

OPEN UNIVERSITY STUDENTS ASSOCIATION

Central Executive Committee (CEC)

22 – 24 January 2021

FINANCE REPORT

The C E C is asked to: -

- i) **note** the attached income and expenditure statement for the period ended 30 November 2020 and forecast position to 31 July 2021 (Appendix A)

1. Summary Income and Expenditure to at 30 November 2020

1.1. The Association’s income and expenditure for the four months to 30 November 2020, and forecast to 31 July 2021, detailed in **Appendix A**, is summarised as follows:

| ACTUAL Income | ACTUAL Expenditure | FORECAST Surplus |
|--------------------------|-------------------------------|---|
| £692,816 | £515,506 | £163,876 |
| = 35% of budget | = 27% of budget | Favourable variance from budget is due mainly to: <ul style="list-style-type: none"> 1) No budget for TOTUM commission due to uncertainty; 2) No pay award for staff and recruitment delays; 3) No face to face activity/meetings. |

2. Income

Income is slightly ahead of target. Points to note and the main variances are as follows:

- 2.1. **Ouset Management Fee** – the ongoing vacancy in the Operations team means costs are lower than the budget and so the recharge to Ouset is also lower.

- 2.2. **TOTUM Commission** – with uncertainty, at the time of setting the budget, in relation to this source of income, no budget was set. Commission rates have dropped from 33% to 20% and then 15% alongside a reduction in card sales volumes. The current rate will apply until at least the end of June 2021 and income each month, so far, has been in line with expected levels. So, there is now some confidence in the forecast that £35,000 is achievable by the end of July 2021.
- 2.3. **Trading Income** – this is ahead of target as online sales have been higher than expected, with a proportion of the face to face sales appearing to have transferred to online purchases. Revenue overall is down by 40% compared with the same period last year, but online sales are up by 65%. In September and October, revenue was boosted by freshers and also by a virtual celebration of 2020 graduates, so the forecast anticipates a slowing down of revenue generation for the remainder of the year.
- 2.4. **Interest** – the forecast reflects a reduction in interest rates in July to 0.01%. Higher returns are available for longer term investments, but these tend to carry a higher level of risk. Also, because of uncertainties mainly in relation to pension contribution commitments, it is not currently possible to identify funds we may have available to invest over the longer term. Once the outcome of the March 2020 valuation of the USS pension scheme is known, we may be in a better position to consider investing a proportion of our reserves.

3. Expenditure

- 3.1 Expenditure to November is below expectations and further savings are expected to materialise as the year progresses. The main areas showing savings against the budget currently are:
- 3.2 **Staff Costs** – the Association pays its staff in accordance with OU pay scales that are determined via national agreements on pay and conditions. There are normally two elements to the annual increases applied to staff salaries. In August, a cost of living increase is usually applied to every point on the pay scale. Then in October, those staff who have yet to reach the top of their grade progress one scale point. This year, it was decided there will be no uplift to the value of points on the pay scale due to the difficult circumstances the sector as a whole is facing as a result of the pandemic. Incremental progression has still taken place. Also contributing to the saving is the vacancy in the Operations team and recruitment to some posts being later than anticipated by the budget.
- 3.3 **Community** – it was not possible to make and distribute the usual freebies packs to freshers. Instead there were prize draws and competitions with a Kindle, iPad and book vouchers as rewards. The forecast also anticipates the allocation for the residential schools, in July, will not be spent, as the OU has advised there will be no face to face events taking place in the current academic year.
- 3.4 **Representation** – this saving is arising from meetings taking place online and no President or Deputy President expenses due to working from home.

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