

minutes

Subject:	Finance Committee Minutes: 15 June 2017
Produced by:	Tony Moore
To:	Finance Committee
Action:	To approve
Paper:	FC 2 17

Present: E Bassey (EB) (Union Council Representative), Ben Gibbins (External Trustee).

In attendance: T Cave (TCV) (Head of Finance), T Moore (Secretary), T Cunningham (TCM) (Deputy Chief Executive)

Chair: J Zilch (FTO Trustee).

Apologies: J Stephens (JS) (Union Council Representative),

Key Decisions and Action Points

- *Reviewed Management Accounts*
- *Tim to look at other SU's use of Reserves*
- *Agreed to recommend appointment of External Consultant on Investment*
- *Turned down SUSS's off of discount for pre-payment of three years' worth of pension liabilities*
- *Template Reports to Council to be future agenda item, work on recruitment of reps for the Committee to take place in ECO and NBS*

090 Statements from the Chair

Chair noted apologies from J Stephens.

091 Minutes of the meeting held on 14 March 2017/Matters Arising/Action Log

The minutes were agreed.

There were no matters arising or comments on the Action Log.

Financial Reports

092 Management Accounts for the nine months to April 2017

TCV reported that trading was well below forecast for the last quarter but that this had been offset somewhat by strong trading in May. TCV noted the position against budget over the entire year was still satisfactory due to the particularly strong first quarter.

TCV noted that revenue had been less than expected in Events as some scheduled gigs had not taken place.

EB wondered why the events had not taken place.

TCM reported that the cancelled events were shows run by external promoters and that UEASU had no control over their cancellation.

TCV noted that the cash position was still lower than the historical average but was still tracking above the level for the previous year.

TCV highlighted the fact that capital expenditure (Capex) against budget was now included in the accounts.

On Capex, TCV noted there was, what could be characterised as, a 'strong wish list' for the coming year. TCV reported that the Waterfront, in future, would be separated out so that the Board and management could gain some understanding of its actual profitability. TCM reported that a seven year maintenance plan for the Waterfront was being formulated as part of the ongoing lease negotiations with Norwich City Council.

TCM added a further note that the quotes for the next stage in the refurbishment of Union House had come in higher than expected.

TCV noted that the overall capex budget would be around £200K with an additional £170K ring-fenced money from the University for the Social Learning Space project.

BG noted the gig increase in staff costs for the Union and pizza operations and wondered as to the reason for this.

TCM advised that there had been a spike, as the gap in permanent staffing had been plugged by student staff, but that this would even out over the budget cycle.

There were no further comments.

The Committee approved the accounts.

Policy

093 Pensions Contributions 2017-19

TC reported that the Trustees of UEASU's legacy pension scheme (SUSS) had informed UEASU they were prepared to repeat the offer of a discount in return for a three year prepayment of UEASU's annual obligations to the scheme. TCV noted that three years ago the discount SUSS had offered had amounted to an 8.8% equivalent return on investment. TCV reported that the new discount offer was at 3.7% owing to the deteriorating investment climate. TCV advised that the rate of return offered in the discount was so nugatory the offer was not worth pursuing. TCV advised that consideration of the matter brought up the question of UEASU's own investment policy and the management of its own reserves. TCV advised that ultimately UEASU would have to decide as to what was its appetite for risk in search of an appropriate rate of return and this might entail engaging an external investment consultant for expert advice.

TCV noted that the payments into SUSS had gone up to the equivalent of £12k a month. TCV advised that another problem with prepayment would be that it would turn the reserves negative whilst locking in a large amount of money for a small return.

EB wondered what other SUs did with their reserves.

TCM advised that there were probably very few SUs in the same position as UEASU but management would make enquiries of some of the larger SUs as to whether they had a reserves policy. **AP**

TCV advised that in the current economic climate there were few steady safe investment options which would give a guaranteed level of return.

BG wondered if SUSS's investments might have been underperforming.

TCV believed SUSS's returns were probably around the market level. TCV advised that, given the post-Brexit uncertainty, the poor returns on investment would continue.

TCV advised that the pension contribution demands would mean that the new 'break even' for UEASU would entail a generation of £350K of extra income and this would mean that the year ahead would be challenging. TCV advised that only a small change in UEASU's customers' behaviour might lead to a hole in the budget forecast. TCV advised that a further complication was the return of inflation to the national economy which might cause unwelcome and unpopular price rises in the Shop and the Bars.

There were no further comments.

The Committee agreed to recommend to the Board that external investment advisers should be canvassed during the summer in order

for an appointment to be considered by the September Board.

The Committee agreed to recommend to the Board that the SUSS offer of a pre-payment discount should be turned down.

094 Audit Findings: Management Response

TCV reported on developments in the following areas:

- There had been reconciliation and supplier central billing issues with the University
- A VAT working group had been set up and the external consultant would be returning – overall a lot of progress
- There was a need for a definition of success in dealing with both aged debtors and with journals and there needed to be a discussion as to how much value should be assigned to work on both these areas

EB believed correct documentation and process to be vital in terms of financial reporting.

Chair agreed and noted the importance of having a Financial Procedures Manual in place to ensure continuity if there were any unforeseen staff changes in the Finance Department.

TCV advised that work was in progress on compilation of the manual and that other SU's ways of codification of their procedures were being looked at for examples of best practice

TCV advised that Finance had been taking a piecemeal approach but this would bring significant change over time.

TCV advised that UEASU had a solid system for safeguarding in finance which simply needed a refining process once the overall financial reporting structure had been clearly mapped.

Chair asked as to the situation with regard to Reports and Variances. TCM confirmed that the actions asked for by the Auditors had been completed. TCM noted the new Events Manager's experience in handling of cash payment; TCM noted this was an important area of focus as UEASU needed to meet insurance standards for cash handling.

Chair asked as to the frequency of stock-taking.

TCM advised that, in the Shop, stock-taking was conducted three times a year out of term time and this was done internally. TCM advised that to aid the operation it would be sensible to reduce the number of lines.

TCM reported that, for Bars, there was an external monthly stock-taking.

There were no further comments.

095 Finance Committee and the new Student Leadership Structure

TCM advised that one of the intentions for the new Student Leadership Structure (SLS) was to raise the Committee's profile with the wider membership and at Union Council.

EB believed there was little interest or appetite for involvement amongst students except for those with a vocational interest in finance.

TCM advised that the SLS would involve reports to Council from the Committee Chair with a short digest being posted on the website; TCM noted that the intention would be to raise the profile of all the new SLS groups on the website.

TCM advised that the Committee might wish to give the project of raising its profile to a student staff who might use a variety of tools such as focus groups.

EB voiced strong objections to the use of initiatives such as focus groups which would, EB felt, be a waste of UEASU's money: EB thought that a limited publicity campaign in ECO and NBS would suffice. EB characterised TCM's approach as 'appeasement' of the members.

Chair asked for summary reports to be made to Union Council and a brief succinct PowerPoint would be available online, depicting what the income and expenditure was for the year, as it would be much more accessible to read rather than the 'raw' accounts.

The Committee agreed that a presentation template for reports to Council would be a future agenda item and publicity work would be undertaken in ECO and NBS.

096 Any Other Business

EB asked as to the position with regard to Reserves.

TCV noted that cash reserves were included in Monthly Management Accounts.

TCV noted that there was currently a shortfall as to the target level for the Reserves and the plan was to retain a proportion of profits from commercial operations over three to four years in order to rebuild the Reserves.

TCV advised that there was a conversation to be had with the Auditors as to how much cash UEASU needed to hold to notionally cover its liabilities to its commercial suppliers. TCV noted that if less money were held to cover future payments to suppliers then the money freed up could boost the funds available for Capex.

Chair asked as to the situation with regard to the Waterfront and the relationship with the external contractor.

BG reported from the working group that UEASU was now rowing back from the mooted greater involvement with VMS, the external contractor. BG noted that the intention would be to pursue negotiations with Norwich City Council independently over the lease.

097 Time and date of next meeting

TBC