

**OPEN UNIVERSITY STUDENTS ASSOCIATION**

**Central Executive Committee (CEC)**

24 - 26 January 2019

**FINANCE REPORT**

The C E C is asked to: -

- i) **note** the attached income and expenditure statement for 2019/20, covering the 5 month period 1.8.2019 to 31.12.2019 (Appendix A)

**1. Summary Financial Position as at 31 December 2019**

1.1 The Association’s current year financial position, detailed in Appendix A, is summarised as follows:

<b>ACTUAL Income</b>	<b>ACTUAL Expenditure</b>	<b>FORECAST Outturn</b>
<b>£838,120</b>	<b>£694,902</b>	<b>(£45,550)</b>
= <b>41%</b> of budget	= <b>35%</b> of budget  (38% excluding Conference)	Expenditure is expected to exceed income due to: <ul style="list-style-type: none"> <li>• Reduction in NUS/TOTUM income (note 2.3)</li> <li>• Additional professional fees (note 3.5)</li> </ul>

**2. Income Forecast**

Points to note and the main variances anticipated by the forecast are as follows:

- 2.1. **Subvention** - we are reporting a £15,500 shortfall in the Subvention due to an agreement with the OU that funding would be adjusted once increases to employer pension contributions were agreed. This adjustment is mirrored by a corresponding

underspend reflected in the forecast of “Staff Costs”, and so has no impact on the overall forecast outturn position.

- 2.2. **Management charges** - the forecasts for management fees due from OUSA (Services) Ltd and OUSET have been updated showing variances against the budget. The fee due from the Shop is 10% of turnover and so this has been increased to reflect what appears to be a sustained increase to approx. £100k per annum. The fee payable by OUSET is based on a percentage of Operations, Resources and Management salary costs. This has been reduced due to changes in staffing since the budget was set, with new staff replacing leavers on lower points on the pay scale.
- 2.3. **NUS Commission** - TOTUM has changed its commission model effective from July 2019, reducing the rate by approximately two thirds to 12.5% of sales revenue. The change was made with little notice and without consultation, so we agreed with our Account Manager a phased reduction in the commission rate. Commission for July and August has been paid at 2018/19 rates, then reduces to 20% of sales revenue from September 2019 to June 2020. From July 2019, the forecast anticipates the 12.5% national rate will then apply, although we hope to negotiate a more preferential rate than this, as well as work with OneVoice Digital to increase sales volumes through website and social media marketing.

### 3. **Expenditure Forecast**

Points to note and main variances from the budget are as follows:

- 3.1. **Conference** – 50% of the budgeted cost is provided from reserves. The forecast assumes the full allocation will be spent and does not take into account any funds we may generate from retained delegate deposits or from sponsorship.
- 3.2. **CEC/BoT meetings** – the forecast takes into account estimated additional costs of holding the annual dinner and the January CEC meeting at Doubletree, MK rather than at Kents Hill Park. Additional costs have also been incurred in recruiting external Trustees and observer attendance at Trustee meetings.
- 3.3. **Student Services** – a £3,400 anticipated recharge from the Shop relating to downloads from the webstore of past exam papers is offset by savings against other nominal codes included in this group (mainly the Nightline affiliation fee is £1,600 lower than budgeted as anticipated inflation has not been applied).
- 3.4. **Salaries** – the forecast saving here is mainly attributable to lower than anticipated increases to employer pension contribution rates (see also note 2.1). A vacancy in the Community team is also contributing to the forecast underspend.
- 3.5. **Incorporation/legal costs** – we continue to incur costs associated with drawing up agreements arising from the incorporation process - Data Sharing and Shared Services and Licence to Occupy agreements with the University and Shared Services agreement with OSL and OUSET. The forecast aims to provide for this additional cost, although there is some unpredictability about the length of time and amount of professional input required to completion.

### 4. **Budget Review**

- 4.1 Budget holders have been asked to review their 2019/20 budget allocations in line with current priorities and taking into account our strategic objectives. A revised

budget will be presented to Trustees at their February meeting for their consideration and approval.

- 4.2 Budget holders have also been asked to consider their resourcing requirements for 2020/21 to inform early budget planning.

## **5. Subvention 2020/21**

- 5.1 We were advised just before Christmas that there will be no face-to-face negotiations this year in respect of the 2020/21 subvention because budget allocations for all University units will be based on their core allocation plus inflation as the University seeks to bring its overall in-year expenditure in line with in-year income.
- 5.2 We still intend to submit a written bid not least because we agreed to fund part of the cost of growth in 2019/20 from reserves on the understanding that these recurrent costs would form part of the core grant from 2020/21. However, in order to set a balanced budget for the Association, we will still need to consider carefully our resourcing needs and seek value for money in applying funds to the achievement of our strategic objectives.

**Alison Lunn**  
**Deputy Chief Executive**  
**(Finance and Resources)**

**Caroline Cowan**  
**Vice President**  
**Administration**