

**Finance & Risk Committee
MINUTES
4.00pm 26th February 2019
Meeting Room 1, The Union Building**

ACTIONS

Action	Who	Update	Status
None			

CONFIDENTIAL ITEMS

SUSS Pension Deficit	Confidential Item
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Present:

Moises Frias (MF - Chair), Charlotte Beaney (CB), Tom Worman (TW), Chereilyn Cuthbert (CC), Jason Oakley (JO), Vicky Turner (VT), Adwait Deshmukh (AD)

In Attendance:

Anna Clodfelter (AC - Advisory), Peter Greaney (PG – Financial Advisor), Fern Lewis (Observer), Sue Arnold (Observer), Laurie Jones – Minutes

1. Apologies for Absence

Apologies received from Baldev Gill (BG)

2. Welcome of Trustees

Sue Arnold (non-executive director - in attendance) and Vicky Turner (external trustee)

3. Declaration of Interests

None.

4. Minutes of Previous Meeting 4th December 2018

Minutes of 4th December 2018 approved.

5. Matters Arising and Action Points From Those Minutes

5.1 Redraft the reserves policy for final approval at Board of Trustees (AC) **Complete**

5.2 Appoint auditors Morris Crocker for a further two years (CC) **Complete**

6. Finance Matters

6.1 Quarterly Management Accounts

PG:

- We do a reforecast every quarter to give an updated view. Finance team have closed down the period to end January and updated the reforecast since the end of the month
- Budgeted for a deficit of £35k, but expect a £54k surplus - forecasting a positive variance of £89k
 - Reason: recruitment gaps - salary underspends, underspend in Projects and Groups - clubs and societies that often end up being underspent (£19k) and PSUT is £11k ahead. These underspends have been spotted fairly early, we have started to think about how this can be allocated

SA: Do you do much due diligence with the overspends? If you didn't have underspends, you'd be having a very different discussion

PG: If there were overspends we would flag them at this committee. The mechanism would be to identify the reasons with management. Sometimes in this presentation I've highlighted overspends where we've had to spend more money for reasons outside our control. Where it could represent mismanagement we'd look to highlight it and follow through to rectify it.

SA: From my perspective you need to make sure they are not recurring because if you divert your surplus it could cause issues

AC: We manage on a monthly basis - we'd pick up any unplanned/mismanagement overspend, which are rare. Any planned overspend, we will offset with an underspend elsewhere on another line, which is always noted in the monthly management accounts

PG: PSUT Q2: we are £14k ahead YTD, which will be a £11k positive variance by year end - this is due to retail, which is currently £8k ahead and is expected to be £11k ahead. There is good news around increased clothing and corporate merchandise sales.

VT: Management charge - is this what the Union levys on the trading company? The figures are different in the two accounts

CC: The reason there is a difference is because when we use Stripe (online payments terminal) there are charges associated with each income. We put those directly to PSUT. They normally go through UPSU and the management charge. If you look at the management accounts with PSUT you'll see it as separate line

JO: Is that the other income charge on slide 6?

TW: No, it's another cost that you can't see in the accounts but is in the detail of the management charges

PG: We would look to reconcile this before the accounts are audited

- Forecasting to be £67k under on expenditure for the year. That's mainly salaries, but also underspends on Projects and Groups.
- Overspends are principally in the operating costs - the largest one is on the Payment Protection Fund (PPF) Levy increase - this is to do with our pension fund. That figure is determined by an actuary using a formula that's difficult to anticipate. We didn't anticipate there would be such an increase but they've taken a revised view on organisation liquidity and they've looked at our technical deficit balance with the pension deficit and decided it's higher risk than they thought. That methodology didn't exist last year so they've changed how they calculate that number and it's a cost we have to bear so it's unbudgeted as an increase.
- Increase in training and development that is more than offset by the various underspends elsewhere. There is an overspend of £8k in relation to the contract with Wild Rocket on Membership and Marketing
- Summary of the spending and underspends through the reforecast process - initially there were underspends of around £113k, but through the reforecasting process we put £56k back in. This has been identified as necessary expenditure. It includes some things I've mentioned like the PPF Levy but also some additional things

VT: Are these already in the budget?

AC: They are not budgeted, they are in addition to budgeted costs to reduce the surplus

PG: Management have done some work to identify how the remaining 56k could be used to potentially take the Union to a break in position

TW: Jake Price Contract - this is reference to Wildrocket who are our digital partners. We have a saving in our salaries line where we were doing digital in house, and now we've outsourced to an external partner. There are 3 staff members where we are going to bring their recruitment forwards. Branding - we have an external company (Redbrick Research) who will help articulate the segmentation into a brand policy.

AC: With DCE leaving, we thought it was appropriate to bring some external expertise in

TW: We have brought the new HoBM start date forward to do a longer induction.

AC: We have two things we'd like to propose to Finance and Risk for the remaining £56k:

- We have managed service contracts for our IT which we pay the University for (laptops etc.) There are a number contracts which are up for renewal in the next quarter. If we pay prepay for those, it will cost us between £15-29k and will save us around £20k over 4 years.
- The list on the right is everything we need in year. We don't need anything else. We do need to look at our Future Union capacity and strategy going forward - this is where we need to invest. We'd like to assign the remainder in reserves as investment to the review of the HR Structure

- Proposal: £20k to be assigned for IT tech and to assign the remainder of the surplus in reserves as investment to the review of the HR Structure
 VT: Are you bringing forward purchase of new tech kit or this is a maintenance contract?
 TW: Our IT equipment is done on a loan basis - they give us the equipment and we pay this off in installments over 4 years.
 SA: Do you own the equipment at the end of that?
 TW: Yes, we'd own it instantly rather than a financial loan. They give us an interest free loan to spread the cost over 4 years.
 SA: They will then become an asset?
 TW: Yes, we work on a 4 year cycle for all of our IT equipment. All of these assets are due to be replaced in April. There are 15 to 20 new laptops
 CC: We will also need new ones for the new staff
 JO: If you're paying the money up front will they still continue to support the repair requirements?
 TW: They withdrew the managed service offer several years ago. By buying through the university we get warranty insurance with all the equipment and access to all the software. Managed service is a financial loan
 AC: It would be useful to change the name of the line in the next budget
 PG:
- Balance sheet shows a snapshot of the assets and liabilities of the Union at the end of January - There is a technical deficit of £1M which looks bad - this is inline with how we have to account the long term deficit pension of £1.5M. This will reduce over 16 years based on the current repayment plan (subject to re-evaluation)
- When we think about the liquidity of the organisation, the net current assets is £600k. This is a healthy position. The number will reduce as we spend the remainder of the grant. Some of this money is restricted - £100k is ring fenced money for student groups
 VT: It's interesting to see how much it changes because then you understand it a bit more
 PG: The principle number that moves is the current year earnings (£153k figure in the bottom half of the management accounts). This is a number you can see on the management accounts - this is what we use against budget. The movement of cash can be affected by timing differences. When you see the year end accounts you'll see a comparison against the prior year. We could think about presenting a prior year comparative every quarter. We're open to changes on how to improve this format
 VT: Fixed assets - is this IT kit?
 CC: Building work on 3rd space, toilets and a small amount on offices
 PG: The overall message is that the Union is within budget, there is a projected underspend and work is being done to spend this. Balance sheet position is good, and the forecast will be updated in Q3

FINANCE AND RISK APPROVE THE PROPOSAL FOR:

- **£20k to be assigned for it tech**
- **Assign the remainder of the surplus in reserves as investment to the review of the HR structure (AC/CC to work with PG to assign this)**

FINANCE & RISK COMMITTEE NOTED THE PSUT AND UPSU MANAGEMENT ACCOUNTS

6.2 PSUT Business Investment Monitoring Report (TW)

TW: Trustees agreed to ring fence £50k for Business Development. We are not far enough down the line yet to spend this, and looking at the long term projections, we might not need this now due to increases in the block grant. I thought it would be a good idea to decide how to report this. My idea is to report it every quarter to update on business performance and update any gaps and provide you with a risk profile. Will also report on if there is investment needed on any further business models - the business models would come here for scrutiny too. Is there anything else that Finance & Risk would expect to see?

JO: We haven't done this before so it seems like a sensible starting point that can be updated if needed.

FINANCE AND RISK APPROVED THE PSUT BUSINESS INVESTMENT MONITORING REPORT WITH ROOM FOR UPDATES OR REVIEWS WHEN NECESSARY

6.3 Budget Review Update and Assumptions (including NUS models) (CC/AC)

PG: This paper was requested to establish some protocols as to how we want to approach our budget setting process and also forecast over 5 years (which is the first time we've done this) - and the figures are illustrative subject to some big assumptions.

- PSUT bottom line budget is based on a strategy that includes a lot of growth which has a material impact on the figures.
- There is some historic background - historically we always have underspend and additional profit. Last year we decided to approach the budget in a 0 based basis so we could question every line and not tie ourselves into things if we underspent.
- Our approach:
 - The overall strategic direction is to go into a budget process to retain at least a minimum reserves level - £200k with additional designated amounts to be agreed as required
 - The implication is we will look to break even and if we do need to spend additional money that will be ring fenced so we don't tie ourselves into unnecessarily recurring cost that will see us overspend
 - Looking to retain the 0 based approach for budgeting and to seek imperfect budget holders in terms of justifying things they are doing already and getting business cases of things they'd like to do differently

- We don't go into budget process with any contingency line, the University likes to see we've spent the grant, but there are certain lines where we have some flexibility - e.g. staff vacancies. Last year we agreed to stop budgeting for student staff pensions

SA: It feels wrong to not budget for something you know that's actual like pensions. You could do an assumed vacancy lag, so you budget for the vacancy lag and it allows the underspend to be budgeted for. The chances of there being a vacancy lag is probable whereas there is going to be a pension

JO: I'd support that - out of this, that's the one I've highlighted as a concern.

CC: The most student staff we've ever had on a pension is 3 and we have 40-45 on our books. This year we have 2 paying the pension, it's so minimal

PG: We could follow the principal that's been suggested and put a small budget if we know it's going to happen

AC: This is only student and casual staff pensions. We have had this conversation before about vacancy lag and the advice we had at the time was to budget for full salaries. There is £55k sat there so that hole would be smaller and we'd have more money to budget to spend. We could look at the last 3-5 years and see what the underspend was

SA: It would be nice for you to know how much extra you would have that could be used elsewhere

VT: What is the university approach to underspend? Are they happy with that?

AC: They have been in the past, they won't be in the future

VT: How long do we have agreement for growth?

AC: Just this year and they are looking to amend the financial memorandum to to give us one full budget notice of any reduction. Nationally we are one of the only Unions who have seen growth in block grant over the past two years and this will come to an end. They like us to have healthy reserves because there is still this historical understanding of when the organisation got into financial difficulty. We are justifying this underspend by the potential increase to pension deficit - we're saving up to pay off our increased deficit

PG: We've looked to introduce lines that are agile pots that are more flexible budget lines that allows us to do new things in year

- The other thing is things that we know will change for 19/20 budget, e.g. sport transition budget will come out. We're looking to keep to the targets that have been set separately for PSUT for the trading

strategy. There are no plans to increase the contribution to reserves but this can be built in as needed.

- In terms of strategic principles, are there any other suggested tweaks?

VT: Does this include the sports groups that are staying?

FL: There are 5 competitive BUCS teams that are staying for this year.

VT: The assumption is we're keeping this for the foreseeable?

FL: We're losing 26 clubs, but we're keeping 5.

PG: We'll go into the budget with those principles and report back with a proposed budget at the next cycle if approved

5 year forecast:

- You can see the 18/19 budget for a comparative number, including the £35k deficit
- We've factored in known or expected uplifts to individual numbers. The grant line - we're relatively comfortable with the increase. There's no information after 2021, so we've taken the prudent assumption that it will stay the same.
- The main number that's moving quite significantly is on the trading contribution line. From 19/20 there's some quite significant increases built in based on figures from the strategy. They are quite sensitive to movements due to footfall, agreement to contacts. These are positive aspirational figures.
- From accounting it's best to be prudent so I wouldn't advise committing additional investment based on these numbers alone - you'd need to take one year at a time and revisit the forecasts
- Overall we're moving from a small surplus in 19/20 (subject to approval of the budget) up to a significant surplus of up to £300k over the next 5 years. This is driven by the increase of trading contribution figures.

SA: What are the management charges?

PG: Income from the trading subsidiary to reflect a proportion of the Union's management time that is involved supporting the trading subsidiary

CC: The reason it's gone up so high is due to the new staffing costs - most of the new staff are 100% charged back to PSUT

PG:

- The increases are generally 2% per year on the staff costs/operating costs. The main number that's different to that is the SUSS pension deficit payment. At the moment it's about £87k per year. We're expecting some bad news based on national discussions there is an assumption of a 50% increase. This could be different and it could increase in subsequent years
- Overall, the message from this is potentially very positive if we realise the increased contributions from PSUT, but if they are not realised and we maintain a business as usual position then we will run into problems
- The bottom line strips out the impact from PSUT and shows the Union starting to experience deficit. This shows that without increase in the grant, we can't easily afford increases to cost of living costs. This highlights the importance of revisiting this every year and not being bound by it - it needs to be flexible

AC: going back to your question about the university, this paper is really useful in demonstrating to them how important the block grant and investment is to us - especially if they are planning on reducing our block grant. This isn't putting any growth into our resources to answer the growth in student numbers that's in the University strategy

SA: Do you have these discussions yearly?

AC: Yes, there is one incoming

JO: The University strategy is under consultation at the moment and the current is just coming to an end in 2020. They will have new KPIs, which will help us understand. When I first started, Paul Hayes and Fiona Bell came in to give us their projected growth etc. We should do this again to see what their expectation is.

AC: We started to have those conversations particularly around degree apprenticeships and what our support should look like. The offer we might give to degree apprenticeships may be different to what we give to a standard 18-21 undergraduate. We're not at the stage where we are having strategic conversations yet

JO: The next 12 months will be really critical.

VT: Will that tell us how many more students we might expect?

JO: Or they might decide to put a cap on the numbers, they could decide to reduce the fees - all these things could come to pass and there could be all sorts of consequences which filter down to UPSU. The thing that concerns me the most is if they put on a cap for numbers - where would they put it? Would they put it at our currently level or what it was 3 years ago? There could be massive financial implications.

FINANCE AND RISK APPROVED THE BUDGETING PARAMETRES FOR 19/20

FINANCE AND RISK APPROVED THE ASSUMPTIONS OF THE 5 YEAR PLAN AND THAT THEY ARE UPDATED AT LEAST ON AN ANNUAL BASIS.

6.4 5 Year Financial Plan (CC) *Included Item 5.3*

7. Risk Management

7.1 Update on Risk Register (TW)

JO: Interested in what may or may not happen with the NUS Referendum. If the referendum decided we disaffiliate from NUS, we would save money from the disaffiliation but would incur a cost by paying for training, losing income from TOTUM

AC: We'd be £10-£12k better off

JO: Theoretically it can free up opportunities to deliver training

MF: Insights risk - 'Risk of data being used or misinterpreted outside of UPSU control'?

TW: This happened recently with the University Bus Survey. This was a partnership delivery on research. We were given a report from Insights which we translated in one way (as did the rest of the committee), but Insights translated it differently. There is an opportunity to misinterpret depending on how the data is presented, what lens you're looking through, what other data is available. This is where this risk predominantly rose from

MF: Was this a legal risk?

TW: More reputational risk

SA: Could we do the briefing with all parties concerned in one room?

TW: That would be a good idea. The way it's worked if we get a slide deck like this and if you're reading this dry you may read a word which means something completely different. At this point we'd published reports and we couldn't go against that

AC: We've put in some additional detail in process for analysis and report writing where if there is bigger more reputational risk, then we would make sure there is more of a joining up of analysis and report writing. If there is a clanging difference there needs to be a conversation - we have mitigated that risk by putting in additional steps

FINANCE AND RISK NOTED THE RISK REGISTER UPDATE

7.2 Update on H&S Policy (TW)

TW: The next University Health and Safety Committee is meeting in 2 weeks, so there are no updates. We continue to have good engagement with our wellbeing programme

VT: Reporting on near misses - were there no notable instances? Are you capturing this information?

TW: Here you only get things Board need to know. There are accidents every day, particularly in Sport. The University capture this and we work together. I report to F&R annually and will get all the minor things - there will be a set of statistics

SA: Do they log education days lost/missed

TW: What they perceive there might be

SA: GDPR - does this need to be reported?

TW: The journey we have been on is very robust. We are nationally recognised for our guidance and process and our solicitor recommended that we should sell it.

AC: To view everything on GDPR, please go to www.upsu.net/privacy

TW: There are no ongoing live/notable risks

FINANCE AND RISK NOTED THE H&S UPDATE

7.3 SUSS Legal Matter Update (AC) CONFIDENTIAL ITEM

7.4 Prevent Update (AC) Nil Report

8. Audit

8.1 Audit Report Update (CC)

CC: VK has changed home address so will need to ensure her address registered with the bank and her home address is the same and then for Lloyds it will be complete.

Santander had everything sent to them twice but have been allusive in confirming whether they have received the information. They have now confirmed and I'm hoping for an update in the next couple of weeks

TW: When we have access to the bank statements, we will update as soon as we can and will reconciling and changing bank signatories on an annual basis

CC: This will happen every year during Board of Trustees

9. Any Other Business

9.1 External Speaker Matter Update (AC)

JO: Slide deck was well presented with all the information needed including the communications that had taken place and a difficult situation was handled well by UPSU inline with one of your main directives to be student led

AC: It is still rumbling with students - I had a conversation with a student yesterday who left satisfied and the Sabbs have had meetings with students where all students have been left satisfied.

Externally, this has gone away. We are really grateful for the support from the University - the Policy Adviser and the press office where extraordinary, and we should commend CB speaking against Peter Hitchens live on radio 4. This was a potentially reputational risk which is why it's been reported here.

JO: This is a valuable learning experience, and I can't believe you haven't had something like this before

AC: We've updated the external speaker risk register to include something around external context - if we'd put together the timing and the speaker's views, this wouldn't have happened

MF: Will it be the same staff reviewing this or will we add more external parties to review? The comment received from the equality and diversity office was that if they knew they could have supported in that context

AC: I don't think it's appropriate for external people to do our risk assessment. We invite them for their opinion or if something specific comes up.

JO: I agree, you need to take responsibility of decisions made

FINANCE AND RISK NOTED THE EXTERNAL SPEAKER MATTER UPDATE

10. Date and Time of Next Meeting – 11th June 2019 @ 4pm

Minutes Approved: _____

Date: _____