

OPEN UNIVERSITY STUDENTS ASSOCIATION

Central Executive Committee (CEC)

3 - 5 December 2021

FINANCE REPORT

The C E C is asked to: -

- i) **note** the attached income and expenditure statement for the period ended 31 October 2021 and forecast position to 31 July 2022 (Appendix A)
- ii) **discuss** options for re-allocating potential surplus in year funding identified in para. 2.1 to 2.2.

1. Summary Income and Expenditure to at 31 October 2021

1.1. The Association's income and expenditure for the three months to 31 October 2021 is summarised as follows (see **Appendix A** for details):

ACTUAL Income	ACTUAL Expenditure
£521,705	£387,862
= 24% of budget	= 17% of budget

2. Income

Income is slightly below target. Material points to note are as follows:

2.1. **TOTUM commission** – income generated from commission on the sale of the student discount card continues to decline. Students have access to other means of securing discounts without subscribing to the TOTUM. To encourage greater buy in, particularly during the Covid 19 imposed lockdown periods, TOTUM has offered a 3 years for the price of 2 deal. So whilst the quantity of cards sold is holding up against last year, revenue generated is falling.

2. Expenditure

Expenditure to October is at 17% of budget, whereas the budget anticipated we would spend 22% of the annual budget in the first quarter of the year. There are early indications, therefore, that we are unlikely to reduce the reserves by £100k, as planned and that we may even be in a position to add further to the reserves.

Material points to highlight are:

2.1. **Staff Costs** – pension contribution costs will not increase by as much as anticipated in the budget. This saving together with other smaller savings, offset by additional costs relating to maternity leaves, is likely to generate a **saving of c.£49k**.

2.2. Other Costs

2.2.1. **Student Support** – the affiliation to Nightline has been paused as Nightline has been unable to provide data to enable us to assess whether or not this service represents value for money for members; and the OU has also recently subscribed to the text service, Shout, in addition to Togetherall. The forecast therefore assumes that this will result in a **£15k saving** against the planned budget.

2.2.2. All other areas of the budget plan are currently forecast to be fully spend by year end. Although there are some areas at risk of overspending or where costs are unpredictable (e.g. legal fees, new website development,), the forecast is pointing overall towards a surplus.

2.2.3. In addition to the savings identified in 2.1 and 2.2.1, the following budgets are currently unallocated or have been identified as highly likely to underspend. In addition, there may be other smaller savings that may accumulate in other areas of the budget. **CEC, along with Budget Holders, are therefore invited to suggest how best we might apply these funds to the achievement of our objectives.**

Budget Area	Remaining Budget
Discretionary funds for projects	£30,000
Contingency	£28,521
Governance reforms	£27,530
President and Deputy President Expenses	£13,292
50 th Anniversary	£10,000
CEC annual dinner (included in CEC meetings budget)	£10,000

3. Reserves

- 3.1. Although we are expecting to end the year with about £1.5m in the bank, our reserves may be significantly lower than this because of the provision we must make on our balance sheet for our future, long term contributions, to the USS pension deficit.
- 3.2. We are currently reporting a Pension Deficit Recovery provision on the balance sheet of £418k. On this basis, our reserves are currently expected to be around £1m by year end. However, the recent conclusion of the March 2020 valuation of the USS pension scheme suggests our provision will need to increase to between £1.3m and £2m at 31 July 2022. This will reduce our reserves to just over £100k at the bottom end of the range and move us into a deficit balance sheet position of c.-£600k at the other end of the scale.
- 3.3. Trustees therefore have a balance to strike between managing the risk of this long term liability and applying funds to our charitable objectives for the benefit of current members of the Association. Other student unions participating in the USS or other defined benefit pension schemes such as the Students' Union Superannuation Scheme are in a similar position with many already reporting deficit balance sheets. The Association is fortunate that our funding from the OU is reliable so the provision on the balance sheet will only materialise to the extent that our in year funding fails to fully cover our costs.

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