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| Meeting: | Finance and Audit Committee |
| Location: | Online via Microsoft Teams |
| Date & Time: | Thursday 24 th November 2022 9.00 – 11.00 |
| Present: | |
| <i>Name</i> | <i>Role</i> |
| Elizabeth Stacey | Sport Officer (Chair) |
| Alexander Robinson | SU President |
| Barry Hughes | Independent Trustee |
| Kate Aldridge | Independent Trustee |
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| In Attendance: | |
| <i>Name</i> | <i>Role</i> |
| Beki Self | Senior Administrator (Governance) (Secretary) |
| Helen McHenry | Head of Finance |
| Emily Burstow | Finance Manager |
| Mandy Wilson-Garner | Chief Executive |
| Mike Dalton | Head of Commercial – Events and Venues |
| Janette Joyce | Audit Partner from Crowe |

| Item | | | | | | | | | | |
|----------------|---|----------|--------|----------|--------------|------------------|-----|----------------|----------------|-----|
| 1. | <p>Apologies for absence</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Reason</th> <th>Accepted</th> </tr> </thead> <tbody> <tr> <td>Jordan Kenny</td> <td>Work Commitments</td> <td>Yes</td> </tr> <tr> <td>Nicky Passmore</td> <td>Sickness Leave</td> <td>Yes</td> </tr> </tbody> </table> | Name | Reason | Accepted | Jordan Kenny | Work Commitments | Yes | Nicky Passmore | Sickness Leave | Yes |
| Name | Reason | Accepted | | | | | | | | |
| Jordan Kenny | Work Commitments | Yes | | | | | | | | |
| Nicky Passmore | Sickness Leave | Yes | | | | | | | | |
| 2. | <p>Notice of any other business No AOB were raised.</p> | | | | | | | | | |
| 3 | <p>Declaration of conflict of interest No conflicts of Interest were declared.</p> | | | | | | | | | |
| 4. | <p>Minutes of the previous meeting and matters arising</p> <p>Minutes from last meeting were approved.</p> <p>From actions arising the Chair noted that the Impact of inflation/cost of living and revised budget are items in today's meeting.</p> <p>Revised risk register was taken to Board of Trustees and has subsequently been approved therefore this action is complete.</p> <p>Head of Finance provided and update regarding the Finance Policy and Scheme of Delegation. It was noted there is now a timeline in place to review these with both in draft form. The Head of Finance and the Governance Administrator have weekly meetings in place to ensure this stays on track.</p> <p>Action for a draft Finance Policy and Scheme of Delegation to be brought to the next Finance and Audit Committee for feedback.</p> | | | | | | | | | |

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| | <p>The chair also noted the decisions made without meeting which was to approve to restrict an AOB from the published minutes of the last meeting due to concerns of confidentiality.</p> |
| 5. | <p>Annual Accounts and Audit Findings 9.02 – 9.28</p> <p>Janette Joyce, Audit Partner from Crowe UK LLP provided a verbal overview of the Annual Accounts (R1) and the Audit Findings (R2)</p> <p>The aim of the audit is to provide reasonable assurance the financial statements as a whole are free from material misstatement and produce a report that includes the auditor’s opinion.</p> <p>In creating the report, the trustees were responsible for observing the principles in the Charities SORP and ensuring the financial statements comply with the Charities Act 2011 and Charity (Accounts and Reports) Regulations.</p> <p>It was explained that the controllable surplus was predominantly due to staff vacancies and a bumper commission from graduation photos.</p> <p>The SU is in a positive net current asset position with appropriate reserves capable of covering 6 weeks operational costs.</p> <p>Jeanette noted that the Union should be very happy with how the Audit was closed.</p> <p>QUESTION – A Trustee A trustee asked how does the financial position and accounts compare to other SUs?</p> <p>ANSWER – Jeanette The year has been changeable across the sector. There were a lot of factors including location (Campus University or non campus University), footfall and many SUs have benefitted financially from staff vacancies. Some Unions have made the decision to close club venues or not hold events due to lack of engagement. It was noted that the Unions who were struggling was due to pension scheme commitments that are out of that control. This is not an issue The SU has to face.</p> <p>Jeanette provided a verbal overview and summary of the Audit recommendations.</p> <p>The audit is required by charity law. Crowe use 1-2% of income to judge materiality which equates to approximately £99,000. Crowe then check the risk of misstatement and from the sample draw conclusions about the statement as a whole.</p> <p>The findings report is only about the exceptions and therefore does not talk about what the organization has done well or correctly.</p> <p>Jeanette wanted to offer her thanks to Helen and Emily for the skill in preparing the audit and support during the week of the audit.</p> <p>The result of the audit was a clean audit report.</p> <p>Some potential risks were highlighted during the audit. Emphasis was made to assure the committee that these risks are not due to any particular individual but due to the type and size of organisation the SU is.</p> <p>The block grant is not deemed a risk, but other grants could potentially be a risk.</p> |

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| | <p>The only significant grant risk noted was the rent in kind grant. This is due to things such as estimates being out of date however the auditors have stated it is clear this is out of control of the SU and the number is provided by the University.</p> <p>In any small organisation journal overwriting is a significant risk. There is now a process for independent review of journals which helps to mitigate the risk of management overwrite controls.</p> <p>The SU needs to ensure grants are classified accurately in terms of restricted or unrestricted funds by obtaining clear instruction on receipt. To date there has been a lack of definition from the grant provider. The risk is deemed minimal, but it would be good practice to have more clarity in this area.</p> <p>It was highlighted that what constitutes a fraud risk and how fraud will be looked at within audits is changing. Auditors will be required to hold discussions about fraud risks in much more detail than previously. In the future, auditors will need to talk to management about the risk management of fraud.</p> <p>Over the coming year, The SU will need to carry out a fraud risk assessment. This needs to consider the gross risk with a focus on what controls we have in place to prevent a material misstatement.</p> <p>Trustee stated they are very pleased with the audit outcome.</p> <p><i>Jeanette left the meeting at 9.29</i></p> |
| 6. | <p>Financial Position 9.31 9.41 Emily Burstow presented the Financial Position update.</p> <p>The additional VAT on salaries has resulted in a large variance deficit, this is a timing issue The baris down on the predicted budget. This is in part due to higher purchase costs, reading week and issues affecting food sales. New external company is managing the two club nights held in the bar. Attendance has been good but profits are down due to the 50% commission and promotions paid out.</p> <p>Commercial stalls are doing well.</p> <p>Transport exceeding our year to date budget and is being monitored. Transport is a particularly risky area. Our coach supplier agreed to keep costs held the same as last year. However cost of fuel and public transport such as trains has increased.</p> <p>Detailed forecast meetings will be held with all budget holders and forecasts presented going forward.</p> <p>Restricted reserves. High membership with student groups is positive. There has been changes to how the Alumni Fund is allocated which is hoped to encourage more applications.</p> <p>Minimum reserves 12.5 of annual cost which covered about 6 weeks of costs. This is currently exceeded.</p> <p>Two capital purchases so far, portable bar and the industrial air fryer. Monitoring allocated costs.</p> <p>RAG has been quite high, likely due to a lot of events this quarter such as the fireworks show. EB will meet with RAG to ensure the money raised is appropriately allocated.</p> <p>Emily asked the Trustees if they had any questions.</p> <p>QUESTION Variances with the University regarding the block grant and the salary, does that equal out?</p> |

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| | <p>ANSWER There is a lag with direct debit payments which should even off throughout the year. The SU also has lower income than this time last year but more details can be covered in the revised budget. Trustee was happy for this to be covered in the revised budget item.</p> |
| <p>7.</p> | <p>Commercial Operations 9.43 10.00 <i>Mike Dalton joined at 9.43</i></p> <p>Mike outlined how the operation of the night club had changed. In particular this focused on driving attendance. It was noted that this may be a longer process but investing in the club nights does produce additional costs. There has been a focus on rebuilding the relationship with larger sports clubs and gaining loyalty from them.</p> <p>Due to the cost of living crisis there has been an impact on the club nights. Clubs in town are turning their focus to students every night of the week due to lower public numbers resulting in more competition. There is currently a bit of a dip which has been a historical pattern but the upcoming Christmas events should help to build this back up.</p> <p>Landscape has changed, we are adapting well.</p> <p>QUESTION – Trustee How do numbers of attendance compare to pre-pandemic levels?</p> <p>ANSWER The year before the pandemic saw a 1.4mil income for the bar (including Summer Ball). There were around 800-1000 people throughout the year attending club nights. Historically there has always been a trend of sell outs for the first 4-5 weeks before a dip in attendance. Given the year before the pandemic could be seen as the peak productivity of the bar, 700-800 would be a good benchmark to aim for with attendance.</p> <p>Events such as weekend warm up and karaoke have become much more popular than previous years. Currently the World Cup is providing strong daytime trade. This is having a knock on impact to food sales which are increasing.</p> <p>The food offer was a bit bumpy at the beginning of the year. This was chiefly due to the airfryer not working but since the replacement has been in place there have been no issues.</p> <p>In terms of service there have been no issues with volume. Having a graduate in as a casual worker in the kitchen has helped training and consistency. This highlighted the need for a permanent position and following a successful regrading the University has agreed to raise the kitchen supervisor role to a grade 4 in line with AHS staff.</p> <p>The STV Bar has been running a trial period at Super Rugby games. Generally has been doing really well but it can be hit or miss depending on the weather and away fan numbers. Mike is currently in talks with STv and AHS about licensing and starting to look at expanding the portable bar use to include Hockey. STV bar.</p> <p>A trustee noted the report was really clear and informative and thanked Mike.</p> <p><i>Mike Dalton left the meeting at 10.15</i></p> |
| <p>8.</p> | <p>Revised Budget 10.16 <i>Helen McHenry presented the revised budget.</i></p> |

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| | <p>The original budget was written in April, since then there have been significant changes in VAT on salaries and a difference in the block grant.</p> <p>Some budget lines have been reallocated in line with actual. The photo commission budget has been revised after being too conservative previously.</p> <p>There have been a number of staff changes due to restructures in multiple teams, a HERA revision of advisor grade level and revision of the digital role.</p> <p>The budget for the commercial area has a lack of certainty.</p> <p>There is no definitive reason for shortfall but multiple potential reasons including the cost of club nights. It is hoped with 85% of exams going to be in person there will be a boost to income in the January period as more students will be on campus.</p> <p>It's also noted that ongoing staff vacancies and the potential cost of Chief executive recruitment may cost up to 48k from the SU reserves.</p> <p>Head of Finance asked the trustees if they would prefer a further revised budget adjusting the commercial area or would they be happy to agree a capped amount from reserves to underwrite any potential shortfall.</p> <p>QUESTION - Trustee What is the gap between reserves and minimum reserves needed? ANSWER – Head of Finance Free reserves are currently £255k above the minimum hold of £206k.</p> <p>A trustee noted that we could support Commercial from reserves this year but we need a long term plan to ensure that this does not become an annual occurrence.</p> <p>Head of Finance agreed and confirmed plans were in place to review this area going forward.</p> <p>There is success on diversity of events. There will need to be conversations about the club nights. This will be covered in the work on creating the new SU strategy.</p> <p>Unanimous approval from trustees of accepting the shortfall and covering this with money from the reserves.</p> <p>QUESTION – Trustee Does the annual budget need to be completed so early? ANSWER – Head of Finance Helen agreed it is prepared early but we have to work to the University timetable which requires us to present our block grant request to them in April. Helen stated that she is concerned about the timeline for annual planning this year as negotiations with the University about the block grant and salary recharge arrangement have not yet happened. The strategy and capacity review work will not be completed in time to be considered at the new planning round.</p> <p>QUESTION - Trustee Do we need to put these concerns on our risk register? ANSWER – Another Trustee Highlighted there is already an item on the VAT which this will likely be included under.</p> |
| 9. | <p>Cost of Living 10.16</p> <p>Student group membership is the same and there has been a lot of engagement with the new kit supplier.</p> |

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| | <p>There is currently no evidence whether the commercial deficit is related to the Cost of Living crisis.</p> <p>Across the SU there is a lot of work being undertaken to support students. In December there will be a more in depth survey to see particular impacts on students.</p> <p>Some clubs are wanting to offer grants, particularly clubs that are costly to participate in such as cheerleading.</p> <p>QUESTION – Trustee Are these groups higher cost due to equipment needed or is it something else?</p> <p>ANSWER – Elizabeth Stacey Some clubs do have expensive equipment but others the cost of the competitions is the main financial cost.</p> <p>QUESTION – Trustee Do we do any lobbying around competition costs and where competitions are held?</p> <p>ANSWER – Elizabeth Stacey. Elizabeth noted they are meeting with other Sus to talk about the costs involved and plan to approach the organising bodies.</p> <p>Recruitment has been challenging but many vacancies are now filled.</p> <p>There has been no data on the pressures of staff relating to the cost of living. It was noted that the University has provided support pages for staff. The University will be releasing a survey to all staff and it should be possible to extrapolate the data relating to SU staff.</p> <p>There has been some increased supplier costs but most have remained within budget.</p> <p>A Trustee highlighted that this was a good report and it was helpful to keep an eye on the topic. It is also reassuring to know the SU is protected from a lot of areas that impact other organisations.</p> |
| 10. | <p>Direct Tax Review 10.29 <i>Direct Tax Review presented by Helen McHenry</i></p> <p>The direct tax review highlighted 4 areas that may be out of scope for tax exemption; sponsorship, advertising, stall hire and theatre hire.</p> <p>21/22 was well under the 80k small trading exemption.</p> <p>The SU has remained comfortably under this threshold to date.</p> <p>Does not currently feel it is necessary to set up a trading subsidiary however will continue to monitor the situation.</p> <p>A trustee noted it was good to have the assurance and agreed that there is no need to currently look into setting up a trading subsidiary.</p> |
| | Any other business |

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| | N/A |
| | Date and time of future meetings 27 th January 9.00 |
| The meeting ended at 10.35 | |

| Item | Action | Action Owner | Exp Finish |
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| | To share with the committee with a draft version of the Finance Policy and Scheme of delegation for comment and feedback. | Helen McHenry/Beki Self | Jan 2023 |
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