

Confidential Minutes

Meeting Title:	Finance & Investment Sub Committee		
Date:	7 th August 2018	Time:	10 a.m.
Membership:	Heather Brewster (Chair), Carol Gaskarth, Bee Davidson, Barry Knevitt, Claire Todd, Lindsay Sheridan, Joanne Davies		
Attending:	Kath Ferry (notes)		
Apologies:	Lindsay Sheridan, Bee Davidson		

Agenda No.	Notes/Actions	Lead
1	<p>Check meeting attendance in terms of quorate (2 Trustees and 2 members of PCP staff)</p> <p>It was noted that the meeting was quorate.</p>	
2	<p>Minutes of the meeting held 2nd May 2018</p> <p>The minutes were reviewed for accuracy and approved as a true record of the meeting with some typographical errors noted.</p> <p>The minutes contained two sections that required input:-</p> <p>P4 – 2018/19 Budget – Final sentence should state “Carol asked that a projected carry forward position and forecast to date be included”.</p> <p>P5 – Budget update – Final sentence referring to Sage set up to read “We are not in a position to change from advanced to standard as we would not be able to report on department codes”.</p>	
3	<p>Matters Arising</p> <p>P1 – Core Expenditure – Barry queried the purchase of the CRM system which had not gone ahead. Carol advised that although reserves had been allocated for the purchase of this system at the end of 2018 financial year, given the change and variation in the quote for the system, the decision was made not to proceed. This contributed to the financial position at the end of the year.</p> <p>P2 – VAT – Barry queried whether the figures provided were correct. Carol and Claire confirmed that they were. Carol said that it could be argued some of the VAT can sit elsewhere but it would be fairly negligible. Most projects would be exempt in the main, and Healthwatch is statutorily exempt. The majority is therefore attributable to Centre and it would not be worth the amount of work necessary to unpick this. Heather felt that the new company auditors may have some thoughts on VAT and the situation may change.</p> <p>P2 – Room Hire variance – Lindsay confirmed that she had checked</p>	

	<p>whether the ad hoc usage charge for NE Property Services going into Centre rather than Room Hire would have an impact on the bottom line and confirmed that it had not. This would therefore not be moved.</p> <p>P3 – Summary of Income and Expenditure (Projects) – It was confirmed that all corrections had now been done and picked up at year end.</p> <p>All actions in the minutes have been completed or are on the agenda including</p> <p>a. Bank Account minimum balance</p>	
Items from activity cycle		
4	<p>Report on outcome of External Audit</p> <ul style="list-style-type: none"> • Carol advised that we are still awaiting Financial Statements from Clive Owen. It is normal for this to take 4 - 6 weeks following the AGM. • Clive Owen are still waiting for one piece of information from PCP, the Sunderland Healthwatch signed contract. This has been requested numerous times from the commissioner and Healthwatch team. • Answers to queries raised at pre-AGM Board meeting which Chris Beaumont was unable to answer have not yet been received. The most significant of these was in terms of the reserve position. We had ended the year on a £54k surplus and reserves showed a £59k reduction on the previous year. The question to Chris was that if the organisation was in a £54k surplus, how are we then in a £59k worse position from reserves. The group felt this was an important question as it does affect the reserve calculation. Carol is chasing an answer to queries raised. Typos within the statements also need to be corrected. • Appointment of new auditors – At the pre-AGM Board meeting Trustees approved the appointment of a new audit company for PCP. The company appointed is Haines Watts. A first meeting since appointment will be held on 8th August which will be followed by a Letter of Engagement. We are looking forward to the new relationship. • Heather extended thanks to members of the finance team for delivering the accounts, given the situation last year. Carol advised that thanks had already been expressed but Joanne will pass this on to the team. 	
5	<p>Management Accounts Quarterly Review</p> <p>a. Finance Report (standing item)</p> <p>b. Quarterly Management Accounts and variance report</p> <p>Joanne advised that tables showing significant variances had been provided within the report for Chief Executive, Business Excellence, Customer Experience and Projects. This was information extracted from the Financial Summary.</p>	

	<p>Joanne went through the report and asked for any questions/comments.</p> <p>2.0 Quarter 12 Financial Position (1 April to 30 June 2018)</p> <p>i. Chief Executive</p> <p>Q1 Expenditure – Barry queried the coding error. Claire explained that this was simply an initial error when setting the budgets and will be re-aligned. One member of staff had been coded to the wrong area. This does not affect the end figure.</p> <p>ii. Business Excellence No questions received</p> <p>iii. Customer Experience</p> <ul style="list-style-type: none"> Options Income - Heather suggested that where budgets are phased in 12ths and we know this is not going to be spent, can the expected spend also be phased. Joanne said this can be changed and she will look at this. Carol said that budgets will become clearer in manager meetings. Action: Centre Depreciation – Heather queried the Centre depreciation omitted from the original budget. Carol advised that ordinarily the depreciation would go into code 999 as an expenditure and it was missed completely when budgets were prepared. Heather was concerned that this formed part of Lynsey's block of cost centres and felt that it was quite demotivating for her that these are automatically going to be in deficit before the start of the year. Carol explained that there is a deficit of £50k for VAT each year as although it is budgeted every year it is not at the right level. There had been discussions with Chris Beaumont of Clive Owen and he had advised that it would be 2 days' work to put this right this year and it was agreed to leave it as it was. Heather asked if Lynsey was still expected to come in at a balanced budget, regardless of starting with a deficit because of VAT and depreciation. Carol confirmed she was. The omission from the budget was an oversight but Lynsey is looking at the effectiveness of the Centre and has been challenged to come in on budget. Both Barry and Heather were concerned as, if the costs had been picked up originally, they would have been funded at the beginning of the year. Carol said that ELT did not feel it appropriate to put in more funding. It is agreed this error should have been picked up at the start of the year but there is no reason why Lynsey cannot look at other areas where extra income can be brought in. Heather said that fundamentally she would expect to see budgets funded correctly. She would not like to see this missed off next year and correctly identified budgets should be prepared. Board should be advised that although extra funding is required, it was expected that this could be offset by efficiency savings. 	<p>Joanne</p>
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	<ul style="list-style-type: none"> Carol said that it was a reality year on year that Centre starts with a deficit due to depreciation and VAT. We need to understand how quickly we want to depreciate various areas of the building and the group will look at this through the year. Depreciation for the building is set at 10% which is very high and Carol asked if the rate could be changed in year. Joanne confirmed that this has been done in the past, the Leasehold was changed in June 2015 and Hydropool in 2016. There were no queries on the audit regarding depreciation, the only comment being that the asset register did not agree to Sage. Heather queried why the leasehold is on fixed assets as the building is not owned by PCP. She queried whether there should be any depreciation if the building did not belong to us. Joanne said that the fixed asset register says Leasehold and improvement to Nursery extension. Carol said that the nursery was never extended. She was concerned that the narrative says nursery extension when this is not correct and felt that the building had been made into a fixed asset when it is not. ERF funding had been received for the extension to the building but this should have been spent at the time and she was unclear why it was put down as a fixed asset. Clarity is needed on this issue. Joanne was asked to prepare information on depreciation for ELT. It will then come back to the next Finance & Investment meeting. Action: <p>iv. Project Development Quarter 1 Income: West Ward regeneration – Heather again asked that income received which will not be utilised until a later date is phased. Action: BBO – As PCP is only paid where spending has occurred, Barry queried where the money that is not spent on BBO will go. Carol said she imagined this would be returned to ESF. She thought that all partners will spend less than allocated. PCP has done what it can to spend its allocation by increasing staff and staff hours but clients are not coming through so spend will be limited. Quarter 1 Expenditure: WBFL – Heather asked why this variance was forecast to be balanced at the end of the year. Carol explained that when the budget was prepared she was aware that people would not be in place until later in the year. The expenditure is in the forecast in 12ths but we knew there would be more expenditure at the end of the year.</p> <p>3.0 Overall Summary PCP has secured additional contracts therefore a full review of the impact of these new projects and services will be conducted in quarter 2. Additional central administration and management fees will result in a more favourable position for Core and a more accurate projection will be developed.</p>	<p>Joanne/ ELT</p> <p>Joanne</p>
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	<p>Claire said it was important to note that initial budget meetings were held with budget holders but it has now been agreed that service managers will join the meetings.</p> <p>4.0 Reserves Position As per report</p> <p>5.0 Cashflow Position (standing item) We are expecting more income but expenditure is pretty static. No issues are expected and there are no concerns.</p> <p>6.0 Bank and Cash Balances The recommended figure to be held in the Unity Custom Account is £220,000. Carol asked if funds would automatically be transferred from other accounts if the amount fell below this figure. Joanne explained that at the moment the account is just monitored. If the amount falls below £220,000 at the beginning of the month when wages have been paid this would not be an issue. If it was below the £220,000 figure when wages were due to be paid it would be an issue and funds would need to be transferred. Heather said that a procedure needs to be set up on what the authorisation route is if money needs to be moved from reserves and when it should be moved back.</p> <p>Heather said she would expect the balances to mirror the forecast to a large extent. If this was not the case there is an issue and in essence we should already know about it before it occurs.</p> <p>Carol advised that in terms of NHS contracts, WBFL can now be claimed monthly. This will be from Q2 onwards.</p> <p>Heather asked if there was a process to do a check on balances. Joanne advised that a bank reconciliation was done most days and any issues would be picked up.</p> <p>7.0 Creditor & debtor days update Barry queried why we have 45 days to pay and 50 days to receive and would this give a potential cash problem. Claire advised that this is one of the areas we are looking at in creditor and debtor day targets. All invoices we send out say payment required in 30 days so it is not clear why 50 days is used. Conversely, most creditors will also want us to pay in 30 days. Carol confirmed that this work is on schedule to be reviewed</p> <p>8.0 Liquidity Ratio No issues.</p> <p>9.0 Audit 2017/18 No significant issues on completion of the audit but there are a few outstanding queries, the main one around reserves.</p>	
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	<p>Carol asked if everyone was comfortable with the format of the report going forward both Heather and Barry felt the format was very clear and explained everything well.</p> <p>Action: Report to be amended for Board. Full detail is not required but explanations are needed.</p>	Joanne
6	<p>Current Investment Performance (As at 30th June 2018)</p> <p>The investment has an estimated yield of 1.75%. A full report is received from Rathbones which gives background information in terms of financial markets and a fuller summary is available on line which gives more detail. The investment is not performing brilliantly but Rathbones have no concerns.</p> <p>Carol suggested that additional information from the on line summary be included with the report in future and a table included to show how the investment is doing quarter on quarter.</p> <p>This was agreed. Action:</p>	Lindsay
Policy Development and Planning		
7	<p>Future investment ideas</p> <p>PCP holds an operational cost amount to one side. At the presentation by Clive Owen on accounts, it was suggested that it would be preferable to hold this amount in an investment. The reasoning is that we are not going to use it so it would be reasonable to invest. The increase in our investment sum would mean that we could potentially get a decent amount of return which can be used within the PCP for projects etc. to further our charitable purpose. Heather discussed this with Carol who e mailed James at Rathbones, asking him to look at this and how it could possibly be progressed.</p> <p>James has been asked to provide details on what this investment might look like. We would need to be able to access 6 months operational costs reasonably quickly but could look at investment where the sum was tied up for 3 months as we have more than this amount in cash.</p> <p>Heather felt that if this had been done last year we could potentially have used the yield for the investment in T21, instead of taking this out of reserves.</p> <p>Carol said that this would ideally link back to the Business Development Sub Committee. We are also currently looking at a separate ideas programme. Staff have been asked to give ideas and the thinking is that Carol would then go completely off line to spend dedicated time going through the ideas. There would then be a 'Dragons Den' where people can pitch their ideas. Using the yield from investment would give us a pot to fund these ideas.</p> <p>Claire felt that increasing investment would be a wise move but that, as well as being clear with Board on the rationale of doing this, we would also need to be very clear with staff and suggested that a</p>	

	<p>communication strategy should be discussed at ELT.</p> <p>Carol said that there are 2 pieces of work to be done, looking into the investment and how it can be progressed, and making sure that people understand what charity reserves are and what they are for. We would not want to build up expectations too early as the investment might not have a good yield immediately. She felt that 2019-2021 would be the time to do the communication element of the work. Claire felt that we perhaps should be clear at the outset on the rationale for the investment.</p> <p>Heather asked if the investment policy would need to be reviewed. Carol said that it would and that it was due for review in November as part of the policy review cycle.</p> <p>Barry asked if it would be possible to mandate that any interest from investment would go to a designated pot for a local charity. Carol explained that this would not be possible as we are not allowed, as a charity, to give to another charity.</p> <p>Carol said that as we are very early in the thinking on this, it will probably not go to Board until February. There is quite a bit of work to be done with James in advance and we need to be really clear on what costs would be. A pre-meeting has been arranged with James and he will then come to the October Finance & Investment meeting.</p>	
8	<p>Creditor & Debtor Day Targets</p> <p>Covered in report. Review has started on the policy and it will come to the October meeting of the group.</p>	
9	<p>Business Development Budget Guidelines</p> <p>As part of the organisational policy review schedule CG started a review of what was the Funding and Bid Writing policy. This is not actually a policy that the Board need to approve and is more guidelines on seeking external funding, therefore the title has been changed. Heather suggested a further change to Bid Preparation Guidelines, rather than budget preparation. This was agreed.</p> <p>Carol advised that little had been changed in terms of costs but she had tried to make the guidelines clearer. The guidelines were reviewed and the following explanations, amendments were agreed</p> <ul style="list-style-type: none"> Overhead/infrastructure costs – Discretion is used for management and admin fee charges. Some areas can only charge a set management fee, some do not allow admin fees. The management fee has been increased slightly. This was 12% but was changed at the last review to 10 – 12.5%. More can now be achieved on some bids so more variation has been put in and the range is now 10 – 13.5%. The actual charge must be authorised by the CEO or a nominated deputy. Admin fee was 5%, the range is now 3 – 5%. In the main this is 4 – 5% but the range provides flexibility. <p>The only other infrastructure cost is ICT set up cost. Action: Cost</p>	Claire

	<p>to be provided</p> <p>It was noted we are not up to the limit with our ICT provider but we do need to build in costs in for the future.</p> <ul style="list-style-type: none"> Salaries – This is to be on the basis of mid-point of the salary on PCP's scale. On-costs have been included specifically. In the past when preparing a bid, if a member of staff is on the threshold for NI contributions they have not been included. However, if that employee then takes up hours in another role they then become eligible for NI. NI will now be included for everyone. Rent & Service Charge – PCC – add 'per FT equivalent' Budgets for more than 1 financial year – change to 'budgeted salaries should be based on', rather than 'salaries should be budgeted' VAT – Repeated sentence, to be deleted. In-kind contributions – There has been confusion in this area, the guidelines now make this clearer. Sense Checking Budgets – Agreed sense checking is the correct termination. 'Budgets' to be changed to 'Bid' Policy to be changed to guidelines in monitoring and review section. <p>Barry asked if there was a reason for saying 'nominated deputy' in one area of the guidelines and 'nominated senior manager' in another. Claire explained that a nominated deputy might not necessarily be one of PCP's senior managers.</p> <p>All were comfortable with the changes. Action: changes to be made as agreed and circulate to SMT, Bid Team and Finance.</p>	Carol
10	<p>Financial framework implications or changes</p> <p>No changes.</p>	
Additional Items		
11	<p>Change of signatories</p> <p>a. PCP Bank Accounts – Melanie Fordham is currently on the PCP signatories list as is Brian Wilson. We are in the process of removing both from the signatories' lists they now no longer hold officer posts. The current list is:-</p> <ul style="list-style-type: none"> Unity Custom Account – Carol, Melanie, Brian, Lindsay Sheridan Reserves Account – Carol, Melanie, Brian Bond – Carol, Melanie Investment Account – Carol, Melanie, Lindsay in the process of being added. <p>Brian will be removed as quickly as the process allows.</p> <p>Carol asked the meeting to consider whether Heather, as the new Treasurer, should be added as signatory for all, or a mix of Chair and Treasurer as signatories. In terms of cheques, Carol and Lindsay are able to do this at the moment.</p> <p>It was agreed</p> <p>Unity Custom Account - both Barry and Heather to be added</p>	

	<p>Reserves Account – both Barry and Heather to be added. Bond – Barry to be added Investment Account – Barry to be added</p> <p>b. Investment Account It was agreed that Carol would check when the PCP Secure Trust Bond is due to mature. If this is soon, some of this could potentially be used for investment.</p>	
12	<p>NatWest Consolidated Cash Service Carol advised that we are currently looking into the possibility of having a weekly cash collection from PCP. 2 companies have been contacted, currently we are looking at Loomis. Their maximum is £5k per week, we are currently at £8k per month. The rationale behind this is that the bank branch is Newton Aycliffe is closed and cash has to be taken to Bishop Auckland. This involves 2 members of staff. The cost from Loomis would be approximately £100 per month. All agreed to progress this.</p>	
13	<p>Any Other Business Finance & Investment Sub Committee Cycle 2018-19 – The first page of the schedule are activities from the Terms of Reference, the remainder are activities that as an organisation we should look at. The Dashboard system was in place which looked at figures which in many cases did not have a correlation with quarterly reporting. There will now be an impact plan for Finance and this will come to Finance & Investment. Some areas already come to the meeting, e.g. Debtors & Creditors, but there are other areas that the group needs to consider. All were comfortable with this schedule as an approach and were asked to provide comments to Carol on the first draft received at the meeting. Action:</p> <ul style="list-style-type: none"> • Comments on the first draft to Carol • Updated schedule to be placed in Dropbox 	All Kath
Future Meeting Dates		
<p>Date: 31st October 2018 All meetings 1.30 – 3.30 p.m. 6th February 2019 13th February 2019 (Budget meeting)</p>		