

**Finance & Risk Committee
MINUTES
4.00pm, 11th June 2019
Room 1, Union Building, Gun House**

ACTIONS

Action	Who	Update	Status
NONE			

CONFIDENTIAL ITEMS

SUSS Pension Deficit	Confidential Item
Ex-Employee Matter	Confidential Item

Present:

Moises Frias (MF - Chair), Charlotte Beaney (CB), Cherelyn Cuthbert (CC), Fern Lewis (FL), Adwait Deshmukh (AD), Vicky Turner (VT), Baldev Gill (BG)

In Attendance:

Peter Greaney (PG – Financial Advisor), Rich Leader (RL), Hayley Turner-McIntyre (Observer), Laurie Jones – Minutes

1. Apologies for Absence

Apologies received from Anna Clodfelter (AC)

2. Declaration of Interests

FL & CC declared interests in item 5.2 regarding PRP awards

3. Minutes of Previous Meeting 26th February 2019

Minutes of 26th February 2019 approved.

4. Matters Arising and Action Points From Those Minutes

4.1 NONE

5. Finance Matters

5.1 Quarterly Management Accounts (CC/PG)

- Financial year is 1st Aug - 31st Jul
- Accounts up until April 19 and it's a comparison of the variances to the budget that trustees approved
- Management Accounts:
 - This is the year to date (YTD) picture of months 1-9 against the budget for the same period and the variance. There is also the full year forecast against the budget and the variance
 - We are forecasting £6k surplus at the end of the year compared with the budgeted £35k deficit - £41k ahead
 - Accounting presentation in the management accounts is only at a £6k surplus, but in the year end accounts it will be a £93k surplus as one of the expenditure items is not going through the expenditure statement, it's going through as a reduction to a loan provided in a previous year. This is a presentational difference to what you'll see in the year end accounts.
 - £40k underspend - underspend on salaries of £37k due to recruitment gaps, and on Projects & Groups - this is sports clubs and societies and agile projects line
 - The budget next year builds in a recruitment gap expectation of 2% to minimise the underspends going forward. It's good to be prudent, but the Union has been prudent for a number of years so it can afford to be less prudent and doesn't need to have room to manoeuvre. Evident from looking at the management accounts that there is underspend.
 - Salaries forecasting: anticipation to that underspend to continue - will all the vacancies be full from now on? Employed some PSUT staff - there are additions in some places and overspends in others. It looks like it's not forecasted for those gaps but they are filled in different areas

- Sports and Societies do often underspend- we encourage them to lower membership costs and we push them to spend their money but they don't spend it. Because the resource will be a lot higher next year because there won't be the 25 groups that are the main drain on staff, that a lot more development will be done and they will spend their budgets in the coming year. Identified a lot of societies charge a membership and they don't spend it which goes to their social account. They also don't use all the development grant, so that has been reduced, along with their percentage of cost to run.
- Against some of the underspend, there are some additional areas of underspend around equipment, asset purchases, membership & marketing
- PSUT
 - £12k ahead YTD, £3k ahead at year end. This is due to retail exceeding targets.
 - Overall, close to budget, nothing new to report this quarter
 - How does this compare to previous years - what's the trend? This time last year it was slightly ahead due to corporate merchandise. Only had 3 months worth to go off last year.
 - Had we continued with the surplus in events then that was about where we were at in previous years.
 - Things have changed a lot and in the coming budget again things have changed. To compare to a previous year is probably not useful. From 19/20 and beyond there will be a better comparison. We used to make a hefty amount from Gradball, this will be gone completely next year. Next year we are only set to make £91k. We're making big investments this year, and you will see it grow year on year for the next 5 years.
 - We've diversified with the print shop and hopefully the induction on training and consultancy - we've come away from what would have been the core business, and it's changed so radically it would be hard to compare the business year on year
 - Retail and Partnerships can be mapped if needed
 - It's good to see revenue streams, costs, metrics in a graph to see how the key metrics of the business have improved. Going forward in the 5 year plan it would be good to have a graphical representation of position
- Balance Sheet:
 - Net current assets were healthy at £462k. Assets are a negative figure due to the long term pension deficit
 - We have to account for the overall liability of that scheme which reduces overtime over a long period. This union has a deficit payment plan that goes over 14 years - evaluation was £1.5M.
 - When we think about when we think about the liquidity of the organisation, we have not intended to take into account the long term loan liability because it occurs over a longer period of time. It's important to note that when you look at the balance sheet of the organisation it's an immediately striking negative number. The focus is on the current assets position and it certainly has enough cash to pay it's liabilities.
- Overall: The Union is working within budget at an underspend of £41k.

FINANCE & RISK NOTE THE Q3 MANAGEMENT ACCOUNTS

5.1.a Extraordinary Paper - Summer Ball & Grad Party Sales (RL)

- Used to be one event, this year it has been separated into 2 - Summer Ball and Grad Party. Used to be held in Ravelin park which is not possible due to the Sports Centre build. This year used an external venue at the Guildhall. We are at a significant financial risk at present - Summer ball has now passed and did so at a big loss due to tickets not selling - 850/1900.
- Grad Party is still to come. Currently need to sell 120 to break even and there after will be reducing the deficit. Grad Party is lots cheaper at £10 per ticket and we hope it will be more attractive to students. Should Grad Party sell out, the profit would be £9.5k, reducing the deficit to -£9k
- Forecasted to produce a profit of £17k, but with both events added together forecast is looking down -£26k.
- Summer Ball has now passed, and most of the commitments have already been made. Grad Party has minimal costs. We have reduced by half the one remaining line on Grad Party for set dress, themes of rooms etc.
- We reduced the planned underspend - £10k Marketing, £3k for movable assets, and £3k for IT. FACAM has released some historical accruals - £6.5k. Reverse £9k surplus that PSUT was going to transfer to UPSU.

- Details of the action plan and financial risk was highlighted on the 14th May. It came 18 days before the event that we had 1200 tickets still to sell for summer ball which was holding the most risk - most of the activities had been paid for and marketed which was the biggest risk as people could look for refunds.
- Both events shared a budget line, so there wasn't a clear separation between the events - these have now been separated
- 120 tickets for Grad Party to break even, the capacity is about 1300 tickets. Best case scenario would be a deficit of £9k
- Grad Party is the middle of July around the graduations events
- We have addressed the Grad Party, created a new comms plan in for what we can do and new avenues we explored with the Summer Ball which weren't done before (e.g. using the screen on Guildhall square)
- Looking at the event - poor timing because 3 large groups of students could not attend either events, couldn't use Ravelin Park which meant an external venue, it was on a Sunday due to other bookings at the venue, and last chance tickets didn't go on sale until 25 April (by which time we would have wanted to see if we could cancel Summer Ball due to lack of ticket sales).
- We can look to cancel Grad Party - and the main risk of this is reputational damage, and for some students this is a one off event.
- Forecast model - best case scenario is a £9k loss which is what we forecasted for. Management accounts could turn into a loss, but haven't had Grad Party yet.
- If we cancel the event, Grad Party would still go ahead by the Astoria
- It's only a £10 entry which you get quite a lot from - HoBM thinks we can sell the 120 tickets currently needed for the Grad Party to break even
- Issue with timings as student have moved home etc. Open to booking last minute - students may book tickets on a whim
- Grad Party is in the middle of the week which will mean it's accessible to students being in the middle rather than at the beginning or end of the week
- Students will want to celebrate with their friends so may buy last minute tickets
- Open to the public, and all tickets are sold to us

FINANCE AND RISK APPROVED THE ACTION TAKEN TO MITIGATE THE RISK POSED TO PSUT AS A RESULT OF POOR TICKET SALES FOR SUMMER BALL AND GRAD PARTY AND TO CONTINUING TO RUN THE GRAD PARTY EVENT

5.2 Budget Approval (CC/PG)

- Budget for the next financial year
- Last Finance & Risk Committee meeting for the year - F&R will recommend the budget to Board of Trustees.
- Last Finance & Risk Committee, the broad principles were approved. Most of these were contextual - maintain a break even budget so we don't eat into reserves target
- Scenario we want to avoid is recurring deficits in any given year
- PSUT had a target to adhere to Trading Strategy Target. The emphasis has been on a 0 based budgeting process. Previously the budgets were tweaked every year, but in the last couple of years we've reflected much more on what we want to do as a base - e.g. P25 was completed in reflection on the staffing structure - this is in place now which has contributed to the work of the ongoing budget process
- Main changes from last year are the student groups transitioning across which will generate a savings and we weren't planning on continuing some of the one off allocations from reserves
- 19/20 Budget Summary: Key Headlines
 - Budget that is prepared results in a surplus of £107k and an adjustment of pensions of £87k to come to a cash surplus of £20k
 - Pensions - in 2017/18 the Union prepaid 3 years pension deficit contributions - Normally these are £90k per year. In 18/19 and 19/20 we will have a gap in our expenditure budget of £90k so we have an artificial surplus arising. In 2021 that cost will be reintroduced. We need to allow room in the budget for that cost to be reintroduced so that's what the £87k is and why we have a technical surplus arising in one particular year. Normally make a contribution every year. In 17/18 there was an offer made by the scheme administrator to pay 3 years in one go to achieve a discount of 7 or 8%. This meant that in 17/18 we have one cost for three years going out of the accounts. In 18/19 and 19/20 there was no payment. We paid this through a loan from the University - we will try and do this again in 20/21 if we can.

- In the management accounts this is shown as a yearly expenditure. In the yearly accounts you won't. In the year end accounts there will be a £170k surplus, in the management accounts there will be a £20k surplus. We wanted to have a break even budget that could be understood internally
- The charge applies to this financial year, but we can't report it like that as we have already paid it
- University grant is increasing by 2.7%. This will support staff uplifts which lots will be 3% - this is performance related pay.
- Includes a staff vacancy summary of 2%. This is prudent, but because there have been so many new staff put in place in PSUT, we're hoping it will be static for a bit
- Reserves:
 - We have a target for free reserves - related to unrestricted funds, removing fixed assets - what can be converted into cash
 - Going into next year, we expect the free reserves target to end on £364k by end of this financial year
 - We are ahead of our £200k target - this has decreased from £300k. Minimum level needs to be £200k and anything above can set aside for specific purposes if needed.
 - With that £100k surplus target, our free reserves will increase by £100k by the end of 19/20 - to £471k. The challenge is spending the money that isn't on recurring costs. The reason we have £100k surplus is to allow us to reintroduce the pension deficit contributions when it comes back next year. If we spent on staff, we could only do this for one year and then we'd be incurring deficits. At the moment this budget implies we will end up ahead of target. For a future discussion, it flags that there will be future pots available for projects as and when they can be identified
 - There is a loss in 17/18 with the three year pension payment, and then it's reflected in the cumulative position
 - 19/20 - we are providing a budget for our recurring costs for your to approve, and potentially there may be a scenario where additional items are asked for from reserves.
- Income
 - Budget compared with the targets included in the 5 year plan. We did think about doing this against previous years, but there has been so much change, we thought this was the most comparative
 - Compared with the 5 year plan number, the management charges have come down due to salaries being pulled out - this is the training & consultancy arm and pulling out the PSUT salaries related to that
 - Reserves figure in this update are different than in the 5 year plan - this is the most up to date paper in terms of the forecast of reserves
 - Haven't reduced the £35k for NUS - RL was confident to sell 3 year cards in 6 months rather than 12. Thought that if cards ran out soon after December, they would then buy a 3 year card in December if you were worried about losing that benefit. University staff are worried. University are reviewing this as a discount card anyway. TOTUM cards will actually be continuing on the same deal we've had.
- Expenditure
 - Staffing changes - salaries and student staff - gone up by £32k
 - Big changes to forecast assumptions around the pay award, recruitment gaps assumptions and changes relating to PSUT. Some administration roles are being filled by students resulting in a movement. Overall, we are being financed within the grant budget
 - Operating costs - only have to pay for 6 months NUS affiliation, but we have to join NVCO, AdviceUK, WonkHE. Instead of £52k, it's £26k
 - Do we need to consider that potentially there may be another NUS Referendum and we go back in this year - should we budget for this? The budget is an assumption - it would need to go down the correct channels and F&R might say can't rejoin until 20/21 budget - already on risk register.
 - Saving on VAT next year - due to groups transitioning, it means we can recover more VAT. Also reducing the amount of money allocated to groups at the beginning of year
- PSUT:
 - Income is broadly similar from what was included in the forecast overall. Retail is up and Partnership is down - changes in assumptions. Part of this is due to consolidation weeks in January whereby we won't get the income from our Nighttime Economy partners. We did a piece of work around risks to ensure that welfare etc is in place, even if this risks revenue be down
 - Trading Strategy - training activity and generating income this way, but the budget doesn't assume this even if it's something that may happen in the future

- Budget risks/opportunities have been quantified and listed out:
 - Changes to commercial figures due to footfall
 - Unforeseen costs e.g. legal costs/redundancies
 - Assumptions on staff vacancies - we looked at the past four years of staff and vacancies and there was only 1 year which came anything close to the actual budgeted amount
 - Small surplus budget of £20k
 - FL and CC have a conflict of interest on PRP
 - Figure of 3%? Last year there was a pot of money and it was anything between 2.5% and 3.5%. No one was on the bottom tier, everyone was success or exceeded.
 - We've put in for 3% = £18,836 as not everyone qualifies. There's a lot of new posts, so some staff don't qualify. Three levels staff can achieve - developing, success, exceed.
 - This is a historic figure, not a new figure
 - FL and CC leave the room and are excluded for a vote regarding 3% for PRP - which Trustees agree on
- FINANCE AND RISK APPROVE THE 19/20 BUDGET INCLUDING THE PRP PROVISION**

5.3 Bank Signatory Update (CC)

- Proposing to start the process here and get the signatories approved, so the paperwork can be completed at BoT for the new signatories to be on the system for the 1st July 2019
 - Signatories are:
 - All deposit accounts (4 in total) - AC, FL, President (HS)
 - UPSU - All new Sabbs (HS, HTM, TP, PS, RH), AC, FL
 - PSUT - President (HS), AC, RL
 - CC added as an authorised person to be on deposit accounts as well as Barclays so she can speak to the bank, answer letters, go into branch etc.
 - 6 accounts in total. 2 are used on a day to day basis + 4 deposit accounts, to protect money - each is within the £85k. These are the reserves, and they have gained interest.
 - Minimum number of signatories on each account are 2.
- FINANCE & RISK APPROVED THE BANK SIGNATORY UPDATE**

6. Risk Management

6.1 Update on Risk Register (FL)

- All risk registers have been reviewed and approved by operational managers, SMT and FL
 - Risks:
 - Finance risks if PSUT does not hit targets may have to pull cash from reserves
 - Risk of ex-employee issue (see item 6.5)
 - Insights - reputational risk due to data results that show students/organisation in negative light
 - There has been some changes where risks should sit and heightened risks in governance
 - Data breach - we have a system called the Be More Platform for students to do online training. People on the system input their name, email and phone number. In the back end you can see who these details (this is for checking to see who has completed training) and the leaderboard showed this information too. FL spoke to ICO, they didn't deem it to be a breach, and it's been rectified by removing the leaderboard and ensuring the back end can only see names.
- FINANCE AND RISK NOTED THE RISK REGISTER UPDATE**

6.2 Update on H&S Policy (FL)

- No notable updates
 - Fire drill took place on the 15th May 2019
 - University H&S Audit took place today - worryingly there were some things picked out from last year which are still an issue - wall of grass in Huddle is flammable and will be removed
 - Hampshire fire department will be doing an audit on the 17th June of the building
- FINANCE AND RISK NOTED THE H&S UPDATE**

6.3 SUSS Legal Matter Update (AC - presented by FL in AC absence) - **Confidential Discussion**

6.4 Prevent Update - *Nil Report* (AC)

6.5 Ex-Employee Matter update if required - verbal (FL) - *Confidential Discussion*

6.6 NUS Disaffiliation update if required - verbal (AC - presented by FL in AC absence)

- No update
- We have an action plan together for NUS disaffiliation. There is nothing major at the moment
- Biggest thing has been HoBM negotiating on the TOTUM CARDS
- Incoming Sabbs can still attend training
- At the moment we are carrying on as normal and we have a plan up until this time next year

FINANCE AND RISK NOTED THE NUS DISAFFILIATION UPDATE

7. Audit

7.1 Audit Timeline and Process (CC)

- Audit has been booked in
- The pre audit visit will happen nearer the time. This is for auditors to have a preparation meeting
- Timelines are agreed
- We will make sure we have everything ready for the transitional groups - with them moving over to the University, FACAM will need to give University figures
- They will get a copy of this budget once approved at BoT
- Auditors will present final year end accounts in at BoT in Oct 2019

FINANCE AND RISK NOTE THE AUDIT TIMELINE AND PROCESS

8. Any Other Business

8.1 PSUT update (RL)

- Detail on the Grad Party and Summer Ball events
- PSUT is performing well with retail and partnerships
- Introducing to the print shop - this is up and running, just need to get branding done
- Shopify has been installed
- TOTUM - NUS are happy to continue with current deal with the knowledge that there could be an incentive change to how the scheme runs in the future
- Replacing the BAM income with in house sales. Good headway to achieve interest and sales in Freshers Fayre
- Looking at new processes to how we are reporting engagements and marketing and business achievements. Partners are currently only making assumptions - we want to be able to inform them better
- Decision to not run with Training and Consultancy business plan:
 - This won't be in the budget for next year, but we will be trialling early next year.
 - Reason was that we had nothing in place for what we will deliver, how we will deliver, and no formal agreement with Wild Rocket and they were not ready. Risks were around reputation and putting off future bookings
 - Impact: remove staff planned, and will look to recruit a Projects Lead to take the project forward.
 - Currently no booking process and no products, not market tested, no contract templates. To put this in from August would be a massive risk.
 - Net result is only a £1200 loss due to staff being taken out of the structure
 - Wild Rocket - we have our own contract, but we don't have a contract for consultancies. We have cherry picked certain services and contracts to make our website. To go forward as a business, they will provide the support. They make our ideas happen (e.g. we had an idea to have an app for student expenses, they will make it). We have experiences, and that's our knowledge and experience, and they go and make it happen which we could sell to another SU. We want to formalise an agreement
- Retail services - we should be concentrating more on an annual plan - the main focus is to get this refined. We will concentrate on the corporate merchandise sales - this is relatively new and there is stuff we can pick up on during the academic year. Looking to work further with the University and their partnership with Portsmouth Football Club - like to become a stockist for their kit, but would need an exclusive agreement

FINANCE AND RISK NOTE THE PSUT DEVELOPMENT UPDATE AND NOTE THE AMENDED BUSINESS PLAN FOR TRAINING & CONSULTANCY

9. Date and Time of Next Meeting – 27th August 2019 @ 4pm, the Union Building

- Thank you to the Sabbs for their contributions over the past year - they have been invaluable throughout your time here

Minutes Approved: _____ **Date:** _____