

**Finance & Risk Committee
MINUTES
4pm, 28th August 2018
The Board Room, Gun House**

ACTIONS

Action	Who	Update	Status
5.1 Ask auditors to come in to Finance and Risk Committee meeting to present audit	CC		Complete
8.2 Add PSUT Investment to the agenda for next Board of Trustees	LJ		Complete
8.3 Move F&R meeting to 26 th February from 5 th March	LJ		Complete

CONFIDENTIAL ITEMS

SUSS Pension Deficit	Confidential Item
SUSS Legal Matter	Confidential Item
PSUT Investment	Confidential Item

Present:

Moises Frias (MF - Chair), Charlotte Beaney (CB), Rhian Johns (RJ – interim), Tom Worman (TW), Chereilyn Cuthbert (CC).

In Attendance:

Anna Clodfelter (AC - Advisory), Peter Greaney (PG – Financial Advisor), Laurie Jones – Minutes

1. Apologies for Absence

Apologies received from JO

2. Declaration of Interests

Staff members (TW, AC, CC) declared an interest in Item 5.2 PRP Approval

3. Minutes of Previous Meeting

Minutes of 29th May 2018 approved.

4. Matters Arising and Action Points From Those Minutes

4.1 Feedback to Activities to ensure the risk assessment for every group has appropriate control measures for their activity and the insurance is reflected in this (CC) **Complete**

CC: I have liaised with Student Groups department and they risk assesses all groups - there is a list of groups that have to have insurance, and in the process of setting up membership platform so that students can't buy a package that's risk elevated without insurance. They will also have an option to buy if they are low risk

RJ: Are we 100% sure we're complying with what we need to? Is it obvious to students what they need and simple for them to get it?

TW: It's simple for students to get and it's obvious – there is a very clear description. If you're a high risk group, it will force you to take the insurance. If you're not high risk, it will say we don't provide you with insurance but recommend it. We are also covered – our insurance company and the University Insurance Team are happy with our measures.

4.2 Ask Morris Crocker if they operate on levels of cost depending on income/could cope if UPSU/PSUT's income increased (CC) **Complete**

CC: The response went to Board of Trustees and they are fine with the answer. We're on a 1 year rolling contract

5. Finance Matters

5.1 Quarterly Management Accounts (UPSU and PSUT)

Paper taken as read.

PG:

- Introduction: Draft set of figures to July 2018 (end of our financial year) – this is the first time you will have seen figures for this period. They may change, subject to audit. We also provide a comparison to the budget
- Q4 Summary: income, expenditure (core surplus/deficit for the year), exceptional items (agreed items that are funded from reserves or on a one off basis) and below is further items from reserves that resulted in an overall surplus or deficit for the year
 - Core surplus was £93k and the overall deficit was £61k
 - Comparing what actually happened against the above numbers – the core surplus was £162k against the budget of £93k. This is because of improved performance in PSUT, trading activity and savings on salaries due to vacancies
 - Main variance is on pensions – it looks like a negative variance as we paid £268k instead of £90k – the reason for the difference is that we paid three years pension contribution in one year to achieve a discount. There won't be any contributions for the next two so it will come back into line
 - The accounting requirements meant we had to report three years payment in one go
 - All the spending we planned with reserves was in budget, so all the news is good apart from the change in pension accounting
 - In the year end accounts, we'll expect to present a figure in the region of £150k which is the planned impact of the pensions change

AC: We're about £85k better off than we thought we were going to be for the year?

PG: If you take the pensions out of the equation, we're £92k better off than expected

MF: Because we didn't put any money in reserves – it won't add anything?

PG: The reserves have technically come down but they will go back up again in the next two years

- We'd adjusted our reserves target for the year to take into account that steps change in regards with what happens with pensions – this year was £91k, but we're £172k ahead of our reserves target
- The overall message is that we're okay and ahead of our reserves target, but it will look like an odd year due to the pension change
- PSUT Q4 Management Accounts: trading activity achieved a surplus of £156k compared with a budget of £134k - £22k ahead. This is due to a combination of improved performance, errors in retail, commercial partnerships
 - There was a decision in year to use some of the surplus to fund some research/consultancy activity. After that, there is still a positive variance
 - We are £9k better off than what we forecast three months ago because of improved income from our University Corporate Merchandise and Gradball

RJ: It's worth saying that it's not just one area we've seen improvement – it's reasonable additional performance across lots of areas, so well done to TW and the team

PG:

- Expenditure: The variances appear to be quite small – generally the spending was broadly in line with budget. I've picked out the main variances – salaries (£39k underspend), student ops (£10k underspend, mainly due to clubs. This has been an issue in previous years, but this year is less of an issue than last year)

AC: We amended the way we budgeted, so we'd hope this should continue to go down

PG:

- Some individual small variances. The biggest ones I picked up were in relation to additional spending in digital operations/insurances/asset purchases – these were all covered by underspends elsewhere
- Management accounts which budget holders see, include variances at a lot more detailed level than this that CC is helping budget holders manage

- Balance sheet – this gives a snapshot of the Union’s assets and liabilities at a point in time. Main number to provide with comfort is the net current assets figure – the current assets and liabilities of the union – this is just over £5.5M. The union is able to pay its creditors, and no issue with liquidity.
 - There is this long term pension liability that sits on our balance sheet that makes it look negative overall. The long term liability of our pensions is currently at £1.7M which is payable over 17 years. This is around £90-100k per year.
 - The Union is committed to paying a certain level of pensions to a lot of former employees. This is a historic pension scheme – a defined benefit scheme – where you commit to paying a certain amount. These schemes disappear in the most recent years.. The reason lots of defined benefit schemes are in deficit is because the value of all the investments that have been built up to pay those pension liabilities – there’s a disparity between the two.

AC: People were promised that their company would commit an amount of money to get out of their pensions no matter what happened to the market. We are continuing as employers to have to pay in more and more money to pay the people what their pension scheme promised. We are paying in the current difference between what we have paid in and what they paid in when they were working and what needs to be paid out over the coming 17/18 years. All of this is historic and the pension scheme is closed, but we still have a liability. The deficit is bigger than we thought due to an administration error. It’s likely to be about 50% more on an annual basis. It’s just under £100k now, and we’re looking at it being around £140/50k.

PG: Free reserves – there’s a paper later on that talks about the reserves policy. The reserves policy is articulated in figures that are extracted from the balance sheet. How we interpret reserves: everything we have as net assets, less our long term liabilities, less all the amounts that are tied up as restricted and less all the amounts tied up with fixed assets. We are left with a figure of £263k (subject to audit) – our free reserves figure at the end of the first financial year. This is broadly 3 months running costs based on a previous calculation. It’s expected to improve in the next couple of years with the pension prepayment

RJ: The free reserves is on the basis of all the extra money that PSUT have made going into the charity?

PG: Yes, that includes the additional money – we’re way ahead of the original target of £95k due to the PSUT performance

AC: it’s also skewed because where we’ve paid the pension, we’ve also had the loan from the University to cover it. It’s just the way it’s reported

PG: Conclusion: The Union has worked within its budget for the year. The reserves plan has been slightly difficult to interpret due to the pensions. The balance sheet is in good position, and the figures could change depending on the audit or any adjustments

CC: First meeting with the auditors tomorrow. They already had all the working papers, access to Xero and they have committed to the timetable – the report will be ready at the November Finance and Risk

RJ: Are they coming into that Finance and Risk Committee to present?

Action: CC to ask auditors to come in to Finance and Risk Committee meeting to present audit
FINANCE & RISK COMMITTEE NOTED THE UPSU AND PSUT MANAGEMENT ACCOUNTS

5.2 PRP Approval (AC)

AC: This committee is responsible for approving the performance related pay rises for employees. There is a background paper that explains where the figures have come from. The amount budgeted was agreed at Finance and Risk to be 2.5% from the entire payroll for those who qualify. Finance and Risk’s responsibility to approve that allocation. Slide 15 explains the way this has been calculated. There are no staff in developing bandings (0%), success banding is a 2.6% rise and the outstanding would be a 3.6% rise. We have 22 qualifying staff. 7 of those staff have their pay rises absorbed within either higher salaries because they have taken new roles or because they are at the top of their banding. This has been checked with our solicitors and they are fine with what we’re doing. The Proposal is that success rated staff get 2.6% pay rise and outstanding staff get 3.6% pay rise.

RJ: Is this the only pay award you do?

AC: Yes

TW/CC/AC leave the room due to a declaration of interest

CB: How many people are eligible?

RJ: This is for all Union Staff, but only 22 staff are eligible, 16 would get 2.6% and 6 would get 3.6%

CB: Why is there only 22 staff eligible?

RJ: You need to be with us for 12 months, and some staff about half way through got given enhanced roles, and their roles changed and a pay rise was built in at that point, and they haven't done that role for long enough. We set the objectives at the beginning of the year and everyone has an appraisal in June/July and they get a band at the end of the appraisal depending on how well they have done – Developing, Success or Outstanding

MF: This is pay recognition?

RJ: Exactly

PG: This isn't uncommon to have this kind of agreement

CB: This is a form of motivation for employees because they know there is a chance of a pay rise – and you can see that this has gone up – because money is a motive to people. I would personally approve this

RJ: This is slightly higher than last year, but this has been a really successful year

FINANCE & RISK COMMITTEE APPROVE THE PRP AWARDS PROPOSAL

5.3 Reserves Review (AC) *Discussion Item*

AC: I wanted to bring this here because you are a new committee and wanted to reconfirm the approach for the reserves policy. This is proposing we move away from the traditional 3 months running cost model to a risk based approach

RJ: I appreciate that we are very low risk. I am happy for us to do this, but I'm just nervous

AC: I think it will actually make us more aware of where our financial risks lie rather than having this blanket three month operating cost. It may be that we do this piece of work and it goes up – but at least Finance and Risk will be able to understand where those risks are. It could be that it's not an annual reserves policy but because of things like the pension, it changes on a three year cycle. It works on a rolling cycle rather than a flat three months. We know that a flat three months is so difficult for us to run because we take a snapshot of it at the time when we have the least money which we know has been an issue in the past

RJ: My nervousness is not with us right now but that it will cause an issue later down the line. I want to make sure we are building in some checks and balances

AC: There's no risk assessment against the reserves policy – we need to know how the reserves policy protects us against significant changes. I think it's a piece of work that needs doing and then the committee can come back and make a decision. It's time for a review. Are you happy if we ensure we future proof?

PG: There is a temptation to think about our reserves target as an absolute number, but there are ways to have differential targets e.g. have a floor target and an aspirational target which gives a window to operate within

AC: An with PSUT investment it would make sense to have an absolute minimum, but we are prepared to invest knowing we can top it up again

Action: AC, TW and PG to complete a review of the Reserves Policy

FINANCE & RISK COMMITTEE APPROVED TO REVIEW THE RESERVES POLICY

5.4 University Financial Memorandum of Understanding Review (AC)

AC: We have a Financial Memorandum of Understanding (MoU). This was reviewed about 18 months ago between myself and Finance Director of Corporate Governance. This used to be very strict due to the bankruptcy in 2005. It was reviewed fully 2 years ago, and has been formally reviewed since but with no changes. It went to our solicitors who made minor changes to the wording. At the time of writing no changes were made, but now we have a new Governance and Block Grant group with the university that looks at our funding and governance and that meets on the 24th September. As a result, there are apparently some changes to be made. I've been reassured they are minor changes - It will likely be to do with not guaranteeing us anything as well as trying to look supportive in a

memorandum. We've agreed it will go to the next round of meetings for approval and the existing MoU will stand for the existing quarter

RJ: Do we need to ask for anything?

AC: I will push for stability – at the moment we have 2 or 3 years of warning to any significant change. They're projecting so they should be able to tell us what it will look like in three years. The benefit is that in comparison to everyone else in the University we are small fry, but they will be looking to reduce the commitment level in the MoU I would expect – the best we can get out of it is a long notice period.

MF: What happens if they don't give a notice period? Would there be some compensation?

AC: There's probably nothing we can do legally, and they would only breach if they had no money. But at least it stops them being able to make any cuts close to any block grant renewal. The block grant group should stop that

RJ: This falls into the conversation about the reserves – if we know we will get a cut in the black grant, we can build our reserves

Action: AC to update F&R on any proposed changes to the University Financial Memorandum of Understanding

6. Risk Management

6.1 Update on Risk Register (TW)

Paper taken as read.

TW: This is for note so committee members are satisfied that the organisation are managing the significant risk appropriately – which is trustee responsibility

RJ: The only thing that occurs to me are there are lots of risk that are related to spaces – is it useful to group them in this way rather than high, medium or low? If there are 5 low risks about the same thing, do they need to be looked at in a different way – would they go together as a higher risk?

TW: I will explore this

RJ: Collectively it's more of a risk than it looks like being 5 lines on a spreadsheet

TW: We tend to note a lot of issues in Finance and Risk rather than a deeper discussion. I would be happy to highlight some key areas with the actions we are taking and whether there are any lower risks that might add to that

RJ: Individually, all the control measures are spot on – so you can easily see its being dealt with but in reality it might be bigger than that

AC: Another thing that would come out is the relationship with the university and if you group all of those things together it's probably our biggest strategic risk. Maybe we need to make sure the top 10 strategic risks reflect the what the lower level risk registers are actually telling us

RJ: We should take some time on the risk to do more of a deep dive on risk

FINANCE & RISK COMMITTEE NOTED THE UPDATE ON RISK REGISTER

6.2 Update on H&S Policy (TW)

Paper taken as read.

TW: We are compliant and there's been no notable reportable incidents. University are very happy with our safety standards and control messages

RJ: In terms of physical health and safety, we are compliant. Should we be looking at mental health in its entirety? Is there anything we need to be checking or looking at with students?

AC: We had this conversation at the University H&S Committee about Health and Safety and Wellbeing. It should be picked up in health but it doesn't tend to be. We need to be proactive and look at trends and issues in the student and staff population to see if we can make changes.

FINANCE & RISK COMMITTEE NOTED THE UPDATE ON H&S

6.3 SUSS Pension Deficit Update (AC) **CONFIDENTIAL DISCUSSION**
FINANCE & RISK COMMITTEE NOTED THE SUSS PENSION DEFICIT UPDATE AND AGREED TO MAKE A DIGITAL DECISION ONCE THE SOLICITORS RESPOND

6.4 SUSS Legal Matter Update (AC) **CONFIDENTIAL DISCUSSION**
FINANCE & RISK COMMITTEE NOTED THE SUSS LEGAL MATTER UPDATE

6.5 Prevent Update (AC)
Paper taken as read.

AC: We work in partnership with University with this and we have a shared external speaker policy. This has been highlighted as national best practice and the Director of Corporate Governance has been asked to speak at a Prevent conference about our relationship. This can be seen as a good thing, but this could potentially be seen as a negative thing to those who are against the prevent agenda. We continue to work in this way by every year asking the Sabbatical Officers to confirm what our stance on prevent is to ensure we are taking a student led view on this as it's such a sensitive and contentious issue. At the last Finance & Risk committee, it was agreed that the Sabbatical Officers can agree what the stance to this committee – the stance is neutral. It was going to be support but there were some concerns around our VP Education and Democracy's manifesto point around external speakers.

RJ: The officer that wanted us to be neutral, are they happy that continuing as we were last year means neutral?

CB: Yes – not actively campaigning for or against, but working with the University

AC: Yes – they all almost went for support but decided being neutral would remove any perceived barriers

FINANCE & RISK COMMITTEE NOTED THE PREVENT UPDATE

7. Audit

7.1 Audit Update (CC) **Verbal Update**
Update in item 5.1

8. Any Other Business

8.1 Terms of Reference Review (AC)

AC: This was reviewed very recently but this is good governance at the first meeting of the academic year to make sure all committee members are happy to run the committee under those terms of reference.

FINANCE AND RISK APPROVED THE TERMS OF REFERENCE

8.2 PSUT Investment (TW) **CONFIDENTIAL DISCUSSION**

8.3 Finance & Risk Meeting

Action: LJ to move meeting to 26th February from 5th March

9. Date and Time of Next Meeting – 27th November 2018 @ 4pm

Minutes Approved: _____

Date: _____