seen as a “safe” option as it includes elements such as non-mainstream investments in accommodation for women subjected to domestic abuse and a fund for supported living. However, going forward there would certainly be fewer investments into community renewable projects, as changes to Government schemes have made it harder to extract community benefit. Also, BSC will be investing less in unsecured debt funds which have been seen to have neither high impact nor good financial returns.</p> <p>There was a discussion of how BSC responds to commentary on its strategy made from all quarters. SM saw the new strategy as a natural progression. BSC has to demonstrate it is accountable and respond to challenge and make BSC relevant to the big issues people are trying to tackle. The Quad Review was helpful as it was a more detailed and</p>	
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	<p>thorough critique. SH commented that communication with the sector seems to be improving and people seem generally more receptive to BSC now than they have in the past. HE saw the strategy communication itself as encouraging and demonstrating the alignment between the Quad Review conclusions and the Operational Design priorities.</p> <p>In relation to the Strategy, there was a discussion about talent management as the market for ethical investment grows. There needs to be differentiation between BSC and other investors, given the wider frame of reference of investment combined with impact and market development that a role with BSC represents.</p> <p>SM agreed there is an important differentiation but reflected that BSC had found attrition rates and signing-up talent to the Investment Team more challenging in recent months. HM saw this as an issue that has been discussed for some time as a potential horizon risk that is now crystallising.</p> <p>SE and CB specifically thanked SM for the detailed Quad Review response paper that had been circulated. NP welcomed the way the issues raised had been communicated both internally and externally.</p> <p>Issues around EDI were discussed in terms of both investment and recruitment. SM outlined diligence processes for fund managers and underlying investments now do more to address the issue of diversity. However, reporting, particularly for investments made by smaller funds, remains patchy. For recruitment to the Board, headhunters will be selected who have a particularly strong track record in diversity.</p> <p>Environmental policy was discussed. SM explained that environmental risk was looked at across the portfolio by segmenting it and focusing on specific areas such as property investments where environmental standards are particularly relevant. The issue of applying to become a B-Corp was coming to the next Board meeting.</p> <p>SM was asked about the relationship with Schroders for the Investment Trust Fund. He responded that the governance structure works well and is very clear-cut despite the two organisations having different cultures. The CEO of Schroders, Peter Harrison, is very committed to the direction of travel and Elizabeth Corley (who is on the Board of Institute of Impact Investment) is also joining as Chair. New investors had been attracted through the initial offering of £75m with a view to growing the fund to £300-500m in a few years.</p> <p>IH found the Management Accounts helpful and informative and asked about changes to the Finance Team – SM indicated that the handover of Head of Finance was in train. Looking at future cash flow projections, IH indicated that there was a possibility of £50m allocation of further RFL money in 2022. Currently, BSC is supporting Access’ request for funding to enable blended finance to continue to be available through the Growth Fund.</p>	
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5	<p>Directors-only Meeting</p> <p>OT Board discussed the OpCo presentations.</p> <p>The minutes of the 19 July Extraordinary Board meeting were approved. (As the minutes principally concern the approval of OT’s annual accounts, they are not published on OT’s website.) Actions from the meeting and the Board Away Day were reviewed.</p>	
6	<p>Equity, Diversity and Inclusion (EDI)</p> <p>SH presented the paper on EDI that had been reviewed by HE and SH after the Board Away Day and with input from the EDI Board training delivered by BITC.</p> <p>NP observed the paper was strong on access and bringing people in – but did not address the problem of organisations creating barriers through cultural norms or practical matters and this should be referenced – either in the definition of equity or at the end of background section. CB also suggested detailed drafting changes to the paper.</p> <p>Both sets of amendments were agreed.</p> <p>The revised EDI statement will be published on the OT website. [ACTION: AB]</p>	Revise EDI paper in line with comments and publish EDI Statement on OT website
7	<p>OT Operational Updates</p> <p>1. Board Planner</p> <p>AB presented the draft Annual Planner explaining how moving the Quad Review process to the second half of the year made a substantial difference to smoothing the work-flow which this year was very hectic around in April/May with work on the Quad Review, Governance meetings and Annual Report all happening around the same time.</p> <p>Board meeting scheduling was problematic because the cycles of the individual OpCos are not aligned. OT has to schedule meetings to follow the last OpCo Board’s review of its quarterly reports.</p> <p>He flagged that there may need to be extra Zoom meetings to cover approval of Governance Review letters and the Quad Review.</p> <p>It is planned that Regular Board meetings will be in person and at the offices of the OpCo presenting the Deep Dive.</p> <p>The Chair is planning on performing one-on-one reviews with Board members before Christmas. [ACTION: Schedule one-on-one conversations with Board Members and the Chair. AB to prepare questions for the Chair - AB]</p>	Schedule one-on-one conversations for Board Members with the Chair in December - AB

	<p>2. Quad Review Planning</p> <p>NP outlined the plans for the F4AF Quad Review as discussed with the OT Review Team on a call with Keith Leslie last week. The Team is looking for Panel members – and would welcome suggestion from the Board. On balance, it had been decided that domain knowledge was not essential and the Panel needs to be as diverse as possible.</p> <p>To provide domain expertise NP suggested the idea of an industry panel had been considered.</p> <p>[AB to also ask F4AF about their views.]</p> <p>Fiona Young has already agreed to provide Secretariat support.</p> <p>AR asked that Comms should be added to the outline timetable [ACTION: AB] and asked about the role of the Link Director in the process – he would follow-up on this with KD. KD commented that there were elements of diplomacy in the role and it could be time consuming.</p> <p>Any suggestions of names for the Panel should be forwarded to AB. [ACTION - Board]</p> <p>3. Accountancy Issues</p> <p>On a call with RCK, SR, Leigh Lewis (F4AF Audit Chair), SE, IH, AR and AB on 20 September, F4AF had explained the reasons behind their accounting treatment.</p> <p>OT has prepared a response email reflecting advice from KPMG and asking them to consider changes to their accounting presentation.</p> <p>4. External Governance Review</p> <p>Four consultants had been approached with an RFP to procure the review in early 2022. Responses are expected on 4 October. The proposals will be reviewed by SH as Chair of Noms and Rems in the first instance.</p> <p>5. Board Away Day</p> <p>AB outlined a proposal is to have a visits day to projects related to OpCo operations the Black Country – which KD would be happy to host.</p> <p>SE suggested also having a separate Board dinner to discuss the External Governance Review Report in May/June. [ACTION: AB to organise]</p>	<p>Ask F4AF for input on industry panel idea – AB</p> <p>Add Comms to timetable document - AB</p> <p>Send suggested names for Panel members to AB – Board</p> <p>Organise Visits Day in February and Away Day in May/ June - AB</p>
8	<p>Risk Register</p> <p>Reputational risk was discussed in relation to ongoing media coverage of issues in relation to NCVO. It was decided to keep the risk at Level 3.</p>	

	<p>Political risk has been raised in light of all the uncertainty around recent Governmental changes.</p> <p>The Covid risk was discussed and will be taken off the register as the main issue was around the Board being able to function effectively without meeting in person. [ACTION – Update Risk Register AB]</p>	Update Risk Register as agreed - AB
9	<p>AOB</p> <p>The revised Signing Authorities document that had been circulated to the Board was approved.</p> <p>AR asked if the balance of the OT Board meeting should be more about OT’s own issues. This should be reflected in the Governance Review.</p>	

Next meetings: 16 December at 9:30am-12:30pm (Youth Futures Deep Dive meeting)