CEC 04/21/4

OPEN UNIVERSITY STUDENTS ASSOCIATION

Central Executive Committee (CEC)
17 April 2021

FINANCE REPORT

The C E C is asked to: -

i) **note** the attached income and expenditure statement for the period ended 28 February 2021 and forecast position to 31 July 2021 (Appendix A)

1. Summary Income and Expenditure to at 28 February 2021

1.1. The Association's income and expenditure for the seven months to 28 February 2021, and forecast to 31 July 2021, detailed in **Appendix A**, is summarised as follows:

ACTUAL Income	ACTUAL Expenditure	FORECAST Surplus
£1,194,350	**£893,497**	**£359,700**
= 60% of budget	= 46% of budget	Favourable variance from budget is due mainly to: 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 since the last report are as follows:

2.1. **Subvention –** funding for the Individual Representation pilot has been agreed with PVC Students and is included in the forecast. We may need to adjust this further to reflect the later start date (May rather than March) and that the postholder will be contracted on a 0.8 fte basis until August. This will not affect the overall financial position, however, as there will be a corresponding adjustment to the staff expenditure budget.

2.2. **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 30% compared with the same period last year, but online sales are up by 53%. We have seen spikes in sales during virtual graduation celebrations, over the Freshers periods and also in response to social media posts. Operations are liaising with the Ceremonies office on virtual graduation plans for May.

2.3. **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. The Board of Trustees has established a small working group to explore options and report back to their May meeting.

3. Expenditure

Expenditure to February continues to be well below budget. Points to highlight since the last report are:

Staff Costs – the forecast now includes the individual representation post (see 2.1 above).

Other Costs – the forecast has been informed by meeting with all budget holders in January to look at plans for the remainder of this year and their resourcing needs. With the continuation of remote working, and all activity moving online, significant savings have been identified across all budget areas.

The forecast provides for some campus based activity to resume in July, but as this looks increasingly unlikely, we can expect the underspend to increase further.

Projects/Other – the cost of the website re-design is significantly lower than anticipated, requiring only £6k from the discretionary pot. This is because the successful bidder is able to keep its design and implementation price low by providing a range of standard templates from which to build the website. The annual costs will be greater than those of the current provider, but the first monthly payment will not be due until July. The forecast has therefore been revised downwards to reflect this, although a contingency has been included in case of unforeseen costs and/or costs arising from recommendations from the governance review.

4. Reserves

We have £1.23m in the bank currently, and the forecast suggests a similar balance at year end. The amount of reserve freely available is affected by funding we designate for a particular purpose (e.g. Conference), as well as provisions we need to make for future liabilities (e.g. the proportion of employer pension contributions the pension scheme actuary determines are required for recovery of the pension scheme deficit over the recovery period – currently to March 2028).

Both employer and employee contribution rates to the Universities Superannuation Scheme are expected to rise significantly, although the extent and timing of the increases will not be known until later in the summer when the outcome of the March 2020 scheme valuation is published.

The valuation of the pension scheme deficit and its impact on the recovery plan will require us to re-value the provision in our accounts at 31 July 2021 (July 2020 valuation is £427,000). As we are expecting contribution rates to rise, we can also expect the size of the provision for our contribution to the pension deficit recovery to increase too. Any increase will reduce our reported in-year surplus, although this will only affect our reserves in cash terms to the extent that increased contributions are not funded by the subvention grant. We continue to raise our concerns and seek reassurances from our Finance Business Partner in the OU, that increased costs will be fully supported by our grant funding. However, there are currently no guarantees that this will be the case.

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