

TRUSTEE BOARD FINANCE & RISK SUB-COMMITTEEMinutes of meeting held **Friday 4 December 2020**

Members present	
Amanda Chetwynd	External Trustee and Sub-Committee Chair / she/her
Atree Ghosh	Vice President Union Development / he/him
Oliver Robinson	Students' Union President / he/him Item 4 onwards
Sam Maesschalck	Student Trustee / he/him
Staff present	
Jane Morgan Jones	Financial Controller Company Secretary / she/her
Alan Roberts	Interim Chief Executive / he/him [covering maternity leave]
Misbah Ashraf	Interim Chief Executive / she/her [on maternity leave but in attendance]
Lay Member	
David Dobson	Committee Member with financial expertise
Observer	
Phil Benton	Counter Culture [company undertaking Democracy & Governance Review]

Meeting held via Microsoft Teams due to ongoing Coronavirus pandemic. The sub-committee acknowledged the meeting would be recorded for minutes purposes. The recorded minutes were transcribed by the Executive Administrator.

Agenda item 1 | Apologies | none to record.

Agenda item 2 | Minutes of meeting held 25 September [FRSC|2020-09-25] | accepted as a fair reflection of the meeting.

Agenda item 3 | Matters / Actions from the minutes

- 3.1 *Forward Schedule of Business* | updated and adjusted to take on board comments received.
- 3.2 *Reserves Policy* | completed and agreed by Trustee Board.
- 3.3 *Cash-flow Forecasts* | actions completed or on the agenda.
- 3.4 *Risk Registers* | the Financial Controller to adjust the registers with agreed changes and amended registers submitted to the October Trustee Board meeting.
 Noted that the strategic leadership score was to be taken to Trustee Board [October] meeting for discussion. The Board had agreed there would be no changes.
 Clarification given that the organisation did have a Serious Incident Policy, which was updated by the Executive Administrator.

Agenda item 4 | October 2020 Management Accounts | papers submitted to be taken as read.

Highlighted that the consolidated picture showed a large positive variance and overall surplus. At this point it should not be taken that the position was better than expectation / the Charity positive variance includes savings / lower costs on salaries due to the furlough grants [not included in the budget]/timing issues.

The positive variance, for Housing, as at 31 October would undoubtedly change due to movement on the bad debt provision ie an increase. There were lower utilities costs, however October was an estimate–The projection for the year end was that a slightly lower net profit would be achieved.

A point was raised re the current positive variances and the confidence of the Union that the current budget expectations for the year would be met. As regards the Charity, the end of year position had not been ascertained due to insufficient information and level of uncertainty due to COVID.

The anticipated projections for all commercial entities were highlighted [covered in agenda Item 5] noting that the overall performance of Services Co. would be a smaller loss. However, a nil Deed of Covenant to the Charity would remain.

The sub-committee observed that albeit the Sugar House was not open, buildings and contents cover was still required | an element of liability insurance | a meeting with Zurich [insurers] had been arranged | a potential virtual survey | discussions were ongoing regarding insurances.

It was clarified that at the time of setting budgets the future was unknown | there was/is a lot of uncertainty | constant changes in circumstances and the phasing had become out of line.

The sub-committee noted that the balance sheet for Services Co. was in a net liability position

Agenda item 5 | Commercial Trading Entities | Forecasts for year ending 2021 | pre-circulated paper taken as read.

Projections did not take into account the impact of the voluntary severance scheme and related costs and the initial view from the accounts was that Housing profit would be slightly less than budget due to higher cleaning and furniture costs. The risk/impact of volatility of utility costs were highlighted.

Retail projected to make a slightly lower loss than budgeted due to furlough grants | Sugar House lower loss than budgeted but further work would be undertaken to reduce costs further.

The sub-committee was asked for its views on whether the asset rental charge of £70k plus VAT should be paid by the Sugar House to the Charity on the basis the venue was closed, noting that the Auditors had raised this. Discussion included: improved cashflow in Services Co v reduced asset rental income in the Charity [and timing implications] | that Services Co. was able to recover VAT | retaining the status quo | could provide a reduction of the loan to Services Co.

The sub-committee agreed that asset rental should continue as was observing that it could be revisited in the future if necessary

The next steps, as outlined in Appendix 2 of the pre-circulated paper, were established as satisfactory by the sub-committee:

Agenda item 6 | Financial Controllers Report

Additional information included: the business-interruption claims [Sugar House and Retail] remained 'under consideration' | the Housing [landlord and tenants] leases were finally to be looked at by the Union solicitors.

Central Stores Lease | the sub-committee were asked to express what they believed was a suitable term for the lease, to include a break clause [no clause existed in the current lease].

From discussion, the sub-committee deemed a suitable lease term to be 5 years on the proviso a break clause was introduced, in order to repay capital in line with remaining depreciation | negotiate the rent amount alongside removing some of the current restrictions | the lease should contain everything included within a standard commercial lease as well as the expectations of the Union.

ACTION: Interim Chief Executive and Financial Controller to discuss the lease and the Union's best interests going forward, with the University Director of Commercial Services

It was noted the amount of time being spent by the Financial Controller on the extra work, as well as regular work, caused by Covid-19, and Jane and the finance team were thanked for this.

Agenda item 7

7.1 Forecasts Overview and Presentation

Power point presentation provided an overview/scene setting of the financial position of the Group ie Services Co., Housing Limited and the Charity over the next few years. Also, the distinction between accounting profit/loss and the cash-flow implications aimed to give the sub-committee an understanding of the situation going forward. Other points included the balance sheet, distributable reserves, the Deed of Covenant, the Reserves policy and the next steps.

The Charity, even with improved commercial income in 2023 showed an underlying base deficit requiring action. It was noted that balance sheet forecasts were required. The different funds in the Charity balance sheet were explained and the fact that all costs came from one bank account. Net free reserves were explained / the current Reserves policy had acknowledged the uncertainty going forward and that it would require regular review. It was believed a strategic discussion was required around the short term v the long term use and replenishment of the Reserves, together with an action plan covering the next steps.

In response to question raised regarding the point at which a strategic plan would be put forward for consideration by this group, the incoming Chief Executive anticipated that proposals / priorities / options available would be available at the next meeting.

Taking circumstances into account, the sub-committee agreed to hold a separate meeting in April [date tbc] with a view to considering strategic proposals.

ACTIONS: Chief Executive to draft strategic proposals, for consideration, addressing the organisation's deficit | Financial Controller to arrange meeting date to consider the proposals

7.2 LUSU Housing Limited – Forecast for year ending 2022

The sub-committee acknowledged the next steps highlighted in the pre-circulated paper, noting there was scope to increase the reduced net profit for the year ending 2022.

ACTION: Financial Controller to provide feedback on the question raised re £net rents receivable proportions.

7.3 High level Forecasts for 2020/21 and 2022/23

The pre-circulated papers were noted and next steps agreed. Assumptions would be re-assessed where forecasts were to be updated. It was felt a more conservative estimated net profit for the Sugar House should be considered.

ACTION: [Interim] Chief Executive and Financial Controller to further discuss the Sugar House assumptions

Agenda item 8 | Cash Flow Forecasts Update

The sub-committee acknowledged that further work was required on the forecasts to reflect scenario changes, the long term picture, building in the loan repayments and the Charity.

Agenda item 9 | Forward Schedule of Business

Meeting dates, post-May 2021, to be arranged once Board meetings had been set.

Agenda item 10 | Date and Time of Next Meeting

Next meeting agreed as Thursday 11 February 2021 | 2:00 to 4:00pm. A separate meeting to be arranged for April [date to be confirmed] to discuss the long term financial strategy and forecasts.

ACTION: Chief Executive and Financial Controller to arrange date for extra meeting

Agenda item 11 | Any Other Business

No Any Other Business raised.