

Minutes

Subject:	Finance Committee Minutes: 18 December 2018
Produced by:	Tony Moore
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Present: Martin Jopp, External Trustee (MJ), Jack Annand, Union Councillor (JA), Toby Cunningham (Acting Chief Executive)

In attendance: T Cave, Director of Finance, (TCA), Tony Moore (Clerk)

Chair: Jenna Chapman, FTO, (JC)

Apologies: O Gray (FTO), G Anush (Union Councillor), C Flanagan (Student Trustee)

Key Decisions

- *Updated Reserves Policy endorsed*
- *Noted receipt of the draft Annual Report and Accounts*
- *Recommend to the Board acceptance of option 3 in the SUSS consultation: to change the rules with the members' consent*

Action Required	Timeline
More detailed report on Shop's trading to provided	Next meeting
Shop staff structure review to be put on hold	Immediate
Treasury management of cash reserves	June meeting
Clarification to made between Net Assets and Net Current Assets	Immediate
Change to Reserves Policy to be reported to the University	February
Change of wording to updated Reserves Policy to be made to cover insolvency	Immediate
Updated Reserves Policy to be integrated into 5 Year Plan	March
final draft of the Trustee Report to be circulated to Committee for approval	End of January
Related Party Forms to be circulated to Trustees	March
Process for handling petty cash to be reviewed	Next meeting
Credit card review to be made	March
RAG-rated list of chapter headings for the Financial	Next meeting

Procedures Manual to be drafted – to be standard agenda item	Next meeting
Annual review of financial controls to be made and to be an annual standard agenda item	Next meeting
Banking compliance to be built into FTO and Trustee induction	Immediate
Paper to be drafted for Management Committee on FTO's authorisation of payments over a certain amount to include process for recordings of decisions	March
Progress report on Committee's action points to be made to Board	April

125 Chair Statements

Chair welcomed JA welcomed to the Committee.

Minutes from the meeting held on 5 September

The minutes were agreed.

Matters arising

None.

126 Review of Quarterly Accounts to October 2018

TCA advised that the accounts showed the Union ahead of budget but behind on the previous year.

MJ wondered whether being behind budget on last year might be due to more weeks in the quarter falling in term time.

TCA advised it was more likely due to the Shop being shut for refurbishment for around three weeks in September.

TCA highlighted the uptick in cash being held due to the annual surge in advance ticket sales every October.

TCA characterised the situation as: so far so good, no bad news.

TCU cautioned that the Committee should note that the promising picture painted by the figures was distorted by the real situation in the Shop: as the trading was £130K less than the previous year due to a supply problem. TCU noted that this had been masked by a hard to believe 40% for the Shop's GP. TCU advised that Shop management had raised concerns as to the reliability of the figure in the stock report. TCU advised that the picture would be far clearer after December stocktaking.

MJ asked for more detail as to the Shop's trading in the next report. **AP**

TCA noted that the current capex budget was comparatively small and would need to be monitored closely for any overspend.

TCA reported that the Waterfront lease had not yet been signed but, when it was, there would be a Schedule of Reparation for needed repair work which

would need to be closely aligned with the Union's overall long-term capex planning.

MJ noted that the Committee had asked that the Shop's trading performance be monitored as part of the review of its staff structure and that due to the uncertainties over gauging the present performance the review should be put on hold.

*The Committee asked for the Shop staff structure review to be put on hold. **AP***

MJ thought this might be a longer term action point but asked that, for treasury management, the way that the Union held its cash reserves should be looked at as to productive investment.

TCA noted this had been considered and would most likely form part of the five year capex plan. TCA advised that a cursory look had shown that there would be a problem finding a low-risk, ethical, liquid form of investment.

TCU advised that future position on cash available for investment would be dictated by the outcome of discussions with the University as to what they saw as the appropriate cash reserves for the Union to retain.

TCA advised that a more proactive treasury management process would involve a burden on staff resources and might mean the creation of a Treasurer post and this was something the Board should take account of.

TCU advised that the University were undertaking a long-term strategic review of finances which would probably take most of 2019 but that by June there would be some clarity as they would have come to a decision on the immediate level for the Block Grant.

*The Committee agreed to defer consideration of management of cash reserves to the June meeting of the main Board. **AP***

JC noted that the numbers indicated that the Union was ahead of budget for the current year but behind last year and wondered whether this was a normal situation.

TCU advised that this was a snapshot taken at a particular point in time and might very well change if the Shop's apparent high GP were to turn out to be lower in reality.

127 Review of updated Reserves Policy

TCA advised that the old Policy had constrained the Union as the free reserves had been taken to be the net current assets on the balance sheet and included the Union's commercial liabilities: meaning the Union would have to hold cash to pay all of its commercial creditors if it ceased trading. TCA advised that conventional commercial companies did not operate under such constraints: the proposal was to add back the trading liabilities for SUS and WF plus the money they held for advanced ticket sales. TCA noted that the proposal would increase the free reserves by around £700K as the future obligation would be solely the Board's commitment to have three months' of staff salaries to hand. TCA

advised that this would takeaway the current requirement to build up the reserves as well as free up money for discretionary spending in the context of the five year planning exercise.

TCA advised that the matter had been discussed with the auditors who had indicated that it was an appropriate decision for Trustees to take and that the Charity Commission guidance available made no mention of commercial liabilities. TCA noted that the key question would be whether the Board would be happy to accept an increased level of risk for the Union's trading partners.

TCA advised that the accounts, as currently drafted, included the new policy.

MJ noted that TCA had mentioned Net Current Assets and that these needed to be clarified against Net Assets. Chair asked that this be noted. **AP**

MJ wondered whether the University had been informed of the change as it fell within the remit of the institution's statutory responsibility for the sound running of the organisation.

TCU noted that management had not but this would be part of the agenda for the formal meeting on future finance with the University to be held in February. TCU advised that the change would help delay for a time the Union's move into deficit projected for three years' time and would form part of the discussion around having a sustainable long-term financial plan. Chair asked that it be noted that a formal report to the University on the change would be made in February. **AP**

MJ noted that the reserves would be based on an obligation to pay staff salaries for three months. MJ noted concerns, if in the hypothetical case of the Union being wind up due to its inability to pay its trading debts, how, in reality, would it be able to meet its obligation to its staff as MJ was unsure the Union would be able to give them priority in the case of insolvency.

TCA noted MJ had made a good point as in practice staff would not be deemed to be preferential creditors.

MJ asked that the wording in the policy be changed so that staff were not given a false impression of what would happen in the unlikely event of an insolvency.

AP

TCU advised that insolvency was only one hypothetical element of risk and that there were many others such as: the Union being unable to trade due to campus being closed by an epidemic or Union House burning down where the protection of staff in the reserves would be operative.

MJ asked that any money freed up by the change should be dedicated to capital expenditure directed at income generation.

TCA agreed and noted it would be for the Trustees to decide whether to use any freed up money to fund a long-term plan or to hold the money for a 'just in case' scenario.

TCU noted that it would be useful to integrate the new reserves policy into the five year plan.

The Committee noted receipt of the updated Reserves policy and asked that:

1. The position with regard to payment of wages for staff in the result of an insolvency be investigated and the wording on this subject be clarified. **AP**
2. The updated Reserves Policy be integrated into the Five Year Plan. **AP**

128 Review and recommendation for approval of Annual Report and Accounts for

a. Union of UEA Students Limited.

b. Students Union Services (East Anglia) Limited.

c. Waterfront Students Union Services Limited.

TCA noted that there was only a £13K difference between the provisional figures from July and the final version of the accounts.

TCA advised that there would no doubt be a couple of minor changes asked for by auditors but the indicators were that the auditors would judge the accounts to be true and fair.

TCA advised that Committee members would need to check the final version of the Trustee Report as this would be published under the signature of the Trustees and Committee members should satisfy themselves that it was accurate.

MJ noted that an overall deficit of only £5K reflected good management and stewardship of the finances on behalf of the members.

The Committee noted receipt of the draft Annual Report and Accounts without further comment.

*The Committee asked for the final draft of the Trustee Report to be circulated to Committee for approval by the end of January. **AP***

129 Review of Audit Findings Report.

TCA noted that the latest version had TCA's responses to the auditors' recommendations.

TCA confirmed to MJ that there were no areas where management's responses had been in significant conflict with the auditors' recommendations.

MJ noted there was a significant risk around the valuation of SUSS, the legacy pension scheme, and wondered as to the auditing of the risk.

TCA advised that the auditors approach was the same as those for auditors of other SUs: there was an issue but it would not be quantifiable until the next re-valuation due in 2019 with the results known in 2020.

TCA highlighted the following management responses:

- **Trustee declarations** – there was a need for all Trustees to sign declarations that they were not related parties – declaration forms will be circulated to Trustees **AP**
- **Sales purchase ledgers** – the recommendation for more regular reconciliation of supplier statements. Management were confident that real time reconciliation was accurate but, if Trustees were not happy with this and thought it posed a risk, the Board would need to allocate more resources to enable periodic reviews throughout the year
- **Cash Accounts** – petty cash was managed in a float system. TCA noted that now there was an Assistant Director for Social Enterprise it would be advisable to ascertain whether they were happy with the day to day processes for the handling of petty cash – especially the banking and reconciliation – Chair asked that this be actioned **AP**

MJ noted that cash management invariably posed a risk and, given the decline in cash payments, management might consider how to encourage cashless payments.

- **Credit card use** – TCA noted this was always a problem area as many of the Union's day to day purchases of IT or of software subscriptions were only available online and only payable by card

MJ thought it advisable to have an itemised report on how many cards were in use and what their spending limits were. MJ thought this should include any used by External Trustees or external consultants.

*The Committee asked that a credit card review paper be brought to the next meeting. **AP***

- **Journal files** – TCA advised that given the resources available the Union would struggle to meet the auditors' recommendation but that quarterly sampling had been put in place with the flagging up of any extraordinary transactions and with the annual bank reconciliation working as the ultimate control

The Committee agreed management's response to the recommendations on journal files was adequate and appropriate.

- **Till Sales Variance** - TCU noted the reality was that procedures in the Shop were robust and with changes to the management the Bars and Waterfront would be brought up to the same standard.
- **Financial Procedures Manual** – TCU advised that this had been a required action point for some time and the Committee would need to make a judgement as to whether it was happy that this would remain a work in progress or to set a date for its completion. TCU advised that there was a risk because of the compartmentalisation of knowledge both within the Finance Team and in its relationship to the rest of the organisation if a Finance Team member were to fall ill or suddenly leave the organisation.

The Committee requested that a RAG-rated list of chapter headings for the Financial Procedures Manual be brought to the next meeting. The Committee noted that the Manual will be treated as a working document and progress on it

and its implementation across the organisation would be reviewed at each subsequent meeting. **AP**

131 Review of SUSS Pensions Issue

TCA reported attendance at the consultation meeting with the SUSS Trustees.

TCA noted that the SUSS Trustees were seeking a formal endorsement from the SUs in the scheme as to the Trustees management and future approach. TCA advised that of the six options in the consultation document, there was only one viable option: Option 3 to amend the SUSS Rules with affected members' consent.

TCA noted that one of the SUs at the meeting suggested seeking further legal advice. TCA noted that the Trustees had already received two sets of legal opinion.

MJ thought that further legal advice would not change the reality and that SUs need to face the reality and take the only option available.

*The Committee agreed to recommend to the Board that Option 3 in the consultation document should be accepted. **AP***

Note: J Annand had to leave and the meeting became inquorate. Informal discussion of remaining items continued and Chair asked for some action points to be noted.

129 Review of Audit Findings Report. (Continued)

- **Stock Control in the Shop** – TCA advised the goal management were working towards would be to achieve a workable interface between the stock and till systems and full automation of the control system.

TCA advised that the report also included guidance from the Charity Commission as to a checklist on financial controls.

Chair asked that an annual review of financial controls should be an annual standard agenda item and should be presented to the March meeting. **AP**

130 Review of Ensors financial and governance report

TCA noted that a forensic report had been commissioned by the Board on the departure of the former CEO.

TCA drew attention to management's responses in the paper.

TCA advised for immediate action the following:

- Because of the structure of the organisation Officers and Trustees were not involved in the day to day control of cash and this had led to the Union being late on the 'know your customer' banking requirements.

Chair asked that banking compliance be built into Trustee and Officer induction. **AP**

- Consideration of whether the FTOs should be part of the payment authorisation process. TCA advised that at present the Union separated the authorisation and payment processes. TCA noted that all payments had a two-person token based process. TCA noted one possibility would extend the payments system to Officers with each being given a token and them being required to authorise all payments over a certain level

MJ believed that the Board would be reassured in the knowledge that all payment required dual control and would make fraud unlikely. MJ welcomed the report's recommendation that a Trustee should sign off any expenditure over a certain level but believed the report's suggested figure of £10K to be unrealistic: a figure of £50K might be more appropriate. MJ noted that realistically the task would fall to the FTOs.

Chair asked that TCA make recommendations for an appropriate level for FTO Trustee authorisation of payments and for a process for recording written approval brought to a future meeting of Management Committee. **AP**

AOB

The Chair asked that a report on progress of the Committee's action points be made to the next Board meeting. **AP**

132 TDP of Next Meeting

To be confirmed.