



**A MEETING OF THE BOARD OF TRUSTEES 2011-12 WAS HELD
AT 5PM ON 19 JULY 2012 IN THE EXECUTIVE OFFICE.**

19 July 2012

BT-123-M3

MINUTES

Present: Michael Pearson (Chair), Rebecca Bridger, Caroline Walker, David Haines, Mark Dunkley, James Carroll, John Palmer (by telephone), Andrew J Pyatt (by telephone), Lincoln Chan (by Skype).
In attendance: Andy Parsons, Louisa Allen, Ellie Read, Rory Mitchell.

1. **Apologies.**

Michael Ita, James Goldburn, Zoe Lloyd, David Tingle.

2. **To note the notes of the informal meeting – BT-123-M2.**

The notes were noted. Matters arising not discussed below will be discussed at the next Board Meeting.

3. **Motion to authorise HMP and RB to sign an overdraft facility letter on behalf of the Trustees**

AP presented the motion, cash flow and facility letter.

CW declared her conflict of interest as a member of the University's finance committee.

It was noted that although the bank usually give us a week or two's grace during the period where we are likely to be overdrawn (this coincides with the time where we have to pay for stock used via central billing, plus staff salaries etc and have no income at the end of the summer, and just before the first payment of block grant from the university; it is normally around three days). However, due to the lack of audited accounts for 2010-11 they would like us to formally arrange an overdraft facility to cover this period.

AP noted that the overdraft limit arranged at £250k is much larger than we are likely to need; the bank has helpfully agreed to review the fee of £1,250 in the light of actual usage. It is not a loan; we will only call on what we need and the arrangement expires at the end of October 2012.

LC asked about security; the document will not give the bank any more security than they already have - the overdraft is not secured against the Union's real assets. AP noted that we intend to repay the overdraft, it will not be an issue in any case.

AP noted that CW had assisted in getting the University to pay at more frequent intervals than originally agreed for the staff supplied for the Olympic security and this should ease the pressure.

CW asked what the cash flow was based on. It is based on the previous year's bank figures cross checked against the nominal ledger. The chartered accountants have said that the management accounts seemed to be correct.

DH asked why the figure for salaries was so high. The figure includes a severance payment (not the finance manager) which was endorsed by MP and RB.

DH asked about the VAT claim; AP stated that we are currently owed £110K by HMRC for the claim they have approved and we have given notice on the tribunal for the retrospective application.

AP stated that we have not had a heavy capital spend year despite the extra costs incurred for security measures. AU money is in the main union account and is not separate. Rag costs have now been recharged as normal and this has been adjusted. Budgeted surplus and restrained capital spend

have allowed us to get through the summer period without requiring an overdraft; however, in the absence of a balance sheet we are unsure why the cash position is worse than expected. We suspect it is debtor and stock levels, plus security wages owed by the university, all of which we are working to improve; this is another indication of the Finance manager not coping.

CW asked who the other debtors were, and if LSU was confident those debts would be paid. AP stated that some are tenants (which we are confident will pay), ad agency Bam plus a few smaller clients for marketing. Some debtors have received prior-to-proceeding letters. The total aged debtors is unknown but is less than £100K. Some debts are more doubtful going to legal proceedings eg a WOW project at approx. £20K.

MP stated that there may be some longer term issues and once the accounts are out we will have the opportunity to review controls.

AP reassured the Board that other streams of income are ongoing, eg Platinum card sales and club memberships, and noted that the urgency of getting audited accounts is the first priority.

After due consideration of all the circumstances and on being satisfied:

- a) that it is for the benefit of the Trust and in the interests of the Trust for the purpose of carrying out the Trust's charitable objects;
- b) that proper advice as required by the Charities Act 2011 had been obtained in writing and was now produced on the matters mentioned in section 124(3) of the Charities Act 2011, ie whether the proposed overdraft facility (the "Overdraft") is necessary in order to pursue the course of action intended by the Board; whether the terms of the proposed Overdraft are reasonable having regard to the status of the Trust as a prospective borrower; and on the ability of the Trust to repay on those terms the sum proposed to be borrowed;
- c) that it is proper for the Trust to enter into a facility letter (the "Facility Letter") in the form now produced in respect of the Overdraft facility not exceeding £250,000 at any one time from National Westminster Bank Plc (the "Bank"); and
- d) that the Overdraft is permitted by the constitution of the Trust and it is for the benefit and in the interests of the Trust

it was resolved that:

- 1) The Facility Letter (attached) be approved.
- 2) Michael Pearson and Rebecca Bridger be authorised to sign on behalf of the Trust the Facility Letter and any other documents required by the Bank in connection with the Facility Letter.
- 3) The Trustees be kept indemnified out of the assets of the Trust in relation to liabilities incurred by them under the Overdraft.

4. To receive an update on the Audit situation

AP reported that at the start of this week Charnwood Accountants came in to work with the interim Finance Manager. AP spoke to the lead accountant today and he stated that he was confident that he could get a set of accounts ready to be audited by Grant Thornton by Monday.

Grant Thornton are therefore starting their testing work on Monday. We have been promised a week with a lower level member of staff, then a week with a manager. By the end of the third week of August they should have the testing complete and should have accounts ready to sign off by 1 September.

The bulk of the problem seems to be the opening balances. There are a couple of other issues: the Rag/LSU inter-relationship; and Nursery billing. AP is confident that the interim Finance Manager will be able to resolve these promptly.

CW asked what LSU will be doing differently in future to avoid these issues. AP stated that confidence in the capability of the Finance Manager is key; the audit exposes where a finance manager is not doing their job as in this case though this is obviously too late to protect the union's reputation.

AP also pointed out that the Internal audit process supplied by the University through KPMG should point to weaknesses in systems; nothing in their reports pointed to these problems.

AP had received an offer from the University Finance office to assist by conducting quarterly internal auditing for a short period, eg 12 months. The Board noted that LSU does not have anything to hide from its major funder. MP noted that once confidence has been rebuilt, this may not be required in future but for the time being this is a most helpful offer that we should accept with thanks.

Charity Commission will require filing of accounts within 10 months but since the 2010-11 financial year refers to a time before our registration this year it should not be an immediate issue.

The plan is to have this year's accounts ready for audit by the start of October and to bring in extra resources if necessary to achieve this.

5. **Any other urgent business.**

a) **Graduating student members**

JC noted that some student members are graduating. It was noted that first Council is 4 Oct so nominations can be opened then, with new members elected at the 18 Oct Council. The Board will be meeting to approve the accounts and as long as all current members are available we will be quorate.

b) **Finance Management Sub Committee**

JC asked how much detail should be discussed with the FMSC on the financial situation. AP stated that they should be fully informed. The Board noted that the committee has not been functioning correctly (formally the chair of council should have convened these meetings). LSU will regard it as a management responsibility to organise the meetings until the committee is properly established. The chair will be elected at the first meeting (not CoC or VP Finance).

c) **Auditors**

DH suggested that we may want to consider tendering for new auditors if Grant Thornton have been unsatisfactory.

CW stated that the normal cycle was three years, and given that we have been in crisis and are under pressure to produce accounts, a change in auditors may not help.

AP noted that they are trying to rectify the situation and have admitted their failings, but he will continue to negotiate AP will request terms from GT.

MP asked what was the extra cost of getting Charnwood Accountants; approx. £3500. AP noted that there will also be recruitment costs for the interim and permanent Finance Manager. The permanent person should be appointed by early October to allow for an overlap with the interim (though the interim himself may apply for the position).

The Board agreed that recruitment for the permanent FD should proceed immediately.

d) **Contractors**

DH asked about the awarding of building and similar contracts; AP stated that work of this sort is normally on a competitive basis either by tender, competitive quote or using independent quality surveyors to assure competitiveness and value. We have used the same designers for several projects over the last few years, but more recent design work has been done by others.

6. **Date of next meeting –TBC.**