

Minutes of the Finance Committee meeting, 26 Nov 2014

Present:

Maurice Blount
Martin Lunn
Jon Hine
Paul Bradshaw
Craig Willets

Apologies

Holly Powell
Dawn Brace

1 Actions from previous meeting:

- **MB and HP to investigate and discuss with John Davey to ensure accounting is correct going forward**
Ongoing. Accounts preparation for 13/14 year is underway. Discussion with John Davey to be done as part of wrap-up meeting once accounts are finalised.
- **CW to ask previous advisor to do another valuation of land and buildings**
Ongoing.
- **ML to review spreadsheet prepared previously to value the fleet, compare it to insurance values, and update spreadsheet to reflect both sale value and like for like replacement value**
A valuation was arranged, and a spreadsheet with updated valuations was distributed to the Rowing Committee (copy attached). A discussion of insurance issues followed (see Matters Arising).
- **JH to ask Watermen if they would be willing to photograph and document all current trophies in a register**
JH has made some inquiries, but otherwise ongoing.
- **MB and HP to look at past strategic reserve emails to check calculation and decide on necessary reserve and a reserve policy. To be approved by GMC.**
Done. Previous reserve was based on an estimated 3 years' worth of losses. A revised reserve policy of 2 months turnover was approved by the GMC in November.
- **Check whether we are on one or two meters. PB to check and JH to check with Lisa Shore. PB to check with British Gas why bill was increased.**
Ongoing (PB not present at previous FC meeting). A discussion of our arrangement with British Gas followed (see Matters Arising)
- **To present the initial budget as prepared by MB to the GMC for approval in November**
Ongoing. Quarterly management accounts suggest the budget is in need of revision. Further discussion to follow (Section 2).
- **MB to discuss with Christine and Simon re targets and explanations given to new bar manager pre start date**
Done, but the setting of targets was agreed as a responsibility of the House Committee.
- **MB and HP to review VAT and PAYE issues amongst other tax issues**
Ongoing. Regarding VAT a list of supplies and costs has been drawn up. HP to assess further.
- **Stocktake to be undertaken before start date of new bar manager so clear starting point is established. CW to find someone to do it.**
Done. CW has found someone, who took stock and who will review our stock regularly to determine margins.

1.1 Matters arising:

Insurance – MB stated the valuation of the fleet on the balance sheet, including equipment such as oars and ergs, is circa 50K. The fleet is insured at 163K (replacement cost). The fleet, boats only, was valued at circa 110K. MB pointed out that this will likely affect the depreciation amount (and how much we should budget to offset it).

The insurance status of the oars was discussed. Do the blades need to be insured, or are they already included with the insurance on each 'boat'? If not, should we add the blades to the policy? How many oars is it possible to lose 'in one hit' – a 'trailer full'?

Action: CW to check on the cover of oars in our current policy.

Energy bills

PB clarified the debt was built up due to an electricity meter not being read until some time after it had been replaced. The debt was an amount negotiated between British Gas and LRC in light of the error by BG. No interest is payable.

MB - Electricity bills climbed over the summer to around 800-900 per month.

CW – In the past usage dropped when cost-cutting measures were introduced (eg motion-activated lights), but it's since crept back upwards.

Action: MB to check recent bills for units used and cost per unit.

Stock take

CW stated that he had arranged for a stock taker to review all takings, sales and recorded waste in addition to checking the stock regularly. This will inform a targeted profit margin for Jim (the new club manager).

MB – The first draft budget has a sales/costs ratio of 2.9, but this is probably unrealistic – recently we've had a ratio of 2.4.

ML – What is the discrepancy between members and function bar prices? Is 2.9 a reasonable ratio?

PB pointed out that while function prices will drive the margin up, wastage will bring it back down.

MB suggested a target based on members' prices, on the grounds that function prices/wastage should roughly 'cancel out'

CW checked the stock/sale prices to find that a sales/costs ratio of 2.4 is in line with current figures.

2 Budget review

MB circulated a spreadsheet (attached) detailing the first draft budget, with proposed amendments, a breakdown of estimated cashflow by quarter and a comparison of Q1 against it.

2.1 Amendments to budget:

Commercial income/expenditure: A 5% decrease in costs is not commensurate with a rise in bar sales. The amended budget has commercial expenses increased to reflect a more realistic costs/sales ratio. Sales income has been decreased slightly as the bar manager was not in post for the full year.

Membership subs: A miscommunication involving paying in books had led to bar sales being recorded as membership income.

PB queried why this should affect the budget's bottom line – shouldn't the money simply transfer between categories?

MB pointed out that 14/15 projections differ from 13/14 figures and so will not necessarily balance.

Coaching costs: Cut on the grounds that the new coaching structure was introduced only in Q2.

'Rental Channelview': Cut from 10K to 1.9K on the grounds that it now appears indoor racking at the bay is unaffordable.

Capital Spend: The positioning of 'Capital Spend' above the bottom line has been queried by HL. Should be decided by budgetary surplus. Bottom-line profit after adjustments is 5.5K, but MB highlighted that more will likely be needed to offset depreciation in the long term.

Other questions:

ML – Why are 4K of trailer repairs budgeted?

MB – Lots of repairs to trailer last year. Prudent to budget for same amount for the time being.

JH – Brakes seizing is likely to be a recurrent issue.

PB – How large are our reserves?

MB – Cash in our current accounts totals 90K. Two-month turnover policy means 36K held in reserve. 39K ringfenced for gym. 7K spent on mens' four. 8K remains. Given the above holes in the budget, prudent not to spend this for the time being until we have a better grasp of the club's finances.

2.2 Capital spend/gym

The ongoing matter of the gym was discussed.

MB, HP) – The House Committee don't yet have enough information to decide between the two available quotes. Primary reason for building gym is to enable safe indoor training if the river is unrowable in the winter. But the gym is unlikely to be built in time this year – should we put on hold until we have a better idea of our budget and gym specifications?

PB, JH – No, let's keep the momentum we've built up already. The gym upgrade is going to be inconvenient no matter when it happens.

PB – The Cardiff Met sponsorship was intended to go towards a gym refurbishment, questions will be asked if this isn't completed soon.

MB reported comments from House Committee that the windows are essential to safeguard our planning permission for more upgrades to premises.

JH – The planning application included the concertina windows going out to the balcony from the bar. Planning permission is already safeguarded.

ML – A window would provide an alternative access/exit point in the case of fire.

ML – A window would make the upstairs gym more attractive for use as a 'sponsors area' for the Regatta.

MB – A window seems a luxury rather than an essential purchase – we should prioritise fleet upgrades for the next few years.

JH – Yes, but the building will fall into disrepair if we don't spend money on it alongside rowing repairs.

CW – We'll waste money on materials if we don't have a window now and decide to put one in in a few years.

MB – Another 3K is not a huge addition to the present quotes.

MB – There is a large discrepancy between the two quoted amounts.

CW – This could be due to materials and labour costs involved with assembling it.

PB – Architects tend to overquote.

MB – The House Committee are intending to seek advice on the differences between the two quotes

MB – The quoted amounts of 39K and 25-27K don't include any plumbing or electricity, so final costs likely to be higher than quoted.

Action: PB to ask Russell to comment on the quotes.

2.3 Cash flow

The Q1 income/expenditure was compared against projected cashflow. MB expressed concern that the club is 7K behind projections. Particular points:

Function income Q1 14/15 was much lower than Q1 13/14. MB pointed out that Q1 income disproportionately high compared to others in 13/14 as previous club manager was in post for Q1 but not later in the year.

ML – How many advance function bookings are outstanding? Do these include weddings?

Action: MB to check function bookings

Regatta income – This includes P+C income in addition to Regatta income. We have 12.5K versus a projected 17K. Possible reasons for discrepancy include Regatta entry fees being 6.6K versus 9K recorded in 13/14, and receiving less sponsorship this year. MB still awaiting records to see whether some of the unattributed income is from P+C.

Action: MB to chase up P+C records.

Bar purchases – Poor stock control practices in the past has led to there being lots of money tied up in stock. Jim in the process of selling this off. MB anticipates that the profit margin will be high but should stabilise in a couple of months.

Utility bills – MB expressed concern that this may be an underestimate in light of climbing electric bills and water rates. The budgeted amount is roughly a rollover from 13/14.

PB – so what is the bottom line to take the the GMC?

MB – Spending must be cut.

PB – In the past we've had a 'float' for the House and Rowing Committees to avoid the need for GMC approval for every item.

MB – The House Committee has a list of repairs/upgrades, but extended discussion is probably best left to them or to

the GMC.

**Action: MB to estimate floats for either Committee. Rowing: MB to determine how much has been spent so far.
House: MB to speak to Jim.**

3 Other Business

The distribution of minutes and of the budget was discussed. It was agreed that everything should be published on the website to enable transparency.

The next Finance Committee meeting will be held in early January to review cashflow for Q2.