

## Confidential Minutes

<b>Meeting Title:</b>	<b>Finance &amp; Investment Sub Committee</b>		
<b>Date:</b>	25 <sup>th</sup> October 2017	<b>Time:</b>	1.30 p.m.
<b>Membership:</b>	Heather Brewster (Chair), Melanie Fordham, Andria Murphy, Carol Gaskarth, Bee Davidson, Claire Todd		
<b>Apologies:</b>	<b>No apologies received</b>		

Agenda No.	Notes/Actions	Lead
1	<p><b>Check meeting attendance in terms of quorate (2 Trustees and 2 members of PCP staff)</b> It was noted that the meeting was quorate.</p>	
2	<p><b>Minutes of the meeting held 16<sup>th</sup> August 2017</b> The minutes were reviewed for accuracy and matters arising. All actions complete except where noted:-</p> <ul style="list-style-type: none"> <li>a) Indicator of restricted and unrestricted funds to be shown on budget – colour coding identifiers to be applied – <b>action c/fwd</b></li> <li>b) Meeting paper circulation – Heather asked if the circulation of papers for F&amp;I meeting aligns with SMT future meetings. Carol confirmed the timetable of meetings has been amended to align with SMT and Board.</li> <li>c) Rathbones fees – Andria confirmed that fees of £750 would be taken quarterly in advance from the investment cash fund. <b>Action:</b> Andria to check with Rathbones how the fees would be paid when the cash fund was fully invested.</li> <li>d) Financial information – <b>Action:</b> Andria to meet with individual senior managers to discuss financials.</li> </ul> <p>The minutes were approved as a true record of the meeting.</p>	<p><b>Andria</b></p> <p><b>Andria</b></p> <p><b>Andria</b></p>
3	<p><b>Terms of Reference (ToR) – draft</b> Carol confirmed all comments, including those supplied by Heather, have now been incorporated into the revised terms of reference. She went briefly through each section of the ToR and asked for any further additions or amendments:-</p> <ul style="list-style-type: none"> <li>1. <b>Purpose</b> – no additions or amendments</li> <li>2. <b>Scope</b> – Heather asked whether capital information would fit in this section or would it be mentioned elsewhere. It was noted that this was covered in section 4f Finance.</li> <li>3. <b>Accountability &amp; Reporting Arrangements</b> – no additions or amendments</li> <li>4. <b>Finance</b> – no additions or amendments</li> <li>5. <b>Investment</b> - no additions or amendments</li> </ul>	

	<p>6. <b>Membership</b> - no additions or amendments  7. <b>Frequency of meetings</b> - no additions or amendments  8. Numbering – to be corrected <b>Action:</b></p> <p>There were no further questions. The ToR were approved and would go to the Board meeting on 27<sup>th</sup> November.</p>	<p><b>Kath</b> ✓  <b>Carol</b> ✓</p>
<p><b>4</b></p>	<p><b>Updated Reserves Calculation</b>  Andria advised the reserves procedure calculation had been amended to take into account forecast deficit for Q2.  Further funding has been received, however, this did not change the Restricted funds of £91,213, as the funds were received in October and will be amended for Q3.  Investment figure of £250k is as per the balance sheet  Potential redundancy costs – these are as per the original calculation and refer to contracts coming to an end.  The new calculation results in a reserves position of 11.5 months operating costs.</p> <p>Bee asked if management is comfortable with 11.5 months operating costs and whether it was acceptable from an organisation image point of view. Carol explained this is within the range of 10 – 14 months discussed and agreed at Board and around the NCVO average of 11 months. If the position went over 14 months Carol would ask Board to agree taking an appropriate amount from operating costs. Business Development would then discuss how these funds could be used.</p> <p>Melanie said she was aware some organisations show a lower reserve as they have larger investment funds and asked if funders/commissioners would normally look at charity investments. Carol advised that they would not specifically look at investments but would look at financial statements which would contain the information, as would our annual reports. We are still a cash rich organisation with any funder, however Carol is in a position to show what the funds are held for.</p> <p>Heather asked, could the PCP be accused of doing nothing with money in reserves, as the organisation could look to increasing the investment and use the interest from this. Carol said the rationale for the initial investment being small was due to our inexperience in the field. After a period of time, possibly a year, we could look again at our investment and be justified in possibly increasing the amount if this is what we wished to do. As an organisation we can have some investment but need to demonstrate to the community that we are using our reserves for the community. Melanie agreed and felt PCP should have some projects and service that are “PCP’s”.</p>	

	<p>As the policy on reserves has only recently been approved, and we are not up to the maximum reserves position as agreed by Board and are around the NCVO average, Carol suggested we should continue in a holding position and monitor progress. Carol felt the position may tip into 12-13 months by next quarter.</p> <p>The group agreed to a holding position, however, Melanie felt we perhaps need to start thinking of how the interest accruing from investments can be used. Claire said having a plan to use funds could mitigate any accusations of having too much cash in reserves.</p> <p>Andria pointed out that the PCP also has £500k in a savings account which cannot be accessed at the moment.</p> <p>There were no further questions on the reserves calculation.</p>	
5	<p><b>Current Budget Overview</b></p> <p>Andria tabled the presentation originally given to Board in September 2016 by Carol. The breakdown of how a budget was broken down was discussed and also the fees paid by Projects to support Core and Centre.</p> <p>Fund raising policy referred to in the presentation is due for review. As there is no 'one size fits all' when bidding for contracts, Carol explained the policy is a guide rather than a prescribed process. Common sense needs to be applied depending on the contracts bid for and Carol and Claire use the parameters flexibly depending upon the funder or opportunity.</p>	
6	<p><b>Financial Strategy</b></p> <p>Heather outlined she was interested in the financial environment of the organisation in terms of income and the things that could potentially impact on the income stream being maintained. In order to do this a financial strategy is needed that links to the business plan and is a key underpinning document. The current Business Plan runs until 2019 and Heather felt a strategy is needed for that period in the interim. A full strategy from 2019 could then be developed in conjunction with the Business Planning process when it is reviewed. Andria has been tasked to begin to draft a financial strategy. Heather acknowledged this was just the start of the process and it would evolve over time.</p> <p>Andria advised she had updated the Financial Controls Procedure (tabled) which outlines everything which needs to be included from a procedure point of view. The following comments/issues were raised:-</p> <ul style="list-style-type: none"> <li>• Does the bank mandate (1b) also include people who can transfer funds between accounts:- Andria advised on-line transfers can only be done by herself/Carol. Carol explained that she did not know how to do this because there had never been the need.</li> </ul>	

	<ul style="list-style-type: none"> <li>• The procedure references cheques but these are not now frequently used and reference should be made to all transfers.</li> <li>• Specific wording required on who can do what with payments and transfers.</li> <li>• Authorisation/segregation of duties:- Andria explained there must always be a second person involved in the process of payment i.e. a payment prepared by one member of staff must be authorised by someone else before it can be made. There is no restriction on the amounts for payment or for authorisation but it cannot be done by the same person.</li> <li>• The procedure does not need authorisation by Board, however Carol said it was important to ensure that the Board are comfortable with the levels of authorisation members of staff have. She felt there should be separate tables to show who has authorisation to commit payments and move funds which should go to Board for approval.</li> </ul> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Andria to prepare an authorisation table for next SMT meeting which can then come to the next Finance &amp; Investment meeting – to be distributed in advance of the meeting for consideration.</li> <li>• All to look through the procedure in detail and feedback further comments to Andria via e mail.</li> </ul> <p>Andria will take the Financial Controls Procedure into account when preparing the financial strategy.</p> <p>A flipchart exercise then looked at what a financial strategy should contain.</p> <p><b>Action:</b> based on the headings from the flipchart exercise, Andria to put a narrative together on the financial strategy and bring this to the next meeting of the group. Heather asked that links be provided to existing documents mentioned in the strategy so cross referencing can be done to ensure nothing is missed.</p>	<p><b>Andria</b></p> <p><b>All</b></p> <p><b>Andria</b></p>
<p><b>7</b></p>	<p><b>Management Accounts Q2</b> (standing item) Andria tabled new Quarter 2 management accounts which had been changed to reflect an amendment to the summary sheet.</p> <p><b>Finance Report</b> The following were queried: <b>Core</b></p> <ul style="list-style-type: none"> <li>• Engagement &amp; Marketing income of £1525 in Core – it was explained that this was put to Marketing &amp; Engagement but that the income was in and out to pay for the Fair.</li> <li>• CRM Expenditure – Heather felt that if the CRM is not due to be expended until Q4, it should not be shown as a variance in Q2. She</li> </ul>	

	<p>queried whether there was a full year budget for the CRM and whether this was going to be spent in full in year or only a proportion of it. She asked if this would be capitalised when we purchased the system and whether there would be depreciation. Andria explained that currently equal amounts are budgeted over 12 months. This needs to be changed for items such as the CRM.</p> <p><b>Action:</b> Andria to send an e mail to group members to explain how the budget for the CRM has been calculated.</p> <p><b>Action:</b> A procedure change is required for all future expenditure as has been agreed for income.</p> <ul style="list-style-type: none"> <li>• Expenditure Core – Photocopying fees – Andria explained there was an issue with photocopiers as the engineer has cleared logs for both machines and allocation of copy charges would need to be unpicked. Andria would look at previous months’ usage to calculate charges.</li> </ul> <p><b>Centre</b></p> <ul style="list-style-type: none"> <li>• Coffee Shop budget has been redone and Carol is meeting with Fiona Mawson to look at the Room Hire budget. The suggestion is that income expectations were over-optimistic this year. Heather and Bee felt more care should be taken in terms of budget setting and these need to be more realistic. Carol agreed. Staff providing figures for income need to be more robustly challenged when the figures are set. It was fortunate savings made have offset any deficit this time but this would not necessarily be the case in the future. Heather asked if the Coffee Shop budget has been re-done from the beginning of the year but was advised that it was not, income and expenditure has been re-profiled and reflected in Q2. Heather queried the increased catering purchases in and Carol explained that this was for the Hungry Holiday project. There had been very short notice around Hungry Holidays and this was not included when re-profiled.</li> </ul> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Andria to check all figures within the report. Any adjustments need to be done for Board meeting in November and Heather to be advised what these will be.</li> <li>• Narrative of report needs to be amended and more explanation should be provided to enhance understanding for all.</li> <li>• Revised report to be sent to Carol and Heather before going to Board.</li> </ul> <p>There were no further questions on the management accounts for Q2.</p>	<p><b>Andria</b></p> <p><b>Andria</b></p> <p><b>Andria</b></p> <p><b>Andria</b></p>
<p><b>8</b></p>	<p><b>Budget update</b> (standing item)                  Andria provided an update on the budget at Q2 to forecast an end of year utilisation of funds of circa £138k, due to additional projects commencing. Heather commented the yellow highlighting of the new</p>	<p><b>Andria</b></p>

	<p>projects should be changed as yellow is used within the summary sheet.</p> <p><b>Actions:</b> Andria to amend for next Quarter.</p>	<b>Andria</b>
<b>9</b>	<p><b>Receive update in changes around financial framework and implications</b> (standing item) There were no updates to present.</p> <p><b>Session on financial framework</b> This to be moved to a future meeting.</p>	
<b>10</b>	<p><b>Any Other Business</b></p> <p>1. Rathbones report – Andria advised that a report had been received from Rathbones. The investment to date stands at £257,964 which takes account of quarter fees being paid. The figure has gone down from that in the last report, however, even taking into account payment of fees, but fluctuations are to be expected. Only 9% of the investment fund now remains in cash. <b>Action:</b> Check with Rathbones if they would need to present a bill for their fees if cash was not available in the fund.</p> <p>2. Carol tabled a draft of the Finance section of the Board report, together with the Finance Dashboard. <b>Dashboard</b> – There are a number of sections Andria needs to populate before Dashboard goes to Board in November:- 1.2 Comment required 1.3 Look at £34k deficit projected for Centre 1.4 Comment required 1.6 Comment required 1.8 Explanation required</p> <p><b>Report</b> Cash Flow – Heather queried why the Unity Reserve account figure reduces by £100k in August but does not change in September. The note given says that £100k was transferred to the Custom account to cover salaries and HMRC payments as the balance had dipped due to late debtor receipts. Heather said she would expect £100k would go back into the Unity Reserve account when money was received. Heather expressed concern about this transaction and asked who had done it and who authorised. Andria explained that she had done the transaction which was authorised by Carol. It was not unusual to have funds transferred in this way and it had happened last year and the funds were not put back into the Reserve account. <b>Action:</b> Andria said that she would do an analysis on this to show what happened and why the funds are dipping at certain points in the year. She would also provide a cash flow forecast to be complete by end of November.</p> <p>Andria said debtor days are really high at the moment and this is being investigated. <b>Action:</b></p>	<p><b>Andria</b></p> <p><b>Andria</b></p> <p><b>Andria</b></p> <p><b>Andria</b></p>

	<p>Carol said the report and dashboard would be issued with papers for future group meetings to allow members to consider them in advance. <b>Action:</b></p> <p>Andria will also bring a review of liquidity calculation to the next meeting. <b>Action:</b></p> <p>There were no further items of business to discuss.</p>	<p><b>Andria</b></p> <p><b>Andria</b></p>
<p><b>11</b></p>	<p><b>Future meeting dates</b>                  Dates for future meetings are to be aligned with SMT, Board and Finance &amp; Investment meeting dates.</p> <p><b>Members please note</b> that the pre-arranged meeting dates of 24<sup>th</sup> January and 7<sup>th</sup> February will now <b>not</b> take place. Future meeting dates will be issued shortly.</p> <p><b>Action:</b> Please remove from diaries.</p>	<p><b>All</b></p>