

OPEN UNIVERSITY STUDENTS ASSOCIATION

Central Executive Committee (CEC)

18 June 2020

FINANCE REPORT

The C E C is asked to: -

i) **note** the attached income and expenditure statement for 2019/20, covering the 11-month period 01.08.2019 to 30.06.2020 (Appendix A)

1. Summary Financial Position as at 30 June 2020

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

ACTUAL Income	ACTUAL Expenditure	FORECAST Outturn
£1,805,999	£1,475,637	£301,127
= 92% of budget	= 74% of budget	Favourable movement is due mainly to: <ul style="list-style-type: none"> • Change to Conference format • Postponement of filling staffing vacancies • Effect of on-going coronavirus lockdown on other face-to-face activity.

2. Income Forecast

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

- 2.1. **Subvention** – following conclusion of the subvention process, it is clear that the OU does not intend to recoup the funding related to the anticipated April 2020 pension contribution increase that has now been postponed.
- 2.2. **OUSA Services Ltd Management charge** – this equates to 10% of anticipated turnover. As the Shop was closed for over 2 months and there have been no Spring/Summer graduation ceremonies, turnover has been adversely impacted. Following re-opening of the warehouse, however, June's sales were strong and comparable with turnover for June 2019. So the modest forecast for July could well be exceeded and hence the management charge may exceed the currently forecast £7,300.

Trustees, at their meeting on 22 May, resolved to wind up the trading subsidiary, streamline the operation and bring it back into the Association.

The decision was made after carefully considering the options and taking into account professional advice. The Shop had suffered 3 years of losses following removal of the exam paper income stream, and although this year, following an overhaul of its fixed costs, it was on track to return to profit, its position was nevertheless fragile. The impact of Covid-19 means that the Shop will not only suffer a further loss this year, but there is significant uncertainty over next year too. To comply with charity law, Trustees must not support entities that are not financially viable and as there is now no recovery on the horizon for the Shop as a separate entity, this was the only realistic option.

As part of the charity's activities, the trading operation will be streamlined and cost savings will be made (including accountancy fees and staffing reduction in Operations – see 2.3) to help ensure it will be self-sustaining going forward.

- 2.3. **Ouset Management Charge** – this has been reduced in line with staffing changes on which the charge is based, in particular the decision to postpone the recruitment process to replace the Operations Supervisor. With reduced Shop activity during lockdown, the need for this role has diminished.

Now that the Shop has re-opened, this post is likely to be replaced with a part time Operations Assistant, taking into account the reduction in trading activity following streamlining of the operation (see 2.2 above).

- 2.4. **NUS Commission** – sales volumes are recovering slightly following the launch of a 3 years for the price of 2 offer that has now been extended to October. Our commission rate will however fall in July from 20% to 12.5% in line with other Universities.

3. Expenditure Forecast

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

- 3.1. **Conference** – most costs are now known and factored in. The cost of the voting on business has not yet been invoiced (estimated at £6k), so the overall forecast includes a contingency of £5k.

- 3.2. **CEC/BoT meetings/Officers** – savings have arisen due to April's and July's CEC being held remotely and provision for a project weekend in February/March not being required. No Officer expenses have been incurred since March and there are also now limited costs associated with the handover and induction process.
- 3.3. **Central Services** – added to savings arising from cancellation of face to face meetings and activity since March, the cost of the elections was less than expected.
- 3.4. **Salaries** – savings have arisen due to the April 2020 pension contribution increase being postponed and staff vacancies. Recruitment to vacancies in Operations and Representation has been paused for the time being. Other savings have arisen from the resignation of the Deputy President and not replacing the Head of Student Voice; although the latter is partly offset by the cost of providing some temporary grade 5 support for Volunteering/Representation and this has now been extended to the end of August 2020.
- 3.5. **Other Central Costs** - we continue to incur costs associated with drawing up agreements with the University arising from the incorporation process - Shared Services and Licence to Occupy agreements.
- 3.6. **Discretionary Spend** – an underspend has arisen here due to not being able to progress the recommendations from the culture review project during lockdown. The 2020-21 budget provides an increase in the discretionary budget to reflect this.

4. Subvention Allocation and Budget for 2020/21

- 4.1 Our allocation for 2020/21 has been provisionally confirmed at £1,812,000 (subject to the OU's budget for 2020/21 receiving Council approval on 14 July). This represents a £50,000 increase on the 2019/20 allocation and should cover inflation but no growth.
- 4.2 We are fortunate however to have reserves in excess of the minimum required by our reserves policy (3 months of operating costs), with the pot being further boosted by the unexpected surplus arising this year as a direct result of the Covid-19 lockdown. This allows us to progress as planned for 2020/21. During the year, a working group will consider income generating opportunities and review costs to help support the Association's on-going financial resilience. Rob and the President will also continue to explore, through their regular partnership meetings with PVC students, opportunities for additional funding through the University's in-year bidding process. This is the route we may pursue for funding for an individual representation pilot, for example.

Alison Lunn
Deputy Chief Executive
(Finance and Resources)

Caroline Cowan
Vice President
Administration