

Finance & Audit Committee Reports 26-08-2021

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Actions arising from previous meeting	Action owner	Started	Exp Finish	Progress
Work with Sport Officer and Valerie Copenhagen to identify charity grants to apply for to help support The SU	Head of Finance			On hold.
Reserves planning to be brought to the next meeting for discussion.	Head of Finance	20/05/2021	26/08/2021	To be discussed. See paper R3.
Finalise the scenario plans to share with the Finance & Audit Committee via email before being submitted to the Board	Head of Finance	20/05/2021	17/06/2021	Completed
Add VAT being applied to salary recharges as a risk to the risk register	Governance & Executive Support Manager	20/05/2021	26/08/2021	Completed

APPENDIX 1: FINANCE & AUDIT COMMITTEE MINUTES

Meeting:	Finance & Audit Committee		
Location:	Microsoft Teams Meeting		
Date & Time:	Thursday 20th May 2021 at 9am		
Present:			
Francesco Masala	President (<i>Acting Chair</i>)		
Jordan Kenny	Independent Trustee		
Rob Clay	Independent Trustee		
Kate Aldridge	Independent Trustee		
In attendance:			
Gregory Noakes	Governance & Executive Support Manager (<i>Secretary</i>)		
Helen McHenry	Head of Finance		
Nicky Passmore	Chief Executive		
Item			
1.	Apologies for absence		
	Name	Reason	Accepted
	Tom Sawko	Annual Leave	Yes
	Valerie Copenhagen	Not known	Yes
	The President was appointed as acting Chair for this meeting only.		
2.	Notice of any other business		
	No items were identified for discussion under any other business.		
3.	Declaration of conflict of interest		
	No one had any conflicts of interests to declare in any items on the agenda.		
4.	Minutes of the previous meeting and matters arising		
	The Committee received a report on matters arising from previous meeting (<i>see R1 of the Committee reports</i>).		
	They approved the previous minutes and noted the following actions was still to be completed:		
	ACTION: The Head of Finance, Sport Officer and Valerie Copenhagen to identify charity grants to apply for to help support The SU through the pandemic.		
	ACTION: Secretary to add reserves planning as an item to Agenda for next meeting.		
	The Head of Finance explained that they had not been able to do the reserves planning for this meeting but would have this ready for the next meeting in August.		
	The Committee noted that identifying charity grants to apply for had been an action for the past six months and questioned whether this was a real priority at this time.		
5.	Finance & Audit		
	The Committee received a report on finance and audit matters (<i>see R2 of the Committee reports</i>).		
	The Head of Finance reported on the latest management accounts which were reporting a better than expected variance against budget. This was due to the savings made in keeping		

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	<p>bar closed for longer, furloughing staff, less activity due to restrictions and higher staff vacancies.</p> <p>The Head of Finance reported on an updated year end forecast.</p> <p>QUESTION: A Trustee asked about the high Establishment and Asset and Finance costs in months 10-12 in the forecast.</p> <p>ANSWER: The Head of Finance explained that these were annual costs for cleaning, for audit fees, for VAT adjustments and Edge maintenance expenditure. The Trustee commented on the high cost of cleaning (£19.6k) but the Head of Finance advised that the University have costed out this work and believe it would actually exceed £100k.</p> <p>The Head of Finance reported that the University were looking at reviewing the methodology behind the block grant. It would be important to make sure that The SU was benchmarked against student unions of similar backgrounds. The Chief Executive advised that it was important that a long term funding agreement was agreed with the University.</p> <p>QUESTION: A Trustee asked for an update on the additional grant previously given by the University to support The SU.</p> <p>ANSWER: The Chief Executive advised that there was a risk that the University could take this additional grant back as it had not all been.</p> <p>A discussion will need to be had with the University about the Volunteering Coordinator role to explain that due to the reduced levels of work this year the team was able to manage without it but next year it will be needed as work levels are expected to return to normal.</p> <p>QUESTION: A Trustee asked if there was any risk of any big unexpected expenditures hitting The SU within the next two months.</p> <p>ANSWER: The Head of Finance advised that this was very unlikely.</p>
6.	<p>Financial Scenario Planning</p> <p>The Committee received a report on financial scenario planning (<i>See additional paper</i>).</p> <p>The Head of Finance explained that these scenario plans were still a work in progress and noted that the most likely worst case scenario was scenario three. Scenario three assumes a return to normal activity but one where commercial income is lower and fails to meet its target. If this were to happen The SU would need to make savings of £75,000 to avoid dipping into its reserves.</p> <p>The Chief Executive reported on a historical agreement in terms of graduation commission that The SU had been benefiting from. This year the University had decided to review this and agreed with The SU to a tiered model that would spread the cost more evenly across the students so that those from lower incomes were not disadvantaged.</p> <p>The Chief Executive reported on The SU plan to apply for the government's Kick Start programme for a role within the kitchen and possibly with the volunteering team. These would be for six months and would incur a small cost as The SU would need to contribute to pensions and topping up the salary to the minimum wage. In the long term they would save The SU £8,000.</p> <p>(Kate Aldridge left the meeting at this point)</p> <p>The Committee discussed how The SU would save £85,000 under the most likely worst case scenario and agreed that suggestions proposed for making savings were sensible.</p>

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	<p>ACTION: Head of Finance to finalise the scenario plans to share with the Finance & Audit Committee via email before being submitted to the Board.</p> <p>The Chief Executive advised that there has been a trend over the past few years of Universities cutting Student Union block grants and that The SU will need to become better at diversifying its income streams in order to be more financially sustainable going forward.</p>
7.	<p>Annual Planning Update</p> <p>The Committee received a verbal report on annual planning.</p> <p>The Chief Executive explained that one of their first tasks on arriving at The SU had been to look at the budget. They had made the decision to keep the arts budget separate in order for The SU to maintain better oversight over it. This had been done because there had been a degree of confusion over who owned the arts strategy and who was responsible for the equipment. An agreement had been reached which was that The SU would only perform space and programme activity. This means the University will be responsible for the arts strategy and management of equipment.</p> <p>The Chief Executive explained that once the arts was separated out from the rest of the budget it became clear that The SU was an organisation which was shrinking. Going forward one of their priorities to achieve before the end of year was to secure a long term block grant agreement. Securing a long term block grant will ensure that The SU is better able to plan beyond the current financial year. It is important that the University understand that The SU is a separate organisation and that it stops treating them like a department.</p> <p>VAT Review</p> <p>The Head of Finance reported that the University were carrying out a review of VAT arrangement on the recharge of salaries to the SU which could have a significant impact if it is deemed that VAT should be added. If this happened The SU would have to ask the University for an increase to the block grant to cover it. The Committee discussed and agreed that this should be added as a risk to the risk register.</p> <p>ACTION: The Governance & Executive Support Manager to add VAT being applied to salary recharges as a risk to the risk register.</p> <p>The Head of Finance reported that VAT arrangements needed to be reviewed for Summer Ball, Freshers' week and non-business apportionment. For Summer Ball and Freshers' week VAT needs to be applied to non-Bath student tickets. While for non-business apportionment the method of calculation needs to be reviewed as no current record exists of how this was carried out previously.</p> <p>Audit Recommendation Update</p> <p>The Head of Finance reported that The SU was on track to address both audit recommendations going forward.</p> <p>Finance Team Update</p> <p>The Head of Finance reported that a new Finance Manager had been successfully appointed to the Finance team who would start on the 7th of June. They would bring great value to The SU as they were very experienced having previously worked for a much bigger organisation. This would be especially useful when work began on reviewing The SU finance policies and procedures. They suggested and the Committee agreed that they should be invited to attend future meetings to present the management accounts.</p>

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8.	<p>Any other business</p> <p>1) Insurance Renewal</p> <p>The Chief Executive explained that The SU had previously negotiated their insurance for three years which allowed for savings to be made. They question the Committee on whether they were happy for this to be an operational decision. The Committee discussed and agreed that they were happy for the Chief Executive to make this decision.</p> <p>The Finance & Audit committee formally thanked the President and Sport Officer for all the work they had done on the committee over the past year.</p>		
9.	<p>To set the date and time of future meetings</p> <p>The Committee agreed the following dates and times for future committee meetings:</p> <ul style="list-style-type: none"> • Thursday 26 August 2021 9-11am • Thursday 18th November 2021 9-11am • Monday 14th March 2022 9-11am • Thursday 19th May 2022 9-11am 		
The meeting ended at 11am.			
Item	Action	Action Owner	Exp Finish
4	Work with Sport Officer and Valerie Copenhagen to identify charity grants to apply for to help support The SU	Head of Finance	26/08/2021
4	Reserves planning to be brought to the next meeting for discussion.	Head of Finance	26/08/2021
6	Finalise the scenario plans to share with the Finance & Audit Committee via email before being submitted to the Board	Head of Finance	04/06/2021
7	Add VAT being applied to salary recharges as a risk to the risk register	Governance & Executive Support Manager	04/06/2021

PURPOSE

To provide Trustees with:

- An update on the SU financial position
- Update on Audit Recommendations

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Page 1: Report

Page 2: Appendix 1: Management Accounts

REPORT**1. MANAGEMENT ACCOUNTS**

- 1.1. Appendix 1 shows draft management accounts for July for our core areas. These are subject to change as we complete our year end accounting process however no significant movement is expected.
- 1.2. The forecast deficit is £62k against the operating budget of £213k, well under the £150k the Committee targeted. This has also included ~£16k of expenditure pulled forward from area budgets for the new year which we proceeded with after year end forecasts
- 1.3. Graduation ceremonies, Score and events planned in June/July were all cancelled following guidance from the University. General activity slowed after student's left Bath for the Summer.
- 1.4. Of the £71k funding provided by the University, £51k has been expensed. £20k was specifically to unfreeze a vacant Volunteer staff post. The new postholder begins on 6th September.

2. RESERVES AND RESTRICTED FUNDS

- 2.1. Overall, we will be finishing the year with less of a deficit than originally forecast which is of course good news. The figure for unrestricted free reserves will be confirmed after the annual accounts are prepared and the adjustment for stock, tangible fixed assets and designated funds is applied. This is not expected to be a significant movement this year.
- 2.2. Restricted funds have increased during the year as sport and society memberships remain largely unspent due to the restrictions, and other expenditure is on hold as activity delayed. These will be monitored carefully next year as we recover from Covid.
- 2.3. The total movement in funds on the SOFA (Statement of Financial Activities) is therefore likely be less than the last financial year.

3. AUDIT FINDINGS REPORT – UPDATE ON OUTSTANDING ITEMS**3.1. Segregation of Duties**

Our new Finance Manager began on 9th June. Her role will help with delegation of tasks, better segregation and provide cover for the Head of Finance avoiding single point of failure risk. Work on new Finance Policy is planned and will begin after audit.

3.2. Cash Controls

University is in process of going cashless and have removed all cash from the SU safes and cash office. This fully resolves this issue.

ACTIONS

4. The Finance & Audit Committee are asked to note the report.

CONTACT:	Helen McHenry (<i>SU Head of Finance</i>)	E-Mail: h.m.mchenry@bath.ac.uk
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APPENDIX 1: Management Accounts

Core Summary	Original budget 2020-21 £	Revised budget Nov 20 £	August	September	October	November	December	January	February	March	April	May	June	July	YTD			PRIORYTD	
			2020 Actual	2020 Actual	2020 Actual	2020 Actual	2020 Actual	2021 Actual	2021 Actual	2021 Actual	2021 Actual	2021 Actual	2021 Actual	2021 Actual	2021 Actual	Actual 2020-21	Budget 2020-21	Variance to revised budget	Actual Year-to-date 2019-20
			£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Income																			
Block Grant	1,888,021	1,888,021	141,917	141,917	141,917	141,917	141,917	141,917	141,917	141,917	280,667	157,333	157,333	157,333	1,888,000	1,888,021	-21	1,703,000	
Commercial Income	218,679	123,062	0	20,404	38,201	4,223	2,073	0	0	0	8,604	24,220	21,988	4,322	124,035	123,062	973	857,697	
Student Groups	0	0	0	135	248	38	19	36	414	163	0	0	0	5	1,058	0	1,058	19,410	
Sports	123,950	44,800	0	180	1,978	-542	24	10,012	18	612	-3,878	153	260	120	8,936	44,800	-35,864	119,414	
Advertising & Sponsorship	29,000	21,825	3,023	3,960	25	1,452	6,450	279	1,249	181	4,259	1,370	165	132	22,544	21,825	719	22,672	
Events Income	55,307	54,917	0	39,690	265	1,458	0	0	0	0	0	2,088	-2,062	-23	41,415	54,917	-13,502	203,988	
Union Income	124,090	100,250	81,005	5,307	1,534	24	22,386	25,877	6,697	8	9	1,020	810	47,970	192,648	100,250	92,398	69,997	
Motor	0	0	0	0	0	0	0	0	0	0	275	275	0	0	550	0	550	1,730	
Internal Recharges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35,928	
Total Income	2,439,047	2,232,876	225,944	211,593	184,167	148,568	172,869	178,121	150,295	142,881	289,935	186,459	178,494	209,860	2,279,186	2,232,876	46,311	3,033,837	
Staff Costs																			
Staff. Salaries & Wages	-1,741,604	-1,696,322	-126,041	-130,994	-135,625	-135,261	-132,134	-135,852	-124,341	-131,197	-133,624	-130,655	-135,483	-144,165	-1,595,371	-1,696,322	100,951	-1,411,411	
Staff. Agency	-15,600	-15,600	0	-2,828	0	-2,514	-5,000	4,032	-1,200	-1,709	-1,919	-1,840	-3,143	-1,563	-17,684	-15,600	-2,084	-13,723	
Staff. Casual	-141,907	-112,296	-1,479	-16,603	-30,968	-10,147	-8,181	-688	-3,537	-7,520	-6,379	-8,428	-6,669	-5,579	-106,179	-112,296	6,117	-293,842	
Total Staff Costs	-1,899,111	-1,824,218	-127,520	-150,425	-166,593	-147,923	-145,315	-132,508	-129,078	-140,427	-141,921	-140,923	-145,296	-151,307	-1,719,234	-1,824,218	104,984	-1,718,976	
Other Expenditure																			
Commercial	-71,306	-49,299	-1,789	-17,762	-16,589	-1,925	-555	-15	0	0	-4,925	-11,160	-11,310	-2,370	-68,400	-49,299	-19,101	-305,788	
Staff. Other	42,438	49,121	-3,868	-1,512	-1,479	-6,281	-605	-1,095	-5,253	0	-100	-2,120	-1,799	-4,337	-28,449	49,121	-77,570	-22,149	
Student groups	-1,290	-600	0	-585	-390	-1,244	-2,561	-442	-325	-144	-367	-44	-75	-1,319	-7,495	-600	-6,895	-22,845	
Sports	-215,660	-119,110	-18,632	-364	-799	-6,583	-135	124	-31	-15,544	1,463	2,220	-1,550	-1,261	-41,092	-119,110	78,018	-213,869	
Advertising & marketing	-26,500	-10,930	-3,525	-2,642	-2,855	-40	-60	-430	-250	-183	-240	-200	-3,170	-3,278	-16,873	-10,930	-5,943	-7,473	
Event costs (direct)	-51,759	-98,600	-21,100	-33,662	-25,722	-3,854	0	0	0	0	0	-363	-533	-31	-85,264	-98,600	13,336	-202,766	
Union expenses	-90,754	-87,614	142	-38,284	-2,503	-221	0	-206	-27,281	-3,976	-2,328	-4,837	-3,230	-5,349	-88,073	-87,614	-459	-7,729	
Administration	-34,514	-25,064	-1,454	-2,893	-1,514	-1,506	-1,163	-897	-791	-771	-1,049	-842	-4,915	-6,872	-24,667	-25,064	397	-37,746	
Motor expense	0	-5,000	2,851	-1,234	-429	-372	-372	0	-744	-372	-372	0	-744	-386	-2,177	-5,000	2,823	-87,077	
Internal Recharges	-16,548	-11,548	0	0	-16,548	0	5,000	0	0	3,500	0	1,200	0	0	-6,848	-11,548	4,700	-10,767	
Volunteer and student costs	-13,739	-8,480	-84	0	-631	0	-350	0	-48	0	-91	-139	-584	-4,884	-6,811	-8,480	1,669	-8,734	
Establishment	-117,846	-116,676	-44,789	-11,082	-2,375	-13,464	-1,071	-1,055	-7,244	-463	-2,418	-1,350	-44	-2,532	-87,888	-116,676	28,788	-110,537	
Asset and finance expenses	-180,362	-122,959	-3,644	-11,278	-19,618	-4,959	-5,784	-2,621	-2,766	-2,529	-4,923	-1,923	-7,045	-60,347	-127,438	-122,959	-4,479	-114,165	
Depreciation	-15,600	-15,600	-1,217	-1,217	-1,217	-1,217	-1,019	-1,019	-11,677	-2,333	-2,281	-2,281	-2,562	-2,507	-30,548	-15,600	-14,948	-14,607	
	-1,586,880	-1,244,720	-194,221	-245,032	-185,338	-83,331	-17,350	-15,313	-112,820	-45,631	-35,264	-43,675	-75,122	-190,950	-1,244,047	-1,244,720	673	-2,332,508	
Total Other Expenditure	-793,440	-622,360	-97,111	-122,516	-92,669	-41,666	-8,675	-7,656	-56,410	-22,816	-17,632	-21,837	-37,561	-95,475	-622,024	-622,360	336	-1,166,254	
Total Expenditure	-2,692,550	-2,446,578	-224,630	-272,941	-259,262	-189,588	-153,990	-140,164	-185,488	-163,242	-159,553	-162,760	-182,857	-246,782	-2,341,258	-2,446,578	105,320	-2,885,231	
Net Surplus/(Deficit)	-253,503	-213,702	1,314	-61,348	-75,095	-41,020	18,879	37,957	-35,194	-20,361	130,382	23,698	-4,363	-36,922	-62,072	-213,702	151,631	148,606	

PURPOSE

To recommend a reserves policy to be presented to the Board of Trustees for approval

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Page 1-2: Report

Page 2-3: Appendix 1: Reserves Policy

REPORT**1. BACKGROUND**

- 1.1. The Board of Trustees at their last meeting in June approved a recommendation to create a Reserves policy separate from the Annual Report.

2. RESERVE POLICY

- 2.1. Appendix 1 shows the draft policy which details the purpose and processes for managing SU reserves. The section on Free Reserves is blank pending approval from the board on which method of calculation should be used.
- 2.2. The minimum amount to be designated for the free reserves will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time, as per Charity Commission guidance. The free reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes.
- 2.3. To date, the SU aimed to retain 10% of the annual cost and 25% of the trading margin as its minimum reserves.
- 2.4. In 2020/21 this target was reduced to a flat £150,000, in response to COVID-19 uncertainty. This target has been extended to the end of FY21/22 whilst we recover from the impact of the pandemic.
- 2.5. Moving forward we will revert to a calculated method of determining the minimum reserves value enabling us to have a value reflecting current position.

Option 1 (recommended) 12.5 % full annual cost. As stated above the Charity Commission recommends using costs to cover a set period of time however they recognise that SU's have the security of their major funder and so the period can be shorter. 12.5% would provide us with approximately 6 weeks cover which is line with other SU's.

Option 2 10% full annual cost and 25% trading margin (method used to date). Trading margins have decreased over last couple of years and there is caution moving ahead with some concern over what post pandemic commercial returns will look like. With a decreasing GP this may not provide a material measure.

Applying these to our figures for fy21/22 looks as follows. The full annual cost is calculated as the total unrestricted expenditure less the block grant.

	Option 1	Option 2	Current
% annual cost	£213,128	£170,502	
% trading margin		£ 28,078	
Total	£213,128	£198,580	£150,000

Period covered	1.5mths	1.4mths	1mth
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ACTIONS

The Finance & Audit Committee is asked to decide if they accept the following recommendations:

Recommendation 1: To approve Option 1 for calculating the minimum free reserves amount.

Recommendation 2: To approve the recommendation of the reserves policy to the Board of Trustees.

CONTACT:	Helen McHenry (<i>Head of Finance</i>) Gregory Noakes (<i>Governance & Executive Support Manager</i>)	E-Mail: h.m.mchenry@bath.ac.uk gdn26@bath.ac.uk
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APPENDIX 1: THE STUDENTS' UNION (THE SU) RESERVES POLICY

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Purpose

The purpose of the free reserves for The SU is to help ensure the long-term ability of the organisation to meet its mission. The SU will maintain free reserves to achieve the following objectives:

- to designate to specific projects to enable these to be undertaken at short notice;
- to protect The SU against adverse economic conditions within commercial operations; and
- to provide a fund for capital replacement or refurbishment.

The free reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

SU Reserves

The SU's total reserves is calculated by its total assets less liabilities. Included in this is a number of assets which can only be used for a specific charitable purpose, for e.g. Society membership income or alumni funding. These are classed as restricted funds and are accounted for separately.

The Reserves policy focuses on the remaining reserves which are known as unrestricted. Some of these unrestricted reserves are tied up in tangible fixed assets and stock, and some have been designated for a specific purpose of the SU's choosing e.g. Volunteer group income. Removing these commitments leaves us with the unrestricted 'free' reserves which are the funds available for any use in line with our charitable objectives.

Free Reserves

TBC

Funding Free Reserves

The target minimum for the free reserves will be calculated each year as part of the annual budgeting process.

The free reserves will be funded annually with surplus unrestricted operating funds.



Using Free Reserves

The Chief Executive and senior staff will identify reasons for accessing the free reserves and confirm that the use is consistent with the purpose of the free reserves as described in this Policy.

As a part of this process, The SU will:

- analyse the reason for the needed funds;
- assess the availability of any other sources of funds before using free reserves; and
- evaluate the time period that the funds will be required, and then replenished.

A request will be submitted to the Finance & Audit Committee which will include the analysis and determination of the use funds and plans for replenishment. They will then approve, reject or modify the request.

The Head of Finance will be responsible for ensuring that:

- free reserves are maintained and used only as described in this Policy;
- records of the use of reserves and plan for replenishment are maintained.

The SU will provide regular reports to the Finance & Audit Committee of progress to restore the fund to the target minimum amount.

Review of Policy

This policy will be reviewed every year by the Finance & Audit Committee, or sooner if warranted by internal or external events or changes.

PURPOSE

To report on the review of the risk register and seek approval for recommending this to the Board of Trustees for approval.

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- Page 1-2: Report
- Page 3: Appendix 1: Risk Register without tracked changes
- Page 4-5: Appendix 2: Risk Register with tracked changes

REPORT

1. BACKGROUND

- 1.1. Risk is defined as uncertainty surrounding events and their outcomes that may have a significant impact, either enhancing or inhibiting a particular SU activity or operation.
- 1.2. Risk is an everyday part of charitable activity and managing it effectively is essential if The SU is to achieve its key objectives and safeguard its funds and assets.
- 1.3. The SU uses a risk register to record the significant risks to the organisation along with the controls & measures that have been put in place to help mitigate these.
- 1.4. Risks on the risk register are assessed by assigning a value between 1-5 to likelihood and impact. The likelihood and impact is then x together to create the gross risks which is the overall risk without any controls or measures in place. The same sum is then carried out again, after controls & measures are applied, to identify the net risk.
- 1.5. The aim, where possible, is to try and reduce the net risk to either a low or medium risk, although this is not always possible. The below table explains the scores that are used to divide risks between low, medium and high.

Risk Key	Score	Impact
Low risk	1-9	Small and easily managed at operational level
Medium risk	10-16	Overall performance might be significantly affected
High risk	17-25	Potential to be catastrophic for The SU

2. AMENDMENTS TO RISK REGISTER FORMAT

- 2.1. The following amendments have been made to the risk register following consultation with Senior Management:
 - changes have been made to the wording and format of the risk register to make it easier to understand and clearer to see who is responsible for monitoring risk controls;
 - a few risks have been separated out or merged together. These are:
 - ‘Poor strategic and financial planning leads to poor use of resources’ has become:
 - ‘Poor strategic planning results in poor use of resources and
 - ‘Poor budgetary control and financial reporting results in poor use of resources and/or financial loss’;
 - ‘Poorly run student group activity leads to serious injury/fatality’ and ‘Poor workplace environment leads to serious injury/fatality’ has become:
 - ‘Poor health & safety leads to accident resulting in serious injury or death’;
 - ‘Insufficient University block grant leads to loss/restructure of SU’ and ‘Poor commercial income performance leads to deficit budget’ has become:

- 'Change to University block grant and/or poor commercial income impacts on budget'
 - the scores used within the risk register key have been changed to make it easier to distinguish between high, medium and low level medium risks.
- 2.2. The full changes made to the risk register can be seen in appendix 2 which includes a risk register with tracked changes.

3. SIGNIFICANT RISKS UPDATED

- 3.1. The following significant risks have been updated following consultation with the senior management team:
- Change to University block grant and/or poor commercial income impacts on budget;
 - University review of VAT treatment on staff salary recharges results in significant cost to SU.
- 3.2. The 'net risk' for these risks had previously been medium. However following conversations with the senior management team there was agreement that the current controls & measures in place do not actually mitigate these risk. The 'net risk' for these have therefore been updated to accurately show that these remain high risk.
- 3.3. Due to the nature of these high risks the actions that The SU can take to mitigate these is currently limited. Therefore the focus must be on ensuring appropriate monitoring processes are in place.

ACTIONS

The Finance & Audit Committee is asked to decide if they accept the recommendation of this paper:

Recommendation 1: To approve the recommendation of the risk register to the Board of Trustees.

CONTACT:	Gregory Noakes (<i>Governance & Executive Support Manager</i>)	E-Mail: gdn26@bath.ac.uk
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APPENDIX 1: Risk Register without tracked changes

Risk Key	Score	Impact
Low risk	1-9	Small and easily managed at an operational level
Medium risk	10-16	Overall performance might be significantly affected
High risk	17-25	Potential to be catastrophic for The SU

	Risk(s) identified	Impact	Likelihood	Gross Risk	Controls & measures	Impact	Likelihood	Net Risk	Movement	Responsibility
1	Change to University block grant and/or poor commercial income impacts on budget	5	4	20	Monthly monitoring of business performance and return. Reserves to cover adverse commercial conditions or small changes to budget. Budget annually approved and management accounts reviewed quarterly.	5	4	20	-0	Head of Finance/Head of Commercial/Chief Executive Head of Finance/Finance & Audit Committee Finance & Audit Committee/Board of Trustees
2	University review of VAT treatment on staff salary recharges results in significant cost to SU	5	4	20	Monitoring the situation	5	4	20	-0	Head of Finance
3	Poor health & safety leads to accident resulting in serious injury or death.	5	4	20	Health & Safety policy reviewed annually. Health & safety inspections. Insurance cover reviewed annually. Risk assessments for activities. Review of Health & Safety performance and assurance	5	3	15	-5	Governance & Executive Support Manager/Leadership committee Governance & Executive Support Manager/SU Safety Coordinator Head of Finance/Chief Executive All Staff/Volunteers Leadership (bi-annual)/Board of Trustees (annual)
4	Poor strategic planning results in poor use of resources	4	4	16	Budgets linked to annual area planning and business cases Key Performance Indicators reviewed	4	3	12	-4	Relevant Manager/Head of Finance/Chief Executive Leadership (bi-annual)/Board of Trustees (annual)
5	High staff turnover or loss of key staff impacts on team's ability to deliver service.	4	4	16	HR systems and procedures. 1-3 month notice period for staff to allow handover and succession planning. Staff role profiles setting out duties and responsibilities kept up to date.	3	4	12	-4	University Staff member/relevant line manager Relevant line manager/University
6	Poor budgetary control and financial reporting results in poor use of resources and/or financial loss	4	4	16	Budgets linked to annual area planning and business cases Procedures for segregation of duties and authorisation of expenditure. SU bank accounts monitored by Finance team. Budget annually approved and management accounts reviewed quarterly.	3	4	12	-4	Relevant Manager/Head of Finance/Chief Executive Head of Finance Head of Finance Finance & Audit Committee/Board of Trustees
7	Poor Covid-19 measures results in local outbreak	5	3	15	All rooms have been risked assessed. Room occupancy and one way systems set-up. Student Groups must COVID-19 risk assess their activities/events. Attendance at all events registered to allow for track and trace if required.	5	2	10	-5	Relevant Manager/University Relevant Manager/University Student Groups/relevant area Student Groups/relevant area
8	Poor security of assets results in financial loss	5	3	15	Asset register Insurance cover reviewed annually. Facilities owned and managed by the University.	4	3	12	-3	Head of Finance Head of Finance/Chief Executive University
9	Fraud or error results in financial loss	4	3	12	Procedures for segregation of duties and authorisation of expenditure. Insurance cover reviewed annually. Annual external audit. SU bank accounts monitored by Finance team.	4	2	8	-4	Head of Finance Head of Finance/Chief Executive Head of Finance/Finance & Audit Committee/Board of Trustees Head of Finance
10	Poor information security results in data breach	4	3	12	IT systems and data back-up. Data sharing agreement with University. GDPR training for staff and student groups. Data protection policy reviewed every two years. Privacy policy reviewed every two years.	4	2	8	-4	University Chief Executive/University University/Activities Team/Peer Support team Governance & Executive Support Manager/Leadership committee Governance & Executive Support Manager/Leadership committee
11	Poor relationship with principle funder (University) undermines The SU	4	3	12	Meetings with University Senior Management team. Reporting on major projects/achievements.	4	2	8	-4	Officers/Chief Executive Officers/Chief Executive
12	Poor Student Member satisfaction and engagement leads to disengagement with The SU	4	3	12	Complaints process for issues to be raised and addressed. Monitoring of number and nature complaints received. Student surveys on satisfaction and engagement. Performance benchmarked against other SU's using NSS survey	4	2	8	-4	Governance & Executive Support Manager Leadership Committee. Head of Student Voice/Insights & Engagements Manager Head of Student Voice/Insights & Engagements Manager

APPENDIX 2: Risk Register with tracked changes

Risk Key	Score	Impact
Low risk	1-98	Small and easily managed at an operational level
Medium risk	109-162	Overall performance might be significantly affected
High risk	173-25	Activities/services might need to be terminated potential to be catastrophic for The SU

	Risk(s) identified	Impact	Likelihood	Gross Risk	Controls & measures	Impact	Likelihood	Net Risk	Movement	Responsibility
1	<u>Change to University block grant and/or poor commercial income impacts on budget</u> Insufficient University block grant leads to loss/restructure of SU	5 5	44	21 20	Monthly monitoring of business performance and return. Reserves to cover adverse commercial conditions or small changes to budget. Budget annually approved and management accounts reviewed quarterly. CE/President keep University senior management informed of SU finances Reserves can temporarily cover deficit while restructure.	54	43	12 20	-80	Head of Finance/Head of Commercial/Chief Executive Head of Finance/Finance & Audit Committee Finance & Audit Committee/Board of Trustees
2	<u>Poor commercial income performance leads to deficit budget</u>	5	4	20	CE/President keep Head of University Finances informed of SU finances Reserves can temporarily cover deficit while restructure.	4	3	12	-8	
23	<u>University review of VAT treatment on staff salary recharges with possible outcome resulting in significant cost to SU leads to significant increase in costs for The SU</u>	5	4	20	-Monitoring the situation CE/President keep University senior management informed of SU finances Reserves can temporarily cover deficit while restructure.	54	43	21 20	-80	Head of Finance
3	<u>Poor health & safety leads to accident resulting in serious injury or death.</u>	5	4	20	Health & Safety policy reviewed annually. Health & safety inspections. Insurance cover reviewed annually. Risk assessments for activities. Review of Health & Safety performance and assurance	5	3	15	-5	Governance & Executive Support Manager/Leadership committee Governance & Executive Support Manager/SU Safety Coordinator Head of Finance/Chief Executive All Staff/Volunteers Leadership (bi-annual)/Board of Trustees (annual)
44	<u>Poor strategic planning results in poor use of resources</u> Poor strategic and financial planning leads to poor use of resources	4 4	44	16 46	Budgets linked to annual area planning and business cases Key Performance Indicators reviewed Strategy and performance reviewed by Trustees on a quarterly basis. Management account and reserves reviewed by Trustees on a quarterly basis. Budget targets set to generate surplus income to fill and maintain reserves. Projects approved and reviewed by Trustees on a monthly basis.	4	3	12	-4	Relevant Manager/Head of Finance/Chief Executive Leadership (bi-annual)/Board of Trustees (annual)
5	<u>High staff turnover or loss of key staff impacts on team's ability to deliver service.</u>	4	4	16	HR systems and procedures. 1-3 month notice period for staff to allow handover and succession planning. Staff role profiles setting out duties and responsibilities kept up to date.	3	4	12	-4	University Staff member/relevant line manager Relevant line manager/University
6	<u>Poor budgetary control and financial reporting results in poor use of resources and/or financial loss</u>	4	4	16	Budgets linked to annual area planning and business cases Procedures for segregation of duties and authorisation of expenditure. SU bank accounts monitored by Finance team. Budget annually approved and management accounts reviewed quarterly.	3	4	12	-4	Relevant Manager/Head of Finance/Chief Executive Head of Finance Head of Finance Finance & Audit Committee/Board of Trustees
5	<u>Poorly run student group activity leads to serious injury/fatality.</u>	5	3	15	Suitable insurance to cover dangerous/common activities. Student Group events checked and approved by staff. Risk assessments for high risk activities approved by staff.	5	2	10	-5	
76	<u>Poor Covid-19 measures results in local outbreak Social distancing restrictions are not observed leading to staff/students catching COVID-19 and potential £10,000 fine.</u>	5	3	15	All Offices and meeting rooms have been risked assessed. University have determined room occupancy and set-up one way systems set-up. Student Groups must COVID-19 risk assess their activities/events. Student Group risk assessments are approved by SU staff. Attendance at all events registered to allow for track and trace if required.	5	2	10	-5	Relevant Manager/University Relevant Manager/University Student Groups/relevant area Student Groups/relevant area
8	<u>Poor security of assets results in financial loss</u>	5	3	15	Asset register Insurance cover reviewed annually. Facilities owned and managed by the University.	4	3	12	-3	Head of Finance Head of Finance/Chief Executive University

	Risk(s) identified	Impact	Likelihood	Gross Risk	Controls & measures	Impact	Likelihood	Net Risk	Movement	Responsibility
97	<u>Fraud or error results in financial loss</u> Fraud	4	3	12	Procedures for segregation of duties and authorisation of expenditure that include Insurance cover reviewed annually. Annual external audit. External audit carried out by Auditors report directly to Trustees annually. Management accounts reviewed by Trustees on a quarterly basis. Duties within the finance are appropriately segregated to ensure oversight. Financial authorisations in place across The SU. SU bank accounts monitored by Finance team.	4	2	8	-4	Head of Finance Head of Finance/Chief Executive Head of Finance/Finance & Audit Committee/Board of Trustees Head of Finance
108	<u>Poor information security results in data breach</u> Poor handling of personal data leads to data breach	4	3	12	IT systems and data back-up. Data sharing agreement with University. GDPR training for staff and student groups. Secure University managed IT system in place for SU. Data Handling policy sets out process for handling personal data. Appropriate training given to staff and student leaders/volunteers. Data protection policy reviewed every two years. Privacy policy reviewed every two years.	4	2	8	-4	University Chief Executive/University University/Activities Team/Peer Support team Governance & Executive Support Manager/Leadership committee Governance & Executive Support Manager/Leadership committee
119	<u>Poor relationship with principle funder (University) undermines The SU</u> Poor relationship with the University undermines SU	4	3	12	Meetings with University Senior Management team. Reporting on major projects/achievements. Regular engagement with University senior management via Officers/CE. Officers sit on key University decision making bodies (senate, council etc). Service Level Agreement in place with University setting out relationship.	4	2	8	-4	Officers/Chief Executive Officers/Chief Executive
120	<u>Poor Student Member satisfaction and engagement leads to disengagement with The SU</u> Poor student engagement and diversity leads to poor student representation	4	3	12	Complaints process for issues to be raised and addressed. Monitoring of number and nature complaints received. Student surveys on satisfaction and engagement. Performance benchmarked against other SU's using NSS survey	4	2	8	-4	Governance & Executive Support Manager Leadership Committee. Head of Student Voice/Insights & Engagements Manager Head of Student Voice/Insights & Engagements Manager

PURPOSE

To recommend a risk management policy for approval and adoption by the Finance & Audit committee.

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Page 1: Report

Page 3-4: Appendix 1: Risk Management Policy

REPORT**1. BACKGROUND**

- 1.1. The Board of Trustees at their last meeting in June approved a plan for the adoption and subsequent continual review of policies going forward. This plan was based on the 'core policies' as recommended by the National Council for Voluntary Organisations (NCVO). The risk management policy attached in appendix 1 is one of the 'core policies' recommended by NCVO.
- 1.2. The responsibility for the management and control of a charity rests with Trustees and therefore their involvement in the key aspects of the risk management process is essential, particularly in setting the parameters of the process and reviewing and considering the results.
- 1.3. The purpose of the policy attached in appendix 1 is to set out clearly in writing the responsibilities of the Board of Trustees and the senior management team for risk management.

2. LEGAL REQUIREMENT

- 2.1. Charities that are required by law to have their accounts audited must make a risk management statement in their Trustees' annual report confirming that '*...the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.*' (Charities (Accounts and Reports) Regulations 2008).
- 2.2. The Charity Commission makes clear that this does not mean that Trustees must undertake each aspect of the process themselves. Instead they should review and consider the key aspects of the process and results. The level of involvement should be such that they can make the required risk management statement with reasonable confidence.

3. RISK MANAGEMENT PROCESS

- 3.1. The SU keeps a risk register which is annually reviewed by the senior management team and Finance & Audit committee before being recommended to the Board of Trustees for approval.

ACTIONS

The Finance & Audit Committee is asked to decide if they accept the recommendation of this paper:

Recommendation 1: To approve and adopt the risk management policy.

CONTACT:	Gregory Noakes (<i>Governance & Executive Support Manager</i>)	E-Mail: gdn26@bath.ac.uk
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APPENDIX 1: THE STUDENTS' UNION (THE SU) RISK MANAGEMENT POLICY

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Statement of Principles	1
Risk Management Statement	1

Introduction

Risk is defined as uncertainty surrounding events and their outcomes that may have a significant impact, either enhancing or inhibiting any area of The SU’s operations. Risk is an everyday part of charitable activity and managing it effectively is essential if The SU is to achieve its key objectives and safeguard its funds and assets.

This policy outlines the basic principles and strategies that The SU applies to help manage its risks through ensuring significant risks are identified, known, managed and monitored, enabling The SU to:

- make informed decisions about how to respond to these risks and take timely action;
- make the most of opportunities and develop them with the confidence that any risks will be managed;
- improve forward and strategic planning;
- achieve the charity's aims more successfully.

Statement of Principles

The key areas of risk for The SU are identified, assessed and kept under review at appropriate intervals according to the assessed level of risk by the senior management team following the Charity Commission Guidance ‘Charities and risk management - CC26’.

The Chief Executive is responsible for ensuring that the risk register is reviewed and kept up to date by the senior management team.

The Board of Trustees should receive a copy of the Risk Register on an annual basis (*or more frequently if significant changes have emerged*) along with a summary of any changes that have been made to it.

The identification, assessment and management of risk is set in the context of CC26 which divides the risks into the following categories:

- Governance risk;
- Operational (*and strategic*) risk;
- Finance risk;
- Environmental and external risk;
- Law and regulation compliance risk.

Risk Management Statement

By law The SU must make a risk management statement in their Trustees' annual report confirming that the Board of Trustees have given consideration to the major risks to which The SU is exposed and satisfied themselves that suitable controls are in place to manage those risks.

The statement includes:

- a description of the current key strategic risks faced
- how each risk is managed or mitigated
- that these risks and other identified risks relating to The SU are analysed in a formal risk register which includes controls and actions to mitigate the risks.