

THE MACFARLANE TRUST

A meeting of the Board of Trustees held on Monday 27 October 2014 at 11am at Alliance House, 12 Caxton Street, London SW1H 0QS.

PART A

PRESENT	Roger Evans	(Chairman)
	Paul Biddle	
	Matt Gregory	
	Eileen Jackman	
	Alasdair Murray	
	Patrick Spellman	
IN ATTENDANCE	Jan Barlow	(Chief Executive)
	Joyce Materego	(Director of Finance)
	June Omadoye	(Office Manager/PA)
	Victoria Prouse	(Director of Operations)
APOLOGIES	Alan Burgess	
	Vanessa Martlew	
	GRO-A	

710.14 Welcome and apologies for Absence

The Chair welcomed Joyce Materego, the new Director of Finance, to her first Board meeting.

Apologies for absence were received from Alan Burgess, GRO-A and Vanessa Martlew.

The Chair said that Alan Burgess had sent him views on some of the agenda items. He would feed these into the discussions (which was done during the course of the meeting).

711.14 Minutes of Previous Meeting

The minutes of the meeting held on 28 July 2014, which had previously been circulated in draft form, were agreed as a correct record.

712.14 Matters arising from the minutes other than those itemised separately on the agenda

There were no matters arising not covered elsewhere on the agenda.

FINANCE

713.14 Current financial position

The Board received the financial position as at 30 September 2014.

JB advised that expenditure against budget was where it was expected to be at this stage of the financial year. JB reminded the Board that the DH annual allocation of £2.2million left an overall deficit in relation to the agreed budget of just over £800k. Depending upon the level of investment income received, the deficit could reduce to slightly less than £800k, but this would not be known until the end of the financial year. The deficit was being met from reserves, as agreed by the Board. The third quarter expenditure position would give a clearer picture of the likely end of year position.

The Board noted that grant spend was £46,959 compared with a budget of £95,000 for the year to date. It was noted that a newsletter was to be sent out shortly. This would include information on the changes made to the grant application process and Office Guidelines, which would be likely to raise the profile of grants and attract an increased level of applications. JB confirmed that the winter fuel payment would be made in November.

In response to a question from RE, JB confirmed that the money allocated under the reserves grants scheme for the home improvements, which had not yet been spent, had been accounted for at the end of the previous financial year, and therefore did not appear in the current year's income and expenditure figures.

The Board was advised by the Chairman that there appeared to be a rumour circulating outside the organisation that the restructuring that had undertaken in the summer of 2013, and the subsequent two director appointments, had cost the organisation more money. It was confirmed that the restructuring had been within the same financial envelope as the previous staffing structure, and additional ongoing costs had not been incurred.

In answer to a question JB said the whole time equivalent number of staff working for MFT were three.

JB and JM were thanked for the management accounts and report.

714.14

Funding for 2015/16

The Board received, and discussed, a draft letter to the Department of Health regarding funding for 2015/16. The letter intended reinforcing the case that was made in the previous business case that MFT was operating with a budget of approximately £800k more than the allocation from DH. If this were not increased, reserve funds would not be available to supplement the annual allocation from 2017/18.

It was AGREED that this letter should be submitted, referenced to the previous Business Case, in support of an allocation for £3M in 2015/16.

RE advised the Board that he, JB and the Chairs of the other Alliance House entities had been invited to a meeting with the Minister for Health on the afternoon of 4 November 2014. It was agreed that the letter should not be sent until after that meeting, so that it could be amended if necessary to reflect the discussion with the Minister; the letter then might be sent to the Minister as well as DH. If the letter needed to be amended, it was agreed that it would be circulated to Board members for comment before it was sent.

A discussion took place in the approach which should be adopted at the meeting with the Minister (N.B. This meeting was subsequently postponed by the Minister).

715.14

Investments

- i) Following discussion at the July Board meeting regarding the need to reshape the investment portfolio to reflect the fact that the investments were reducing because of the ongoing deficit, the Board considered a report from PB and JB. This had been written following a meeting JB and PB had held with Robert Merrifield from Sanlam Investments, on 2 October 2014. At this meeting they had discussed the option of moving the funds that MFT knew it would need to draw down over the next two and a half years into a lower risk portfolio, whilst retaining the remainder (approximately £750k general reserves) in the existing portfolio.

At the meeting with Robert Merrifield the option of moving the funds MFT knew it would need to draw down into bonds/gilts was discussed. However, because of

frequency with which the funds would need to be drawn down – approximately quarterly, and the fact that this would be done over a relatively short timeframe of two and a half years – Robert advised that the fund manager fees would more than offset any interest obtained. This option had therefore been ruled out.

After further discussion, it was felt that the appropriate solution would be to realise approximately £700k of the equity holdings in the portfolio from the current level of £1.16 million. This would leave approximately £450k invested in equities, which represented 60% of the general reserve of the £750k MFT envisaged reaching by March 2017.

It was recommended that the cash proceeds be held in a notice account with Lloyds Bank.

The current holding of fixed interest investments of £1.34 million, comprising a mix of UK Government gilts and corporate bonds, would be realised over the next 2 years to meet MFT's financial obligations until the level reduces to £300k by March 2017. This would then form approximately 40% of the general reserve.

This change in investment policy recognised the risk inherent in holding equities. PB said there remained a risk in holding corporate bonds if there were an increase in interest rates but a lower level than holding equities. Cash deposits with banks were only guaranteed up to £85k by the Financial Services Compensation Scheme, so there was a small risk associated with the possibility of Lloyds Bank failing with no support from the Government, anyway. However, it was felt that this risk was both unlikely, and significantly smaller, than the risk of fluctuations in equities or fund manager fees if MFT transferred funds into short-term bonds/gilts.

After discussion, the Board AGREED this approach. The existing investment policy would be rewritten in line with the Board agreement.

ii) Investments as at 30 September 2014.

The Board received the report of the Trust's investment position as at 30 September 2014. RE asked for Sanlam to advise why performance for the last 6 months had been less favourable than benchmark figures.

WELFARE

716.14

Grants Committee

- i) The Board received the minutes of the meeting held on 13-August 2014.

PS advised that the Grants Committee was approving more grant requests than it was declining. No applications had been declined owing to lack of funds. The number of offers of advances was also small compared with the number of grants being approved.
- ii) The Board received the minutes of the meeting held 24 September 2014.
- iii) The Board received the consolidated grant schedules up to 30 September 2014.
- iv) The Board received an appeal from a primary beneficiary who had requested an additional £9,000 in relation to a reserves grant. The appeal was not

upheld. (The detail of this minute is recorded in the private part of the minutes to protect the beneficiary's confidentiality).

717.14

Political developments

The Board received the notes from the APPG meeting which had been held on 10 September 2014. All the Alliance House organisations had been invited to attend. RE had attended on behalf of MFT and MFET, and Charles Lister had attended from the Caxton Foundation. JB had also attended. AM had attended as an observer. The meeting had not been particularly well attended by MPs owing to a debate in the House of Commons on the same afternoon about the Middle East. MPs who had been present, however, had shown a genuine interest in learning about how the organisation worked, and JB had compiled a comprehensive information pack about all five Alliance House entities, which had been distributed at the meeting. It appeared at the meeting that the co-chairs of the APPG were interested in exploring a simplification of the beneficiary administration structure.

JB updated the Board regarding the APPG survey, which Alliance House had sent out on the APPG's behalf on 19 September 2014. People were expected to complete the survey online. Prior to the meeting the Chair had written to the co-chairs of the APPG supporting the concept of the questionnaire but expressing great concern with the relevance of some of the questions and expressing misgivings about how representative of the beneficiaries the results would prove (this letter had subsequently been shared with Trustees who were generally supportive). Subsequently at a private meeting in early September with some of the MPs JB had raised these concerns in relation to the five Alliance House organisations; for instance the survey was conducted electronically and only about one-third of beneficiaries communicated in this way. JB advised that, after the questionnaire was sent, a number of beneficiaries had called the office expressing concern that the current arrangement might be changed.

JB had discovered that no restriction had been put in place by the APPG to prevent the survey from being completed multiple times by the same person. JB had been advised that YouGov had identified an instance of the survey being submitted 50 times via the same IP address. It was agreed that the ability to do this called into question the credibility of the survey results even before they were known.

It was AGREED that JB should write to the APPG about this issue on behalf of the Board.

GOVERNANCE

718.14

Board Appointments

The Board noted that Alan Burgess' term of office was due to end December 2014. AB had queried whether it was not January instead of December. It was agreed that JB would check the date again. Nevertheless, the Board unanimously agreed that Alan would be invited to the January meeting so that Trustees could show their appreciation to him for the work he had done over the years, not least as a member of the NSSC.

MANAGEMENT

719.14 Chief Executive's Report

The Board received the CEO's report.

In relation to the reserves grants scheme for home improvements, it was noted that of the 113 grants awarded in October 2013, 105 grants had been paid in full and 4 grants had been part-paid. Four beneficiaries who had grant applications approved had not drawn down any money: these grants totalled £39,240. JB said this would be followed up with the four applicants. Of those grants paid in full, there was an underspend of £20k, which would be written back to reserves.

JB updated the Board regarding the census, including the number of Primary beneficiaries and widows whose payments had either increased or decreased. It was noted that some beneficiaries had returned their census forms many months after the deadline, and as a result, it had not been possible to process the new rates until September. For the 2015/16 census, it would be necessary to incentivise the prompt returns of census forms.

JB informed the Board that the process of undertaking the annual review of child supplements was now in progress.

720.14 Any Other Business

i) MFT website

JB advised the Board that it was becoming increasingly difficult to update the MFT website, due to the way it had been developed. After discussion, the Board agreed that aspects of the website be re-developed so that it would be kept up to date more easily.

721.14 Date of next meeting

The dates for meetings in 2015 were agreed:

- 26 January 2015, 11am
- 27 April 2015, 11am
- 27 July 2015, 11am
- 26 October 2015, 11am