

Covid-19 Critical Response Group: Financial Consultancy

29th June 20

Anna Dodridge (General Manager)

This paper is a recommendation for a **decision** of the Covid-19 Critical Response sub-group of the SOAS SU Trustee Board. The recommendation is for a maximum of £3,360 of unbudgeted expenditure on a financial consultant to support our current financial situation.

This paper includes commercially sensitive information and is therefore **confidential**.

Trustees are asked to declare a conflict of interest if relevant in relation to [REDACTED]

Background & Context

The impact of Covid-19

We're now in the fourth month since Covid-19 was declared a pandemic and public health emergency, and since SOAS closed our campus down. SOAS are beginning to work towards re-opening the campus, with a great deal of limitations and restrictions. We're expecting a big drop in student numbers next year, and many of those students will not be on campus much even when it re-opens. Although the government is easing up on lockdown measures and potentially on social distancing guidelines, the reality is that is not likely to have a huge impact on what SOAS is offering on campus, and therefore how many people will be present next year. SOAS is going through a Transformation and Change process involving cutting £16m+ from their budgets next year. Our initial conversations with SOAS indicate that it is likely we will receive a **£7k cut** to our grant next year. Benchmarking against other Students' Unions this is not among the biggest cuts to grants, however combined with other issues, set out below, it is very challenging for us.

SOAS SU relies on two main sources of income, our grant from SOAS (25% of total income), and our trading income (68% of total income). It's important to put that into the context that 65% of our total expenditure is on our trading outlets – so the trading income is mainly used to cover the cost of running the bar and shop. Our trading has, over the past few years, contributed some surplus to enable us to build reserves, make capital expenditures like the shop re-fit, and one-off projects like the Black Student Support Coordinator this year. It also provides employment for 2 permanent members of staff (one student, one non-student) and around 30 students, earning London Living wage with flexible hours and good conditions.

As a result of Covid-19, coming on the back of significant closure time over the period of UCU Industrial Action, we've not been able to do any trading since March 2020. We will remain closed for the rest of this financial year (until July 31st 20). The SOAS Main Building is remaining closed for the time being, with SOAS announcing plans up until September of a phased re-opening of the buildings, starting with Paul Webley Wing and the Library.

We have minimized any expenditure on our commercial functions as much as possible. The only current outgoings are

- [REDACTED]
- the cost of hire agreements in relation to our EPOS equipment (tills, card payment machines)

- honoring contracts for our coffee machine

However, these are still outgoings, and we have not been able to make our Commercial functions cost neutral since shutdown.

Existing Challenges

It's important to note SOAS SU's context existing underneath Covid-19 which makes this all the more challenging for us. SOAS SU doesn't have the financial systems in place to deal with big changes to our finances or our commercial trading. We don't have systems set up for regular management account reporting. In an organisation of our size and complexity we should be reporting at least termly, and really it should be monthly. These reports should include up to date financial information that enables managers and budget holders to make decisions on what to spend money on, and that enables the commercial team to set income targets and monitor expenditure.

With a new finance manager role introduced this year we've been building our knowledge and unpicking the existing financial information, getting to grips with the system, and working with our auditors on our annual accounts.

We don't have adequate financial controls in place to monitor our cashflow (the money in the bank) and we don't have clear guidance for student groups on how to manage their budgets.

Outcomes

The outcome of the existing challenges, plus Covid-19 and a cut to our SOAS grant, is that we are in a financial situation we've never faced before. We need to be able to

- understand our current financial situation, and the impact on our finances that C-19 and strikes have had
- model different scenarios for next year, so that the Trustees have some clear options
- create a workable budget for 20/21 that Trustees feel they can approve with confidence
- put in place systems that enable us to closely monitor our accounts

Recommendations & Decisions

We did seek some support from SOAS to help us with re-forecasting our 19/20 budget, and putting in place some finance systems. We did produce a more detailed 19/20 budget which included our commercial and staffing costs, which has been reviewed by the SOAS Finance Director and supported the process of reviewing our grant. However, with SOAS' current financial situation, and the demands on their finance team it has been really difficult to get any time and support from them. I also have some concerns in relation to our independence and their agenda – they are firmly looking to reduce costs and make huge cuts at SOAS, and I think this impacts the way they are approaching our financial situation. We need to maintain our independence and have the freedom to make decision in accordance with our values and situation.

I am recommending that we contract a Financial Consultant to help us manage this situation. This would provide us with an appropriate level of financial expertise to understand our problems and find some solutions. We do not have that level of expertise internally, or on the Trustee Board.

I have had an initial conversation with [REDACTED] who is offering the following support:

- advice and assistance to the Charity in relation to a preparing the 2020/21 annual Budget as follows:
 - (a) understanding existing processes to capture financial information with particular regards to reviewing the year to date 2019/2020 YTD accounts (excluding tax review),
 - (b) review of the potential impact of covid-19/blended education model between September and December 2020,
 - (c) preparation of the Budget for the 2020/21 academic year that you are comfortable with to present to the trustees,
 - (d) development of the follow up process so that you will have timely and accurate information for decision making after the first quarter of the operation (July-September)
 - (e) including a 0.5 day support after the first quarter in October to follow up on the figures.

We would be aiming to complete this work (with the exception of (e) by the **end of July**)

The consultant quoted six to seven consultant days at [REDACTED] for the delivery.

It is my view that this is a competitive rate for this sort of work.

I have previously worked with [REDACTED] where she was employed to do similar work in relation to a pensions crisis. She also comes recommended from the CEO of Queen Mary SU. I found her excellent at unpicking complex financial issues, coming up with appropriate solutions and clearly communicating with non-finance experts. She understands the context of Higher Education and the charity sector.

In making these decisions as Trustees you need to be thinking about risks (see our [risk register](#)) and how we might reduce or avoid them.

- Financial Risks
 - Cash Flow – running out of actual money in the bank account
 - Reserves – using up our reserves to cover the cash flow, and being liable for outstanding debts
- Reputational Risks
 - Acting consistently with our values