



## FINANCE AND RISK COMMITTEE

The second ordinary meeting of the Finance and Risk Committee for the 2018/19 session, was held on Thursday 21st March 2019 in Meeting Room 6, Beit Quad at 2:00pm.

### Unconfirmed minutes

Present:	Graham Parker (GP) James Medler (JM) Claudia Caravello (CC) Abhijay Sood (AS)	Finance and Risk Chair Deputy President (Clubs and Societies) Deputy President (Finance and Services) Elected Student
In Attendance:	Malcolm Martin (MM) Jomana Al Ahmad (JA) Neha Ghandi (NG) Jarlath O'Hara	Head of Finance and Resources Administration Support Officer Finance Manager Managing Director
Apologies:	None	

#### **Item 01 – Welcome and Chairs Business**

1. The Chair welcomed the Committee members to the third F&R meeting of the academic year 2018 -2019.

#### **Item 02 – Conflict of Interest**

1. None declared

#### **Item 03 – Apologies**

1. None

#### **Item 04 – Meeting Minutes from 19<sup>th</sup> June**

1. The minutes were confirmed as an accurate record of the meeting held on 30<sup>th</sup> January 2019.

#### **Item 05 – Action tracker**

1. Bank account closure action - is now complete and the money has been received by the Union
2. Designated fund provision action - the Committee agreed that this has been addressed in the last meeting, a process was agreed regarding how to carry CSP balances forward at year end. The Chair agreed that this should be removed from the tracker and included as part of a broader discussion on investment and reserves.
3. MM updated the Committee that the web policy action is still outstanding, and the Chair requested that the updated Committee is brought to the Committee in the next meeting

**Actions:**

- ASO to update the Action tracker

**Item 06 – Forward Agenda**

1. The Chair requested that the next meeting is re-arranged to 2pm as there are many items on the Agenda to be discussed

**Actions:**

- ASO to update the meeting invite

**Item 07 – Management Accounts**

1. MM updated the Committee that the February accounts have been uploaded and shared with the Committee on Teams, therefore NG will be presenting the February accounts today
  - In summary: NG mentioned that the income is still on the decline in Bars and Catering as a whole
  - The Union is currently 5.9% behind on forecast
  - Retail and Beit venues are exceeding budgets, sponsorships and minibus hire is behind budget
  - Overall the Union has made a deficit of £37k
  - The bank balance is healthy and the debtors balance has increased by £54k however the finance team is working on this issue
2. NG explained that the staffing costs are high due to the large number of agency staff, however the OM manager has now been hired and will be working on reducing inefficiencies in that area
3. Additionally, the last permanent Bar manager has now resigned as well as the Retail Manager, therefore there will be further instability in the Commercial services area until the manager roles have been recruited
4. GP concluded unfortunately income is still on the decline, however the Union seems to be taking action to implement short term and long terms solutions
5. GP shared a concern regarding the reduction in Bar sales, and the decline in income for wet and dry sales, the Chair requested that this general downturn in sales is investigated further
6. GP mentioned that the narrative used is very important regarding the current financial figures, and we must understand that investment is required to improve the financial situation of the organisation. GP added that we currently need to increase expenditure to create building blocks to take the organisation forward and that it may take a few years until the full benefits are achieved

**Actions:**

- **MM to investigate the reasons for the decline in wet and dry sales**

### **Item 08 - Reforecast**

1. MM highlighted that 3 task and finish groups have been formed, focusing on:
  - Developing new initiatives
  - Existing services
  - Relationship with College
2. The revised forecast is at £367k down from budget
3. This month the commercial income is down by 20% which 15% more than forecasted, this decline will have more impact on the reforecast figure if the same rate of decline in income continues
7. JM enquired about the reliability of the figure of the reforecast given the 20% decline in income this month within catering
8. MM responded that the forecast suggests that February is £10k behind forecasted budget, however, we have put measures in place to cut costs in the next months which is not reflected in the current figures
4. JM enquired about whether we need to revise this figure as the rate of decline in income in some areas is lower than projected and if it should be adjusted to approx. 5-10% decline in income compared to 2-3%
5. MM highlighted that it is more important to focus our attention on making changes rather than the figures
6. AS suggested carrying out scenario planning to show the impact of the numbers in different percentages of decline
7. GP concluded that are we happy to support the current direction of travel and the way we are adapting to the current financial situation, however at Board we will be asked to respond on whether we feel as a Committee that the organisation is taking the necessary actions to deal with the issues, the Committee agree that the right steps are being taking and its a work in progress
8. GP added that we must make it clear what the long term plans are for the inefficiencies and to reassure Board that this is being addressed simultaneously with the short term solutions
9. To satisfy the Board in May, the expectations of the costs of investment to the ensure long term stability of the organisation must be made clear
10. JM highlighted there is very positive work taking place within the task and finish groups which should be commended

#### **Actions:**

- **MM to conduct a scenario plan to give clarity on the impact of a higher percentage decline in income on the reforecast**
- **MM/JOH to ensure that there is clarity for Board on the what cost of the long term investment will be to ensure long term stability in the organisation**

### **Item 09 - Balanced Scorecard**

1. NG summarised the BS by mentioning:
  - Overall, income is still in decline
  - There is an increase in agency staff in the Bars and catering area
  - We are working on bringing down the creditor days
  - There is lower income from sponsorships
  - There is a great result for CSP memberships and elections turnout
  - Training attendance and feedback has been on target
  - Staffing sickness absence and retention is lower than target, however there is a higher number of A2Ts completed

- In terms of Union processes the overall the figures are positive
- 2. MM pointed out that the BS is now in its second year and the target figures will be continuously being improved as we compare current results to previous year data

#### **Item 10 – CSP Finance**

1. MM enquired about our records of VAT exempt fundraising events, as there has been a recent concern from HMRC that charities have not been taking a beneficial position around exempting events. We must be able to track the exemptions made and it must be clear that there is no clear surplus in the activity
2. JM updated the Committee that any societies which have run events through personal bank accounts have had warnings that their events will not go ahead if they are not organised in line with our policies

#### **Actions:**

- **MM to follow up with Claudia regarding VAT exempt events**

#### **Item 11 – H&S Committee meeting minutes and H&S Policy**

1. There were no comments on the H&S meeting minutes from the Committee
1. MM highlighted that the H&S report showed that the number of incidents reported are currently very low and updated the Committee that College is introducing an app to enable ease of incident reporting
2. MM mentioned the recent updates to the H&S Policy, which were raised during the last H&S Committee meeting. As a result, a separate meeting was organised with key stakeholders to review the policy in more detail, once finalised, this policy will be brought to the next F&R meeting for approval
3. MM raised a question around the role of the Chair of the Committee and whether we should carry on operating with the same model of appointing the DPFS as the Chair of this Committee, or follow the model of the rest of the Board Committee and appoint an external trustee for this role
4. The Committee agreed that an external trustee or a nominee by Board should be the model to follow going forward
5. GP suggested submitting a paper with a proposal of the changes to be taking place in the H&S Committee for the next Board meeting
6. The paper should include proposal for the process of Chair appointment, the new competency matrix and qualifications needed to fulfil certain roles
7. GP recommended looking at the ToRs and whether they need to be updated, and to bring the H&S forward agenda to the next F&R meeting
8. GP also suggested including a H&S question within the work efficiency project framework and aligning the approach to H&S in the Union to College's approach
9. NG suggested having a specific online refresher training for all Union staff

#### **Actions:**

- **MM to submit a brief paper to Board to highlighting the changes to the H&S Committee, with a proposal of the changes in the appointment of the Chair**
- **H&S committee to revisit the forward agenda and bring this to the next F&R meeting**
- **JA to add a specific H&S question to the project framework and whether the project has considered the H&S policy**

#### **Item 12 – Strategic Risk Register**

1. MM asked the Committee to consider the following questions: to what extent are control measures effective and are there any gaps in terms of our strategic risk management
  - Risk 1
    1. The first risk is around changing environments and engaging our memberships
  - 2. MM commented that postgraduates is an area which continuously requires more engagement, and that the leadership elections has achieved a very large turnout which is positive
    - Risk 2
      1. The second risk is around legislative changes which impact the Union, there is a recommendation to start a subsidiary trading company from auditors feedback last year as there might be issues with exceeding the £50k allowance. As an example, last year we are able to avoid any issues by listing BBC Proms as room hire rather than a value added service
      2. JM proposed to raise this issues with leadership, especially in the context of the current task and finish groups which is looking at increasing external commercial client hire
      3. GP pointed out that the absence of having a clear strategy in terms of income generation would make this a higher risk
      4. MM mentioned that the recommendation by the auditors has resulted in the action to work with external professional partners and have a consultation with lawyers to formalise a trading company, this action was due for completion this year, however it may need to be rolled over to the following year
      5. GP pointed out that the Board has a responsibility to understand the services provided by the Union and whether they have a financial benefit or not, and how each service is being covered with other income if it does not have financial benefit
      6. MM raised a question about the political engagement risk and whether we need to do more in that aspect
      7. GP responded that this risk may be too specific and whether it should be more about impact from external legislation and raising awareness about any risks
    - Risk 4
      1. The fourth risk is about student engagement and more specifically about postgraduate engagement
      2. AS commented that this year, a GSU restructure took place which is a positive step, however there is a concern about the Committee itself as the turnout is low and many positions have not been filled
        1. GP added that the big challenge is about promoting the Unions effectiveness, and how impactful it is to student lives during and beyond university
        2. JOH agreed that in terms of the controls, a two way dialogue with our members is better in recent years, however, it still needs to be better
        3. GP pointed out that our forward strategy should mitigate for many of these risks, by our ability to express our purpose clearly and what we want to achieve
    - Risk 5
      1. This risk is regarding advice and support, the Union is currently recruiting for an advice manager as it is a vacant post. No further comments were received from the Committee
    - Risk 7
      1. This risk is about the Unions relationship with College and how we can improve this, there will be a joint strategy day in May to solidify our strategy with College, the membership in this meeting will be 6 people: 2 external trustees, 2 OTs, one student trustee and the MD

2. JM asked if there is a specific risk in the register about the financial risk, MM responded that there is a risk on commercial services income, however, there's no one standalone risk and we should look at both risks that discuss the financials together
3. JM recommended to also bring the most relevant risks to the Committee to discuss
4. JOH suggested adding a control which focuses at building the relationships with College and having a joint strategy day

**Actions:**

- **MM to bring risks which are more relevant in terms of timing to the Committee**
- **MM to add the controls recommended regarding building better relationships with College to risk 7**
- **MM to discuss risk number two with leadership and relevant task and finish groups**

**Item 13 – Reserves policy**

1. GP recommended revisiting the previous action on the designated fund provision.

**Item 14 – Budget 19/20**

1. As the planning for the 19/20 budgets has commenced, this Committee is required to approve the budgeting programme, MM mentioned that the process has been kicked off by a planning day that took place with SMG and asked the Committee about how a balance can be achieved between a realistic and optimistic budget
2. JOH mentioned that in the past few years, we have been under ambitious in terms of the budget set and last year we did the opposite where an overly ambitious budget was made
3. MM commented that as our current model is not sustainable and this year is projected to close with a very high deficit, how should we make changes this year to address the current issues?
4. GP responded that we have accepted that a step change is needed in the Union, and must focus on looking at making changes in a short term to long term basis, and this is a key decision
5. GP recommended looking at what we need to do in 5 years time, rather than firefighting with present issues, GP added that inevitably there are going to be investments required, and we haven't yet agreed what level of investment is needed
6. MM enquired about how F&R would like to be informed on the progress of the budgets before June
7. GP recommended that we do not allow the pressure of preparing the 19/20 budget to prevent us from including the strategies and developmental ideas which are creating building blocks for the next few years
8. JM suggested having the task and finish groups, prioritisation and mapping work be reflected in the budget and to be shared with F&R
9. GP recommended having a brief paper of the discussions of the task groups during the May Board with a quick projection to the impact from this work and the investment figures to be considered, GP recommended sharing this with F&R first
10. CC suggested including dates in the timeline to allow the panel to read the budget before its presented, MM will add time to absorb the information
11. MM highlighted that the role of the panel this year is different to previous years, less scrutiny will be required, and a higher focus on details is needed in terms of alignment of resource to the Themes

**Actions:**

- **A paper to be submitted to F&R and then to Board on the progress of the budget plan, and how the task and finish groups and mapping exercise has informed the budget**
- **MM to amend the timeline to include time for budget holders to read the budgets**

#### **Item 15 – Summer Ball update**

1. JM raised a concern about the 600 fewer ticket sales, CC responded that there are additional plans in place to try and promote sales
2. JM asked for more detail as to why the performance is low, to have an awareness about whether there is a mitigation in place to the risks
3. The Chair requested having bullet points in the update to allow for ease of reading and to include clear milestones, additionally to add more figures to the report to show projected sales, costs etc and a graphical comparison to last year
4. AS recommended adding to the plan a way to reach students in person through sports committees and reps etc
1. CC raised a concern about reducing the budget too much to the extent that it affects the student experience, and whether the absence of a photographer may be too impactful on the success of the event, AS suggested approaching societies who might volunteer this service
5. In terms of the proposals, the Committee agreed that proposal 3 is rejected, and more research on the financial implications need to be brought to F&R on proposals 1 and 2, with some initial feedback of the students views

#### **Actions:**

- **JH to add additional information as suggested by the Committee to the next Summer Ball update**

#### **Item 16 – Investment performance**

1. Rathbones joined the meeting to present the investment performance, the first point mentioned was regarding the house-keeping exercise needed to ensure that trustee membership changes are updates, NG will follow up on this regard to ensure the records are up-to-date
2. The investment performance from Sept-Dec was low, however, from Jan to March the performance is much better, the benchmark on the Union's portfolio is CPR +3% and this is measured alongside the charity growth index, therefore, the Unions portfolio is currently being managed at medium risk
3. In accordance to the investment policy, Rathbones are following the ethical considerations and carry out screening as much as possible to ensure that companies are adhering to the ethical policies
4. The portfolio as and when it was valued on 28<sup>th</sup> Feb 2019, is at £1.476m and the this has increased to over 1.5m over the past few weeks
5. Rathbones representatives enquired about whether the Union would like to withdraw a larger amount of money per month, which is currently at £7.5k
6. At the moment, the portfolio will be yielding to cover the income requested, the yearly income is estimated at £50k, MM responded that we are not looking to change this figure
7. GP asked about whether Rathbones recommend reconfiguration of the portfolio, Rathbones representatives responded that currently it is too early to make this decision as about 90% of the portfolio has been completed, however Rathbones are currently holding the last 10% to ensure that this decision is made within a more stable market

8. Rathbones highlighted that the political climate is really important to consider and US economy and politics have a big impact on the market
9. MM enquired about the ethical overlay and whether performance will be impacted if we did not have the same ethical guidelines, Rathbones reps responded that the benchmark has no ethical overlay, however, Rathbones will continue to ensure that the Unions portfolio is in line with its values
10. Rathbones have also provided a sustainability analysis to inform the Union about the features of our portfolio, the report has a breakdown of each company with each constituent part, broken down further into its constituent pots
11. In July the Union will receive a sustainability analysis, which is an analysis of each company that we are investing with to give the Union confidence about why certain companies have been chosen for our investment portfolio
12. Rathbones notified the Committee that they are now a part of a group which is an endorser of the global commitment for plastics and they have been tabling a resolution with BP to ensure their commitment to climate change
13. Rathbones will follow-up with the Union regarding trustee training dates which are coming up, also, an investor day is coming up on 5<sup>th</sup> June and it is recommended that Union staff join this

#### **Item 17 - Insurance review**

1. MM asked for any questions from the Committee on the paper which has attached schedules on how relevant our insurance cover is to CSPs
2. GP commented that this paper covers the previous questions brought up by this Committee.

#### **Item 18 – Internal audit**

1. The paper highlights the updates on the Internal Auditors recommendations, MM mentioned that the EPOS access permissions action which has now closed
2. MM requested that the Committee consider the value added nature of KPMG audits going forward, as most focus has been on controls. MM asked the Committee about how we should get more benefit from them
3. A suggestion was made to focus on business planning and ensuring business cases are more robust
4. GP suggested adding alignment with College as an objective, and for them to be aware of the work of the task and finish groups, and explain our work in terms of reducing inefficiencies and ask whether KPMG think that these actions will allow the Union to reach its targets
5. The Union has not made much progress in terms of the operational processes actions, GP suggested informing KPMG about the processes that have been put in place since last year's visit, and ask for their feedback about whether we are moving in the right direction
6. MM commented that the main aim is to embed the culture of risk in the organisation, and there's no evidence that we are achieving the right balance right between operational and strategic risk in the Union

#### **Item 19 – External audit**

1. MM mentioned that the external audit takes place towards the end of the financial year, a discussion will be taking place within a College Committee meeting tomorrow about control and influence over the auditing piece of work, and about the Union having greater autonomy and independence from College



2. The paper highlights the proposal that protective control is the current position of the Union
3. GP recommended that this is a good proposal and suggested that the messaging/marketing about this topic should be aligned with College
4. MM enquired if the Committee believes that there's any potential impact of this proposal on our membership, AS commented that if senior management are happy with this proposal and they are satisfied that there's no significant risk to membership then it should go ahead

#### **Item 20 – EPOS review**

1. MM mentioned that the paper is a review of our current use of EPOS which should be viewed as a key management information and income reporting tool going forward
2. MM asked the Committee for their views about the continuing trajectory and collaboration with OrbisTech
3. GP commented that we haven't received the full benefit from EPOS yet and it is important to focus on having a good system which gives us reliability and ability to have efficient processes in the future
4. GP recommended highlighting the costings in terms of the investment needed to improve the current system. MM responded that currently staffing issues is the main challenge, as experienced staff with the right expertise are needed to ensure that these systems are implemented
5. GP responded that this poses a clear question about the investment we need to make in the organisation to improve inefficiencies
6. MM mentioned that there are also issues within OrbisTech processes internally and their development team which has delayed us from receiving the service that we require
7. JOH asked if this should be discussed in the existing services task and finish group with a focus on improving our collection and use of data
8. JOH recommended including clear figures if F&R are required to make a decision about investment in EPOS via OrbisTech
9. GP commented that assurance is required by the Committee that the current system is sufficiently appropriate to carry out the service required, and the task and finish group should look at this in more detail and identify whether a different system is needed

#### **Actions:**

- **MM to provide detailed figures on the current spend and service received by OrbisTech and what the short/long term investment needed to achieve the service level required by the system**

#### **Item 21 – Business continuity plan**

1. No comments were received by the Committee on the submitted paper.

#### **Item 22 – Financial policies**

1. The financial policies will be updated next year and should therefore be included in the forward agenda

#### **Actions:**

- JA to add to the 19/20 forward agenda

Next meeting: **19<sup>th</sup> June 2019 2pm**