

**Finance & Risk Committee
MINUTES
3.30pm 5th December 2017
The Board Room, Gun House**

Action	Who	Update	Status
Update Financial Procedures to include quarterly spot checks by CE/DEC/financial advisers for adding suppliers/bank details	CC		Complete

Confidential Items	
SUSS Pension Deficit	Confidential Item
Future Union Finances	Confidential Item

Present:

Marcus Campopiano (MC - Chair), Angel Layer (AL), Nicholas Williams (NW), Tom Worman (TW), Thea Noli (TN)

In Attendance:

Anna Clodfelter (AC - Advisory), Laurie Jones – Minutes

1. Apologies for Absence

Apologies received from Chereilyn Cuthbert (CC)

2. Declaration of Interests

None.

3. Minutes of Previous Meeting 22nd August

Minutes of 22nd August 2017 approved.

4. Matters Arising and Action Points From Those Minutes

- 4.1** Add Underspend Discussion to Finance and Risk agenda (LJ) **Complete - At the end of quarter forecasting, departments will proactively work with student groups to spend their budget**
- 4.2** Action legal advisors to check over University Financial Memorandum of Understanding (AC) **Complete – Warner Goodman instruction confirmed 18/09/17**
- 4.3** Share context as to why the University H&S Management Team want to attend Finance and Risk Committee and the decision to be made over email (TW) **Complete – UoP H&S team met with Union safety representatives and there were some minor amendments to make to our operations arrangements in line with University changes. No further action required**
- 4.4** Review insurance policies including an exercise exploring claimable assets in case of a fire (TW) **Ongoing – for completion by year end**
TW: Insurance will be reviewed over the course of the year – particularly about reviewing the way we protect assets (currently we protect assets with the cost of £25+). Will be completed in line with the next budgeting process and when we need to next review with Endsleigh
- 4.5** Add Reserves Policy to Matters Arising to the agenda in order to thoroughly discuss at the next meeting (LJ) **Complete**

5. Finance Matters

5.1 Quarterly Management Accounts
 UPSU/PSUT Management Accounts
 Paper taken as read.
 PG:

- Summary of management accounts from August to October
- Included forecast figures in order to get emerging view of UPSU's position by year end
- Year To Date – surplus of £415k net due to PSUT trading performance forecasted to be £20k ahead and expected salary underspend of £36k. This is expected to translate (after timing differences) to £154k compared to budget of £93k.

A discussion was held on accounting for pensions and adjustments to reserves. They key points were:

- Key difference in accounts are changes to accounting for pensions
 - Rather than pensions being paid over 3 years (£95k per year), they are being accounted for in 1 year (£269k) because the payments are being made in advance in order to receive a discount of £5k. Accounting rules require for those 3 yearly payments to be accounted for in 1 year, so the information is being presented in a slightly different way to the budget
 - The university have given UPSU a loan to make this one payment. The loan isn't recognised as income, so the hit of this payment is just recognised on the expenditure side
 - This requires the reserves target to be tweaked. The advance payment will mean being artificially under the reserves target, we need to adjust our reserves target in 17/18 and 18/19 in order to catch up. The reserves will even itself out over the next three years as no pension payment will come out in 18/19 or 19/20
 - We account for the pension deficit payment in full year 17/18, and in 18/19 and 19/20 we won't have to make a payment so there will be a surplus which will help us get to that reserves figure over a three year period
 - If the reserves target wasn't tweaked, it would look like a really bad year in the year end accounts, so doing this on purpose to compensate
 - This isn't unusual to do, and other student unions have also done this
- Questions:
- *Question over how the reserves are reported* – accounting for the pension payment will eat into reserves this year and will improve over the next year. Appropriate to have a phased pension target
 - *Concerns over how this will impact over plans for what was budgeted to be surplus to reserves* – the reserves target comes down to compensate for the full three years
 - *Can we spend our reserves* – Yes because adjustment to the reserves target is to take account for the pension prepayment element, which then gets paid back in.
 - *Question over why the reserves target is reduced to £91k and whether the surplus reserves will be used to recover the reserves this year*

Outcome: TW, AC, PG will arrange a further meeting to discuss accounting for the pension payment and the adjustment of the reserves for clarity

PG: Further key points from the management accounts. Overall positive message:

- Commercial partnerships – £4.5k surplus from the contract with Red Bus
- Student House Finders is expected to be £6k ahead due to contract with Unite
- Central - £9k saving on affiliation fees and a timing variance on VAT
- Student Opportunities - £49k of AU related expenditure was expected to be spent in Q1, but this is expected to happen in year. Expecting small level saving of about £3k

MC: Student Opportunities didn't bring in as much as thought as no cut off point with the SLA and we don't want the £23k underspend again. Sport Coordinator and FACAM to send out an email with guidance on reading forecasting budgets

PG: Full year picture brings into play other detail: underspends due to recruitment gaps of £37k. Student staff salaries is overspent, but compensated by the main salary underspend.

AC: Because we had not intended to create a surplus in salaries, SMT would like spend £25k of the £37k on salaries to get more support from student staff and also a potential of a Projects Assistant to support Head of Opportunities. Currently requests total £23k, F&R to approve in item 8.4.

PG: Current asset line is 1.1 million net – very healthy financial position. Pension deficit is shown on the balance sheet that puts the overall reserves in a technical deficit, but this is presented as in the year end accounts that would have been previously approved. This is a routine piece of information so trustees can know how much money there is at one time. FACAM is comfortable with the rationale behind the pensions and reserves.

PG: Are the accounts displayed like this useful/going in the right direction?

MC: It's obvious and bullet points linked to each graphic is useful – layout is easy to understand

NW: Would be useful if the conclusion can go at the beginning – like an executive summary

FINANCE AND RISK COMMITTEE APPROVED THE PSUT/UPSU QUARTERLY MANAGEMENT ACCOUNTS, UNDER THE CONDITION THAT TW AND AC WILL DISCUSS THESE OUTSIDE THE MEETING WITH PG FOR CLARITY

5.2 Future Union Finances (AC/PG) *Confidential Item*

5.3 Financial Procedures (CC) *Verbal Update*

AC: Addition to Financial Procedures in section 11 (which is about reporting financial information). There needs to be an update:

- Issue was about more than 1 person being responsible for setting up bank accounts/suppliers – fraud prevention issue. Moving over to Xero means there is only one way it can be done, so we are required to come up with an alternative mitigation. FACAM is the only one who can set these up and to mitigate the risk, there will be spot checks by CE/DCE/financial advisors

AL: We need to set certain times for the spot checks to take place to hold ourselves accountable

PG: I would suggest quarterly

Action: CC to update Financial Procedures to include quarterly spot checks for adding suppliers/bank details

(AL PROPOSES, TN SECONDS) FINANCE AND RISK COMMITTEE APPROVE THE FINANCIAL PROCEDURES UPDATE WITH SPOT CHECKS TO TAKE PLACE ON A QUARTERLY BASIS BY CE/DCE/FINANCIAL ADVISORS

5.4 Trading Development Funding (TW)

TW: This is to help PSUT start constructing a business and trading strategy. Asking for an approval in *principle* to access cash reserves from the Charity to build social trading enterprises. For the past 4 years, PSUT has contributed an additional 100k surplus contribution. As PSUT gives all money to UPSU, there is no profit and therefore no money to formally start a business. Previously PSUT started with a £7k loan. Asking Finance & Risk to indorse directors seeking capital funding from the Charity as a Social Investment Loan because it seems to be the most appropriate. Potential for options to explore around social investment tax relief.

NW: How much are you asking for?

TW: Can't give any indication as to how much money – depends on the business. We agreed to never put the charity at risk – would never ask for an amount that would significantly put the Charity's reserves at risk and would always have business and repayment plan

AC: The focus of paper is not to assume the charity is going to invest in PSUT. If there isn't surplus money available, then the charity be not able to invest. If the money was available and at a level for PSUT, would Finance and Risk agree in principle to invest money?

AL: If Directors sign off on a business case, would it come back to Finance and Risk for the money to be approved?

TW: Yes - would like to know what framework to operate in – it makes sense for Board of Directors to sign off a business plan, and then this comes to Finance and Risk for approval?

PG: There is really good Charity Commission guidance available on managing commercial operations internally. Criteria to have in mind would be that for the money that you invest – will the money be paid

back or will it be safeguarded to justify any expenditure. Currently forecasting to be £143k ahead of reserves target, so in theory there is money available

MC: What are the tax implications? PSUT would look for a loan as there is already a £7k start-up money?

TW: We are not repaying the £7k so UPSU remain the sole shareholder of PSUT. We would look to repay any additional loans

NW: The charity should be supporting PSUT – this is a good idea hypothetically, and you need a robust business case with approval from Directors and Finance and Risk. This needs to be written down, and we need robust financial insurance, e.g. committee needs to ask if its ring fenced or if it's free money to be spent how PSUT wishes

FINANCE AND RISK COMMITTEE APPROVE THE TRADING DEVELOPMENT FUNDING PROPOSAL IN PRINCIPLE

5.5 Reserves Review (AC)

AC: This is a review on the way we set our reserves level. The problem is that we follow a traditional charity sector model as low risk organisation. Compared to other charities, if we needed to call on the reserves, the risk and the impact on our beneficiaries is completely different to a high risk charity. Our reserves level may be too prudent and the spare money could go towards students instead. Something PG also agrees with. My proposal is we risk assess where our income comes from and whether it's stable, versus the risk on beneficiaries (option 1) rather than using the 3 months operating costs method.

AL: I agree with the proposal - there is lots that's stable e.g. block grant from the university. This suggests we need to review

NW: What are the alternative means for review?

PG: Only other option is through income based on months

NW: As there are no other options, so I am happy to go with option 1

AC: I would suggest this can be reviewed by myself and MC with PG as support and I would like to get this done by the financial year end.

AL: Will we have to wait to put this in place after the pension issue is over?

AC: Can do this whenever you want, but makes sense to do at the end of the financial year.

PG: This can also be done in the middle of the year as it can feed into budgeting

AL: Because this is not an urgent matter is it best to postpone and wait until budgeting 2019?

MC: But we could be using the money in the reserves

AC: This committee and Board have the power to update the budget, so we have time. We are also in a healthy reserves. Don't need to access, but can come to this committee to ask for that anyway. AC will aim to get done by year end

FINANCE AND RISK COMMITTEE APPROVED A RESERVES REVIEW WITH AC/MC AND PG FOR SUPPORT

6. Risk Management

6.1 Update on Risk Register (TW)

Paper taken as read.

TW: There has been some strategic risk changes:

- New data sharing agreement with the University which sets out our compliance with GDPR
- Increased the risk failure to establish a robust business plan associated resource, which is based on the ongoing discussions around P25 and Future Union funding – will be re-assessed. Additional changes to the Future Union risk register are detailed in item 8.1
- No operational risks of real significance other than we closed the financial matter of reserves not being achieved/met – was a risk for that year

FINANCE & RISK COMMITTEE NOTED THE UPDATE ON RISK REGISTER

6.2 Update on H&S (TW)

Paper taken as read.

TW:

- We are compliant with all H&S legislation. The University have also given us all their information on how they support us to be compliant as a tenant in a university building
- Injury/Ill Health reports: one staff member injured her neck
- Students – mainly from sports clubs/societies and number is expected. The trials and tasters generates more issues
- 43 reported injuries – average. There have been a few near misses – e.g. hockey balls going over fences. This is still an issue, but will tackle with the University
- Currently have the appropriate amount of Health and Safety Coordinators and First Aid trained staff. Struggling to access training through the university, but they are aware of this
- All student groups have completed risk assessments
- Now a pilot partner in University for delivering safety arrangements
- University have changed their policy. We have changed ours which has been signed off by leadership to reflect the University's. Changed to a bottom up approach so all staff are responsible for H&S.

FINANCE & RISK COMMITTEE NOTED THE UPDATE ON H&S

6.3 SUSS Pension Deficit Update (AC) **CONFIDENTIAL DISCUSSION**

6.4 Prevent Update (AC) Paper taken as read.

AC: One student has been referred through the safeguarding process with a link to Prevent. This has raised that there is no process to refer a student to Safeguarding. AC will take this to Safeguarding Committee. Sabbs will have a discussion with UAB after Christmas to determine a stance on Prevent.

FINANCE & RISK COMMITTEE NOTED THE PREVENT UPDATE

7. Audit

7.1 Audit Tender Update (CC/AC)

AC: Needs to be formally approved by Finance and Risk – Finance and Risk committee need to approve the new auditors, approve that we'll not be inviting previous auditors to tender and decide who will go on the panel to review the submissions in April

FINANCE AND RISK APPOINTED PG (COUNTERCULTURE), TN (STUDENT TRUSTEE), FINANCE AND CENTRAL ADMINISTRATION MANAGER TO GO ON THE PANEL

FINANCE AND RISK COMMITTEE APPROVED THE TENDER TIMELINE AND THE TENDER DOCUMENT

7.2 Final Audit Report from Blue Spire (CC/AC)

FINANCE AND RISK COMMITTEE APPROVED THE UPSU AND PSUT AUDIT FINDINGS REPORT

8. Any Other Business

8.1 P25 Update (AC)

AC: We've created a list of increase controls put in place, mostly around HR, and mitigations are in place. Highlights different strategic level risks that are being mitigated with Warner Goodman. Highlights the financial considerations relating to this project

FINANCE AND RISK NOTED THE P25 UPDATE

8.2 Santander Bike Scheme Pledge (MC)

Mc: Santander Bike Scheme – the University needs to raise £62k to get 50 bikes within the Portsmouth area. AB is looking for £5k to help with the pledge as we're currently about 12k off the target – and need to come in the top 2 percentage. If the university don't make enough money, the money we've pledged will come back.

TW: Pledge types - £3k Corporate Package. With this, the corporate body gets 200 free memberships to the bike scheme for one year – we can gift to students instead.

AL: I like this as it's positive for students – they can get more out of it.

NW: Why does this have to come to finance and risk as this is a small amount of money?

TW: Wanted to check our legal position around gifting money as a charity – not a purchase of a service, so therefore is it a grant? Also asking for significant other investment in other places, so this would come out of the reserves pot

PG: This is similar to a grant. It's good the paper talks about benefits to students, as it could be an ultra vires – PG will look tomorrow

TW: I don't have an issues as long as we get something for our students and we're legally compliant.

FINANCE AND RISK APPROVE TO RELEASE £3K AS LONG AS UPSU ARE LEGALLY COMPLIANT AND IT CAN BENEFIT STUDENTS

8.3 Budget Review (AC)

AC: For note for the committee – there is likely to be a change of approach to budgeting - whether we assign bigger pots of money to a less defined line or can we change the culture of prudent budgeting. Going into future union will help us break out of acting historically. Will be working with PG with some guidance with some different way of thinking. We have also started to involve more people in the forecasting process to hopefully stop carrying unspent expenditure – we need real justifications

NW: Is there a timeline for staff to pitch their budgets and for the decision to be made?

AC: Timeline is set, but delayed a little due to development of Future Union strategy. Deadline for business cases from departments is March. We give a framework to complete and in the past we've used a traffic light system of must have, want or would like in budgets. This coincides with Board, F&R and Future Union Planning – will be signed off in May Finance and Risk

NW: Opportunity to empower SMT to talk to each other and carry this corporate responsibility and cross collaborate and create efficiencies in some way

AC: Already using language around impact and benefit beneficiaries. Managers are trying to use resources in the best, most valuable way.

MC: More agile pots of money will be a better way to go about it, especially for students who don't know what they want in March but may realise in year. Are we looking at creating a similar staff pot?

AC: Particular with new departments, we don't know what will come in, so flexibility with money would be great. Perhaps, between them there is a cost envelope of £50k, and that money can be spent flexibly and as necessary. This will be a transitional process as we will know more as time goes on

FINANCE AND RISK NOTED THE BUDGET REVIEW

8.4 Salary Line Spending Approval (AC)

AL: Is the career staff position full time? Half post?

AC: Half post. We could potentially look into a job share for students, but the purpose is to put in project assistance and it's a coordinator job

AL: With students, we can have issues with reliability

AC: The student staff will be more stable student staff that will have set hours around their timetable. This will be more difficult for the bigger role as it's a full time job

MC: I think it's fair to take money out of what was already budgeted to be staff salaries

NW: Don't think this should be locked up when it could be spent on staffing

PG: Are there any recurring implications?

AC: They will all be temporary contracts

FINANCE AND RISK APPROVE £25K NET FROM THE SALARY LINE TO BE SPENT ON SALARIES

9. Date and Time of Next Meeting – 6th March 2018 @ 3.30pm

Minutes Approved: _____

Date: _____