

**Finance & Risk Committee
MINUTES
4.00pm, 4th December 2018
The Board Room, Gun House**

ACTIONS

Action	Who	Update	Status
5.2 Redraft the reserves policy for final approval at Board of Trustees	AC		Complete
7.1 Appoint auditors Morris Crocker for a further two years	CC		Complete

CONFIDENTIAL ITEMS

SUSS Pension Deficit	Confidential Item
SUSS Legal Matter Update	Confidential Item
NUS Discussion	Confidential Item

Present:

Moises Frias (MF - Chair), Charlotte Beaney (CB), Tom Worman (TW) , Adele Benson (AB), Adwait Deshmukh (AD), Jason Oakley (JO).

In Attendance:

Anna Clodfelter (AC - Advisory), Peter Greaney (PG – Financial Advisor, absent for parts of item 8.1) Laurie Jones – Minutes

1. Apologies for Absence

Apologies received from Baldev Gil (BD) and Cherelyn Cuthbert (CC)
Introduction of new student trustee - Adwait Deshmukh

2. Declaration of Interests

None.

3. Minutes of Previous Meeting 28th August 2018

Minutes of 28th August 2018 approved.

4. Matters Arising and Action Points From Those Minutes

- 4.1 Ask auditors to come in to Finance and Risk Committee meeting to present audit (CC) **Complete**
- 4.2 Add PSUT Investment to the agenda for next Board of Trustees (LJ) **Complete**
- 4.3 Move F&R meeting to 26th February from 5th March (LJ) **Complete**

5. Finance Matters

5.1 Quarterly Management Accounts

PG:

- These accounts include a reforecast - a view on where we think we will end the current financial year.
- Summary: surplus for the YTD to £327k against budget of £210. This is £117k ahead, mainly due to timing differences - by the end of the year we will be £35k up. Underspend due to positive variances in PSUT (additional £13k) and underspend of salaries (£15k YTD, but by year end it will be a saving of £33k)
- PSUT - £13k surplus for YTD is mainly due to partnerships (£7k ahead YTD, £5k year end.) This relates to TOTUM card sales, which is promising to see

TW: To note, there is a Q1 jump which is staff TOTUM cards

JO: Is TOTUM still affiliated with the NUS? If we are not affiliated with NUS due to the referendum, do we have to withdraw from TOTUM too?

AC: At the moment, yes. Their existing funding model isn't working, so there is potential in the reform to offer TOTUM without NUS. At the moment, if we are looking at potential disaffiliation, we would disaffiliate from all including TOTUM

PG: Retail is ahead: increased clothing and corporate merchandise (this is by £5k YTD)

TW: This was predominately through corporate merchandise. We hadn't delivered in this quarter yet so we have had more income than forecasted

PG:

- Looking at the year in picture will be £16k ahead overall on income, and an additional £3k in expenditure overall, which includes costs associated with the implementation with the commercial review.
- Overall it's a positive story
- There is some work around stock systems, which FACAM wanted to flag.

TW: There has been some issues with the tills and online systems. We now have a commercially viable process in place which will allow us to be more accurate. We also have a third party stock taker which will be good practice from an auditing perspective

PG:

- Expenditure - the main messages have been conveyed around salaries. The rest is timing differences.
- The forecast on the next slide eliminates the issues around time and differences. The forecast slide shows the impact of the salary underspend which we are projecting. The other variances are around some additional costs which includes £7k on the payment protection levy that we were informed about after the budget is set.

AC: If something happens to the pension scheme, the pension protection funds step in, and we have to pay a levy to them for that benefit to the scheme. This has doubled what we had budgeted for, and the reason for that is that it's based on credit score. Our credit score has plummeted because of the new reporting requirements to put the pension deficit into our accounts. We are working as student unions nationally to try to improve the score.

AB: Are there any other consequences for having our credit score lowered?

AC: For us, no. Across the charity sector, massively. For Charities that work with external funders, they have to really explain their massive deficit in the accounts

AB: Is the University aware?

AC: Yes

JO: Is this just affecting the UPSU and not PSUT so they can still trade as normal?

AC: Yes

PG:

- The next slide shows the impact of the pension deficit. Like many organisations we have a negative balance sheet because of the pension liability. This is £1.5m which will be paid over 16 years.
- The figure relevant for us is our net current assets of £713k. A lot of this is timing related as we receive our grant earlier and we will pay for activity later on in the year.
- Overall the union is working within its budget, projects to be ahead by £35k by year end, and the finances are healthy

AC: The underspend - we are expecting to land at budget, so we're not looking to make the £35k a surplus, we will intend to spend it on charitable aims of UPSU and we will do this through Leadership and staff teams.

FINANCE & RISK COMMITTEE NOTED THE UPSU & PSUT MANAGEMENT ACCOUNTS

5.2 Reserves Strategy (AC)

PG:

- Charities have lots of different types of reserves. Charities have to ring fence money - their money is restricted and has to be spent specifically on what it has been ring fenced for and we don't think about that money when talking about reserves strategies. The Union's money is categorised into a general unrestricted funds category which are things that the Union can spend on anything as long as it's within the charitable objectives. The reason charities have

reserves is in case something happens, or to ensure we can finance the peaks and troughs of the year, or sometimes we have to pay for something that is unexpected - perhaps a legal claim or redundancy.

- The other reason is if the University decided to cease or reduce the block grant, we would need to adjust to the changes in activity level. There is no plans or hints that this will happen
- This policy talks about free reserves - this is all our unrestricted funds less the value of fixed assets. Fixed assets are things we will hold for a long period of time so they are taken out of the equation. Sometimes a union can set aside money in addition to the reserves target - if there is a project defined at the start of the budgeting process. Anything that is long term, like the pension deficit can also be treated separately because we know that this will be dealt with over a period of 16 years
- In terms of what we have now - the figures from the audit suggests free reserves of £253k. The policy is for 3 months of core activity. In addition, there is a designated reserve of £25k. The question we need to ask is this policy appropriate for the organisation?
- 3 month running costs is around £300k. We have a phased reserves target at the moment due to paying the SUSS deficit payment 3 years upfront.
- Charities often use 3 months running costs because if the company ceases to exist, you'd need the money to pay to staff costs. This isn't a live concern for the Union because the relationship with the University is good which is its main funder.
- In terms of that context, it suggests we can take this model down a bit
- Risk considerations - how much money do we need to have? The relevant considerations - potential changes in grant, University, potential changes in commercial market. Currently don't have any major concerns. A figure about £200k for the Union would be appropriate, which is comparable with some of the Unions seen across the country.
- The £200k can be broken down by £100k needed for working capital, £50k for commercial contingency and £50k for other contingency.

AC: It's based on the assumption that this is what we've been talking about and moving towards for the last few years. The designated £25k has never been used

AB: In terms of agility, it works really well - the £100k can be put to other projects and the benefit of students

AD: With Brexit around the corner, which may affect student unions, will there be contingencies in place in addition to the reserves target in case of a worst case scenario?

AC: When we report the reserves target in the year, it's at the point where we have least money. From Sept - April, we have lots of money, which is how the risk is mitigated. I've come from a traditional charity background - if we stop operating, the risk of what we have to pay out is very different than from a traditional charity. Personally, I think the £200k is all we should hold back from students

JO: I definitely agree with this - as long as we have the option to review if things change

AC: If we review the risk every year, we can add more if needed

JO: What's the £25k designated for?

AC: This is something that I had at Solent that was tapped into. It was a way for protecting students if we needed, but it's not needed here. In the last 5 years, we've only ever used the reserves once, and that was for a £30k legal fee for the Pension Deficit Matter

MF: £200k figure is a rough estimate? Do you include how many liquid assets we have?

PG: This equates to our net current assets - this is bank debtors, less creditors. Most of its cash, and as long as we pay them quickly, then there shouldn't be an issue with it being tied up with an asset.

MF: If we went from £300k to £200k, and we invested the £100k in liquid assets, would that still be the floor amount?

PG: The suggestion is £200k would be the floor amount, so you have the possibility of freeing up £100k

FINANCE AND RISK COMMITTEE APPROVED THE RESERVES POLICY

Action: AC to redraft the reserves policy for final approval at Board of Trustees

6. Risk Management

6.1 Update on Risk Register (TW)

Paper taken as read.

TW: To note, there is a new risk register for NUS - the main risks are either we withdraw or it collapses and we're adding to the register every day.

JO: I was expecting to see it in one of the other documents

TW: We're doing a specific separate risk register

AC: We will be discussing this is AOB. There is also a risk register about the failure to implement Future Union

TW: Main NUS risks - all of which are either significant or high

- Lack of access to national resources, reports and research which would reduce our knowledge and ability to deliver best practice
- Lack of access to national training schemes/conferences/networking
- Significant loss of TOTUM - a loss of £25k
- Loss of access to national representation to student matters
- No access to an independent Returning Officer for student elections.
- This is marked as catastrophic - If NUS goes into administration as a result of multiple organisations disaffiliation or its inability to reform, the SUSS pension liability would be spread between the Students' Unions remaining members, including UPSU. This is a £12k deficit as reported by media outlets. This could also bankrupt other students' unions which aren't financially stable which would mean the remaining unions would carry their risk liability

JO: I'm assuming that some of their liability would be some of the debt they would owe if it goes into administration?

AC: I've asked the question of SUSS trustees. They are meeting last week to discuss this new matter and the legal issue, and will be getting a report out this week. They will write to AC personally

TW: Haven't circulated this yet as there are so many unknowns - need to figure out some strong control measures that we can report back to Board

AB: What impression are you getting from other students' unions?

AC: There's a lot of unknown - the crisis is so deep, the only thing the NUS can do is reform - but can they do this quickly enough? Would it be best to go into voluntary liquidation so they can use the assets they currently have to pay off the pension deficit and potentially look at reform again and start from nothing? The reform is looking at the organisation being completely different than they are now. They are in talks with KPMG, and they are currently reported as not in liquidation yet, but they have to make those decisions quickly, because they will be if they don't do anything by April.

JO: The challenge is the pension deficit alone could wipe out their ability to reform.

AC: Yes, and their current assets would pay all their staff costs and the pension deficit

JO: I saw that Plymouth pulled out of the NUS using a referendum from the student body

AC: Yes and they started that process way before any of this happened. There are some mixed feelings - some unions are asking if they should jump now, and others are confused about what exactly we are paying for, but at the same time we are members of this organisation.

JO: It's money well spent if you get all the things you should be getting - national representation, training, all of those opportunities.

MF: The training is an additional cost

MF: When do we make the decision to renew our membership to NUS?

AC: Annually at AGM. We have a referendum on a 3 year cycle (academic year)

FINANCE & RISK COMMITTEE NOTED THE UPDATE ON RISK REGISTER

6.2 Update on H&S Policy (TW)

Paper taken as read.

TW: This is the statutory H&S report. Included is the report from the University Health and Safety Committee - this is because there wasn't anything student focussed, and any student Health and Safety issues are supported through this. This seemed like the best practice. We are we are doing excellent in the eyes of the University. On slide 29 is a record of the last two years employee sickness trends

JO: Is this in days?

TW: This is number of absences.

JO: I'm wondering which is more useful - I've not seen the data presented before

TW: This is why I've given all of it, because I'm not sure what you need to see.

JO: I think it's very interesting - if you have 35 staff, and 95 absences, that's very good, but I'm wondering how many days that is. This is useful in itself.

CB: This is just UPSU?

TW: Just to note, there is nothing there to worry about, we are in a very good position. While there is 1/10th of staff occupational health, this is actually a good thing as we are good at making sure we have external expertise on staff wellbeing because there is a risk things can be overlooked

JO: Where do you look at trends for sickness?

AC: We don't look at that at Board level, but we do look at it during SMT

TW: We pick up any significant issues and anything significant is reported to Board
FINANCE & RISK COMMITTEE NOTED THE UPDATE ON H&S

6.3 SUSS Pension Deficit (AC) CONFIDENTIAL DISCUSSION

6.4 SUSS Legal Matter Update (AC) CONFIDENTIAL DISCUSSION

6.5 Prevent Update (AC)

Paper taken as read.

AC: This is a small update - the Sabbatical Officer stance has been agreed and the external speaker process has been updated due to GDPR and some operational reasons and so it matches with our values as an organisation. There are no notable issues that have come up this year. The trustees made a decision to make a joint policy when the duty came in and it's been held up as best practice. This way is in the best view for students - it protects freedom of speech and it also protects the students it should protect

AB: Will we need to get an adoption from UAB in the future?

AC: Yes, we will still need that - the membership is different, but the powers will still be the same

FINANCE & RISK COMMITTEE NOTED THE PREVENT UPDATE

7. Audit

7.1 Auditors Appointment (CC/AC)

AC: We appointed Morris Crocker for 1 year because they were a new company and hadn't worked with Student Unions before. We proposing we extend this for a further 2 years.

AB: Everything they set out in the audit report and year end accounts was really clear

AC: They asked really interesting questions, and worked really hard with us to find solutions

Action: CC to appoint auditors Morris Crocker for a further two years

FINANCE & RISK COMMITTEE APPROVED THE AUDITORS APPOINTMENT

7.2 Auditors Report (CC/AC)

AC: This is an update on recommendations that were presented at Board. The biggest issue is that don't have access bank statements from the banks we have our reserves in - we used to sign a letter to Blue Spire in the past, so we weren't aware this would be an issue. The process for the bank is complicated. FACAM is on the case but we are struggling to get the statements as the mandate is so old. I can reassure you the money is there, we just don't have the updates

JO: What's the solution?

AC: We will reconcile them annually going forward. It was an issue that was hidden due to the process that Blue Spire went through.

FINANCE & RISK COMMITTEE APPROVED THE ACTION PLAN

8. Any Other Business

8.1 Review with Counterculture (AC)

AC: PG and AC have had a discussion to see how the service was working on an operational level and we made some changes and tweaks - e.g. we looked at tolerances with our financial accounting.

Both of us agree that it's working well, but wanted to check if the committee had had anything to say, or if PG had anything to say to the committee

TW: I value having PG here - it gives me as a board member a confidence with our finances that they are being overseen by an independent expert.

PG is absent for the remainder of the item

JO: To me it's been the most important move we've made to make the meeting records more accessible and have confidence in finance - I think it's been a success

AB: I think it helps that he works with other student unions, and it reassures me to know we're doing well as a union

AC: I think as SMT, it great to have him at the end of the phone for support and he's been really helpful with other staff.

AB: He also knows the charitable aims and understands our culture

AC: He values working with us because of our agility and the way we do things - he enjoys getting a different perspective

8.2 NUS Discussion (AC) CONFIDENTIAL DISCUSSION

9. Date and Time of Next Meeting – 26th February 2019 @ 4pm

The Board gave formal thanks for Adele for stepping in for Finance and Risk as the interim student trustee.

Minutes Approved: _____ **Date:** _____