

Executive Summary

PROPOSAL FOR A NEW FINANCIAL MODEL FOR SANDS

Executive Summary - A New Financial Model for Sands

It is proposed to introduce a new financial model for Sands in the form of a single banking structure that will enable Sands to make full and effective use of all available funds. The structure will improve financial governance, allowing central reserves to be held in line with Sands' policy on reserves, and will also provide adequate working capital to support all of the work of Sands. Within this single structure, Groups will have separate sub-accounts allowing them to retain Group identity and commitment whilst still benefiting from the single structure.

Background

Sands' current financial model is causing significant problems with excess reserves being held, unused, by Groups; inadequate central reserves; inadequate working capital with which to run the organisation; and an inability to fund and undertake new strategic work. This model results in Sands being unable to fulfil its potential in terms of making a real difference for parents, and in divisive exchanges about where funds are held and what they are used for.

Approach to designing a new financial model

The most important task of any new financial model is to meet the actual and future needs of everyone in Sands. Feedback and ideas have been sought from Groups, members, trustees and staff, resulting in clear criteria that any new model must meet. Discussions have been held with other charities with similar structures to understand what works well and not so well for them, and discussions have also been held with banks and auditors to explore the practical details.

Proposed new structure

The proposed new structure consists of a single structure with four main elements:

- a) Central current account – with provision for Sands' day-to-day activity
- b) Reserves account – on fixed term deposit to gain interest on reserves
- c) Restricted project account – for central and Groups' projects
- d) Groups' sub-accounts – allowing for individual Group identity within the single structure

Proposed new approaches

- Each Group will hold funds in a sub-account to cover their core activity – Groups will be assessed under a framework to determine the amount needed by each Group based on the internal auditor's assessment.
- Key areas of expenditure currently covered by Groups and provided by Sands, such as bereavement resources and training, will be funded for all Groups from the central account, cutting down on the need for internal transfers and invoicing.
- Funds raised for Group projects (e.g. memorial gardens/bereavement suites) will be held in the restricted project account identified as an individual Group's project – allowing bank interest to be gained where possible but also allowing other Groups, networks and donors to contribute to these projects if needed.
- Excess funds in Groups' accounts, i.e. funds above those needed for core activity and not allocated to a specific project, will be transferred to the central current account

to be used where the need is greatest. Fundraisers and Groups will be told how funds are being used to make a difference.

Communications

It is clear that excellent communications are a key element in supporting this new model – with both Groups and fundraisers needing to understand how funds are being used. This will be done by:

- Regular communications with Groups via the Group Networks and designated Groups Liaison Officer (Finance) staff, including monthly updates on Groups' balances
- 6-monthly updates on the use of Sands' funds
- Visibility of all projects in the restricted project account
- Updates regarding Sands' Reserves policy and interest earned on reserves fund
- Annual accounts and Impact Report

Commitments

- No Group will ever be left to struggle financially
- All Groups will be supported to continue to provide core activities
- All Groups will be able to identify key projects that meet the needs of local parents and to fundraise for these

Costs and Benefits

The start-up costs will add approximately £10,000 to the current figure for managing Groups' finances, but the ongoing costs from 2018 onwards will represent a £20,000 saving per annum.

The benefits include:

- Excess reserves are no longer held in Groups' bank accounts
- Effective use is made of all available funds to ensure impact
- Adequate working capital is available to support the work of Sands for all parents
- Central reserves are held in line with Sands' policy on reserves
- The system for Groups' financial reporting will be greatly simplified
- Bereavement resources and training are no longer 'bought' reducing internal administration, transfers and invoicing
- All Groups are supported to provide core activities and eventually minimum bereavement care provision in their areas
- Groups will be able to identify key projects that meet the needs of local parents and to fundraise for these
- No Group will be left to struggle financially

Implementation

It is proposed to share the new financial model with Groups, members, trustees and staff in February 2017. Feedback is welcomed, including thoughts on implementation of the new model, and can be given between February and April. In May a project plan for implementation will be drawn up and shared, and implementation itself will start in June 2017.

Summary

The proposed new financial model will bring stability to Sands, enabling it to grow safely and securely whilst also achieving more as it will be able to use funds effectively and to achieve the greatest impact

It will address the financial issues relating to audit and working capital – thus removing an unnecessary element of risk and reputational damage. It will also bring the organisation together and remove an unnecessary cause of tension and additional work.

In summary it offers an opportunity to remove risks relating to governance whilst enabling growth and cohesion.

Confidential to Sands