**GRANT POLICY**

**&**

**DUE DILIGENCE POLICY**

**CONTENTS**

 **Page**

 **Introduction 1**

 **Grant Making Policy 2**

 **Due Diligence Process 3**

 ***Appendix 1* Due Diligence Report Document**

 ***Appendix 2* Kingswear Castle Trust Ltd Funding Agreement**

 ***Appendix 3* Council Standing Orders**

**Introduction**

In 2005 the Society created a “Grant Making Policy” to replace what had previously been an ad hoc approach to the advancing monies to not only the two Society owned ships, but also any other grants made to non owned Paddlers such as Maid of the Loch and Medway Queen.

This Policy is shown in full in the next section, it has remained unaltered since its adoption.

Subsequently it was considered that it was necessary to undertake some level of investigation over the organisation to which the Society was considering granting monies gifted by the members of the Society. It was decided that a ‘Due Diligence’ scrutiny should be undertaken on the benefiting organisation to ascertain that it was a worthy recipient.

The threshold for such a process was set at £20,000 for other than Society owned ships.

Subsequently, and in view of the significant amounts of monies being passed to

a) Waverley Steam Navigation Co. Ltd (WSN) & Waverley Excursions Ltd. (WEL) in respect of PS Waverley, and for a short while, for MV Balmoral, and

b) Kingswear Castle Trust Ltd. (KC Trust) and Kingswear Castle Trading Ltd. (KC Trading) in respect of PS Kingswear Castle, the decision was made to include the four Companies in the exercise.

Such Due Diligence exercises are only undertaken when significant changes either in the company structures or personnel occur

1

**Grant Making Policy**

The Policy was originally approved by Council 21 May 2005.

1. The existing policy of funding only capital expenditure on the fabric of those vessels which it is in the Society’s remit to support, or projects which have an educational purpose, shall be maintained.
2. As its first priority, and in order to safeguard the future operational preservation of paddle steamers Waverley and Kingswear Castle, the Society shall establish and maintain a ring-fenced emergency reserve fund equivalent to the capital deemed necessary to fund one basic winter refit for each of these paddle steamers. The value of this fund shall be reviewed annually, Council shall raise a ‘Standing Order’ for the sum to be agreed at the First Council meeting of the year. The fund shall be used only if the relevant owning and operating companies are unable to cover refit costs. The existence of such a fund shall in no way reduce the responsibility of the vessels’ owning and operating companies to aim to generate funds to cover refit costs themselves.

 Council approved the transfer of a significant sum to KC Trust, in excess of £300,000 in 2013 to provide a dedicated fund to provide for any major work required in the future.

 This Agreement, dated 2013 is shown as ***Appendix 2***

1. The Society is custodian of charitable funds and the Council of Management must exercise due diligence to ensure that such funds are used effectively. Therefore before any grant is made from this fund the Society’s Council of Management should satisfy itself that the vessels’ owning and operating companies are conducting themselves in an efficient manner. Should weaknesses in the management be agreed to exist and to be responsible for the need for capital funding, such weaknesses shall be addressed to the satisfaction of the Council of Management before any grant from this fund be made available, and the value of the grant reflected in an increased PSPS shareholding in the relevant owning company. Any such increase shall be irreversible.
2. Except in circumstances in which a grant from PSPS would be essential in allowing a paddle steamer to survive or to be returned to operational condition, grants made in any one year should not in total exceed interest received over the previous 12-month period together with the proceeds of the current year’s fund-raising. Contributions to major refurbishment work on vessels owned by Paddle Steamer Kingswear Castle Trust and Waverley Steam Navigation Co. Limited, or grants given from donations provided for a specific purpose, and which it is within the Society’s remit to support, are exempt from this condition.

2

1. Any grant in excess of £20,000 in respect of a paddle steamer other than those owned by Paddle Steamer Kingswear Castle Trust Ltd. or Waverley Steam Navigation Co. Limited shall be made only subsequent to an appropriate level of PSPS shareholding being obtained in the vessel’s owning company or by another agreed constitutional method of influence. The level at which this requirement becomes relevant shall be reviewed annually, on the occasion of the First Council Meeting of the year.
2. The PSPS Council of Management should be satisfied that any project to be funded is realistic and likely to succeed, both in terms of the project itself and in terms of the capabilities of personnel entrusted with it. The Council should also be satisfied that any project to be funded is sustainable subsequent to its completion. Support should be conditional on Paddle Steamer Kingswear Castle Trust Ltd., Paddle Steamer Kingswear Castle Trust (Trading) Ltd., Waverley Excursions Ltd. and Waverley Steam Navigation Co. Limited having the opportunity to tender for any suitable work involved.
3. Should the Society agree to fund major capital work (i.e. over £20,000) on any vessel, a fund-raising campaign for the relevant project shall be undertaken and reserves should not be used without the existence of such a campaign.

Revised and Approved by Council of Management

November 2019

3

**Due Diligence Process**

The purpose of this exercise is to have an objective checklist of points for considering the suitability of any Grantee, whether it be, for example:

* An individual
* A group or society
* An incorporated body

This should reduce the risk of not asking an obvious question, for example, of the type which are clear with hindsight. It cannot be a complete list for every eventuality.

The outcome of the process itself is not a binary score, but a series of facts upon which inform Council’s judgement.

It is intended to support a considered grant making judgement and reduce the risk of oversight and error.

It is the nature of the projects we support that they may not be rational in an ordinary business sense, but are worthy in the context of our objective of preserving paddle steamers for future generations to enjoy.

The process and checklist is not a static object. It should be reviewed regularly and updated when new lessons are learned. These lessons may be in our direct organisation, in the heritage transport movement or society as a whole.

**Background**

The original objective of the process was to ensure that any organisation to which the Society was considering granting monies in excess of £20,000, was: -

* Legitimately Constituted, Company, Partnership, Charity.
* Had Objectives in alignment with those of the Society
* Operated within the rules laid down in its Constitution.
* Financially competent
* Accounts Audited.
* Compliant with the current Standards and Regulations.

Initially the process was driven by a questionnaire which the company secretary was requested to complete. This is shown below.

This exercise has so far been carried out on Loch Lomond Steamship Company, twice. The only Grant made to the New Medway Steam Ship Company was for £20,000 and as such did not trigger the process.

4

In view of the considerable amount of accumulated member’s monies that were being passed to The Trusts in which the Society has a majority shareholding, and their subsidiary Commercial arms, it was so deemed prudent to undertake the process on the Trusts WSN & KC Trust.

In addition to the actions above it is also possible to access, in each case, one or both of the Trustee Directors, nominated by the Society, who sit on the WSN/WEL and KC Trust Boards.

This process is carried out at random intervals, usually following changes in structure and/or senior personnel.

5

***APPENDIX 1***

# PADDLE STEAMER PRESERVATION SOCIETY

## **DUE DILIGENCE REPORT *(V3)***

### Report Number: -

### Grant Requested By: -

### Amount Requested: -

**Purpose of Grant: -**

### Overall Governance

**1. Ownership, membership and/or shareholders**

|  |  |
| --- | --- |
| Who owns the artefact/ship for which thegrant is sought?If not, who does? |  |
| Proof of ownership seen? |  |
| Incorporated Society? If yes, How many Members? | Yes No |
| Company Limited by Guarantee?If yes, How many Members? | Yes No |
| Company limited by shares? |  |
| How many shareholders are there?Are they elected?Do they receive payments?What are their responsibilities?How are these discharged? |  |
| What is the distribution of the shares?i.e Who ‘owns’ the Company? |  |
| Are shareholders required to be members of the PSPS? |  |
| Proof seen | Yes No |

1. **Objectives**

|  |  |
| --- | --- |
| Is there a Constitution or Memorandum & Articles?  |  |
| Copy Provided? | Yes No |
| Is it up to date in accordance with any resolutions passed by governing body? |  |
| What are the Objectives/ Statement of Purpose? |  |
| Are these in line with those of the PSPS | Yes No |
| Are the Objectives being delivered? | Yes No |
| Is it working within the Constitution? | Yes No |

1. **Registration**

|  |  |
| --- | --- |
| Is it a Company registered at Companies House? | Yes No |
| Registered Number |  |
| Date of last Returns | Accounts -Annual Return - |
| Is Company a Registered Charity? | Yes No |
| Registered Number |  |
| Date of last Annual Return |  |

#### Officers and or Directors

|  |  |
| --- | --- |
| How Many? |  |
| How Appointed? |  |
| Are checks carried out including: |  |
| • Are the people representing the application fit and proper? For example, not barred from being a Director of a company, bankrupt or under a criminal conviction? |  |
| • Do they have interests in any related parties to the project? |  |
| • Are there any personal conflicts of interest? |  |
| Who Appoints? |  |
| What mechanism for Removal? |  |
| Who may Remove? |  |
| Are Directors/Officers required to be Members of PSPS?Proof Seen? | Yes No |
| What training provided? |  |

#### Management

* 1. **The Board**

|  |  |
| --- | --- |
| Frequency of Meetings |  |
| Are Agendas issued in advance? |  |
| Are Minutes a true reflection of Meetings? And show rationale behind decisions? |  |
| Example seen? | Yes No |
| Are Required Actions Reviewed? |  |
|  |  |

* 1. **Business Plan**

|  |  |
| --- | --- |
| Is there a Business Plan? |  |
| * Quarterly?
 | Yes No |
| * Annual
 | Yes No |
| * 3 to 5 Years
 | Yes No |
| Who Reviews Plans? |  |
| How frequently do Reviews take Place? |  |

#### Financial

|  |  |
| --- | --- |
| Are Budgets Prepared? | Yes No |
| Do they match the Business Plan? | Yes No |
| Is Contingency Factored in? |  |
| Who Reviews Budget against expenditure, and how frequently? |  |
| Are Management Accounts produced?How Frequently?Do they cover: - ExpenditureCostsRevenueCash Flow (Liquidity)Security of Current Funds | Yes NoYes NoYes NoYes NoYes No |
| Copy of Budget seen?Copy of Management Accounts seen? |  |
| How is Debt controlled? |  |
| Who signs cheques? |  |
| How is credit agreed and by whom? |  |
| How is credit controlled and by whom? |  |
| How is credit monitored and by whom/ |  |
| Are the Annual Accounts transparent and meaningful?Do the Accounts reflect the true state of the business? | Yes NoYes No |
| Have Annual Accounts been made available? |  |
| Is there an Independent Audit?Are there procedures for investigating information – by whom and how? | Yes No |

#### Risk Management

|  |  |
| --- | --- |
| Is there a Risk Assessment for the Business?  | Yes No |
| Who is responsible for Producing the Assessment? |  |
| Who is responsible for Monitoring the Assessment? |  |
| Do the Board consider the Assessment?How Frequently? | Yes No |
| Are the Assets adequately insured? | Yes No |
| Is there Third Party Protection? | Yes No |
| Is there War/Terrorism protection? |  |
| Is Public Liability Cover in place | Yes No |
| Is Employment Insurance in place | Yes No |
| Is Legal Cost protection in place? | Yes No |
| Is there Loss of Earnings cover? | Yes No |
| Are Accounts Secured? |  |
| How good is the security/quality of the Insurances/How frequently are they reviewed? |  |
| Is the loss of strategic personnel covered? |  |
| Earnings and Cost cycles – is there sufficient cash protection? |  |
| Are there Disaster/Accident recovery plans in existence? |  |
| Are essential supplies protected i.e. fuel – shipyards? |  |

##### F. Purchasing

|  |  |
| --- | --- |
| Are there specific terms of business? | Yes No |
| Are there specific procedures for drawing up contracts? | Yes No |
| Is competitive tendering practised?Are quotations obtained?How are quotations investigated? | Yes NoYes No |
| Is hedging used effectively?How are orders placed?Is credit obtained? | Yes No |
| How are invoices chased? |  |

#### Compliance

|  |  |
| --- | --- |
| Is the business trading legally in accordance with: -Health & Safety RegulationsLicensing LawsTrading StandardsSafety StandardsOffice of Fair TradingAdvertising Standards AuthorityWeights and MeasuresEmploymentAre there written policies for: -Child ProtectionVulnerable Adult and other safeguarding issues.The refusal of discrimination on grounds of Race, Religion, Sex and Disability. | Yes NoYes NoYes NoYes NoYes NoYes NoYes NoYes NoYes NoYes NoYes No |
|  |  |

#### Ethics and Eligibility

|  |  |
| --- | --- |
| Precise purpose for which Grant required |  |
| What other sources of funds will be used in this project? |  |
| What is the timescale of the Project? |  |
| Who will carry the responsibility for the Project? |  |
| Who will be responsible for monitoring spending on the Project? |  |
| Will PSPS require a report on the use of the Grant? | Yes No |
| Is there evidence that the code of organisational behaviour is congruent with that of PSPS? | Yes No |
| Are the activities of the organisation totally in line with the objectives of PSPS? | Yes No |

Grant Approved: - Yes No

**Signed…………………………………………………….**

 **……………………………………………………..**

 **……………………………………………………...**

***APPENDIX 2***

**Agreement between Paddle Steamer Kingswear CastleTrust Ltd. And the Paddle Steamer Preservation Society 2013.**

This Agreement was signed in 2013 and subsequently a substantial sum, in excess of £300,000 was transferred to the Trust.

To date, The Society has not been advised under the terms of Clause 5 that a circumstance has arisen that requires the Clause to be invoked.

Attached to the Agreement and a part of it is a memorandum of Understanding between the PSPS and KC Trust Ltd. Containing 8 Clauses, two of which placed obligations on KC Trust Ltd.

Clause a) Requires the Trust to provide the Society with an annual report on 30th April each year, showing the balance of the Grant Sum and any changes since the last report.

The requirements under the terms of Clause h) have been met, albeit not within the dates stated.

DSH

November 2019

I

THIS AGREEMENT IS MADE THE .............DAY OF...........................2013

BETWEEN PADDLE STEAMER KINGSWEAR CASTLE TRUST LIMITED OF CHATHAM HISTORIC DOCKYARD, CHATHAM, KENT, ME4 4TQ (the Trust)

AND THE PADDLE STEAMER PRESERVATION SOCIETY OF 17 STOCKFIELD CLOSE, HAZLEMERE, HIGH WYCOMBE, BUCKINGHAMSHIRE, HP15 7LA (the Society)

WHEREAS: -

Consequent to the signing of the charter agreement relating to Paddle Steamer Kingswear Castle dated 15th November 2012 between the Trust and Dart Pleasure Craft Limited (the Charter Agreement), the Society has agreed to make a grant for the amount and subject to the terms and conditions set out below.

NOW IT IS HEREBY AGREED AS FOLLOWS: -

1. The initial amount of the grant shall be the sum of *[to be determined as at the date of signing of the agreement]* (the Grant Sum). The Grant Sum shall be held as prescribed in clause 3.

2. The Society may add additional amounts to the Grant Sum from time to time at its sole discretion

3. The trust will place the Grant Sum in two or more accounts such as it considers necessary to spread risk and secure appropriate returns. These accounts shall be separate from those in which the Trust keeps its other funds.

4. The Trust will at any time have the right to apply the grant Sum towards – in whole or in part – meeting its obligations as set out in Clause 4.3 and in Schedule 2 of the Charter Agreement.

5. The Trust will give the Society timely information of any circumstances which make it appear likely that funds from the Grant Sum will be so required, and will report fully on any such expenditure.

6. If the Trust considers that funds from the Grant Sum should be used for any purpose other than those specified in Clause 4 of this agreement, it will only do so after obtaining the agreement of the Society.

7. The Trust will retain ownership of the Vessel and will not sell, let or in any other way hereafter encumber the Vessel or any interest therein – other than in accordance with the Charter Agreement – without prior written consent of the Society.

II

8. The Trust will use its best endeavours to maintain the Vessel as a passenger vessel complying with the provisions of the Merchant Shipping Act and all regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered on the UK Ship Register or otherwise applicable to the ship, unless the Society has given its prior written consent.

9. The Trust shall ensure that insurance cover is maintained over the Vessel.

10. A variation to any of the terms of this Agreement will only be affective if agreed by the Trustees of each party. If agreed the variation will be evidenced by a document confirming the details of the variation signed on behalf of each party.

11. Disputes regarding this agreement shall be resolved by the Chairman of the Society and the Chairman of the Trust.

12. For the purposes of this Agreement, the Vessel shall mean the Paddle Steamer Kingswear Castle registered on the UK Ship Register in the port of Dartmouth, with the Official Number 148002

13. This Agreement shall be construed and the rights of the parties and all matters arising hereunder shall be determined in all respects according to the Law of England and Wales.

14. Should the Charter Agreement be ended, this agreement shall remain in force until replaced by agreement of the parties.

IN WITNESS WHEREOF THESE PRESENTS ARE EXECUTED AS FOLLOWS:

SIGNED by the above named Society at ......................................................

....................................................................................................................on the

...........................day of...................................2013

Signature........................................................ Full Name .........................................

Address ....................................................................................................................

........................................................................Occupation .......................................

Signature ....................................................... Full Name.........................................

Address ....................................................................................................................

.........................................................................Occupation.......................................

SIGNED by the above named Trust at....................................................................

III

......................................................................................................................on the

.....................day of.................................2013

Signature..............................................................Full Name...................................

Address ...................................................................................................................

.............................................................................Occupation...................................

Signature............................................................. Full Name....................................

Memorandum of Understanding between Paddle Steamer Kingswear Castle Trust Limited and Paddle Steamer Preservation Society regarding operation of the agreement dated

.........2013.

 a) The Trust will provide the Society with an annual report for the year ending each 31stJuly # stating the total of the Grand Sum, changes since the last report and how the funds are invested.

 # Amended to 30thApril (Council 14.3.15)

 b) If the Trust is required to use Grant funds under Clause 4 of the agreement, this fact should be reported at the next meeting of the Society’s Council of Management.

 c) If the Trust is required to give information to the Society under Clause 5 of the agreement, it shall do so at the next meeting of the Council of Management.

 d) If the Trust wishes to use Grant funds under Clause 6 of the agreement, it shall report accordingly to the Council of Management in order to obtain the Society’s agreement.

 e) If the Trust wishes to make a proposal to the Society under Clause 7 of the agreement, it shall report it accordingly to the Council of Management in order to obtain the Society’s written consent.

 f) If the Trust considers that it should be relieved of its obligation under Clause 8 of the agreement, it shall report accordingly to the Council of Mangement in order to obtain the Society’s written consent.

 g) If Clause 11 of the agreement is invoked in order to resolve a dispute, either Chairman may decide that a joint working party of no more than two members from each side shall be appointed to provide advice. Neither Chairman may be a member of such working party.

IV

 h) The Society and the Trust agree to the following changes which the Trust will use its best endeavours to complete by 30th June 2014: -

* The Trust to appoint two nominees of the Society as Directors of the Trust.
* The Trust to amend its Articles of Association to provide for these nominations as of right.
* The Trust to procure the transfer of the 55 nominee shares (as per Paddle Steam Navigation Ltd. [now Kingswear Castle Trust Ltd.] Nominee Shareholding Agreement of 9th July 1985) into the Society’s direct ownership. On completion of this transfer, the aforementioned Agreement is terminated.

Signed

............................................. Chairman, The Paddle Steamer Preservation Society

.............................................. Chairman, Paddle Steamer Kingswear Castle Trust Limited

................................2013

V

***APPENDIX 3***

**COUNCIL STANDING ORDERS**

 1. First Council Meeting of the Year.

 a) To “Set the figure for the Maintenance Reserves within the Society’s Funds

 for the following winter”.

 b) To “Set the maximum amount for any Grant to Paddle Steamers NOT owned by the Society”.

2. First Council Meeting following the 30th April each year.

 Council considers the annual report from KC Trust Ltd on the Grant Sum as required in Clause a) of the Memorandum on 30th April each year.

I