

## FINANCE AND AUDIT COMMITTEE REPORTS – 24 NOVEMBER 2022

| Item  | Page Number | Report Number |
|---|-------------|---------------|
| Actions Arising and minutes of previous meeting | 1           | -             |
| Annual Accounts                                 | 8           | R1            |
| Audit Findings                                  | 52          | R2            |
| Financial Position                              | 89          | R3            |
| Commercial Operations                           | 93          | R4            |
| Revised Budget                                  | 96          | R5            |
| Cost of living                                  | 98          | R6            |
| Direct Tax Review                               | 102         | R7            |
|   |             |               |
|   |             |               |

| Actions arising from previous meetings  | Action Owner                                 | Started    | Expected finish | Progress/update  |
|---|--|------------|-----------------|--|
| Impact of Inflation and cost of living on budgets to be added to next Finance and Audit Committee meetings' agenda. | Head of Finance and Governance Administrator | 08/09/2022 | 24/11/2022      | Completed. Report prepared for November Committee  |
| Provide revised budget to the next Finance and Audit Committee meeting  | Head of Finance                              | 08/09/2022 | 24/11/2022      | Completed. Report prepared for November Committee  |
| Revise the risk register with committee's suggestions and present this at the next Board of Trustees meeting.       | Governance Administrator                     | 08/09/2022 | 24/11/2022      | Completed. Report was taken to board and subsequently approved in decision outside of a meeting. |
| Finance Policy to be circulated to members of the committee upon completion. Trustees asked to review and feedback. | Head of Finance                              | 27/01/2022 | February 22     |  |
| Scheme of delegated authority to be created   | Head of Finance/<br>Deputy Chief Exec        | 27/01/2022 | April 22        |  |

### Decisions made without a meeting

- Approval to restrict an AOB from the published minutes and reports of the meeting on 8th September due to concerns of confidentiality.

|                           |  |
|---------------------------|--|
| <b>CONTACT:</b> Beki Self | E-Mail: <a href="mailto:ras232@bath.ac.uk">ras232@bath.ac.uk</a> |
|---------------------------|--|

|                         |  |
|-------------------------|--|
| <b>Meeting:</b>         | Finance and Audit Committee                            |
| <b>Location:</b>        | Microsoft Teams Meeting                                |
| <b>Date &amp; Time:</b> | Thursday 8 <sup>th</sup> September 2022 at 9am         |
| <b>Present:</b>         |  |
| <i>Name</i>             | <i>Role</i>  |
| Elizabeth Stacey        | Sports Officer ( <i>Chair</i> )                        |
| Alexander Robinson      | SU President   |
| Barry Hughes            | Independent Trustee                                    |
| Kate Aldridge           | Independent Trustee                                    |
| Jordan Kenny            | Independent Trustee                                    |
| <b>In Attendance:</b>   |  |
| <i>Name</i>             | <i>Role</i>  |
| Beki Self               | Senior Administrator (Governance) ( <i>Secretary</i> ) |
| Helen McHenry           | Head of Finance  |
| Mandy Wilson Garner     | Deputy Chief Exec                                      |
| Emily Burstow           | Finance Manager  |
| Mike Dalton             | Head of Commercial – Venues and Events                 |

| Item           |   |          |        |          |                |                |     |  |  |  |
|----------------|---|----------|--------|----------|----------------|----------------|-----|--|--|--|
| 1.             | <p><b>Apologies for absence</b></p> <table border="1"> <thead> <tr> <th>Name</th> <th>Reason</th> <th>Accepted</th> </tr> </thead> <tbody> <tr> <td>Nicky Passmore</td> <td>Sickness leave</td> <td>Yes</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>The Chair noted that Valerie Copenhagen has resigned effective immediately due to changing personal circumstances that would allow for the flexibility needed to fulfil the role of trustee.</p> | Name     | Reason | Accepted | Nicky Passmore | Sickness leave | Yes |  |  |  |
| Name           | Reason  | Accepted |        |          |                |                |     |  |  |  |
| Nicky Passmore | Sickness leave  | Yes      |        |          |                |                |     |  |  |  |
|                |   |          |        |          |                |                |     |  |  |  |
| 2.             | <p><b>Notice of any other business</b></p> <p>Confidential Report</p> <p>Impact of inflation on budgets – To be added to next meetings agenda</p>   |          |        |          |                |                |     |  |  |  |
| 3.             | <p><b>Declaration of conflict of interest</b></p> <p>No conflicts of interest were declared.</p>  |          |        |          |                |                |     |  |  |  |
| 4.             | <p><b>Minutes of the previous meeting and actions arising</b></p> <p>The Committee approved the previous minutes and noted the matters arising.</p> <p>Head of Finance confirmed that action “Item on Commercial Ops risk and mitigation to be added for future reports” has been completed.</p> <p>Head of Finance confirmed that the action "The Head of Finance agreed to review the notes of the last meeting to see if this detail could be added" has been completed.</p>   |          |        |          |                |                |     |  |  |  |

|    |   |
|----|---|
|    | <p>The Head of Finance confirmed the action “Proposed dates for future meetings to be circulated to committee members” has been completed.</p> <p>A Trustee (KA) advised that they needed to leave the meeting at 10.00, therefore the committee agreed to take the remaining items out of order to allow for the trustee to be present for matters needing approval.</p>   |
| 5. | <p><b>Finance and Audit</b></p> <p>The Committee received the Report on finance and audit matters (see R1 of the committee reports)</p> <p>Head of Finance reported that the management accounts attached were draft and subject to change but predicted any changes to be minor.</p> <p>The SU finished the year with a surplus of £189k against the budget of -£24k. There are several factors that have contributed to this.</p> <p>Due to an increased number of staff vacancies a saving has been made on staff salaries. The reduced staff capacity has also impacted spending on SU activities due to reduced staff capacity.</p> <p>The SU had a notable income due to graduation photos. Prior to the Covid-19 pandemic the SU would often get around £50k commission for graduation photos. The 2021/22 year cautiously budgeted a £20k income from graduation photos this year due to the uncertainty of how graduation would run. £8K commission was made from the Winter graduation ceremonies, £63k was made for the catch up graduation ceremonies and £45k was made for this year’s ceremony. This income has covered much of the previous reserve loss.</p> <p>It was noted that the savings due to lower salary costs and lower activity costs have counteracted the lower sales revenue from the bar returned a £40k surplus against a budgeted £133k. This is explored further in item 8.</p> <p>It was emphasized that the finances are in good stead overall. Contributing to this was an increase in block grant which in part was comprised of a one-off cost of living payment for staff members.</p> <p>Some areas of the SU have not been as well forecast as they could be, including sports and arts.</p> <p><b>QUESTION - Trustee</b><br/>It is good to be in a positive financial position, but has this come to the detriment of member experience?</p> <p><b>ANSWER – Head of Finance</b><br/>We have strived hard not to affect student experience, but staff shortages do affect the activity we can put on and so possibly has had some adverse effect. This has been a reported issue across the sector, it is not isolated to The SU in Bath.</p> <p><b>QUESTION – Trustee</b><br/>Is there more we can do to ensure the alumni fund is used?</p> <p><b>ANSWER – Trustee (ES)</b><br/>The alumni fund has had its Terms of Reference changed to allow for more student groups to access it</p> <p>Noted by a trustee that this financial year may be an anomalous year due to the post covid factors amongst others. The trustee advises caution in using this data to make many decisions.</p> <p>It was highlighted that using the restricted funds should be a focus to use going forward.</p> |

|     |   |
|-----|---|
|     | <p>QUESTION – Trustee<br/>What do we do with our cash and how do we invest it?</p> <p>ANSWER – Head of Finance<br/>It is not invested; it is in a high interest bank account. The SU does not currently have an investment policy.</p> <p>A trustee recommended that a cash line or summary could be helpful on the report.</p> <p>Head of Finance highlighted that budgets need to be revised following changes from the block grant and salary allocation.</p> <p><b>ACTION: Head of Finance to bring revised budget to the next meeting of this committee.</b></p> <p>QUESTION - Trustee<br/>Can you explain the auditors concerns around segregation of duties?</p> <p>ANSWER: Head of Finance<br/>The list of concerns are potential and not definite but there is a chance that the auditors may be concerns around segregation of duty whilst there is not a Chief Executive in post.</p> <p>Overall the review of last year is positive and the auditors will provide any updates for the next Finance and Audit Committee.</p> <p>A review was commissioned of our income streams relating to taxable trading activity. We expect a recommendation for The SU to set up a trading subsidiary. The Head of Finance notes this is common practice within other SU’s. We will await report before evaluating options.</p> |
| 6.  | <p><b>VAT on supply of staff</b></p> <p>Previously the University as not charging VAT on SU salaries. HMRC queried this and following an investigation HMRC ruled that the salaries should have VAT charged.</p> <p>For The SU this means a new cost of approx. £17k per month of irrevocable VAT.<br/>The University has agreed to fund all extra costs to the SU for 1 year to 31 July 23.<br/>The University are looking into what the options are going forward in terms of SU salary payments.</p> <p>The ongoing activity has highlighted The SU to HMRC who have requested an audit of the last quarter.</p> <p>QUESTION – Trustee<br/>Is there anything in the HMRC audit that you are concerned about?</p> <p>ANSWER – Head of Finance<br/>Confident that all finances are in order. There is a slight concern that they may review and amend some of the existing rulings we have in place relating to VAT treatment of events.</p>   |
| 10. | <p><b><i>AOB Confidential Report</i></b></p> <p>This minute has been removed from the public minutes as it contains information that is of a sensitive and confidential nature.</p>   |

|           |  |
|-----------|--|
| <p>8.</p> | <p><b>Commercial Ops Risk and Mitigation</b></p> <p><b>Mike Dalton joins at 10.03</b></p> <p>Verbal update provided by Mike (MD).</p> <p>A consultancy report into the bar and events was conducted with the Deputy Chief Executive (MWG).</p> <p>Changes that have been made or are being made following the report:</p> <ul style="list-style-type: none"> <li>• Upgrades to bar and toilets in the venue.</li> <li>• Changes to the menu to enable food service to be quicker and cater to more 'grab and go' food.</li> <li>• Realisation that Friday nights were not being fully utilized and going forward with Karaoke and guest DJs from the University Radio Bath which also provides more opportunities for students.</li> <li>• Realigned relationship with A-List. Prior arrangement was not great going forward 50/50 split on both student club nights.</li> <li>• There has been some useful feedback from Sports Captains that trust has lessened between them and the SU. Work is being put in to rebuild these relationships.</li> <li>• Pre-drinking on campus has impacted footfall in the bar and in the club nights. They are now working with the University's AHS team to develop Limetree for being a social space 7-11 which may help feed footfall into club nights.</li> <li>• The previous arrangement with A-List meant they were more incentivized to put most promotional efforts into one club night over another. Now the commission gained is split between both club nights which will hopefully ensure greater consistency of promotion.</li> </ul> |
|           | <p><b>Business case</b></p> <p>The SU bar would like to work with the University to provide facilities where sports clubs can have a social space, particularly during and after matches. This would be done through a mobile bar facility. The University teams are supportive of the plans and the SU has agreed to provide staffing in terms of the mobile bar and security.</p> <p>The plan is to trial this with the Rugby club and if successful expand to other student groups.</p> <p>A trustee stated they felt it looked straight forward and would approve the proposal.</p> <p>Another trustee noted that other institutions use a portable bar facility extensively.</p> <p><b>BUSINESS CASE APPROVED BY THE COMMITTEE</b></p> <p>MD asked if the trustees had any other questions about the Business Case or Commercial Operations.</p> <p><b>QUESTION -Trustee</b><br/>How are you feeling about freshers week, particularly wristband sales and if there are any concerns about behaviour.</p> <p><b>ANSWER – MD</b><br/>There should be better occupancy on campus and feel hoping to build on already successful nights such as quiz night and cocktail night. Taking a cautious but optimistic approach and there are things in place to rebuild post pandemic.</p> <p>MWG highlighted it is important to note the changing demographics of students and how we need to adjust to students needs and wants. It raises thoughts about how appropriate is it to financially rely on the bar. This</p>   |

|            |   |
|------------|---|
|            | <p>coupled with cultural concerns about spiking and the difficulty competing with clubs in down as a safe venue further highlight the need to look into this.</p> <p><i>(Mike left 10.21)</i></p> <p>A trustee wanted to highlight their concern that it didn't feel very clear what the upper end of the budget was and what happens if this is exceeded?<br/> Head of Finance confirmed that any overspend would come from the commercial maintenance budget, not from any central SU funds.</p>  |
| <p>7.</p>  | <p><b>Risk Register</b></p> <p>The risk Register was introduced by the Senior Administrator (Governance) (BS). It was explained that this would normally come to an earlier meeting but due to a gap in governance staffing this was not possible.</p> <p>It was explained that the report has last year's risk register and a new version with the suggestions proposed within the report. It was also explained that the matter of not having a permanent Chief Executive is a new and ongoing risk with the option to create a new risk or to absorb this within existing risks.</p> <p>BS asked the committee for any comments on the proposals.</p> <p>A trustee recommended that poor commercial income and block grant should be two separate risks as whilst they are both financial the measures and controls are different for each. In splitting these it may more accurate highlight where the risk is.</p> <p>Although the VAT on salaries matter has concluded, there is still an unknown as to how this will be managed long term, it is recommended that a new risk for this is included.</p> <p>There are a couple of calculation errors that BS noted will be amended.</p> <p>A trustee noted that the Security of assets risk seemed quite high and suggested this is reviewed.</p> <p>A trustee highlighted that it was not clear what the likelihood scale related to in real terms and asked if there was an explanation of the scale. BS explained that within the existing risk register there was no definition or explanation of the scale but happy to provide this in the revised risk register for the Board of trustees. A trustee offered to send over an example likelihood scale.</p> <p>A trustee recommended a new risk of inflation and cost of living for students. This could impact both commercial income and demand for services.</p> <p>A trustee recommended that cyber security was a new risk as it is different from information security. For example, what controls are in place if the website server is attacked and goes down for a week?</p> <p><b>ACTION: BS to revise the risk register with the suggestions from the committee and present it at the next Board of Trustees Meeting.</b></p> |
| <p>10.</p> | <p><b>Any other business</b></p> <p>Due to time constraints, it was agreed to take the item of impact of inflation to the next meeting.</p>   |

|                                   |   |
|-----------------------------------|---|
|                                   | ACTION: Add Impact of Inflation as an agenda item for the next committee meeting.   |
|                                   | <p><b>Date and time of future meetings</b></p> <p>Thursday 24th November 2022 9-11am<br/> Friday 27th January 2023 9-10am<br/> Thursday 16th March 2023 9-10.30am<br/> Thursday 25th May 2023 9-10.30am</p> |
| <b>The meeting ended at 10.31</b> |   |

| <b>Item</b> | <b>Action</b>   | <b>Action Owner</b>       | <b>Exp Finish</b> |
|-------------|---|---------------------------|-------------------|
| 10.         | Impact of Inflation and cost of living on budgets to be added to next Finance and Audit Committee meetings' agenda. | Beki Self / Helen McHenry | Nov 2022          |
| 5.          | Provide revised budget to the next Finance and Audit Committee meeting  | Helen McHenry             | Nov 2022          |
| 7.          | Revise the risk register with committee's suggestions and present this at the next Board of Trustees meeting.       | Beki Self                 | Sept 2022         |



**UNIVERSITY OF BATH STUDENTS' UNION  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**



**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES AND UNION INFORMATION**

**REFERENCE AND ADMINISTRATIVE DETAILS**

| <b>Overview of Charities Key Details</b>          |  |
|---|--|
| Charity name:                                     | The University of Bath Students' Union                           |
| Other names:                                      | The SU   |
| Charity number:                                   | 1143154  |
| Charity address:                                  | the Union Bath, University of Bath, Claverton Down, Bath BA2 7AY |
| Governing document:                               | Articles of Association  |
| Constitution:                                     | Unincorporated association                                       |
| <b>Details of Charity's Professional Services</b> |  |
| Bank name:  | National Westminster Bank Plc                                    |
| Bank address:                                     | 39 Milsom Street, Bath BA1 1DS                                   |
| Auditor name:                                     | Crowe U.K. LLP   |
| Auditor address:                                  | Aquis House, 49-51 Blagrove Street, Reading, RG1 1PL             |
| <b>Senior SU Management</b>                       |  |
| Chief Executive                                   | Nicky Passmore   |
| Deputy Chief Executive                            | Mandy Wilson-Garner  |
| Secretary to the Board                            | Greg Noakes  |
| Acting Secretary to the Board                     | Amy Young  |
| Acting Secretary to the Board                     | Charlie Slack  |

| <b>Board of Trustees</b> |                      |            |            |                        |
|--------------------------|----------------------|------------|------------|------------------------|
| Trustee name             | Office               | Start date | End date   | Appointment            |
| Annie Willingham         | President (Chair)    | 28/06/2021 | 26/06/2022 | Elected by members     |
| Alexander Robinson       | President (Chair)    | 27/06/2022 | 23/06/2022 | Elected by members     |
| Alexander Robinson       | Independent Trustee  | 19/12/2019 | 19/12/2022 | Appointed by the Board |
| Jacob Withington         | Education Officer    | 28/06/2021 | 26/06/2022 | Elected by members     |
| Julia Kildyushova        | Education Officer    | 27/06/2022 | 23/06/2023 | Elected by members     |
| Siddharth Singh          | Postgraduate Officer | 28/06/2021 | 26/06/2022 | Elected by members     |
| Jura Neverauskaite       | Postgraduate Officer | 27/06/2022 | 23/06/2023 | Elected by members     |
| Zoe Paumelle             | Activities Officer   | 28/06/2021 | 26/06/2022 | Elected by members     |
| Viktor Toshev            | Activities Officer   | 27/06/2022 | 23/06/2023 | Elected by members     |
| Meg Crossman             | Community Officer    | 28/06/2021 | 26/06/2022 | Elected by members     |
| Blake Walker             | Community Officer    | 27/06/2022 | 23/06/2023 | Elected by members     |
| Elizabeth Stacy          | Sport Officer        | 28/06/2021 | 23/06/2023 | Elected by members     |
| Rob Clay                 | Independent Trustee  | 12/10/2015 | 12/10/2021 | Appointed by the Board |
| Jordan Kenny             | Independent Trustee  | 19/12/2019 | 19/12/2022 | Appointed by the Board |
| Valerie Copenhagen       | Independent Trustee  | 19/12/2019 | 19/12/2022 | Appointed by the Board |
| Marian McNeir            | Independent Trustee  | 20/06/2017 | 28/06/2023 | Appointed by the Board |
| Barry Hughes             | Independent Trustee  | 19/12/2019 | 19/12/2022 | Appointed by the Board |
| Matthew Houghton         | Independent Trustee  | 27/06/2022 | 26/06/2025 | Appointed by the Board |
| Anand Aggarwal           | Independent Trustee  | 27/06/2022 | 26/06/2024 | Appointed by the Board |

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**CHARITY INTRODUCTION**

**Charitable Status**

On the 29th July 2011 the University of Bath Students' Union (the Union) successfully registered as a charity with the Charity Commission (charity number 1143154). The charity is governed by a constitution adopted on 1st July 2009 and amended on 12th March 2019.

**Trustees' Report**

The Board of Trustees present their Annual Report together with the financial statements for the year ended 31 July 2022. The report has been prepared in accordance with the Charities Act 2011 and the Statement of Recommended Practice: 'Accounting and Reporting by Charities' SORP (FRS102). The trustees have had regard to the Charity Commission guidance on public benefit entities.

**Relationship with the University of Bath**

Under the Education Act 1994, the University of Bath has a statutory duty to take such steps as are reasonably practicable to ensure that the Union operates in a fair and democratic manner and is held to proper account for its finances. The Union therefore works alongside the University of Bath in ensuring that the affairs of the Union are properly conducted and that the educational and welfare needs of the Union's members are met.

**OBJECTIVES AND ACTIVITIES**

**Charitable Purpose**

The objects of the Union are the advancement of education of students at the University of Bath for the public benefit by:

- promoting the interests and welfare of students at the University of Bath during their course of study and representing, supporting and advising members;
- being the recognised representative channel between students and the University of Bath and any other external bodies; and
- providing social, cultural, sporting and recreational activities and forums for discussion and debate for the personal development of its members.

**Our Cause**

We believe that students can and want to shape the community they are part of for the better. We create opportunities for students to come together to do just that, and support them as active citizens who contribute to the communities they are part of.

**Our Strategy and Activity**

This year was our second full year of our 2020-23 strategy, focused on four key areas of focus:

- Citizen-shift: to facilitate opportunities for students to come together and encourage everyday participation in our cause;
- Culture-shift: to strengthen our distinctive culture and working practices and create a culture that helps deliver our cause;
- Content-shift: to shift our communications, activities and spaces to better reflect and celebrate our cause;
- Climate-shift: to prioritise how we together respond to the climate emergency.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

Recognising that our Student Leaders are elected annually, we also create annual plans for each Sabbatical Officer based on their election manifestos; an annual 'Top 10' list of key issues of importance to the student community against which Officers lobby the University; and operational plans for areas of service provision.

Operational activities that support achievement of our objectives are:

- Voice (representing students, elections, campaigns, and research)
- Support & Advice (personal, housing, or academic information and support, peer-to-peer schemes)
- Development (jobs, skills training, volunteering)
- Student Activities (Sports, Clubs and Societies, Arts, Diversity Groups)
- Commercial operations, including a bar and nightclub, which support student social and recreational activity and generate income to support our other operations.

### **ACHIEVEMENTS AND PERFORMANCE**

#### **Statement of regular activities undertaken by the Charity**

Another challenging year as we emerged from the covid restrictions. Unfortunately, our new Chief Executive, recruited in April 2021, has been on long term sick leave which has meant less progress than we had hoped on the strategic plan, as well as some impact on staff capacity. However, it has been a successful year and it's been great to welcome students back on campus, attending lectures and taking part in SU activities in person again.

At an organisational level, we ran a very successful Fresher's and Re-Freshers (for second years) week and a Freshers' Fair. We worked with student committees in the clubs and activities to run a huge array of in person activities, the only challenge being that many students on the committees had not benefited from the previous year's committee handover due to the pandemic. This led to an increase in staff time supporting students due to a lack of knowledge usually handed down by the previous committee members.

Commercially, we were able to re-introduce initiatives like a regular farmers market and a Street Food Market, which were very successful. Footfall in the SU has increased. the Union Bar has been very successful during the day with lots of students using the area as study space. Unfortunately, although initially the SU club nights were successful, they gradually started to suffer from low attendance mainly due to issues with the buses and aggressive marketing and deals, targeted at student activity groups, from clubs in town. Various initiatives were introduced to mitigate financial loss and planning is underway, based on work we commissioned a consultant to undertake in this area, to publicise and re-develop the offering in this area. Other evening events such as Weekend Warm Up and Cocktail Nights were highly successful. We also ran a successful Summer Ball, although numbers were lower than usual, improving after an unusually slow start to sales.

This was the first year we were able to fully open the SU facilities at Dartmouth Avenue and in The Edge. the Union is part of the university's Arts Strategy Group and with the support of that group we have now secured future funding for the Arts area. The facilities in The Edge have been very well used by students, with the Arts staff being very creative in developing the SU arts offering, in line with some key university objectives such as wellbeing, community building, employability and diversity. The building at Dartmouth Avenue is in the second year of its three-year lease secured by the University. Last year due to the pandemic we were unable to offer any activities from there. This year we have concentrated on increasing footfall by advertising the spaces to student clubs and activities. There has been a good take up from student groups and many students who live locally, have used the building to study during the day. the Union hosts the Student Community Partnership (SCP), a partnership between the University of Bath, Bath Spa University, the City of Bath College, along with their three students' unions, B&NES Council and Norland College, in Dartmouth. This has proved very successful with the SCP staff team being able to immediately respond to issues such as waste and noise complaints, as well as running very proactive campaigns such as welcoming students to the community and a moving out campaign.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

SU staff, in line with university guidance, continued to work flexibly, working some days from home. This has proved to be successful and hasn't affected the face-to-face service the students receive. Regular whole staff and team meetings have been held on-line, with managers holding in person meetings individually with staff to discuss work and to check on their well-being. The Union staff team have been amazing during the last two years, supporting students and the student officers, to provide a good student experience for all students. Huge thanks to them all.

Collectively, our community came together to deliver some great recognition events this year. The Union Awards, the Blues Awards and the Education Awards were held in person, with representatives from the university attending, including the Vice Chancellor. It was truly inspiring to see what students have achieved in this post pandemic period and how much they supported each other.

Our 2022-23 Officer elections were back to being in person this year, and 2,549 students took to the polls and made their vote based on nine candidates across the six posts. It was a smoothly run election and we are proud of everyone who worked hard to make it happen.

### **Supporting and developing our students**

Demand for our Advice service has continued to grow and the nature of our work is changing, with students needing more complex support over longer periods (up to 9 months). The independence of our Advisors and quality of their support has been particularly important for the University to develop their Student Policy & Safeguarding Team; the number of disciplinaries we support continues to grow and our relationship with the University has enabled us to make changes to 6 major policies and processes (including Dignity & Respect) using the evidence we gather from cases to benefit students. We have also reached more postgraduate students than in previous years.

The dedication and skill of our Advisors has been recognised in the following examples:

- ***We know our advice makes students feel more confident and able to resolve their challenges.*** After speaking to an Advisor, 86% of students report feeling confident (compared to 7% before) and 90% feel more able to cope (compared to 17% before).
- ***We know our support empowers students to make a change for themselves,*** from student feedback including *"The Advisor guided me through the process of filing an official complaint, offered feedback on my form to help me get it to the highest standard possible for the greatest chance of success, and regularly contacted me to track the progress of the case. I got the impression that they cared about me and my issue and were dedicated to helping me resolve it."*
- ***Senior University Staff have personally thanked us for the positive impact our work has on the student experience,*** including *"The Advisors have been outstanding in supporting and advising students, some of whom have not been easy to deal with, and we can always tell when a student has listened to SU advice. We (and particularly students) are lucky to have such a good (and well-managed!) advice and support team"*

Most of the **peer support** activities returned to in person this year.

Peer Assisted Learning had the most successful year ever this year with more individual students (740) attending a session and the average number of sessions attended at the highest level (3.28 sessions per student).

- Placement peer mentoring expanded to include all courses with a one-year long sandwich placement, up from one faculty last year. 13 networking events were held, mostly online to include mentors currently on placement, and 245 students receiving a mentor, up from 67 last year.
- We successfully trialled a mentoring scheme for new students studying the *'DBA in Higher Education Management'* course remotely and this will now be an embedded part of our doctoral peer mentor offer going forward.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

- We have developed online training modules for student leaders on Wellbeing and Being a Chair, with Marketing, Health and Safety and Safeguarding currently being tested ready for publishing from September 2022.

### **Representing our students**

Our Student Voice team and Student Officers worked hard this year to gather feedback in response to the changes within the university post pandemic, ensuring student views were represented across the University. Significant achievements from their collective representation efforts include:

- Four meetings of Summit took place with members approving 35 SU standpoints to date.
- Officer induction: the Voice area has scheduled a week of manifesto 'hacking' to create action plans with relevant staff around incoming officer manifesto aims
- Education Awards: Successful return to in-person Education Awards run jointly with the University to recognise students and staff members and their contributions to the Learning & Teaching culture, co-hosted by the SU Education Officer and the Pro-Vice Chancellor (Education).
- As agreed by Senate in last year's review, an additional spring round of Academic Rep elections for returning students took place (to compliment the elections at the start of the autumn term). 51% of roles were filled in this role, a 5% increase on the September round of elections.
- Discussed with the University the recently closed OfS consultation on a new framework for the TEF. The new approach will require more significant input from the Students Union in mapping and reporting on the delivery of teaching and associated activities.
- The Voice team created a report for the UKRI (UK Research & Innovation) consultation on 'A New Deal for Researchers' looking at the Doctoral student experience. The submission was developed using detailed survey data and other engagement data sources.
- Work with the University to determine the role of various partners in supporting student engagement and how this should be undertaken. This ongoing project involves looking at student roles across the University with the intention of creating clear guidelines and role descriptions for paid and voluntary roles.
- The first Citizens Assembly was held on 22<sup>nd</sup> November on the theme of Sustainability
- Research: Be Well survey undertaken with 2,142 respondents. SU staff and officers have presented detailed findings to 8 University committees and topical groups to maximise impact in addition to SU staff and forums (e.g. Doctoral Council). A survey of Disabled Students is also currently underway in conjunction with student services.

The Student Officer team are invaluable as the face of the Union, representing the views of thousands of students both locally and nationally. Key achievements for the team this year include:

- Secured the University's commitment to a 'Harm reduction' approach towards student drug use, with accompanying investment and resources.
- Developed a 'Safe Taxi scheme' to ensure students have a safe route home, partnering with a local taxi company.
- Secured additional student spaces for 2022/23, including a hairdressers in the Union, international student space for cultural societies, and a Garden of Reflection.
- Fantastic reactive work in response to the national Drink Spiking problem, including lobbying local venues, improving internal practice, and highlighting support available.
- Organised important events such as a Vigil in support of Ukraine, a Q&A with senior managers about UCU industrial action, and diversity celebrations such as Diwali.
- Met with DfE, NUS and the Bath International relations office to challenge the Deputy Director of the Turing Scheme on how the new scheme makes international mobility increasingly difficult.
- Worked with the University on the Mental Health Charter
- the Union conducted an Accessibility Survey with Student Services to gather feedback on accessibility and inclusivity of campus for disabled students and attended meetings of the university's Disability Steering Group, which will address the results of the Accessibility Survey and accessibility audit of campus.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

In 2020-21 the Union bucked the sector trend in representing students' academic interests and our score in the National Student Survey rose by over 5 percentage points and put Bath significantly above the sector average. Whilst our score in the National Student Survey 2022 fell to 53.88% for those who agree that "the Union effectively represents students' academic interests", this still continues to be above the sector average (53.8% versus an average of 52.6%). Many comparator institutions, which Bath uses to benchmark, also saw drops in their scores. In 2021-22 increased focus has been on building back the community of students from the pandemic which has been reflected in an increased student agreement in NSS that "students feel part of a community of staff and students" (68.87%, versus 63.83% in 2021), which is also higher than the sector average of 60.9%.

**Encouraging student social and engagement activities**

**Sport, Club Culture:**

- Beyond Equality delivered sessions to a number of identified student groups in the first of a three-year agreement. Sessions around masculinities, team culture, equality and equity, allyship & inclusion were held over the first month of term.
- In October 2021 SU Sport engaged with Student Services and contributed towards the aim of students completing several different training modules. These included the Tackling Harassment and the Active Consent module. We were able to track any difficulties the club had over the year and identify any committee members attending the training. This area will continue to develop over the next few years.
- LGBTQ+ History Month and International Women's Day had fantastic engagement from clubs and the Sports Department facilitated free entry and specific sessions.
- The Blues Awards were held in person for the first time since the pandemic. It was a successful event which we can now build up again with the introduction of a new venue next year.
- Varsity was held with around 4,500 students attending
- The sport offer continues to be a challenge, however it's important to recognise the volume of sport that is delivered. Just within one of our offers, BUCS, this year we have delivered 880 fixtures and given students the opportunity to compete within 74 tournaments.

**Arts:**

Since taking on the Arts and the Edge, the SU Arts team have focused on rebuilding the Arts at Bath following the impact of covid.

**Key activities include:**

- Facilitating SU/society activities, events & shows, and SU Arts specific activity such as music tuition, classes, opportunities, events.
- Running workshops from creative writing to exam revision support by learning techniques to transfer text into visuals to aid memory.
- Engaging with Faith & Cultural groups to deliver culturally diverse student-led activity
- Developing an Arts Wellbeing offer
- Developed and supported over 2,000 sessions and activities, including 10 theatre productions with audience levels reach over 1,200.

**Societies:**

- Held the SU Group Awards in person which was really successful and well attended.
- The recent participation report highlights a higher than average participation rate from international students in non-cultural societies when compared to the University's baseline figure of 19%.
- The Masquerade Ball sold out in an hour. We will be looking for larger venues.
- There were 110 active societies, with another 13 on our 'Adopt A Soc' scheme- a scheme that is promoted out to students to see if they want to adopt an inactive Soc in order to keep it running for another year.
- There were a total of 6,305 members in the societies area between 01/08/21 and 31/07/2022

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

- A successful Diwali, Holi and Lunar New Year event were held
- The student led group, STAR, worked with the homeless charity, Julian House to offer a pilot scheme around leading computer confidence workshops to refugee families. This will be embedded into the new academic year.

### **Students supporting the wider Bath community**

We are always very proud of work our student leaders and volunteers undertake to support the wider community. This year activities and achievements include:

- Supported the School of Management's Rotork initiative by supplying 15 charity community challenges for 130 MSc students to complete
- Supported the Gold Scholar Scheme (widening participation work) with volunteer opportunities, presentations and training
- Our V Team was shortlisted as part of the BBC Radio Bristol environmental awards
- RAG voted in their next Big Four: Teenage Helpline, First Impressions, Off the Record and Foodcycle
- Over 150 charities are currently registered on the volunteer database, providing opportunities for student volunteers
- In Spring 2021 the SU FoodCycle volunteers were nominated for a local Shining Light Award in recognition of their service to the community during the Covid-19 pandemic.
- This year in partnership with More Trees BANES, volunteers from the V Trees project have helped with seed collecting, digging saplings, tree planting, family nature trails, taking cuttings, path levelling, weeding and attending tree grafting workshops. Overall, 70 spaces have been filled with student volunteers over 12 sessions at Dry Arch Tree Nursery, Barrow Mead Community Tree Nursery and the Urban Garden Victoria Park. V Parks have also been working closely with Bristol & Bath Parks Foundation at Brickfields Park supporting their 'Make space for Girls' project, which aims to improve Brickfields Park, making it a more accessible space for girls aged 11 - 19.
- One of our Lloyd Scholars was runner up in the national Lloyd's Scholar Volunteering award. Another Lloyd Scholar was runner up in the national Lloyd Scholar Champion Award.
- V Clean went on regular litter picking trails, linking to the Whale and Dolphin conservation promoting urban and community cleans, avoiding waste making its way back to rivers. This year they have run 4 sessions with 19 people. Students have also partnered with the Student Community Partnership to litter pick from Dartmouth Avenue to West Moorlands as well as their regular route from Bath Campus to Oldfield Park.

### **Sustainability**

Having declared a climate emergency, along with the University, the Union is particularly proud of the amount of work our student leaders have been undertaking this year in this area. Activities include:

- A sports kit resale event was held with 50 items of clothing being sold and around £250 going back to students. Over 100 people attended.
- Veg Soc held weekly meetings at Dartmouth Ave, cooking a meal for 30-40 students.
- During Green Week 14 events took place, organised by People and Planet, V-Team, VegSoc, Amnesty International, FineArt, and centrally through the SU Arts. Some of the events included: Ecosia Awareness Stands, Poetry Workshops, Human Rights and The Climate Crisis Talk and Best out of Waste Sustainable Art Workshop.
- Volunteer team organised collection trollies on Campus with the AHS sustainability team for the charity Mercy in Action. Five full trollies were filled, consisting mainly of food and toiletries [Students Give Away Food to Mercy in Action \(thesubath.com\)](https://thesubath.com)
- In partnership with Share and Repair, V Repair led 2 Repair Cafes on campus and at Dartmouth Avenue this year. The cafe offers a free service to anyone, who can bring along a broken item or object, with tinkerers and sewers repairing these for no charge. Items were repaired and students were given further information about accessing share and repair and they raised awareness around the reuse, repair, recycle mindset for sustainability.
- the Union donated 255 trees, 100m<sup>2</sup> of wildflowers and adopted a Badger in Plant Your Vote
- Second-hand kitchen items were sold during FW, raising £1,365 for RAG charities

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

- Overall, there were 20 sustainability related opportunities, with 99 students volunteering their time with Bristol and Bath Parks Foundation, Stephen Cox garden Trust, Wicked Weather Watch, Student Communities Partnership, Bath Mind Greenlinks, Keynsham Abbey Gardening, Instant Wild, Zooniverse, Bath Foodcycle, Students Organising for Climate Action and World Food Programme. There were also numerous opportunities to volunteer with local charity shops.

**Delivering against our strategic projects**

Finally, due to a staff capacity issue, including the long term sick absence of the Chief Executive, we did not make as much progress as hoped. Progress we have made is outlined below. The development of a new strategic plan is planned over the next year.

| Citizen Shift  |   |
|--|---|
| Target   | Achieved  |
| <ul style="list-style-type: none"> <li>Develop a platform which allows students to easily shape decisions in the Union;</li> <li>Develop a representative citizens' assembly to monitor SU progress and gather feedback on SU activity;</li> <li>Trial ways to use collective intelligence to tackle complex student issues</li> </ul> | <p>Delivered two new platforms, Ideas to Action and Standpoints, which allow students to shape decisions in the Union. After year one of implementation, we have approved 35 Standpoints, and 22 Ideas to Actions submitted.</p> <p>Developed and executed five SUMmit meetings to vote on Standpoints and monitor SU Officer progress against key priorities. Delivered 1 trial citizen assembly on the topic of sustainability to use collective intelligence to tackle complex student issues. In addition to the citizens assembly mechanism multiple student forums and representative councils were held to discuss topical issues.</p> |

| Culture Shift   |   |
|---|---|
| Target  | Achieved  |
| <ul style="list-style-type: none"> <li>Review and simplify processes to streamline how we do things;</li> <li>Update our values and behaviours framework, embedding across all student and staff activity;</li> <li>Update and implement our people strategy to improve staff satisfaction and engagement.</li> </ul> | <p>Limited progress: One area is an ongoing review of the election process across the student groups areas, which is looking at processes and staff responsibility with the aim of reducing duplication.</p> <p>Current Values and Behaviours framework still in place. Not yet reviewed.</p> <p>People strategy to be updated as part of the strategic plan review over the next year.</p> |

| Content Shift   |  |
|---|--|
| Target  | Achieved   |
| <ul style="list-style-type: none"> <li>Develop resources for staff and student leaders to talk about the Union and our cause;</li> <li>Focus our efforts around the Union's annual programmes of activity – welcome and awards – to improve impact;</li> <li>Begin refreshing SU spaces to better reflect our cause.</li> </ul> | <p>Cause will be reviewed as part of the strategic plan review next year</p> <p>We successfully consolidated in-person SU's awards into three events called the SU Awards, the Education Awards and the Blues Awards. Main work on spaces has been placed on hold pending the financial challenges of the pandemic. There has been some progress in Dartmouth and The Edge</p> |



**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

| Climate Shift  |  |
|--|--|
| Target   | Achieved   |
| <ul style="list-style-type: none"> <li>• Achieve Green Impact Award;</li> <li>• Coordinate student-led activity and partnerships across the University and within the local community</li> </ul> | <p>the Union achieved Excellent in the NUS Green Impact Award</p> <p>Ran a sustainability themed Citizens Assembly with 35 students</p> <p>Student Groups ran sessions as part of Sustainability Day during FW and Green Week in March.</p> <p>Officers and People and Planet successfully lobbied to move to Ecosia as the default search engine on campus computers</p> <p>As part of the Top Ten, Officers worked with the University on the new investment policy, with results still to be confirmed.</p> |

**Overall**

As outlined above, in this post-pandemic period when in-person activities have been able to take place, the student leaders and staff have ensured students returned to the best possible student experience. Working with the University to make sure the student voice has been at the heart of decisions made on their return to in-person services and teaching has been important to make sure good practice introduced during the pandemic has not been lost.

We are very proud of our dedicated student leaders and our staff team who, despite still feeling exhausted after the pandemic period, have continued to work so hard to ensure the Union continues to be one of the most successful.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**Financial Review**

The overall surplus at 31st July 2022 on unrestricted funds was £195,642 (2021: Deficit of £82,237). There are two main reasons for this. The first was a significant underspend in salaries due to a high turnover of staff at the start and end of the year, and a restructure within some teams. Some vacant roles remained unfilled with recruitment proving challenging. Vacancies were covered by casual staff and/or a reduction in activity resulting in non-pay savings across areas.

The other contributing factor to the surplus was the exceptional amount of commission income from graduation photos which exceeded budget. This was a result of the University holding catch up ceremonies for 2020 and 2021 graduates who were denied the opportunity during Covid restrictions. We have missed this income in the last two years and had no guarantee of recovering any so this was good news.

The SU Bar and nightclub remained the principal focus for The SU's commercial activity during 2021/22. After a successful semester one, the club nights took a downturn in semester two resulting in a drop in ticket income. Food and coffee sales were lower throughout the year. Cost of sales and operational costs all exceeded budget despite lower revenue. The year ended with a less than budgeted surplus, before overhead apportionment, of £40,238 (2020/21: deficit £168,611). Due to the salary savings and commission income, we were able to absorb this reduction in commercial income. This will be a focus for the coming year as the area seeks to recover and implement new strategies following a commercial review.

Restricted funds have increased slightly during the year as some activity took longer to re-establish itself after covid.

The Balance Sheet continues to reflect a robust financial position for the Union with net current assets of £858,066 (2020/21: £605,016).

**Reserves**

The SU has a Reserves Policy, agreed by the Trustees. 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. The total reserves held by the reporting entity at 31st July 2022 was £958,846 (2021: £719,782), of which £560,026 (2021: £364,384) are regarded as unrestricted funds and £398,820 (2021: £355,398) are regarded as restricted funds.

The balance held as unrestricted general funds, excluding designated funds, at 31st July 2022 was £549,628 (2021: £355,193), of which £479,973 (2021: £279,415) are regarded as free reserves, after allowing for funds tied up in tangible fixed assets.



**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

### **Risk Management**

The Board of Trustees reviews the major strategic, business and operational risks faced by the Students' Union on an annual basis as a minimum. The 2021/22 risk register identifies high level risks:

1. Change to University block grant and/or poor commercial income impacts on budget.
2. University review of VAT treatment on staff salary recharges results in significant cost to SU.
3. Poor health & safety leads to accident resulting in serious injury or death.
4. Poor strategic planning results in poor use of resources.
5. High staff turnover or loss of key staff impacts on team's ability to deliver service.
6. Poor budgetary control and financial reporting results in poor use of resources and/or financial loss.

These risks have been mitigated through a number of improvement actions, controls and processes, reducing all identified risks to 'medium'. The risks will be re-assessed for the production of the Union Risk Register 2022/23.

### **Future Developments**

**Strategic Plan & Capacity Review** An important piece of work over the next academic year will be the strategic plan & capacity review. This will also link into work on a three- year funding agreement with the University.

### **Commercial & Marketing**

In the aftermath of the pandemic, we have been subject to decreasing profit margins in our bar operations and have lost other commercial income streams in central sponsorship deals and NUS student card commission in recent years. We commissioned a consultant to review the Bars & Marketing areas. We are already working on some areas identified in the report and look forward, as part of the strategic plan & capacity review to implement other changes, as appropriate.

### **Spaces**

Regarding the building in Dartmouth Avenue, next year will be the final year of the University's three-year contract with B&NES. the Union will continue to maximise its potential and has already been lobbying the University for either an extension of the lease or similar space in the heart of the student community within the city. This will be important to provide space for some key activity groups to operate, as well as the SCP. Work on ensuring the spaces in The Edge are welcoming for students, especially the ground floor, will continue.

### **Rise in the cost of living**

Students will be one of the groups that will struggle with the rise in the cost of living. We are keen to work hard to support students within the University and when living in the local community.

### **Funds Held As Custodian Trustee On Behalf Of Others**

Raise & Give (RAG) is a student led society with the aim of fundraising for a variety of local and national charitable causes whilst providing students with a number of development opportunities. This includes fundraising itself as well as organisational and leadership roles.

The financial transactions of RAG are kept separate from those of the Union through the use of unique coding and custody of the assets falls within the general security arrangements of the wider University.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**Structure, Governance and Management**

**Method of appointment of Trustees**

The governance and management of the Union is the responsibility of the Trustees who are elected or appointed under the terms of the Articles. The Board of Trustees comprises 6 elected Student Officers, and up to 7 Independent Trustees, at least one of whom must be a student member.

Student Officers are elected annually by our student members for a one-year term, and able to serve a second term if re-elected. They provide invaluable insight from their own experiences as a student and enable us to create a truly student led organisation.

Independent Trustees apply and are appointed by the Board for a term of up to three years and can serve a maximum of two terms. Our Independent Trustees provide wider skillsets and experience from outside the Union and we are enormously grateful for their skills and support.

Upon appointment all Trustees are briefed on their legal obligations and other Trustee responsibilities. All Trustees receive an induction information pack which includes their role responsibilities, their legal responsibilities, historical and current information about the Union, information on its Strategic Plan and how to deal with potential conflicts of interest.

The Trustee Board is responsible for overseeing the management and administration of the Union. They have ultimate responsibility for the governance, budget and employment issues, and the strategic direction of the Union, much of which is delegated to officers and staff. The Trustee Board also delegates relevant decisions to relevant subcommittees.

The Board of Trustees has the following committees:

|  |   |
|--|---|
| <b>Finance and Audit Committee</b>   |   |
| Responsibility: <ul style="list-style-type: none"> <li>Monitoring, reporting and making recommendations on the budget to the Board</li> <li>Approving unbudgeted expenditures that will exceed £10,000</li> <li>Approving budgeted expenditures that will exceed £50,000</li> <li>Reviewing financial policies</li> <li>Monitoring and reporting on audit recommendations to the Board</li> <li>Keeping under review a register of assets</li> </ul> |   |
| 2020/21 Membership<br>Rob Clay<br>Tomasz Sawko<br>Francesco Masala<br>Jordan Kenny<br>Kate Aldridge<br>Valarie Copenhagen  | 2021/22 Membership<br>Elizabeth Stacey<br>Kate Aldridge<br>Barry Hughes<br>Jordan Kenny<br>Valerie Copenhagen<br>Annie Willingham |
| Appointment: <ul style="list-style-type: none"> <li>All trustees are appointed by the Board</li> </ul>   |   |
| Number of meetings: <ul style="list-style-type: none"> <li>This committee meets a minimum of 4 times a year with additional meetings as and when necessary</li> </ul>  |   |



**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

| <b>Complaints and Disciplinary Committee</b>   |  |
|--|--|
| Responsibility: <ul style="list-style-type: none"> <li>Hearing appeals for complaints and student member disciplinary</li> </ul>                                 |  |
| 2020/21 Membership<br><br>Marian McNeir<br>Alexander Robinson<br>Freya Jackson<br>Kate Aldridge (Reserve)<br>Annie Willingham (Reserve)                          | 2021/22 Membership<br><br>Marian McNeir<br>Alexander Robinson<br>Zoe Paumelle<br>Kate Aldridge (Reserve)<br>Meg Crossman (Reserve) |
| Appointment: <ul style="list-style-type: none"> <li>All trustees are appointed by the Board</li> </ul>   |  |
| Number of meetings: <ul style="list-style-type: none"> <li>This committee meets as and when necessary</li> <li>For 2021/22 this committee met 2 times</li> </ul> |  |

| <b>Leadership Committee</b>   |   |
|---|---|
| Responsibility: <ul style="list-style-type: none"> <li>Monitoring, reporting and making recommendations on the strategic plan to the Board</li> <li>Approving and overseeing campaigns and projects</li> <li>Identifying and monitoring reputational risks</li> </ul> |   |
| 2020/2021 Membership<br><br>Francesco Masala<br>Tomasz Sawko<br>Annie Willingham<br>Freya Jackson<br>Ka Ho Ho   | 2021/22 Membership<br><br>Annie Willingham<br>Elizabeth Stacey<br>Siddharth Singh<br>Jacob Withington<br>Meg Crossman<br>Zoe Paumelle |

|  |
|--|
| Appointment: <ul style="list-style-type: none"> <li>All trustees are appointed by the Board</li> </ul> |
| Number of meetings:<br>This committee normally meets monthly   |

**Key Management remuneration**

The SU does not directly employ staff. All SU staff are employed by the University of Bath who recharge the SU accordingly.

The remuneration of key management personnel is therefore set by the University in line with their Pay Policy which is reviewed annually.

**Statement as to disclosure of information to the auditor.**

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps necessary in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**Auditor**

Crowe UK LLP were appointed in March 2021 commencing a four-year agreement.

The Trustees' Report was approved by the Trustees on ..... 2022 and signed on their behalf by:

Acting Chief Executive  
**Mandy Garner-Wilson**

Students' Union President  
**Alexander Robinson**

Date:

Date:





**UNIVERSITY OF BATH STUDENTS' UNION**  
**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Union and of the incoming resources and application of resources of the Union for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Union will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Union and enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm they have complied with the duty in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit. When reviewing the aims and objectives of the charitable group and in planning its future activities they the Trustees refer to the guidance and consider, in particular, how planned activities will contribute to the aims and objectives they have set.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSITY OF BATH STUDENTS' UNION FOR THE YEAR ENDED 31 JULY 2022**

---

### **Opinion**

We have audited the financial statements of the University of Bath Students' Union for the year ended 31 July 2022 which comprise the statement of financial activities, balance sheet, cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2022 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY OF UNIVERSITY OF BATH STUDENTS' UNION (CONTINUED)**

---

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 15, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY OF UNIVERSITY OF BATH STUDENTS' UNION (CONTINUED)**

---

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud. The laws and regulations we considered in this context for the charity were Charity Commission regulations and General Data Protection Regulation (GDPR).

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the recognition of certain income streams, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance. Our audit procedures to respond to revenue recognition risks include testing a sample of income across the year to supporting documentation, and reviewing income received either side of the year end to ensure this has been recognised correctly.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed

### **Crowe U.K. LLP**

Statutory Auditor

Reading

### **Date:**

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

**BATH STUDENTS' UNION**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCLUDING INCOME & EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDED 31 JULY 2022**

|                                    | Notes | Unrestricted<br>Funds<br>2022<br>£ | Restricted<br>Funds<br>2022<br>£ | Total<br>Funds<br>2022<br>£ | Unrestricted<br>Funds<br>2021<br>£ | Restricted<br>Funds<br>2021<br>£ | Total<br>Funds<br>2021<br>£ |
|------------------------------------|-------|------------------------------------|----------------------------------|-----------------------------|------------------------------------|----------------------------------|-----------------------------|
| <b>INCOME FROM:</b>                |       |                                    |                                  |                             |                                    |                                  |                             |
| Donations and grants               | 3     | 2,785,145                          | 130,850                          | 2,915,995                   | 2,923,656                          | 118,676                          | 3,042,332                   |
| Charitable activities              |       |                                    |                                  |                             |                                    |                                  |                             |
| Bars and entertainment             |       | 965,993                            | -                                | 965,993                     | 125,005                            | -                                | 125,005                     |
| Clubs and societies                |       | 18,850                             | 170,901                          | 189,751                     | 5,062                              | 59,991                           | 65,053                      |
| Sports associations                |       | 134,734                            | 643,407                          | 778,141                     | -                                  | 170,335                          | 170,335                     |
| Events                             |       | 511,460                            | -                                | 511,460                     | 51,421                             | -                                | 51,421                      |
| Other trading activities           |       | 81,329                             | 111,994                          | 193,323                     | 18,229                             | 2,000                            | 20,229                      |
| Investments                        | 4     | 527                                | -                                | 527                         | 89                                 | -                                | 89                          |
| <b>Total</b>                       |       | <b>4,498,038</b>                   | <b>1,057,152</b>                 | <b>5,555,190</b>            | <b>3,123,462</b>                   | <b>351,002</b>                   | <b>3,474,464</b>            |
| <b>EXPENDITURE ON:</b>             |       |                                    |                                  |                             |                                    |                                  |                             |
| Raising funds                      | 5     | (76,603)                           | -                                | (76,603)                    | (23,276)                           | -                                | (23,276)                    |
| Charitable activities              | 5     | (4,208,293)                        | (1,013,730)                      | (5,222,023)                 | (3,166,973)                        | (289,506)                        | (3,456,479)                 |
| Other                              | 5     | (17,500)                           | -                                | (17,500)                    | (15,450)                           | -                                | (15,450)                    |
| <b>TOTAL</b>                       |       | <b>(4,302,396)</b>                 | <b>(1,013,730)</b>               | <b>(5,316,126)</b>          | <b>(3,205,699)</b>                 | <b>(289,506)</b>                 | <b>(3,495,205)</b>          |
| <b>NET INCOME/ (EXPENDITURE)</b>   | 7     | <b>195,642</b>                     | <b>43,422</b>                    | <b>239,064</b>              | <b>(82,237)</b>                    | <b>61,496</b>                    | <b>(20,741)</b>             |
| Transfers between funds            | 14/15 | -                                  | -                                | -                           | 25,840                             | (25,840)                         | -                           |
| <b>NET MOVEMENT IN FUNDS</b>       |       | <b>195,642</b>                     | <b>43,422</b>                    | <b>239,064</b>              | <b>(56,397)</b>                    | <b>35,656</b>                    | <b>(20,741)</b>             |
| <b>RECONCILIATION OF FUNDS</b>     |       |                                    |                                  |                             |                                    |                                  |                             |
| Total funds brought forward        |       | 364,384                            | 355,398                          | 719,782                     | 420,781                            | 319,742                          | 740,523                     |
| <b>TOTAL FUNDS CARRIED FORWARD</b> |       | <b>560,026</b>                     | <b>398,820</b>                   | <b>958,846</b>              | <b>364,384</b>                     | <b>355,398</b>                   | <b>719,782</b>              |

All income and expenses relate to continuing operations.

The notes on pages 22 to 36 form part of the financial statements.



**BATH STUDENTS' UNION**  
**BALANCE SHEET**  
**AS AT 31 July 2022**

|   | Note | 2022<br>£                    | 2021<br>£                    |
|---|------|------------------------------|------------------------------|
| <b>FIXED ASSETS</b>                                   |      |                              |                              |
| Intangible assets                                     | 9    | -                            | -                            |
| Tangible assets                                       | 10   | 100,780                      | 114,766                      |
| <b>CURRENT ASSETS</b>                                 |      |                              |                              |
| Stocks  |      | 20,285                       | 8,126                        |
| Debtors   | 11   | 300,100                      | 127,390                      |
| Cash at bank and in hand                              |      | <u>894,291</u>               | <u>703,667</u>               |
|   |      | <b>1,214,676</b>             | <b>839,183</b>               |
| <b>CREDITORS:</b> Amounts falling due within one year | 12   | <u>(356,610)</u>             | <u>(234,167)</u>             |
| <b>NET CURRENT ASSETS</b>                             |      | <u><b>858,066</b></u>        | <u><b>605,016</b></u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u><u><b>958,846</b></u></u> | <u><u><b>719,782</b></u></u> |
| <b>RESERVES</b>                                       |      |                              |                              |
| Unrestricted funds – general                          | 14   | 549,628                      | 355,193                      |
| Unrestricted funds – designated                       | 14   | 10,398                       | 9,191                        |
| Restricted funds:                                     |      |                              |                              |
| SCP   | 15   | 37,804                       | 33,028                       |
| Alumni  | 15   | 43,275                       | 53,256                       |
| Student development                                   | 15   | 51,704                       | 39,253                       |
| Sports and Societies funding                          | 15   | 234,912                      | 190,873                      |
| Club asset reserve                                    | 15   | <u>31,125</u>                | <u>38,988</u>                |
|   | 16   | <u><u><b>958,846</b></u></u> | <u><u><b>719,782</b></u></u> |

The notes on pages 22 to 36 form part of the financial statements.

These financial statements were approved and authorised for issue by the Trustees on.....  
and signed on their behalf by:

Students' Union President  
**Alexander Robinson**

**BATH STUDENTS' UNION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2022**

|   | Note | 2022<br>£       | 2021<br>£       |
|---|------|-----------------|-----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                               |      |                 |                 |
| Cash generated/(used) by operations                                       | 22   | <u>229,566</u>  | <u>166,665</u>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                |      |                 |                 |
| Income and proceeds from investments                                      |      | 527             | 89              |
| (Purchase)/sale of tangible assets  |      | <u>(39,469)</u> | <u>(31,437)</u> |
| <b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>                |      | <u>(38,942)</u> | <u>(31,348)</u> |
| <b>MOVEMENT IN CASH</b>   |      | 190,624         | 135,317         |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD</b> |      | <u>703,667</u>  | <u>568,350</u>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>       |      | <u>894,291</u>  | <u>703,667</u>  |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>                             |      |                 |                 |
| Cash at bank and in hand  | 23   | <u>894,291</u>  | <u>703,667</u>  |



**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**1 ACCOUNTING POLICIES**

**Basis of Accounting**

The University of Bath Students' Union is a registered charity with the Charity Commission. The registered office is The University of Bath Students' Union, Norwood House, Claverton Down, Bath, BA2 7AY.

the Union is a charitable unincorporated organisation.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011. The accounting policies as disclosed have been applied consistently throughout the current and preceding year.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The University of Bath Students' Union meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy.

The principal objectives of the charity are detailed in the Trustees report found on page 2 of these accounts.

The financial statements are presented in sterling (£) which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

**Going Concern**

The Trustees require the Union to prepare a budget each year, demonstrating that reserves will be maintained at or above agreed levels. The Union then updates actual results each month and Trustees and the Union closely monitor performance at both Board and Finance & Audit Committee meetings at least once a quarter to ensure reserves are going to be maintained as agreed. The Trustees note that the majority of The SU income is received in the form of a block grant from the University, which has been received at a materially consistent level for some years. The trustees further note that the grant for the coming year has been committed by the University.

Based on this assessment, the trustees consider The SU to be a going concern and these financial statements have been prepared on that basis.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**1 ACCOUNTING POLICIES (continued)**

**Income**

The annual grant from the University of Bath is intended to meet recurrent costs and is credited directly to the SoFA. Commercial activities represent income such as advertising income and commission from photographs and hire, this income is recognised when the charity is legally entitled to the income and the amount can be quantified with reasonable certainty. Other income is included in the SoFA account on a cash received basis or on a receivables basis where there is reasonable probability of receipt.

Grants are accounted for under the performance model as permitted by the Charity SORP. CJRS grant income is therefore recognised on a straight line basis over the furlough period for each relevant employee.

**Expenditure**

Expenditure includes irrecoverable VAT. Charitable expenditure comprises the direct and indirect costs of delivering public benefit. Indirect staff costs are apportioned to charitable activities by headcount in particular areas. Indirect overhead costs are apportioned to charitable activities pro rata to the total costs of particular activities undertaken. Governance costs are those incurred for compliance with constitutional and statutory requirements, such as the annual audit.

**Intangible Fixed Assets**

Intangible assets acquired are recognised as a cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following basis:

|          |   |                       |
|----------|---|-----------------------|
| Software | - | 3 years straight line |
|----------|---|-----------------------|

**Fixed Assets**

Fixed asset purchases in excess of £2,500 are capitalised at cost and subsequently measured at cost less accumulated depreciation, or where applicable amortisation, and impairment.

Depreciation or amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                        |   |                         |
|------------------------|---|-------------------------|
| Equipment              | - | 2-5 years straight line |
| Motor vehicles         | - | 4 years straight line   |
| Leasehold Improvements | - | 8 years straight line   |

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**1 ACCOUNTING POLICIES (continued)**

**Fund Accounting**

the Union administers and/or accounts for a number of charitable funds, as follows:

- i. **Unrestricted Funds** representing unspent income which may be used for any activity / purpose within the charitable objects at the Executive Committee's own discretion;
- ii. **Designated Funds** set aside by the Executive Committee to be spent on some specific purpose at its own discretion;
- iii. **Restricted Funds** raised and administered by the Union for specific purposes as determined by students, such as Club and Societies Accounts, as well as revenue received for purposes specified by the donor and also (if not material enough to require a separate column in the SoFA) any small capital grants received from the University; and
- iv. **Custodian Funds** entrusted to the Union for safekeeping, but not under its management control, e.g. the annual RAG. Such custodian activities are disclosed in the Annual Report, but as the funds are not managed by the Union they are not included in the accounts.

Expenditure on refurbishments and repairs of assets where the Union does not have the risks or rewards of ownership is expensed in the year. This includes all refurbishment to the Union building which is leased from the University on a yearly basis under an informal agreement. As the maximum term of the lease is a period of one year then all refurbishments and repairs of the Union building is expensed.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to disposal.

**Operating Lease Agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Financial Instruments**

As the charity only has basic financial instruments it has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102, to all of its financial instruments.

Financial instruments are recognised when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**1 ACCOUNTING POLICIES (continued)**

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Cash and cash equivalents

Cash and cash equivalents includes cash and short term highly liquid investments with a short maturity period.

**Taxation**

No corporation tax has been provided in the financial statements of the charity as the income of the charity is covered by the exemption granted by Section 505 of the Income and Corporation Taxes Act 1988.

**Pensions**

The two principal pension schemes in which the Union participates are the Universities Superannuation Scheme and the Bath & North East Somerset Local Government Pension Scheme, both of which are defined benefit schemes, externally funded and contracted out of the State Earnings-Related Pension Scheme. Both funds are externally valued, normally every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the Trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries based on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the estimated period during which the Union benefits from the employees' services.

The University of Bath Students' Union does not directly employ staff. All staff are employed by the University of Bath who then recharge the Union for the use of these staff. Details relating to both of these schemes are included in the accounts of the University. The Universities Superannuation Scheme operates as a pooled arrangement, with contributions paid at a centrally agreed rate. As a consequence, no share in the underlying assets and liabilities can be directly attributed to the Union. Under the terms of FRS 102 section 28, in these circumstances contributions are accounted for as if the schemes were defined contribution schemes based on actual contributions paid through the year.

Staff on grades 2 to 5 who joined the University before 1st June 2021 are eligible to join the Avon Pension Fund Local Government Pension Scheme (LGPS). This scheme operates as a multi-employer scheme where the share of assets and liabilities applicable to each employer can be defined. The University (the employer) has accounted for the scheme under FRS 102 section 28 as a defined contribution scheme. As the Union does not directly employ staff it does not recognise any of the liability.

Staff on grades 2 to 5 who joined the University on or after 1st June 2021 are eligible to join the University of Bath Group Pension Plan (UoBGPP) administered by Aviva. This scheme operates as a multi-employer scheme where the share of assets and liabilities applicable to each employer can be defined. The University (the employer) has accounted for the scheme under FRS 102 section 28 as a defined contribution scheme. As the Union does not directly employ staff it does not recognise any of the liability.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**2 ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the application of the charity's and group's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The trustees consider that there are no material judgements or estimate which gives rise to a significant risk of a material misstatement in the financial statements.

**3. DONATIONS AND GRANTS**

|                       | <b>Unrestricted<br/>funds<br/>2022<br/>£</b> | <b>Restricted<br/>funds<br/>2022<br/>£</b> | <b>Total<br/>2022<br/>£</b> | <i>Unrestricted<br/>Funds<br/>2021<br/>£</i> | <i>Restricted<br/>Funds<br/>2021<br/>£</i> | <i>Total<br/>2021<br/>£</i> |
|-----------------------|--|--|-----------------------------|--|--|-----------------------------|
| Grant income          | (2,785,145)                                  | (130,850)                                  | 2,915,995                   | 2,911,850                                    | 118,676                                    | 3,030,526                   |
| Sponsorship<br>income | -  | -  | -                           | 11,806                                       | -  | 11,806                      |
|                       | <u>(2,785,145)</u>                           | <u>(130,850)</u>                           | <u>(2,915,995)</u>          | <u>2,923,656</u>                             | <u>118,676</u>                             | <u>3,042,332</u>            |

During the year, the Union qualified for the government's Job Retention Scheme, a measure introduced in response to the Covid-19 pandemic and received grant of £nil (2021: £67,908) for staff costs included in Grant income.

**4. INVESTMENT INCOME**

|                                       | <b>2022<br/>£</b> | <i>2021<br/>£</i> |
|---------------------------------------|-------------------|-------------------|
| Unrestricted bank interest receivable | <u>527</u>        | <u>89</u>         |



**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**5. EXPENDITURE**

|                                | Staff<br>2022<br>£ | Direct<br>2022<br>£ | Support<br>2022<br>£ | Total<br>2022<br>£ | <i>Total<br/>2021<br/>£</i> |
|--------------------------------|--------------------|---------------------|----------------------|--------------------|-----------------------------|
| <b>Costs of raising funds:</b> |                    |                     |                      |                    |                             |
| Commercial activities          | -                  | <u>76,603</u>       | -                    | <u>76,603</u>      | <u>23,276</u>               |
| <b>Charitable Activities:</b>  |                    |                     |                      |                    |                             |
| Bars & Entertainment           | 409,816            | 436,283             | 300,033              | 1,146,132          | 416,786                     |
| Clubs & Societies              | 96,611             | 220,337             | 134,940              | 451,888            | 282,943                     |
| Sports Associations            | -                  | 853,194             | 49,825               | 903,019            | 893,209                     |
| Events                         | 246,706            | 239,243             | 667,338              | 1,153,287          | 888,502                     |
| Student Activities & Advice    | 1,033,737          | 78,761              | 4,242                | 1,116,740          | 713,222                     |
| Volunteering                   | <u>450,690</u>     | <u>100</u>          | <u>167</u>           | <u>450,957</u>     | <u>261,817</u>              |
|                                | <u>2,237,560</u>   | <u>1,827,918</u>    | <u>1,156,545</u>     | <u>5,222,023</u>   | <u>3,456,479</u>            |
| Governance                     | -                  | -                   | <u>17,500</u>        | <u>17,500</u>      | <u>15,450</u>               |
| <b>Total Expenditure</b>       | <u>2,237,560</u>   | <u>1,904,521</u>    | <u>1,174,045</u>     | <u>5,316,126</u>   | <u>3,495,205</u>            |

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**6 ANALYSIS OF SUPPORT COSTS**

|                          | <b>Bars &amp;<br/>Entertainment<br/>2022<br/>£</b> | <b>Clubs &amp;<br/>Societies<br/>2022<br/>£</b> | <b>Sports<br/>Associations<br/>2022<br/>£</b> | <b>Events<br/>2022<br/>£</b> | <b>Student<br/>Activities<br/>&amp; Advice<br/>2022<br/>£</b> | <b>Volunteering<br/>2022<br/>£</b> | <b>Total<br/>2022<br/>£</b> | <i>Total<br/>2021<br/>£</i> |
|--------------------------|--|---|---|------------------------------|---|------------------------------------|-----------------------------|-----------------------------|
| SU Officer accommodation | -  | 12,911  | 50,371  | -                            | 4,767   | -                                  | <b>68,049</b>               | <i>40,000</i>               |
| Facilities               | 228,870  | 64,838  | 252,962                                       | 98,868                       | 23,940  | -                                  | <b>669,478</b>              | <i>637,816</i>              |
| Admin and maintenance    | <u>71,163</u>                                      | <u>57,192</u>                                   | <u>223,130</u>                                | <u>42,022</u>                | <u>25,359</u>   | <u>167</u>                         | <b>419,033</b>              | <i>374,524</i>              |
|                          | <b><u>300,033</u></b>                              | <b><u>134,941</u></b>                           | <b><u>526,463</u></b>                         | <b><u>140,890</u></b>        | <b><u>54,066</u></b>  | <b><u>167</u></b>                  | <b><u>1,156,560</u></b>     | <i><u>1,052,340</u></i>     |

Support costs are apportioned based on the total proportion of staff and direct costs in each activity. Events are excluded from this calculation. Approximately one third of the rent is allocated to bars and post office and the rest of the rent cost is apportioned to the other activities with the remaining support costs.



**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**7. NET INCOME/(EXPENDITURE)**

Net income for the year is stated after charging:

|                                     | 2022<br>£    | 2021<br>£    |
|-------------------------------------|--------------|--------------|
| Auditor's remuneration – as auditor | 11,350       | 10,950       |
| Auditor's remuneration – other      | 4,000        | 4,500        |
| Depreciation                        | 53,455       | 56,388       |
| Operating lease charges             | <u>4,380</u> | <u>4,467</u> |

**8. STAFF COSTS**

The Union does not directly employ staff, all wages and salaries included within these accounts are recharged from the University of Bath. The recharged staff costs in the year were:

|                       | 2022<br>£               | 2021<br>£               |
|-----------------------|-------------------------|-------------------------|
| Wages and salaries    | 1,783,305               | 1,558,577               |
| Social security costs | 117,795                 | 111,820                 |
| Other pension costs   | 256,324                 | 255,011                 |
| Other staff costs     | <u>80,136</u>           | <u>33,946</u>           |
|                       | <u><b>2,237,560</b></u> | <u><b>1,959,354</b></u> |

The Trustees of the Union include the Union Officers. The Union Officers receive remuneration for their services as provided for within the Constitution. The amount payable under such contracts in the year was:

|                 | 2022<br>£ | 2021<br>£ |
|-----------------|-----------|-----------|
| K Ho            | -         | 20,299    |
| F Jackson       | -         | 20,309    |
| A Willingham    | 16,733    | 22,517    |
| E Alcock        | -         | 824       |
| F Masala        | -         | 20,219    |
| T F Sawko       | -         | 20,309    |
| M K Crossman    | 16,879    | 2,696     |
| Z Paumelle      | 16,879    | 2,784     |
| S Singh         | 17,848    | 2,784     |
| E Stacey        | 18,762    | 2,784     |
| J Withington    | 16,937    | 2,784     |
| B Walker        | 2,597     | -         |
| V Toshev        | 2,671     | -         |
| A J Robinson    | 2,671     | -         |
| J Neverauskaite | 2,597     | -         |
| J Kildyushova   | 2,597     | -         |

The key management personnel are considered to be the Chief Executive, the Deputy Chief Executive and the Trustees. Their total remuneration in the year (including employers NI and employers pension contribution) was £262,422 (2021: £232,257). These are paid by the University and recharged accordingly.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**8. STAFF COSTS (continued)**

During the year, nil (2021: nil) trustees reclaimed expenses in relation to travel purposes.

The number of employees whose employee benefits exceeded £60,000 was:

|                   | <b>2022</b>     | <b>2021</b>     |
|-------------------|-----------------|-----------------|
|                   | £               | £               |
| £60,001 - £70,000 | <u><u>2</u></u> | <u><u>1</u></u> |

The average staffing was as follows:

|                          | <b>2022</b>       | <b>2021</b>       |
|--------------------------|-------------------|-------------------|
|                          | £                 | £                 |
| Full time staff          | <b>58</b>         | 58                |
| Casual staff (Part time) | <u><u>258</u></u> | <u><u>265</u></u> |

**9. INTANGIBLE FIXED ASSETS**

|                       | Software<br>£        |
|-----------------------|----------------------|
| <b>COST</b>           |                      |
| At 1 August 2021      | <u>18,387</u>        |
| At 31 July 2022       | <u><u>18,387</u></u> |
| <b>AMORTISATION</b>   |                      |
| At 1 August 2021      | <u>18,387</u>        |
| At 31 July 2022       | <u><u>18,387</u></u> |
| <b>NET BOOK VALUE</b> |                      |
| At 31 July 2022       | <u><u>-</u></u>      |
| At 31 July 2021       | <u><u>-</u></u>      |

Intangible fixed assets relate to purchased software assets and any associated amortisation features in support costs within charitable activities.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**10. TANGIBLE FIXED ASSETS**

|                        | Equipment<br>£  | Leasehold<br>Improvements<br>£ | Motor<br>Vehicles<br>£ | Total<br>£      |
|------------------------|-----------------|--------------------------------|------------------------|-----------------|
| <b>COST</b>            |                 |                                |                        |                 |
| At 1 August 2021       | 440,184         | 62,194                         | 1,796                  | 504,174         |
| Additions              | 39,469          | -                              | -                      | 39,469          |
| Disposals              | <u>(22,659)</u> | <u>-</u>                       | <u>-</u>               | <u>22,659</u>   |
| At 31 July 2022        | <u>456,994</u>  | <u>62,194</u>                  | <u>1,796</u>           | <u>520,984</u>  |
| <b>DEPRECIATION</b>    |                 |                                |                        |                 |
| At 1 August 2021       | 358,876         | 28,736                         | 1,796                  | 389,408         |
| Charge for year        | 43,546          | 9,909                          | -                      | 53,455          |
| Eliminated on disposal | <u>(22,659)</u> | <u>-</u>                       | <u>-</u>               | <u>(22,659)</u> |
| At 31 July 2022        | <u>379,763</u>  | <u>38,645</u>                  | <u>1,796</u>           | <u>420,204</u>  |
| <b>NET BOOK VALUE</b>  |                 |                                |                        |                 |
| At 31 July 2022        | <u>77,231</u>   | <u>23,549</u>                  | <u>-</u>               | <u>100,780</u>  |
| <i>At 31 July 2021</i> | <u>81,308</u>   | <u>33,458</u>                  | <u>-</u>               | <u>114,766</u>  |

Depreciation is recognised in the statement of financial activities in charitable activities.

**11. DEBTORS**

|                                | 2022<br>£      | 2021<br>£      |
|--------------------------------|----------------|----------------|
| Trade debtors                  | 25,388         | 13,678         |
| Other debtors                  | 166,823        | 18,640         |
| Prepayments and accrued income | <u>107,889</u> | <u>95,072</u>  |
|                                | <u>300,100</u> | <u>127,390</u> |

**12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                              | 2022<br>£      | 2021<br>£      |
|------------------------------|----------------|----------------|
| Trade creditors              | 68,618         | 53,084         |
| University of Bath           | 192,701        | 134,474        |
| Accruals and deferred income | 90,458         | 22,468         |
| Other creditors              | <u>4,833</u>   | <u>24,141</u>  |
|                              | <u>356,610</u> | <u>234,167</u> |

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

**DEFERRED INCOME**

Included within accruals and deferred income is deferred income of £nil (2021: £20,000).

|                                     | <b>2022</b>        | <i>2021</i>                    |
|-------------------------------------|--------------------|--------------------------------|
|                                     | £                  | £                              |
| Deferred income as at 1 August 2021 | <b>20,000</b>      | -                              |
| Income deferred in the year         | -                  | <i>20,000</i>                  |
| Income released in the year         | <b>(20,000)</b>    | -                              |
|                                     | <u>          -</u> | <u>          -</u>             |
| Deferred income as at 31 July 2022  | <u>          -</u> | <u>          <i>20,000</i></u> |

Deferred income relates to funding for a student volunteer role for FY21/22 of £20,000 there were no deferred amounts relating to FY22/23.

**13. PENSIONS**

The University of Bath Students' Union does not directly employ staff. All Union staff are employed by the University of Bath and are eligible to join either the Avon Pension Fund or the Universities Superannuation Scheme.

**14. UNRESTRICTED RESERVES**

|   | <b>General Fund</b>   | <b>Designated Club &amp; Societies</b> | <b>Total</b>          |
|---|-----------------------|--|-----------------------|
|   | £                     | £                                      | £                     |
| Balance at 1 August 2020                          | 414,150               | 6,631                                  | 420,781               |
| Retained (deficit)/surplus for the financial year | (84,797)              | 2,560                                  | (82,237)              |
| Transfers   | <u>25,840</u>         | <u>-</u>                               | <u>25,840</u>         |
| Balance at 31 July 2021                           | <u>355,193</u>        | <u>9,191</u>                           | <u>364,384</u>        |
| Balance at 1 August 2021                          | 355,193               | 9,191                                  | 364,384               |
| Retained (deficit)/surplus for the financial year | 194,435               | 1,207                                  | 195,642               |
| Transfers   | <u>-</u>              | <u>-</u>                               | <u>-</u>              |
| <b>Balance at 31 July 2022</b>                    | <u><b>549,628</b></u> | <u><b>10,398</b></u>                   | <u><b>560,026</b></u> |

The designated funds relate to clubs and societies. It is expected that these will be expensed during the next academic year.

The transfer last year from the general fund to the club asset reserve represents £25,840 of depreciation on the restricted tangible fixed assets. Going forward this is posted direct to the club asset reserve.

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**15. RESTRICTED RESERVES**

|                                    | <b>SCP</b>           | <b>Alumni</b>        | <b>Student<br/>Develop-<br/>ment</b> | <b>Sports and<br/>Societies<br/>Funding</b> | <b>Club Asset<br/>Reserve</b> | <b>Total</b>          |
|------------------------------------|----------------------|----------------------|--------------------------------------|---|-------------------------------|-----------------------|
|                                    | <b>£</b>             | <b>£</b>             | <b>£</b>                             | <b>£</b>                                    | <b>£</b>                      | <b>£</b>              |
| Balance at<br>1 August 2020        | 22,636               | 48,748               | 43,064                               | 153,714                                     | 51,580                        | 319,742               |
| Income                             | 70,428               | 22,000               | 15,000                               | 230,326                                     | 13,248                        | 351,002               |
| Expenditure                        | (60,036)             | (17,492)             | (12,699)                             | (199,279)                                   | -                             | (289,506)             |
| Transfers                          | -                    | -                    | (6,112)                              | 6,112                                       | (25,840)                      | (25,840)              |
| <b>Balance at<br/>31 July 2021</b> | <b><u>33,028</u></b> | <b><u>53,256</u></b> | <b><u>39,253</u></b>                 | <b><u>190,873</u></b>                       | <b><u>38,988</u></b>          | <b><u>355,398</u></b> |
| Balance at<br>1 August 2021        | 33,028               | 53,256               | 39,253                               | 190,873                                     | 38,988                        | 355,398               |
| Income                             | 89,000               | 20,000               | 21,850                               | 912,731                                     | 13,571                        | 1,057,152             |
| Expenditure                        | (84,224)             | (29,981)             | (9,399)                              | (868,692)                                   | (21,434)                      | (1,013,730)           |
| Transfers                          | -                    | -                    | -                                    | -   | -                             | -                     |
| <b>Balance at<br/>31 July 2022</b> | <b><u>37,804</u></b> | <b><u>43,275</u></b> | <b><u>51,704</u></b>                 | <b><u>234,912</u></b>                       | <b><u>31,125</u></b>          | <b><u>398,820</u></b> |

SCP (Student Community Partnership) is a joint venture between University of Bath, Bath & North East Somerset Council and Bath Spa University to promote positive community relationships between the Universities and local residents.

Alumni Funds are transferred from the University of Bath Alumni Fund to the Union to be used to help enhance and enrich the student experience. Any Student Group registered as part of the Union can apply for a proportion of the grant to help fund their own project.

The Student Development fund is monies granted specifically for student supported learning and awareness activities including funding for management of the Lloyd Scholars programme.

Sports and Societies Funding is funding received by the Union for the purpose of specific sports and society activity.

Club Asset Reserve represents the net book value of capital assets purchased by Sports Clubs with restricted funds.

The transfer in 2021 of £6,112 from Student Development to Sports and Societies Funding represents a reclassification of restricted funds.



**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

|  | Unrestricted<br>£ | Designated<br>£ | Restricted<br>£ | Total<br>£       |
|--|-------------------|-----------------|-----------------|------------------|
| <b>Fund balances at 31 July 2022<br/>are represented by:</b> |                   |                 |                 |                  |
| Tangible assets  | 69,655            | -               | 31,125          | 100,780          |
| Current assets   | 836,583           | 10,398          | 367,695         | 1,214,676        |
| Current liabilities  | <u>(356,610)</u>  | <u>-</u>        | <u>-</u>        | <u>(356,610)</u> |
| Total net assets   | <u>549,628</u>    | <u>10,398</u>   | <u>398,820</u>  | <u>958,846</u>   |

**17. COMMITMENTS UNDER OPERATING LEASES**

At 31 July 2022 the Union had annual commitments under non-cancellable operating leases as set out below:

|                                | 2022<br>£     | 2021<br>£    |
|--------------------------------|---------------|--------------|
| Operating leases which expire: |               |              |
| In less than 1 year            | 17,828        | 1,117        |
| Within 2 to 5 years            | <u>19,656</u> | <u>-</u>     |
|                                | <u>37,484</u> | <u>1,117</u> |

**18. CAPITAL COMMITMENTS**

The Union ordered kitchen equipment totaling £7,199 in FY2020/21 which was invoiced and delivered post year end. There were no such capital commitments this year end.

**19. FUNDS HELD ON BEHALF OF THIRD PARTIES**

During the year the Union acted as a custodian of the annual Raising and Giving (RAG) proceeds from fundraising events organised by students. Funds raised by this year's RAG not distributed to charities amounted to £2,064 (2021: £2,048) which were held by the Union as agreed.

Amounts received and expended during the year and the liability at the year-end in relation to this fund are detailed below:

|     | At 1 August<br>2021<br>£ | Amounts<br>received<br>£ | Amounts<br>expended<br>£ | At 31 July<br>2022<br>£ |
|-----|--------------------------|--------------------------|--------------------------|-------------------------|
| RAG | <u>2,048</u>             | <u>18,897</u>            | <u>(18,881)</u>          | <u>2,064</u>            |

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

**20. RELATED PARTY TRANSACTIONS**

the Union became a registered charity on 29 July 2011 but previously derived charitable status from its governing parent body, the University of Bath. the Union is in receipt of a recurrent grant from the parent body of £1,978,500 (2021: £1,888,000). the Union also received additional grant funding of £74,864 (2021: £435,590) within the year.

the Union occupies a University building under an informal licence. the Union is notionally charged by the University a contribution to the costs of maintaining the building. The amount included within expenditure in the Statement of Financial Activities for the year was £492,991 (2021: £350,000) for which equivalent income is shown within 'Donations and grants'.

Included in creditors falling due within one year is £192,701 (2021: £134,474) owed to the University of Bath which has no securities or interest attached. There is also £2,075 (2021: £9,840) included in trade debtors and £73,958 (2021: £7,067) within accruals in relation to balances with the University this year. This year we also have a balance due from the University of £63,500 (2021: £nil) in other debtors in relation to additional grant funding for cost of living.

The University also pays all wages and salaries on behalf of the Union and recharges them accordingly. Staff costs are disclosed in note 8.

**21. CONTROLLING PARTY**

the Union is controlled by the Board of Trustees comprising the Union Officers, who are subject to democratic election by the voting membership of the Union, and non-executive Trustees who are appointed by a simple majority of the Board of Trustees. The ultimate control of the Union is vested under the Articles of Governance in the Board of Trustees. As such no single person or entity controls the Union as defined by FRS 102 section 9.

**22. CASH GENERATED FROM OPERATIONS**

|   | 2022<br>£             | 2021<br>£             |
|---|-----------------------|-----------------------|
| Net income/(expenditure)                  | 239,064               | (20,741)              |
| <b>Adjustments for:</b>                   |                       |                       |
| Investment income received                | (527)                 | (89)                  |
| Depreciation                              | <u>53,455</u>         | <u>56,388</u>         |
|   | <b>291,992</b>        | <b>35,558</b>         |
| (Increase)/decrease in stock              | (12,159)              | 9,927                 |
| (Increase)/decrease in debtors            | (172,710)             | 1,355                 |
| Increase in creditors                     | <u>122,443</u>        | <u>119,825</u>        |
| Net cash provided by operating activities | <u><b>229,566</b></u> | <u><b>166,665</b></u> |

**BATH STUDENTS' UNION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2022**

---

**23. NET FUND ANALYSIS**

|                          | <i>At<br/>1 August<br/>2021<br/>£</i> | <b>Cashflows<br/>£</b> | <b>At<br/>31 July<br/>2022<br/>£</b> |
|--------------------------|---------------------------------------|------------------------|--------------------------------------|
| Cash at bank and in hand | <u>703,667</u>                        | <u>190,624</u>         | <u>894,291</u>                       |

# University of Bath Students' Union

## Report to the Trustees

### Year ended 31 July 2022

## Strictly Private and Confidential

The Trustees  
University of Bath Students' Union  
Claverton Down  
Bath  
BA2 7AY

October 2022

Dear Trustees

### **Audit for the year ended 31 July 2022**

Following the completion of our audit fieldwork on the financial statements of University of Bath Students' Union for the year ended 31 July 2022 we have pleasure in submitting our Audit Findings Report setting out the significant matters which have come to our attention during our audit of which we believe you need to be aware when considering the financial statements. The matters included in this report have been discussed with University of Bath Students' Union's management during our audit and at our closing meeting on 20 October 2022. Helen McHenry and Emily Burstow have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

We would like to express our appreciation for the assistance provided to us by the finance team and the other staff at the Students' Union for our audit this year.

### **Use of this report**

This report has been provided to the Trustees to consider and ratify on behalf of the Board of Trustees, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Yours sincerely

**Crowe U.K. LLP**

# Contents

|            |  |    |
|------------|--|----|
| 1.         | Executive summary .....                                | 3  |
| 2.         | Significant audit risks .....                          | 5  |
| 3.         | Other audit findings.....                              | 8  |
| 4.         | Fraud and irregularities and our audit reporting ..... | 10 |
| Appendix 1 | - Reporting audit adjustments.....                     | 12 |
| Appendix 2 | - Systems and controls .....                           | 13 |
| Appendix 3 | - Responsibilities and ethical standards .....         | 15 |
| Appendix 4 | - Fraud risks .....                                    | 17 |
| Appendix 5 | - External developments .....                          | 19 |
| Appendix 6 | - Going concern .....                                  | 33 |

# 1. Executive summary

## Our report to you

We are pleased to present our Audit Findings Report to the Trustees and we welcome the opportunity to discuss our findings with you at your meeting on 24 November.

The primary purpose of this report is to communicate to the Finance Committee and the Trustees the significant findings arising from our audit that we believe are relevant to those charged with governance.

In accordance with International Standards on Auditing (UK) the matters in this report include

|  |
|--|
| <ul style="list-style-type: none"> <li>the results of our work on areas of significant audit risk</li> </ul>   |
| <ul style="list-style-type: none"> <li>our views about significant qualitative aspects of the Union's accounting practices, including accounting policies, accounting estimates and financial statement disclosures</li> </ul> |
| <ul style="list-style-type: none"> <li>significant difficulties, if any, encountered during the audit</li> </ul>   |
| <ul style="list-style-type: none"> <li>any significant matters arising during the audit and written representations we are requesting</li> </ul>   |
| <ul style="list-style-type: none"> <li>unadjusted misstatement identified during the audit</li> </ul>  |
| <ul style="list-style-type: none"> <li>circumstances that affect the form and content of our auditor's report, if any</li> </ul>   |
| <ul style="list-style-type: none"> <li>any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process</li> </ul>                  |

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention. We have reported a number of matters

relating to the group's systems and controls in [Appendix 2](#), along with an updated on the status of matters raised in previous audits.

## Conclusions in relation to the areas of significant audit risk

In line with our audit plan we focussed our work on the significant audit risks related to:

- Grant Income (Excluding Block Grant from the University)
- Management override of controls

Further details on each of these risks is included in [Section 2](#) of this report.

## Other audit findings

[Section 3](#) sets out various comments on other important matters which we have identified from our audit.

## Fraud and irregularities

[Section 4](#) sets out the Trustees and our responsibilities in respect of fraud and irregularities.

## Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of University of Bath Students' Union and was set at 2% of income. We have reviewed this level of materiality based on the draft financial statements for the year ended 31 July 2022 and are satisfied that it continues to be appropriate with 2% of income being £99k.

## Unadjusted misstatements

We report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be 5% of our audit materiality.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

## **Audit completion and our Audit Report**

We have substantially completed our audit in accordance with our Audit Planning Report which was sent to you and the senior management team on date, subject to the matters below.

- Completion of the post-Balance Sheet events review.
- Review of the final financial statements.
- Receipt of the signed letter of representation.

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise from progressing these outstanding matters.

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion.

## **Responsibilities and ethical standards**

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in [Appendix 3](#) of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on 24 October.



## 2. Significant audit risks

We reported in our Audit Planning Report a number of areas we identified as having specific audit risk including the potential risk from management override of controls. Significant risk is considered in the context of how, and the degree to which, inherent risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors. We have commented below on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of University of Bath Students' Union identified during our audit.

To assist in the understanding of these risks we have identified one or more of six potential reasons, as defined by ISA 315, for the increased audit risk. In addition, we also consider other factors which may give rise to significant risks, such as a history of previous issues or the matter involves significant judgement.

1. Fraud risk
2. Recent significant economic, accounting or other developments
3. Complexity of the transactions
4. Financial information involves a wide range of measurement uncertainty
5. Involves significant transactions with related parties
6. Significant transactions that are unusual / outside the normal course of business for the entity
7. Other specific factors

| Significant risk identified                                | Risks | Key related judgements  | Crowe response   | Our conclusions / other comments  |
|--|-------|---|--|---|
| Revenue recognition – grant income (Excluding Block Grant) | 3     | <p>University of Bath Students' Union receives a substantial amount of its income from institutional and other grant making bodies.</p> <p>In certain cases, if grant income is not properly managed then the risk of claw back is high. In addition, official bodies may make their payment directly to the regional offices with the risk that the income is not correctly accounted for in terms of its allocation to specific funds.</p> <p>Income is not always received in line with the entitlement to the income in accordance with the Charity SORP and therefore there may be a requirement to defer or accrue income. There may also be performance criteria attached to the grants received which would</p> | <p>Our audit work included the following:</p> <ul style="list-style-type: none"> <li>• reviewing University of Bath Students' Union's income recognition policy in relation to grant income;</li> <li>• reviewing University of Bath Students' Union's procedures for identifying restrictions and conditions;</li> <li>• reviewing levels of grant debt held at the year end and investigate aged donor debts for instances of dispute and/or withheld funding;</li> <li>• reviewing the findings of any grant audits requested by donors;</li> <li>• scrutinise funding agreements so as to understand income recognition, terms,</li> </ul> | <p>Our testing of grant income did not highlight any material issues in relation to the recognition of this income.</p> |

| Significant risk identified   | Risks    | Key related judgements  | Crowe response   | Our conclusions / other comments   |
|---|----------|---|--|--|
|   |          | <p>impact on the establishment of entitlement to the grant.</p> <p>Given the complexities within the recognition of grant income, we consider there to be a significant risk in respect of completeness and cut off.</p>  | <p>reporting requirements, and claw back risk;</p> <ul style="list-style-type: none"> <li>reviewing the clawbacks that have occurred in the year and assess whether provisions for further clawbacks are required; and</li> <li>considering the controls and procedures in place to ensure that income received in the field is correctly accounted for so as to mitigate against the risk of double counting, omission or cut off errors.</li> </ul>  |  |
| <p>Management override of controls, including through journal adjustments</p> | <p>1</p> | <p>Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.</p> <p>The Trustees must satisfy themselves that the control environment present within the entity together with the trustee controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.</p> | <p>We assessed the design of the controls in place around key accounting cycles and areas of judgement and reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments in the preparation of the financial statements (how journals are initiated, authorised and processed). We also considered the risk of potential manipulation by journal entry to mask fraud.</p> <p>We reviewed accounting estimates for bias that could result in material misstatement due to fraud including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicated a possible bias on the part of management.</p> <p>We also performed a retrospective review of management's judgements and assumptions related to significant estimates reflected in last year's financial statements.</p> | <p>An exercise to revisit the Rent in Kind calculation was carried out in FY2022. However, we understand the rent in kind charge is based on calculations received from the University which may be out of date, but over which the Union has no control. Whilst it would be desirable for the calculation to be based on more recent costs per unit, this is not in the control of the Union and as such, no recommendation has been made. This is not a judgement or estimate related to the Union.</p> <p>We have no further observations to make in relation to judgements or estimates.</p> <p>We understand that in FY 2020/21 for the majority of the year, there was a lack of segregation of duties given the limited members of the finance team with Head of Finance being the sole person in the department.</p> |

| Significant risk identified | Risks | Key related judgements | Crowe response | Our conclusions / other comments   |
|-----------------------------|-------|------------------------|----------------|--|
|                             |       |                        |                | <p>Our review this year found that better segregation exists and that journals are now appropriately authorised and evidenced as such.</p> <p>No other issues have been identified from our substantive audit procedures on the relevant areas of judgement together with our assessment of the controls over journals operated by the charity that would suggest an inappropriate override of controls by management.</p> |

## 3. Other audit findings

In addition to matters relating to the significant audit risks as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

### 3.1 Report and Financial Statements

As noted in the Statement of Trustees' Responsibilities, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

### 3.2 Going concern

We explained in our Audit Planning Report that in preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees and management are required to assess the charity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the Trustees and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The trustees' going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Where trustees identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed in the financial statements.

Trustees may consider and take account of realistic mitigating responses open to them, considering the likely success of any response.

We have discussed this with the University of Bath Students' Union management and explained that our work on going concern includes the following:

- reviewing the period used by Trustees to assess the ability of University of Bath Students' Union to continue as a going concern,

- examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustees' conclusion,
- reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- reviewing any other information or documentation which the Trustees have used in their going concern assessment.

**There were no issues from our review of the client's assessment of the Union being a going concern for the next 12 months.**

### 3.3 Income

As discussed in the planning report, the key risks in this area have been identified as follows.

- Completeness (has all income due been appropriately recognised in the period?).
- Benefit (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Accuracy (where income is owed at year end, is it likely to be received or should it be provided against?).

We performed the following testing:

- Detailed testing on a sample basis, tracing income from source documentation through to the nominal ledger;
- For the sample tested, ensured that any restrictions on income were appropriate;

- Agreed the University grant to supporting documentation and receipt into the bank; Performed analytical procedures that consider variances to prior year to ensure that all trends and relationships appear reasonable; and
- Assessed recoverability on a sample of year end debtor balances

**There were no issues noted with our testing of income in the year**

### 3.4 VAT review

We understand that HMRC have confirmed that the supply of staff should be taxable and therefore invoices from the University to the Union should have applied VAT on them at 20%. HMRC have asked to provide copies of invoices covering the last four years and will raise an assessment against the University. The University have agreed with the Union that any liability for VAT following the assessment will be settled by the University and they would not seek to obtain this from the Union.

Going forward the University for the FY 2022/23 will provide additional grant to cover the extra expense of the VAT applied on staff costs which are payable to the University but not fully reclaimable by the Union due to partial exemption. A year end calculation will be made to settle any unders/overs on the position.

### 3.5 Direct tax risks on the income and profits from non-primary purpose trading

Students unions can often inadvertently undertake activities that may create a corporation tax liability and care is needed to identify and manage the risk of tax becoming due.

As a general point, the corporation tax treatment of trading profits is not determined by the use of the profits generated from the activity. So just because a charity uses its profits to fund charitable activities, does not mean the profits are themselves exempt from tax.

We understand that you have undertaken a review of the trading services performed and Crowe Tax have prepared a report in which they detail the likelihood of taxable trading activities being above the de-minimis level for charities.

The report has been completed and in summary there are 4 areas of income which could fall outside of the scope of charitable exemptions. These being:

- Stall hire
- Advertising
- Sponsorship
- Theatre hire

We understand that in a typical year, the income generated from these would be below the £80k small-trading exemption threshold.

***We recommend that this is monitored to ensure that activity post COVID does not increase above the threshold for these particular income streams.***

## 4. Fraud and irregularities and our audit reporting

### Audit reporting on detecting irregularities, including fraud

In line with ISA (UK) 700 our audit report includes an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities are acts of omission or commission which are contrary to the prevailing laws or regulations. Fraud includes both fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our responsibility is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The additional reporting requirements this year placed increased emphasis on our understanding of the risks to University of Bath Students' Union from fraud and irregularities. Our audit included discussions with management to obtain their assessment of the risk that fraud may cause a significant account balance to be materially misstated as well as other procedures to obtain sufficient appropriate audit evidence.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were [e.g. the Charities Act 2011 and The Charities and Trustee Investment (Scotland) Act 2005] together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within certain income streams and the override of controls by management.

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in

the financial statements or accounting records including any material misstatements resulting from fraud, error or non-compliance with law or regulations.

However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected even though the audit is properly planned and performed in accordance with the ISAs (UK). No internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly, our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

We have also included in [Appendix 7](#) some fraud risks that Trustees and management should be aware of.

### Trustee responsibilities

The primary responsibility for safeguarding the charity's assets and for the prevention and detection of both irregularities and fraud rests with the trustees and management of the organisation. It is important that management, with oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honest and ethical behaviours which can be reinforced by an active oversight by those charged with governance.

As in past years, the following statements will be included in the letter of representation which we require from the trustees when the financial statements are approved.

- The trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The trustees are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or

employees who have a significant role in internal control or who could have a material effect on the financial statements.

- The trustees are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2022 financial statements, or in the period since the previous year end.

## Appendix 1 - Reporting audit adjustments

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

Our audit approach is based on consideration of audit materiality as explained in section 1 of this report. We determine materiality for the purposes of the charity's statutory reporting by our judgement as to what adjustments would influence the readers' perceptions of the financial statements. We do not therefore seek to review all immaterial amounts.

| <b>Adjusted Items – presentational adjustments only for statutory accounts purposes</b> | Net income<br>increase /(decrease) | Assets<br>increase /(decrease) | Liabilities<br>increase /(decrease) | Opening reserves |
|---|------------------------------------|--------------------------------|-------------------------------------|------------------|
|   | £                                  | £                              | £                                   | £                |
| <b><i>Net results per day 1 of audit</i></b>  | <b>239,076</b>                     |                                |                                     |                  |
| Gross up rent in kind   | 493,000<br>(493,000)               |                                |                                     |                  |
| Gross up 50% salary costs   | 41,265<br>(41,265)                 |                                |                                     |                  |
| Gross up student accommodation  | 68,049<br>(68,049)                 |                                |                                     |                  |
| Movement in RAG   | (13)                               |                                |                                     | 13               |
| <b>Total adjustments</b>  | <b>(13)</b>                        | -                              | -                                   | <b>13</b>        |
| <b><i>Revised results per the financial statements</i></b>                              | <b>239,064</b>                     |                                |                                     |                  |

For the purpose of reporting non-trivial items identified as a result of our audit work which have not been adjusted in the financial statements we set out in our Audit Planning Report that we would report unadjusted misstatements greater than £1,500 unless they are qualitatively material at a lower amount.

***We are pleased to report that there are no such adjustments.***



## Appendix 2 - Systems and controls

We have set out below certain potential improvements to the charity's processes and controls which we noted during our audit work and which we believe merit being reported to you.

Our evaluation of the systems of control at University of Bath Students' Union was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken: We have also included as a separate appendix a brief update on the matters we raised last year.

|               |   |                                      |
|---------------|---|--------------------------------------|
| <b>High</b>   | These findings are significant and require urgent action.                               | <i>(0 comments in this category)</i> |
| <b>Medium</b> | These findings are of a less urgent nature, but still require reasonably prompt action. | <i>(1 comment in this category)</i>  |
| <b>Low</b>    | These findings merit attention within an agreed timescale.                              | <i>(0 comments in this category)</i> |

| <b>Audit finding and recommendation</b>   | <b>Priority</b> | <b>Management response</b>   |
|---|-----------------|--|
| <p><b>1. Clarification of restricted and unrestricted funds</b></p> <p>Restrictions placed on university grant income is not clearly stated by the University. When queried with the University, which of the donations should be classed as restricted or unrestricted, they did not provide an opinion other than it was suggested the core block grant would be unrestricted and all others restricted. Without clear intention from the University this could be subject to interpretation by the Union on how the funds are spent.</p> <p>Per the accounts the main block grant £1,978,500 is considered unrestricted as well as about £74k of 'other' smaller grants of £20k or less.</p> <p>We would recommend the SU confirm how the balances are received going forward should be treated to ensure correct treatment in the Financial Statements.</p> |                 | <p>The SU will request information in writing for every item of income received from the University and will seek clarification from them at the time of receipt if its intended purpose is not clear. The SU is satisfied that the income received to date has been classified correctly.</p> |

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2022 financial statements.

|  |  |
|--|--|
| Recommendation fully implemented or no longer relevant |  |
| Recommendation partially implemented                   |  |
| No progress on recommendation                          |  |

Please note that these colour coding are based on the status of the actions taken rather than the severity of the observation which is shown against the observation itself.

| Observations in 2021   | Update 2022   |
|--|---|
| <p><b>Segregation of duties</b></p> <p>We note that whilst bank reconciliations have been performed during the year, these have not been evidenced as reviewed each month end. We recommend that this control process is reviewed by a person independent of preparing the bank reconciliation, the review is evidenced as such and retained for audit purposes.</p> | <p><b>No issues noted this year</b><br/><i><b>Matter considered closed.</b></i></p> |

## Appendix 3 - Responsibilities and ethical standards

### Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the University of Bath Students' Union prepared by management with the oversight of the trustees /directors and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

### Financial statements

The trustees of University of Bath Students' Union are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The trustees are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

### Legal and regulatory disclosure requirements

In undertaking our audit work we considered compliance with the following legal and regulatory disclosure requirements, where relevant.

- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- The Charities and Trustee Investment (Scotland) Act 2005 and related Regulations
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

### Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and University of Bath Students' Union or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

### Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

In communicating with those charged with governance of the charity we consider those charged with governance of the subsidiary entities to be informed about matters relevant to them.

The matters in this report are as understood by us as at October 2022. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

### Non-audit services

We have considered the non-audit services we have provided in the period and have concluded that there are no facts or matters that bear upon the integrity, objectivity and independence of our firm or of the audit partner and audit staff related to the provision of such services which we should bring to

your attention. Our fees for non-audit services in the year have been as follows.

VAT Advisory £6,500

### **Use of this report**

This report has been provided to the Finance Committee to consider and ratify on behalf of the Board of Trustees, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

## Appendix 4 - Fraud risks

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustees, Finance Committee and management should ensure that these matters are considered and reviewed on a regular basis.

Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However, falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality, charities represented by its management and its trustees do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

The trustees should be aware that the Charity Commission provides guidance (updated in October 2019) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it -

The Charity Commission's first guiding principle recognises that fraud will always happen. It is therefore important that, as part of setting their overall risk appetite, the trustees consider fraud within their tolerance for the risks associated with the management of the organisation's (and group's) funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the trustees.

We have shared with management our guidance and a framework on conducting fraud risk assessments. A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and

- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud. Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

### Considering risks of fraud

There is evidence that during times of economic instability there is an increased risk of fraud. This may be because resource constraints can reduce internal controls and oversight and also because individuals facing hardship may be more likely to consider fraudulent practices.

The following provides further information on the three kinds of fraud that charities such as University of Bath Students' Union should consider.

#### a) *Frauds of extraction*

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The close monitoring of management accounts, ledger entries and strict budgetary controls are also generally seen as an effective way of detecting and deterring frauds in this area.

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity makes regular payments.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so sufficient checks in these areas is of increasing importance.

Some charities have also been victims of what is being termed CEO fraud, although it does not involve the CEO. In this case cyber criminals spoof company email accounts and impersonate executives to try and fool an employee in accounting or HR into executing unauthorised wire transfers or sending out confidential information.

This type of phishing scam is a sophisticated scam targeting businesses working with foreign suppliers and/or businesses that regularly perform wire transfer payments. The scam is carried out by compromising legitimate business e-mail accounts through social engineering or computer intrusion techniques to conduct unauthorised transfers of funds. Action Fraud, the UK's national fraud and cyber-crime reporting centre has reported an increase in fraud and scams, including a rise in phishing emails where the fraudster attempts to trick people into opening malicious attachments which could lead to fraudsters stealing people's personal information, email logins and passwords, and banking details.

Charities should therefore ensure that they reiterate their procedures to employees and raise awareness of fraud preventions across their organisations. All employees should exercise real scepticism and not make any payments which are not properly supported and outside the normal payment mechanisms. To paraphrase Action Fraud's recommendations, which are particularly significant as staff are working remotely and some

working different hours in order to manage the challenges of working from home:

- Ensure all staff, not just finance teams, know about current frauds and scams.
- Have a system in place which allows staff to properly verify contact from their CEO or senior members of staff; for example, having two points of contact so that the staff can check that the instruction which they have received from their CEO is legitimate.
- Always review financial transactions to check for inconsistencies/errors, such as a misspelt company name.
- Consider what information is publicly available about the business and whether it needs to be public.
- Ensure computer systems are secure and that antivirus software is up to date.

All employees should exercise real scepticism and not make any payments which are not properly supported and / or outside the normal payment mechanisms.

#### *b) Backhanders and inducements*

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

#### *c) Frauds of diversion*

This is where income or other assets due to University of Bath Students' Union are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore, ensuring the completeness of income provided to a charity becomes difficult.

It is important to consider the different income streams and when and how they are received. So income received directly into the charity's bank account will be a lower risk than income being received by home based fundraisers.

## Appendix 5 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (<https://www.crowe.com/uk/croweuk/industries/webinars>) or register to our mailing list ([nonprofits@crowe.co.uk](mailto:nonprofits@crowe.co.uk)) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

### Governance

#### The Charities Bill: 5 key changes to charity law

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

We have set out some of the key changes that apply to England and Wales.

##### *Governing document amendments*

Amendments have been made to the Act to more closely align the rules for charities amending their constitution irrespective of the legal structure. Whilst the Commission will still need to approve any regulated amendments (e.g. changes to the charity's objects), they will now apply the same consistent criteria to approve these.

##### *Permanent endowments*

The definition of permanent endowments has been updated with a simplified definition where property is considered to be a permanent endowment if it is 'subject to a restriction on being expended which distinguishes between income and capital'. The Charities Act has also been updated to increase the maximum value of a permanent endowment that Trustees can resolve to release restrictions on spending capital from £10,000 to £25,000. This power has also been extended to incorporated entities.

In addition, a new provision in the Act will allow Trustees to borrow up to 25% of the value of a charity's permanent endowment subject to the amount being repaid within 20 years of being borrowed.

##### *Mergers*

A key amendment to the Act allows for legacies to be transferred to a merged charity. This change will remove the need for 'shell charities' to be maintained and therefore reduce administration costs.

##### *Failed appeals*

The Act introduces new rules granting the power for trustees to apply *cy-près*, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

- i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
- ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
- iii) The donor cannot be identified (for example cash collections)

##### *Payments to Trustees*

Trustees (or a person connected to the trustee) may receive payment for the provision of services to a charity under certain conditions. The Act extends this provision to allow payment for the provision of goods to a charity.

### *Ex Gratia Payments*

Amendments to the act allow for ex gratia payments to be made without the Commission's consent, up to a maximum of £20,000 depending on the charity's income. In addition, the amendments allow this decision to be delegated to staff.

Full details of all the changes can be found [here](#) and [here](#).

### **Responsible investments guidance**

The Charity Commission ran a public consultation in April 2021 in respect of updated guidance for responsible investments. Previous Charity Commission guidance was based on the outdated Bishop of Oxford case in 1992.

The outcome of this case recognised that there were times when a charity may wish to pursue an ethical approach to its investments, but that this was a secondary consideration to maximising investment income. The results of the Charity Commission consultation were published on 18 August 2021.

During the consultation two charities were granted permission to bring a case relating to responsible investment to the High Court, The Ashden Trust and the Mark Leonard Trust.

Their investment policies, approved by the High Court were based on scientific evidence of climate change and excluded, as far as practically possible, investments not aligned with the goals of the Paris Agreement. The charities were seeking clarification of the law. Previous case law in the 1992 Bishop of established the principle that charity trustees should maximise return on their investments and ought not to take into account ethical or moral considerations that could cause financial detriment to the charity.

There were exceptions to these where an investment directly conflicted with the charity's purposes or indirectly conflicts with its work.

The new High Court ruling establishes that trustees of charitable trusts are allowed to prioritise climate change in their investment policies even if it risks reducing financial returns. The Charity Commission has signalled that it will now publish its updated CC14 guidance.

### **Guidance on hybrid working launch by ACAS**

ACAS recently published guidance for employers on hybrid working, following the extended period of remote working as a result of the coronavirus pandemic.

The guidance is broken down into the following five sections:

- Considering hybrid working for your organisation
- Consulting and preparing to introduce hybrid working
- Creating a hybrid working policy
- Treating staff fairly in hybrid working; and
- Supporting and managing staff in hybrid working

The guidance also considers other legal matters that employers should consider, including data and privacy issues, health and safety issues and working time requirements.

The guidance can be found [here](#).

### **Charity Commission: 'Take action on fraud'**

As part of Charity Fraud Awareness Week, the Charity Commission issued a press release in October 2021 warning charity trustees and management to 'take action on fraud' as new figures show £8million reported lost to crime last year.

The latest data from Action Fraud also shows 1,059 separate incidents of fraud were reported by charities in just one year from April 2020 to March 2021. Together with the Fraud Advisory Panel, the regulator is urging all trustees to sign up to a new [Stop Fraud Pledge](#), which commits charities to taking six practical actions to reduce the chances of falling victim to fraud.

The pledge includes the following measures:

- Appoint a suitable person (staff member, volunteer or trustee) to champion counter fraud work throughout the organisation
- Ensure that all trustees are aware of their legal duty to protect the charity's assets.



- Consult with staff, volunteers and trustees to identify the types of fraud that threaten the organization and the ways they can be prevented.
- Assess annually how well the fraud controls are working, taking into account new risks and making improvements as needed.

Our [Fraud Risk Assessment guidance](#) can be used to help you assess fraud risk appropriately, it includes:

- key questions for Boards to ask as a starting point in considering fraud risk
- detailed organisational counter fraud checklist which lists key questions for Boards on areas of organisational resilience
- checklist of potential fraud risks by function and activity
- set of questions from the National Cyber Security Centre (NCSC) publication “10 Steps to Cyber Security” to assist Boards with their existing strategic-level risk discussions.

## Remote meetings

It has been possible for many charities to move back to face-to-face meetings and hold any outstanding AGMs or other meetings in person where required. On 21 April 2022 the more flexible approach to charities holding meetings outside of the terms of their governing documents came to an end.

### *Meetings*

All charities should check that their governing document allows them to hold meetings in the way they want to, whether that's online, by telephone, remotely or in person.

### *Holding meetings online or by telephone*

Trustees should check if their charity's governing document allows them to hold meetings online, by telephone or on a hybrid basis.

If your governing document does not allow online, telephone or hybrid meetings you should consider if you can use any power (usually in your governing document) to amend the rules to allow these types of meetings.

### *The Charity Commission's guidance on meetings explains:*

“Charity trustees may choose to conduct some trustee meetings by electronic means, unless the governing document specifically prohibits it, and provided that the means used allows them to both see and hear each other, for example, by using video conferencing or internet video facilities.”

In contrast, as telephone conferencing only permits the participants to hear but not see each other it does not constitute a ‘meeting’ within the meaning of the decision in the Byng case. However, it is still possible for meetings to be arranged in the form of a telephone conference if there is a specific provision in the charity's governing document.

If there is no power in the governing document to hold meetings by telephone the trustees can alter the governing document to adopt such a power. This alteration can be made if there is a suitable power of amendment in the charity's governing document.

In the absence of a specific power to conduct business by telephone conferencing, such a method may only be used for preliminary discussions, etc, relating to business which has to be transacted at a meeting.

Any decisions taken in the course of a telephone conference where the business concerned has to be transacted at a meeting in the strict sense could become the subject of a potential legal challenge.

## Compliance

### Harpur Trust vs Brazel – Supreme Court decision

The recent decision from the Supreme Court in July 2022 brings to an end the long-standing Harpur Trust v Brazel dispute and provides welcome certainty to employers surrounding the method by which payments of holiday pay are made to non-regular workers.

Non-regular workers impacted by the judgement are those workers or employees on permanent contracts who work irregular hours and are paid on an hourly or daily basis, including individuals engaged under zero-hours contracts. The decision does not impact full-time workers, part time workers with regular hours or workers with a fixed salary.

Worker is a classification of employment status under UK employment law, where an individual has entered into or works under a contract of employment, typically with no regular or guaranteed hours, and can include individuals engaged as contractors.

*What is the impact of the judgement?*

Many organisations adopted the '12.07% method' of calculating holiday pay in line with guidance issued by ACAS, which has since been withdrawn. The Supreme Court's judgement has confirmed that this method should no longer be applied by employers when calculating the value of holiday pay for non-regular workers.

Holiday pay for permanent workers with irregular hours should be calculated with reference to work undertaken across a 52-week period, which is then multiplied by the 5.6 weeks annual leave entitlement. This change can produce some unusual results (e.g. a worker who is usually entitled to one week's pay being given 5.6 weeks holiday entitlement), however in their judgement the Supreme Court noted that any slight favouring of such workers was not of a magnitude that would require wholesale revision of the general rules.

Now the position in respect to holiday pay calculations is clear, organisations should consider the wider implications of this decision. The decision has been widely publicised, and there is currently a high level of activity with unions (UNISON was an intervener on the case). It may be that organisations will receive communication from trade unions or staff directly, requesting back pay.

*What should organisations do now?*

- Review current holiday pay arrangements and calculations to ensure these are in line with the new approach.
- Quantify the potential back-pay liability. Where an underpayment has arisen, there is a risk of a potential claim from an employee. Most claims going to employment tribunal can be backdated for a period of 2 years from the date of the most recent deduction from pay.
- Where the underpayment is considered material to the financial statements, judgement will be required over whether there is a legal or indeed a constructive obligation leading to recognition of a provision or a contingent liability in the financial statements.
- Employment status is frequently challenged, and therefore employers should also assess the risk of any of their contractors being found to be workers or employees as this could lead to additional liabilities.
- Organisations might also consider the basis on which they continue to employ irregular workers. A review might consider whether the mix of fixed-term contracts, consultants and permanent staff on variable contract hours is still appropriate

*Useful links*

Gov.uk – <https://www.gov.uk/employment-status>

ACAS (employment status definitions) - <https://www.acas.org.uk/checking-your-employment-rights>

### Safeguarding in international aid

The Charity Commission has updated its guidance published to assist trustees of international aid charities to improve their safeguarding practices.

The alert includes a number of key steps that trustee may consider, including

- making sure policies, communications and ongoing performance management help maintain appropriate behaviours by charity staff and workers to each other and the beneficiaries they serve
- joining the [Misconduct Disclosure Scheme](#) to help protect your charity and other organisations in the sector from individuals who pose a safeguarding risk

- giving victims and survivors, and their families and friends, a safe means to report their concerns and complaints
- launching robust and timely investigations into allegations or concerns where they arise

A copy of the alert can be found [here](#) along with the Commission's guidance [Safeguarding and protection people for charities and trustees](#).

In March 2022 the FCDO updated its guidance on Safeguarding against sexual exploitation and abuse and harassment (SEAH) in the aid sector. [Safeguarding against sexual exploitation and abuse and harassment \(SEAH\) in the aid sector - GOV.UK \(www.gov.uk\)](#)

### Government procurement: carbon reduction plans

The Government has introduced new measures which will require businesses to commit to net zero by 2050 and publish clear and credible reductions plans before they can bid for major government contracts.

Under the new measures, for procurements advertised on or after 30 September 2021, suppliers bidding for contracts above £5million a year will need to have committed to the government's target of net zero by 2050 and have published a carbon reduction plan.

Carbon Reduction Plans ('CRP') must meet the required standard, and includes (but is not limited to):

- Confirming the bidding supplier's commitment to achieving Net Zero by 2050 for their UK operations.
- Providing the supplier's current emissions for the sources included in Scope 1 and 2 of the GHG Protocol, and a defined subset of Scope 3 emissions.
- Providing emissions reporting in CO<sub>2</sub>e (Carbon Dioxide Equivalent) for the six greenhouse gases covered by the Kyoto Protocol<sup>4</sup>
- Setting out the environmental management measures in effect, including certification schemes or specific carbon reduction measures you have adopted, and that you will be able to apply when performing the contract and that support achieving Net Zero by 2050.
- Publication of the CRP on the supplier's website

Further details can be found [here](#) along with the Procurement Policy Note issued by the Cabinet Office [here](#).

### Fundraising Regulator: Annual complaints report

There has been a sharp increase in fundraising complaints since February 2022, according to the Fundraising Regulator's annual report.

The type of complaints received does reflect the operational changes made during the pandemic. As the sector was forced to move from face-to-face fundraising and embrace more digital techniques, there was inevitably an increase in complaints regarding digital fundraising.

Charity collection bags remains the fundraising method receiving the most complaints, this was followed by digital fundraising in the latest report.

There was a 252% increase in the number of complaints received during the period of 1st April 2020 to 31st March 2021, compared to data from the previous year. This includes complaints about:

- Social media
- Charity website
- Advertising banners

You can see the full report [here](#).

### Changes to the Fundraising Preference Service

A number of changes to the Fundraising Preference Service (FPS) have been announced by the Fundraising Regulator, following an independent review of the FPS.

The review noted that the service continues to be an important tool that allows individuals to control the direct marketing communications they receive from charities, and recommended a number of actions to further strengthen this service.

9 recommendations were made as a result of the review, including increasing the number of suppressions that can be made in a single online transaction and the provision of additional guidance to charities of actions to take when suppression requests are received.

Previously in one online transaction members of the public could request that a maximum of 3 charities stop sending marketing materials. This has now

been increased to 10 for online transactions, and 20 where the regulator is contacted by telephone.

Full details of the review and changes can be found [here](#).

### **The Procurement Bill**

In May 2022 The Government published the Procurement Bill, intended to improve the regulation of public procurement.

Charities delivering public services for local and central government will be impacted by changes in the Bill. This is an important income stream for many in the sector, amendments that improve transparency and fairness will be welcomed and long due.

The Bill also seeks to support businesses by making public procurement more accessible to small businesses, including social purpose and non profits.

Although there are many positives included in the Bill, there may be unintended consequences for local Government making it harder to meet procurement objectives.

Charities can get involved with influencing the Bill as it moves through Parliament. If you would like to discuss this further please do get in [touch](#).

### **Changes to classification codes**

The Charity Commission has proposed changes to how it classifies charities for more effective and accurate reporting.

The current classification is broad and therefore does not provide enough information for details segmentation.

52% of charities select education and training to describe what they do, but there is no way to delve deeper into what this means.

The proposed changes will provide more details data on the 'what', 'why' and 'who' classifications.

The Commission has undertaken user testing and will publish updates in due course. You can read more about the changes [here](#).

### **Understanding Money Laundering risks: Arts & Antiques**

From 10 June 2021 all art market participants (AMPs) dealing in transactions of €10,000 or above were required to register, as part of the EU's Money Laundering Directive.

Charities in these markets will need to ensure they are aware of the latest guidance. As traditional monetary transactions become harder for criminal activity to penetrate due to tighter controls and regulation, the arts market may be more vulnerable.

Risks common to all AMPs:

- Unusual sales or purchase activity
- Anonymity
- Face-to-face sales compared to other sales
- Off record sales

Risks relating to the Money Laundering Regulations:

- Reliance
- Linked transactions
- Data protection
- Online verification
- Unregistered AMPs
- Online sales
- Rental of art and interior designs

Charities involved in the arts and antiques market can access the Government risk assessment below.

[Understanding money laundering risks and taking action for art market participants - GOV.UK \(www.gov.uk\)](#)

### **Cash couriers – Charity Commission alert**

**Following changes to the law on carrying cash and continued cases involving the seizure of charitable funds held as cash by the police and officers of UK ports, the Charity Commission has published this updated**

### **alert on cash couriers in partnership with SO15 Counter Terrorism Command, Metropolitan Police Service.**

The Commission have reiterated their advice that charities should not use cash couriers as a method to transfer charitable cash due to the significant risks involved. Where there are no suitable alternatives, Trustees should ensure appropriate safeguards are put in place against these risks.

The full alert can be read here - <https://www.gov.uk/government/news/regulator-renews-its-message-warning-charities-against-the-use-of-cash-couriers>

## **Financial and other reporting**

### **Charity Commission: consultation on changes to the Annual Return**

The Charity Commission has launched formal a consultation on proposed changes to the Annual Return. The Return has not changed significantly since 2018.

The Annual Return needs to be completed by all charities with an annual income of £10,000 plus, within 10 months of the end of their financial year.

The Commission has stated its desire to be more data driven and the Annual Return feeds many of the Commissions analyses. The proposed changes will require charities to answer a large number of questions when filing.

The additional questions will be designed to:

- Better understand charities' sources of funding
- Gain greater insight on roles and responsibilities
- Create a more accurate geographical spread
- Create a clearer picture with regard to staffing and payroll.

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

Charities can take part by responding to the online survey below, the consultation ends September 1st 2022.

<https://www.gov.uk/government/consultations/charity-commission-revisions-to-the-annual-return-2023-25>

### **Understand the FX issues impacting INGOs**

Crowe worked with CharityTransfers to carry out a survey and to produce "The INGO FX Insights Report 2021".

While the research shows there is work to do, it is in many ways encouraging that most organisations recognise the risks they face, even if they sometimes lack the expertise or resources to manage them. This is particularly important to drive improvement as INGOs face significant financial challenges.

Key points from the report:

- Charity challenges
- Protecting funding from foreign exchange volatility
- Lack of transparency on FX remittance costs
- Lack of competition when making transfers
- Use of banks versus FX brokers
- Transaction challenges
- In-country payments – hard versus local currency
- Difficulty setting accurate budget rates
- Use of official policies to manage FX risk

A copy of the report can be obtained [here](#). We will be launching a new survey with Charity Transfers soon and recently co-wrote a piece for the [CFG](#) newsletter Finance Focus July issue.

### **COVID-19-related rent concessions beyond 30 June 2021**

In June 2021, the Financial Reporting Council updated the amendment to FRS 102 in respect of Covid-19 related rent concessions, extending the period to which the amendments apply to 30 June 2022.

Under the amendments, any reduction in lease payments are recognised over the period that the change in lease payments is intended to compensate. For example, if a lessee is offered a rent holiday such that the rent due for July 2021 to December 2022 is waived, no lease expense would be recognized in that period.

The lessee will also need to disclose the change in lease payments recognised in profit or loss in accordance with the amendments, unless the entity is a small entity applying Section 1A of FRS 102, in which case such a disclosure is recommended.

The effective date for these amendments is accounting periods beginning on or after 1 January 2021, with early application permitted.

A copy of the updated amendment to FRS 102 can be obtained [here](#).

## Sustainability Reporting and the Charity SORP

Sustainability and environmental issues continue to be high priority for all sectors. The Charity SORP Committee produced a briefing note reflecting on the current approach to sustainability reporting.

The Committee sought to identify whether elements of sustainability reporting should be introduced into the trustees' annual report, and discuss preferred options should this be the case.

The current SORP asks charities to identify the difference their work has made to society as a whole.

The Committee noted that additional support would likely be required to enable charities to comply with additional reporting requirements, and the need to address the scope of the sector. The current requirements are different for large charities, this would need to remain consistent in order to avoid burdening smaller charities.

The full briefing can be found [here](#).

Our guidance on climate change can be accessed [here](#).

We will be publishing our latest guidance on Streamlined Energy Carbon Reporting (SECR) soon, keep an eye on our website to download this guidance report.

## Taxation

### Advertising vs Marketing: An update for charities

Charities are allowed to acquire advertising services from suppliers with the zero-rate of VAT but one condition for the relief to apply is that the advertising is made to the general public.

After consultation with the charity and advertising sector, HMRC released its [Revenue and Customs Brief 13](#) in September 2020. The brief indicated that some supplies that are made by suppliers like Facebook could be treated as zero-rated, e.g. audience targeting and location targeting. However, the notice goes on to state that the standard rate of VAT applies to social media accounts because "when individuals log in to their personal pages, sites use tools to apply advertisements to them when they are signed in. The content will be related to the individual's known likes, dislikes, interests or location, as a signed in member of the website."

We have a number of charity clients that are affected by this as they use suppliers like Facebook for a number of fundraising campaigns. As Facebook is based outside the UK it is up to the UK based charity to account for any VAT due and this is often to a large extent irrecoverable. Therefore, we have written to HMRC to seek clarification of its position.

HMRC has been provided with numerous examples of services and the terms and conditions applicable.

HMRC's response states that all supplies of Facebook advertising fall outside of zero-rated advertising. Consequently, 20% VAT must be accounted for by charities on such supplies received from suppliers based outside the UK.

HMRC's position is now clear and unless it is successfully challenged reverse charge VAT should be applied to services received from suppliers such as Facebook.

If VAT has not been applied to these services, HMRC should be notified of the amount of tax due in order that any penalties applicable can be mitigated.

### Business and non-business activities

In June 2022 HMRC published a policy paper setting out its approach to determining whether or not an activity is a business activity for VAT purposes.

In light of a number of recent cases, HMRC will no longer apply the business test based on the 6 indicators from Lord Fisher and Morrison's Academy in determining whether an activity is business. The 6 indicators were -

- is the activity a serious undertaking earnestly pursued?
- is the activity an occupation or function that is actively pursued with reasonable or recognisable continuity?
- is the activity have a certain measure of substance in terms of the quarterly or annual value of taxable supplies made?
- is the activity conducted in a regular manner and on sound and recognised business principles?
- is the activity predominately concerned with the making of taxable supplies for a consideration?
- are the taxable supplies that are being made of a kind which, subject to differences of detail, are commonly made by those who seek to profit from them?

Consideration for whether activities were business activities for VAT purposes will now be based on a 2-stage test –

- The activity results in a supply of goods or services for consideration; and
- The supply is made for the purpose of obtaining income therefrom

The full policy paper can be read here -

<https://www.gov.uk/government/publications/revenue-and-customs-brief-10-2022-vat-business-and-non-business-activities/vat-business-and-non-business-activities>

### Grant Funding: Business or non-business

Our [Insight](#) in January 2021 informed you of the decision of the Upper Tier Tribunal in Colchester Institute and the potential adverse effects it could have upon institutions other than those in the Further Education (FE) sector.

Subsequently there has been a further unsuccessful attempt by a FE College to exploit the decision made by the upper Tier Tribunal ([read the transcript](#)) and HMRC has also responded with its guidance in its [business brief 08/21](#).

The decision has a direct application to those in the Further Education sector that receive grant income. However, in theory the conclusion arrived at by the UTT could be applied to any entity that has received grant income that has treated this as 'non-business'.

The decision in Colchester Institute reversed the common opinion that grant income is used to support non-business activities as the court opined that funding from The Skill Funding Agency (SFA) and the Education Funding Agency (EFA) was in fact consideration for supplies of educational services. In theory this could have wide reaching application in relation to the zero-rating of buildings used for charitable purposes, the application of reduce rate VAT to Fuel and Power and recovery of VAT on costs using both the standard method and special methods of partial exemption.

Many VAT commentators have seen the decision by the Tribunal as a threat to common well-founded VAT treatments applied by charities.

HMRC's brief 08/21 does give comfort to the charities' sector as well as the education sector since it essentially confirms that it disagrees with the Tribunal's decision and states that whilst it will not appeal, its policy on grant funded education will not change. Therefore, it appears that HMRC has no motivation to use the decision to serve a wider purpose and disturb well established VAT treatments for the charities' sector. Furthermore, it is willing to retain the status quo in relation to SFA and EFA funding (i.e. treat the income as non-business).

### Three common trading activity VAT issues for charities in 2022

#### *Donated Goods Retail Gift Aid Scheme and VAT*

The Retail Gift Aid scheme is used by many charities in order to treat what would have been the sale of donated goods as donations of cash by acting as agent for the owners in selling their goods. This enables the charity to be able to claim Gift Aid.

It is important to note, that from a VAT perspective, this changes the nature of the transaction entirely. If donated goods are sold the shop is making a zero-rated taxable business activity which enables VAT recovery on associated costs. Whereas, if a charity is selling goods on behalf of someone in return for a donation, this is a 'non-business activity' and so while there is no VAT due on the donation, VAT cannot be recovered on the associated costs.

This can result in the shop being required to apply an apportionment to arrive at the correct amount of VAT recoverable in relation to the shop costs so VAT administration increases and VAT recovery is reduced.

**Solution:** To properly operate the scheme, the charity should charge a VAT bearing commission to the donor of the goods. This does mean a small amount of VAT being paid to HMRC but VAT on associated costs incurred on the shops can be recovered in full.

#### *Lottery ticket sales from shops*

Most charities that operate a lottery sell tickets by entering into monthly agreements with customers who buy directly from a head-office. In addition, some tickets may also be sold in charity shops.

Lottery tickets are exempt from VAT, and therefore, no VAT is due on the sales but VAT cannot be recovered on associated costs. This again results in less VAT being recovered by the charity within the shops. It also adds an extra layer of administration as overhead costs of the shop would need to be apportioned.

**Solution:** In reality, the VAT bearing costs used by the shop to make the lottery/raffle ticket sales is minimal and so application should be made to HMRC to apply a fairer apportionment on shop costs where these sales exist.

#### *Effect of COVID-19 on VAT recovery rates*

The COVID-19 pandemic has resulted in many charity shops, cafes and social enterprise activities to close temporarily. This could have an impact on the amount of VAT recoverable on overhead costs, particularly where the charity uses an income-based apportionment as the proxy for recovery (e.g. the standard method of partial exemption). This is because taxable income has been reduced while exempt income may have remained constant. For example, care services in general will have continued during lockdown, while shops/cafes and conference venues have remained closed.

**Solution:** Apply to HMRC to agree an alternative recovery method for the year. HMRC has released an information sheet which states it will look at these requests sympathetically and has set up a purpose-built inbox to review these applications. We would suggest that charities review their recovery rates to see if there has been, or will be (using a forecast), a heavy reduction input tax recovery so this can be addressed. HMRC's release can be accessed [here](#).

## Corporation tax returns – Hybrid entity reporting

The corporation tax return was updated in April 2022 to include new questions in supplementary pages CT600B (2022) which require a UK company to disclose whether it is a hybrid entity and whether it transacts with a hybrid entity in the same control group.

While it is unlikely that a UK charity would itself be a hybrid entity, there will be some charity-owned groups that include an entity that is treated as transparent for tax purposes in one territory but not in another, and any transactions with such entities may require disclosure.

Full details can be read here –

<https://www.gov.uk/government/publications/corporation-tax-controlled-foreign-companies-and-foreign-permanent-establishment-exemptions-ct600b-2015-version-3>

## Health and Social Care Levy

The government has announced on 8 September 2021 a new Health and Social Care Levy to pay for reforms to the care sector and NHS funding in England.

The levy will apply from April 2022, although will operate slightly differently in 2022–23 compared to future tax years.

From April 2022, the levy will see an increase of 1.25% on the rates of:

- Class 1 Primary and Secondary National Insurance Contributions – paid by employees and employers on gross wages, respectively
- Class 1A and Class 1B Contributions – paid by employers on benefits provided to employees
- Class 4 National Insurance Contributions – paid by the self-employed on profits.

In 2022–23, this will operate as a simple increase of the National Insurance Contributions rates, so only those liable to pay National Insurance Contributions will be subject to the levy.

From 2023–24 onwards, once HMRC have developed new systems, the levy will operate as a separate payment to National Insurance Contributions, and it will also apply to those above the State Pension age, which is currently not the case for Class 1 Primary and Class 4 National Insurance Contributions.



However, existing reliefs for Class 1 Secondary National Insurance Contributions will also apply to the new levy for employers of apprentices under the age of 25, all employees under the age of 21, veterans, and new employees in Freeports (from April 2022). The levy deduction will appear separately on employee payslips.

From an employer perspective, the effective increase in Class 1 Secondary National Insurance Contributions means that employment costs will increase. It is important that employers assess the impact of this increase on their employment costs and assess how it can be funded. Alternatively, employers may wish to consider other means of remunerating their employees, for example, through tax-efficient benefits, which would not be subject to the levy.

### **12.5% VAT rate applied to hospitality**

From 1 October 2021 the VAT rate applied to hospitality changed from 5% to 12.5%. From 15 July 2020 VAT had been chargeable at 5% on:

- on-premises catering and non-alcoholic drinks sold with catering
- hot takeaway food and drinks
- admissions to attractions including theatres and amusement parks
- hotel and holiday accommodation.

This was always intended to be a temporary measure to boost the hospitality sector at this difficult time. Rather than return to 20% VAT in one go, the VAT rate applicable to these goods and services changed to 12.5% where these are supplied between 1 October 2021 and 31 March 2022.

It should be noted that none of the above affects situations where no VAT is chargeable, such as cold takeaway food.

We have produced guidance on actions both suppliers and customers should take here <https://www.crowe.com/uk/insights/preparing-for-the-new-vat-rate>.

### **VAT and Covid-19 Testing**

HMRC has recently released its policy, Revenue and Customs Brief 11, in relation to the VAT treatment of COVID-19 tests, and is relevant to any organisation who is involved in the provision of tests for COVID-19 or receives these services from suppliers.

HMRC's recent brief has confirmed its policy on the VAT treatment of COVID-19 testing and the requirements for VAT exemption to apply. These should be followed to avoid HMRC issuing VAT assessments and penalties.

HMRC has stated that the medical care exemption will apply in instances where:

- the service incorporates the administration of the test to the patient; and
- the provision of the results,
- by a medical professional or somebody supervised by a medical professional such as a qualified registered nurse, doctor or a state regulated institution.

Exemption can still apply where the service is supplied by a non-registered person but the services are 'wholly performed' by a medical professional.

Exemption does not apply where:

- the service is provided by UK Accredited Service or the Care Quality Commission as HMRC does not consider these as being state regulation
- the service is administered by the patient themselves. Therefore, lateral flow tests are standard rated
- tests are supplied by manufacturers to hospitals. pharmacies.

HMRC's policy may be challenged as the application to some scenarios could be complicated and provide results that will appear inequitable.

However, if your organisation's treatment is not in line with the policy corrective action should be taken both retrospectively and going forward.

Furthermore, if a supplier has been applying standard rate VAT where exemption applies, the over-charged VAT can be recovered by seeking a credit from the supplier.

### **Tax on Covid-19 Grants for charities**

Over the last couple of years many charities and/or their trading subsidiaries have claimed payments under the coronavirus job retention scheme (CJRS). The CJRS scheme ended on 30 September 2021 and was replaced by the Job Support Scheme (JSS).

Charities may also have claimed the following Covid grants, or 'coronavirus support payments' (CSP), which include:

- the self-employment income support scheme (SEISS),
- the small business grant fund,
- the retail, hospitality and leisure grant fund, the local authority discretionary grants fund,
- the coronavirus statutory sick pay (SSP) rebate scheme,
- the equivalent grant funds in Scotland, Wales and Northern Ireland
- amounts paid under the test and trace support payment scheme and its equivalent in Scotland and Wales, called self-isolation support payments
- Eat Out to Help Out (EOTHO)

*CJRS and other CSP payments are generally stated to be taxable for income or corporation tax – is that the case for charities?*

If the payments are to support a charitable (ie a non-taxable) activity of a charity, they are not taxable. If they are to support a non-charitable trade, then they will be included in the profits from that trade, as the expenditure covered will be tax-deductible. If the turnover from the trade is below the de minimis limit for income or corporation tax (currently £80,000 in a tax year, or less if the charity's total income is below £320,000) then the grant payments will not be counted when calculating whether the turnover goes over that limit. However, once the turnover is over that limit, then the CJRS/CSP receipts become taxable income.

If the CJRS or CSP grant relates to two different activities, one charitable and the other non-charitable, then it needs to be apportioned between the two on a reasonable basis.

EOTHO was implemented separately from other CSPs. HMRC guidance for EOTHO states that "You must include the payments you receive as income when you calculate your taxable profits for Income Tax and Corporation Tax purposes".

### *Reporting CJRS payments*

However, when it comes to reporting grant payments to HMRC, there are additional tax return reporting requirements for CJRS, JSS, JRB and EOTHO. The JRB, or Job Retention Bonus, is not yet in operation. The Eat Out To Help Out scheme (EOTHO) applied in August 2020.

Whether or not the amounts received are taxable, they need to be reported on the charity's tax return (if it needs to complete one). On the Corporation tax return there are three boxes for CJRS receipts, boxes 471-473. Box 471 records CJRS payments actually received in the period, Box 472 records entitlement over the same period. If the total in Box 471 is larger than the total in Box 472, then clearly there is an overpayment that must be returned, less any overpayments that have already been reported to HMRC or already assessed (Box 473).

Box 474 relates only to JRB and EOTHO overpayments. EOTHO claims need to be reported in Box 647.

The amount owed to HMRC for CJRS is recorded in Box 526. However, this amount is not added to the total of any corporation tax due. It is treated as income tax, and a separate assessment will be issued to collect it.

For trust and estate returns the reporting requirements are contained in Boxes 21.6A and 21.6B. Amounts entered in box 21.6B will be added to the income tax liability of the Trust or Estate, so it is important that if any overclaimed amounts have already been assessed, they are not included in the amount in this box. The individual amounts claimed need to be reported on the relevant boxes of the supplementary pages.

### *CJRS claims made by trading subsidiaries*

If a subsidiary has made its own CJRS (or other CSP grant) claim then clearly this needs to be recorded on its tax return. However, many charities have claimed CJRS for their employees, and then recharged a portion relating to the employees' work for the trading subsidiary. It is important that the company that has actually claimed the CJRS reports the full amount on its tax return, before any recharges, otherwise confusion will result

### **Gift Aid: change in income tax rate**

At the Spring Statement the Chancellor announced that the basic rate of income tax will be reduced from 20% to 19% in 2024.

There will be a three-year transition period which will maintain the income tax rate for Gift Aid purposes at its current level until April 2027, but charities with significant Gift Aid income should consider the long term impact once this transitional period ends.

In theory, charity donors can make up the Gift Aid deficit by increasing the amount of their donations so that the benefit of the income tax saving is passed on to the charity - but this is unlikely to happen often in practice, especially with smaller donations, because many donors will not usually calculate their donations based on the gross amount before tax. For example, a Gift Aid donor currently making a monthly net donation of £10 to a charity is unlikely to increase the net donation to £10.13 so that the gross amount remains at £12.50.

In view of this change in income tax rate, some practical considerations charities may consider include:

- Major donors may be open to adjusting their larger donations to account for the effect of the reduced income tax rate.
- Communicating the impact on the charity of the loss of Gift Aid income to donors and potential donors may result in more donations generally.
- Other forms of tax efficient giving such as payroll giving, legacies and gifts of land or shares will not be affected by the change in income tax rate and may be worth exploring and promoting further.

### **Gift Aid: Extension to gift aid claims on debt waivers**

HMRC have now amended their detailed guidance notes to confirm that the donations made from a waiver of a right to either a refund or loan repayment are eligible for gift aid.

This could be useful for a theatre which cancels a show and asks patrons if they will donate the price paid for the tickets instead of claiming a refund. Or a school which receives fee deposits. A child leaves and the School asks the parents if they will donate any remaining fee deposit to the school. They can now claim gift aid on the amount waived by the donor.

As ever there are conditions. There needs to be a record of a formal waiver held by the charity. For a small amount (HMRC give the example of tickets to a fundraising events) an exchange of emails confirming that no refund is required and that the amount is to be treated as a donation should be enough.

The charity then needs to keep the emails in case HMRC want to check the donation.

For larger amounts HMRC expect there to be a legally enforceable document in place which makes clear: 1) how much is being waived 2) that the donor is giving up all legal rights to any future repayment and 3) confirmation that the amount waived is to be treated as a donation for gift aid purposes. This means putting in place a deed of waiver or release, which will require legal input.

Other gift aid rules still all need to be met, such as having a gift aid declaration, and the donor not receiving any significant benefits in return for the donation.

The guidance can be found here:

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid>.

### **Gift Aid: naming rights**

HMRC have issued revised Gift Aid guidance to clarify that the naming of a building or part of a building after a donor will not usually constitute a benefit for Gift Aid purposes.

The updated wording, in HMRC's Chapter 3 guidance, amends a previous update in August 2019 which gave an unclear position on naming rights and implied that the naming of a building would either have to be unsolicited or it would be considered a benefit which would potentially render the donation ineligible for Gift Aid.

The new guidance states that, as long as the naming does not act as an advertisement or sponsorship for a business, then it will not be considered a benefit. This revised wording brings greater clarity to the position and is better aligned with HMRC's equivalent guidance on the direct tax treatment of charity sponsorship arrangements.

## Trust Registration Service

Under current UK anti-money laundering regulations, most UK trusts (including non-taxable trusts) as well as some non-UK trusts are required to register with the Trust Registration Service (TRS) by 1 September 2022. A trust is required to register with the TRS if it is either a registrable express trust or a registrable taxable trust.

The current regulations exclude from the definition of a registrable express trust all trusts that are set up for charitable purposes and that are either:

- registered with the Charity Commission in England and Wales (or with the appropriate regulators in Scotland or Northern Ireland);
- not required to register by virtue of section 30(2) of the Charities Act 2011. This includes exempt charities, excepted charities and charities with income of less than £5,000 per year.

Additionally, 'special trusts' that hold funds on behalf of a charity for the purposes of that charity are not required to register with the TRS, provided that they are accounted for as part of the accounts of a charity that is either a registered charity or excluded from registration under section 30(2) of the Charities Act 2011.

For charitable trusts pending approval of their charity registration, HM Revenue and Customs have stated in their guidance that they will not require such trusts to register on the TRS so long as the trustees have a genuine expectation that the trust will be accepted for registration as a charity.

A charitable trust may also be required to register with the TRS if it is a registrable taxable trust. This is the case where the trust is liable to pay any of the following taxes in relation to its UK assets or UK-sourced income:

- Income tax.
- Capital Gains Tax.
- Inheritance Tax.
- Stamp Duty Land Tax (SDLT).
- Stamp Duty Reserve Tax (SDRT).
- Land and Buildings Transaction Tax (in Scotland).
- Land Transaction Tax (in Wales).

Any charitable trusts that are set up or become registrable after 1 September 2022 will be required to register within 90 days of becoming registrable.

## Appendix 6 - Going concern

The Charity Commission guidance “Managing financial difficulties & insolvency in charities” (CC12) stresses the importance for “a trustee body to have a good knowledge and understanding of the charity and its finances so that, as far as possible, the continued viability of the charity and its charitable activities can be assured.”.

This is a theme that runs through the Charity Commission’s updates and alerts including its guidance on whether charities can use reserves and restricted funds to help the charity through the crisis.

The Charity Commission guidance highlights a number of factors the trustees need to consider.

- Trustees should review what are their short, medium and longer-term priorities, including whether or not certain projects, spends or activities can be stopped or delayed.
- The guidance recognises that reserves can be used to help cope with unexpected events like those unfolding at present.
- If the trustees have previously decided to earmark certain funds for a particular purpose they may be able to re-prioritise these.
- Restricted funds which cannot be spent at the trustees’ discretion may only be used for a particular and defined purpose. In some instances, there may be ways to amend these restrictions, but accessing or releasing restricted funds should only be considered if other options such as reserves are not possible.
- All decisions on such financial matters should normally be taken collectively, and significant decisions and action points noted in writing.

### d) Liquidity and resilience

The Charity Commission guidance goes on to explain that “*The overall responsibility for effective governance and the implementation of proper financial management rests with the trustees, but may well involve all staff members whether paid or volunteers.*”

As well as the level of available reserves the trustees will also need to understand and consider the charity’s liquidity.

- Proper consideration needs to be given to cash flow forecasts and debt and project management based on realistic assumptions set. There should be a budget including cash projections and business plans produced at least annually and monthly monitoring against the plans.
- There is a need to extend cash flow forecasts to evaluate issues that may arise after the end of the period covered by existing cash flow forecasts.
- There should be processes in place to ensure that appropriate procedures and controls have been applied to models used to generate cash flow and valuation information, including the choice and consistent use of key assumptions.
- Appropriate sensitivity analysis needs to be applied to address the potential impact of reasonably possible events. Sources of income and expenditure should be analysed with consideration of uncertainties around grant funding, voluntary or earned income.
- The sensitivity analysis should properly flex assumptions to identify how robust the model outputs are in practice and that the assumptions are free from bias.

In April 2016 the FRC issued its guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks for companies that do not apply the UK Corporate Governance Code. Whilst this guidance refers to “directors” and “companies”, the report makes it clear that it is designed to relate to all other entities preparing accounts under the going concern basis and it will therefore be applicable to charities and charity trustees.

The guidance defines Solvency Risk as “*the risk that a company will be unable to meet its liabilities in full*” and Liquidity Risk as “*the risk that a company will be unable to meet its liabilities as they fall due*”.

The guidance sets out some of the factors which directors should consider as part of their assessment process but also explains that it is the directors that

need to determine the relevance of these factors considering the size, complexity and the particular circumstances of the organisation, its industry and the general economic conditions.

In addition, there may be charity specific issues to consider including ensuring that there are no breaches of trust with respect to any restricted income or endowed funds and that the charity is able to meet its obligations in relation to these funds. Trustees may be held liable for a breach of trust if they apply restricted funds for purposes outside of the relevant restriction.

CC25: "Charity finances: trustee essentials" – issued in March 2017 emphasises the need for charities to be resilient. This is a key theme for much of the Commission's guidance is also discussed in the updated CC19 guidance entitled "Charity reserves: building resilience".

In the section on 'managing financial difficulties and insolvency, CC25 explains that if charities face financial difficulties then the trustees must:

- *"have the appropriate skills and time to ensure the proper running of the charity and lead or manage it through difficulties,*
- *ensure that they regularly receive and consider robust and up-to-date financial management information to enable them to recognise at an early stage when the charity is facing financial difficulties,*
- *find out which charity funds are restricted in their use by their donors and which can be used for any of its aims - this is crucial to the proper understanding of the charity's overall financial position,*
- *take prompt action when they think insolvency is a possibility – professional advice in writing should be taken at an early stage because any corrective action needs to be carefully planned,*
- *consider changing, cutting or restricting the charity's activities, reviewing funding sources and commitments or refinancing,*
- *think about merging or collaborating with another charity,*
- *have an understanding of (and if necessary take advice about) insolvency law and how it applies to charitable companies, and what voluntary options there are for other types of charity,*
- *recognise that once the charity has reached the stage of liquidation or winding up their primary duty is to pay the charity's debts, and*

- *tell the Commission if the charity closes or is no longer active so that it can be removed from the register of charities (legal requirement)."*

#### e) *Insolvency*

There are normally two tests of insolvency – the balance sheet test (positive net assets) and the cashflow test. The key issue is, can the organisation pay its debts as they fall due? The cash flow test is of particular importance and a charity can be insolvent even if it has positive net assets. Careful consideration is required of many factors, such as what values can be realised in time to meet debts and what assets can be used to meet liabilities. Understanding is needed of the implications of the different restricted and endowed funds held by the charity. The position for trustees of an unincorporated charity is different and the risks are usually higher.

Directors and shadow directors can be guilty of wrongful trading if they continue to trade and incur liabilities they knew or ought to have known that there was no reasonable prospect of avoiding insolvent liquidation.

Fraudulent trading is also a risk. Section 213 of the Insolvency Act provides that on the application of the liquidator of a company the Court may order that any persons who were knowingly party to carrying on the business of the company with intent to defraud creditors must make a contribution to the company's assets. For a fraudulent trading action, intent to defraud creditors must be proved and the onus of proof is on the liquidator. There must be evidence of actual dishonesty. For an insolvent charitable company, senior management, and not just the trustees, could also be made liable for fraudulent trading. The charity should avoid entering into preferential transactions which put another party in a better position to the detriment of other creditors. The court will recognise mitigating circumstances. For example, if the directors took proper steps to minimise the potential loss to the company's creditors.

#### f) *Finalising the financial statements*

Given the potential for rapid spreading of the virus, required disclosures will likely change over time as more information about the epidemic emerges. As a result, the trustees will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosure before finalising their year-end report.

Put simply, where boards identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then

---

these should be disclosed. Boards may take account of potential responses open to them to mitigate such events or scenarios although would need to consider the likely success of any response.

## Follow us on:



[www.crowe.co.uk](http://www.crowe.co.uk)

Crowe U.K. LLP is a limited liability partnership registered in England and Wales with registered number OC307043. The registered office is at 2<sup>nd</sup> Floor, 55 Ludgate Hill, London EC4M 7JW. A list of the LLP's members is available at the registered office. Crowe U.K. LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales and is authorised and regulated by the Financial Conduct Authority. All insolvency practitioners in the firm are licensed in the UK by the Insolvency Practitioners Association. Crowe U.K. LLP is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe U.K. LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global.

This material is for informational purposes only and should not be construed as financial or legal advice. Please seek guidance specific to your organisation from qualified advisors in your jurisdiction.



# FINANCIAL POSITION UPDATE REPORT

## PURPOSE

To update Trustees on The SU's financial position

## REPORT

### 1. MANAGEMENT ACCOUNTS

- 1.1 Appendix 1 shows the management accounts for the period ending 31<sup>st</sup> October 22. These show a surplus of £35k, which is £37k less than budgeted for at this point.
- 1.2 Contributing to this firstly; DD to be amended by the University to reflect the increase in the Block Grant. This has caused a negative variance of £15K.
- 1.3 The additional VAT on salaries has created a large deficit variance. We have created a new GL code to show this cost allowing us to report base salaries in line with statutory accounts. Once the VAT return is completed a proportion of this will be offset and moving forward we will put in a monthly accrual to reflect this.
- 1.4 These variances will be dealt with in the revised budget which will account for the updated figures.
- 1.5 In the bar area, food sales are £5k down on expected budget. This is mainly due to two factors; reading week drop in sales and having to buy a replacement air fryer due to initial faulty equipment. Sales have started to improve since the new air fryer was installed, and the area will continue to monitor this.
- 1.6 Wet sales are up by £28K which is positive, however, cost of sales, particularly trading purchases are high, with year-to-date GP falling short of budgeted 65%.
- 1.7 Management of the two club nights has been given to an external company, Official Events who are working hard to engage with clubs. Attendance so far has been good however our profit for these nights is now much lower after 50% commission and promotions paid out.
- 1.8 In other commercial areas stall hire is doing well and is currently £4k above what was forecast with future events looking positive. The commercial fayre was very successful with a higher take up of stall holders.
- 1.9 In non-pay costs transport in sports is already exceeding the year-to-date budget and is being carefully monitored. Other non-pay items are mostly in line with budget with phasing to be improved with implementation of revised budget.
- 1.10 End of year forecasts will be presented at next committee meeting when revised budget has been implemented.

### 2. RESERVES AND RESTRICTED FUNDS

- 2.1 Appendix 2 shows a statement of all SU fund categories including unrestricted, restricted, designated and custodian funds (RAG). These categories match to the SOFA and annual accounts and will give the committee an overall picture of SU finances.
- 2.2 The SU holds £479k in unrestricted reserves at the start of FY2022/23. The required number of reserves will be in line with the SU Reserves Policy:
- 2.3 Minimum reserves held will be 12.5 % of the full net annual cost (total unrestricted expenditure less block grant), providing the SU with approximately 6 weeks cover, or cover for 12.5% increase in net costs sustained for a year.
- 2.4 This equates to £206k and so for the current year £273k of reserves funding is therefore available to cover any budget shortfall and capital expenditure.
- 2.5 Capital purchases in the year to date have been the portable bar and the new kitchen oven totalling £18k.
- 2.6 Restricted funds have increased by £198K which is usual for this time of year when group memberships are paid. Alumni applications have remained low however the new application process has been approved and so we hope to receive a wider range of applicants in Q2.
- 2.7 Rag income is high with the Bath Half and Fireworks events both happening in October.

|                |
|----------------|
| <b>ACTIONS</b> |
|----------------|

The Board of Trustees are asked to note the report.

|                 |  |  |
|-----------------|--|--|
| <b>Contact:</b> | Emily Burstow Finance Manager<br>Helen McHenry Head of Finance | E-Mail: <a href="mailto:ejb237@bath.ac.uk">ejb237@bath.ac.uk</a><br><a href="mailto:sushmw@bath.ac.uk">sushmw@bath.ac.uk</a> |
|-----------------|--|--|

# FINANCIAL POSITION – APPENDIX 1

## APPENDIX 1 MANAGEMENT ACCOUNTS

| Unrestricted / Core Summary Subjective | YEAR              |                    |                       |                     |                   | YTD               |                    |                             | PRIOR YTD               | YTD |
|--|-------------------|--------------------|-----------------------|---------------------|-------------------|-------------------|--------------------|-----------------------------|-------------------------|-----|
|  | 2022-23 Budget    | August 2022 Actual | September 2022 Actual | October 2022 Actual | Actual 2022-23    | Budget 2022-23    | Variance to budget | Actual Year-to-date 2021-22 | Annual budget remaining |     |
|  | £                 | £                  | £                     | £                   | £                 | £                 | £                  | £                           | £                       |     |
| <b>Income</b>                          |                   |                    |                       |                     |                   |                   |                    |                             |                         |     |
| Block Grant                            | 1,975,000         | 159,583            | 159,583               | 159,583             | 478,750           | 493,750           | -15,000            | 1,888,000                   | 1,496,250               |     |
| Commercial Income                      | 1,014,450         | 4,441              | 91,503                | 212,517             | 308,460           | 247,116           | 61,344             | 274,779                     | 705,990                 |     |
| Student groups                         | 5,000             | 0                  | 0                     | 67                  | 67                | 1,250             | -1,183             | 588                         | 4,933                   |     |
| Sports clubs                           | 131,490           | 20                 | 10,325                | 80,852              | 91,197            | 85,400            | 5,797              | 77,439                      | 40,293                  |     |
| Advertising and sponsorship            | 32,500            | 3,427              | 5,778                 | 4,313               | 13,518            | 11,500            | 2,018              | 7,010                       | 18,982                  |     |
| Events                                 | 414,700           | -5                 | 203,996               | 9,642               | 213,633           | 198,019           | 15,614             | 58,555                      | 201,067                 |     |
| Union income                           | 73,600            | 6,747              | 22,544                | 4,260               | 33,552            | 28,925            | 4,627              | 200,658                     | 40,048                  |     |
| Motor income                           | 0                 | 0                  | 0                     | 825                 | 825               | 0                 | 825                | 550                         | -825                    |     |
| Internal recharges                     | 11,000            | 0                  | 0                     | 11,000              | 11,000            | 11,000            | 0                  | 21,369                      | 0                       |     |
|  | <b>3,657,740</b>  | <b>174,214</b>     | <b>493,729</b>        | <b>483,058</b>      | <b>1,151,001</b>  | <b>1,076,960</b>  | <b>74,041</b>      | <b>2,528,947</b>            | <b>2,506,739</b>        |     |
| <b>Staff Costs</b>                     |                   |                    |                       |                     |                   |                   |                    |                             |                         |     |
| Staff: Salaries & Wages                | 70005 -1,842,952  | -123,339           | -144,231              | -131,037            | -398,606          | -460,738          | 62,132             | -1,230,697                  | -1,444,346              |     |
| Staff: Salaries VAT irrecoverable      | 70006 0           | -14,708            | -15,974               | -14,678             | -45,360           | 0                 | -45,360            | -1,780                      | 45,360                  |     |
| Staff: Agency                          | 70010 -15,000     | 626                | -4,145                | -3,443              | -6,962            | -3,750            | -3,212             | -33,617                     | -8,038                  |     |
| Staff: Casual                          | 70015 -290,001    | -9,048             | -9,760                | -79,687             | -98,495           | -75,406           | -23,089            | -70,388                     | -191,506                |     |
| Staff: Vacancy Factor                  | 70050 55,638      | 0                  | 0                     | 0                   | 0                 | 13,910            | -13,910            | -4,561                      | 55,638                  |     |
|  | <b>-2,092,315</b> | <b>-146,468</b>    | <b>-174,110</b>       | <b>-228,844</b>     | <b>-549,423</b>   | <b>-525,985</b>   | <b>-23,438</b>     | <b>-1,341,042</b>           | <b>-1,542,893</b>       |     |
| <b>Other Expenditure</b>               |                   |                    |                       |                     |                   |                   |                    |                             |                         |     |
| Commercial                             | -317,841          | -15,528            | -56,343               | -47,290             | -119,162          | -81,289           | -37,873            | -107,502                    | -198,679                |     |
| Staff : other costs                    | -23,776           | -3,029             | -3,488                | -1,875              | -8,393            | -9,976            | 1,583              | -1,194,952                  | -15,383                 |     |
| Student groups                         | -8,130            | -122               | -940                  | -21                 | -1,083            | -1,651            | 569                | -4,108                      | -7,047                  |     |
| Sports clubs                           | -268,188          | -29,669            | -978                  | -28,418             | -59,065           | -55,068           | -3,997             | -51,270                     | -209,123                |     |
| Advertising and Marketing              | -18,600           | -7,068             | -1,459                | -3,926              | -12,453           | -5,731            | -6,722             | -8,059                      | -6,147                  |     |
| Events ( direct)                       | -370,422          | -6,458             | -98,923               | -42,658             | -148,039          | -126,330          | -21,709            | -101,087                    | -222,383                |     |
| Union costs                            | -97,443           | 38                 | -38,120               | 214                 | -37,867           | -72,067           | 34,200             | -87,789                     | -59,576                 |     |
| Administration                         | -36,071           | -1,207             | -3,868                | -3,455              | -8,529            | -8,268            | -261               | -17,932                     | -27,542                 |     |
| Motor expenses                         | -3,500            | -327               | -392                  | -327                | -1,046            | -250              | -796               | -2,177                      | -2,454                  |     |
| Internal recharges                     | -11,193           | 0                  | -2,859                | -8,023              | -10,882           | -8,693            | -2,189             | -13,217                     | -311                    |     |
| Volunteer and student costs            | -41,975           | -2,431             | 0                     | -1,607              | -4,038            | -6,114            | 2,075              | -6,661                      | -37,937                 |     |
| Establishment                          | -156,069          | -1,924             | -54,032               | -15,562             | -71,518           | -61,199           | -10,319            | -77,384                     | -84,551                 |     |
| Assets & Finance Expenses              | -177,176          | 3,425              | -25,974               | -52,485             | -75,034           | -32,652           | -42,382            | -121,413                    | -102,142                |     |
| Depreciation                           | -32,000           | -2,921             | -2,921                | -3,161              | -9,002            | -9,250            | 248                | -21,563                     | -22,998                 |     |
| Total Other Expenditure                | <b>-1,562,384</b> | <b>-67,218</b>     | <b>-290,297</b>       | <b>-208,595</b>     | <b>-566,110</b>   | <b>-478,538</b>   | <b>-87,572</b>     | <b>-3,522,726</b>           | <b>-996,274</b>         |     |
| <b>Total Expenditure</b>               | <b>-3,654,699</b> | <b>-213,686</b>    | <b>-464,407</b>       | <b>-437,440</b>     | <b>-1,115,532</b> | <b>-1,004,523</b> | <b>-111,010</b>    | <b>-4,863,768</b>           | <b>-2,539,167</b>       |     |
| <b>Net Surplus/(Deficit)</b>           | <b>3,041</b>      | <b>-39,473</b>     | <b>29,323</b>         | <b>45,618</b>       | <b>35,469</b>     | <b>72,437</b>     | <b>-36,967</b>     | <b>-2,334,821</b>           | <b>-32,428</b>          |     |

**FINANCIAL POSITION APPENDIX 2**
**APPENDIX 2 RESERVES AND RESTRICTED FUNDS**

| <b>Summary of SU : 3 months to 31 October 2022</b> |  |  |                                     |
|--|--|--|-------------------------------------|
|  | <b>Reserves /<br/>Rollover<br/>funds</b> | <b>Net surplus/deficit<br/>3 months to 31<br/>October 2022</b> | <b>Reserves /<br/>carry forward</b> |
|  | <b>£</b>                                 | <b>£</b>   | <b>£</b>                            |
| <b>Unrestricted funds:</b>                         |  |  |                                     |
| Union Administration                               |  | 177,149  |                                     |
| Advice & Support                                   |  | -37,026  |                                     |
| Arts   |  | 25,929   |                                     |
| Commercial (Bars)                                  |  | -5,553   |                                     |
| Commercial (Other)                                 |  | 25,803   |                                     |
| Events   |  | 31,932   |                                     |
| Marketing & web site                               |  | -32,920  |                                     |
| Media  |  | -1,380   |                                     |
| Peer Support                                       |  | -33,327  |                                     |
| Societies support                                  |  | -20,737  |                                     |
| Hall reps  |  | -11,352  |                                     |
| Sport  |  | -6,261   |                                     |
| Student Voice                                      |  | -55,217  |                                     |
| Volunteering support                               |  | -21,571  |                                     |
| <b>Unrestricted funds: Total</b>                   | <b>549,627</b>                           | <b>35,469</b>  | <b>585,096</b>                      |
| <b>Restricted funds:</b>                           |  |  |                                     |
| Societies: Individual groups                       | 52,196                                   | 16,676   | 68,872                              |
| Societies : Centrally administered                 | 9,872                                    | 9,046  | 18,918                              |
| Sports: Individual clubs                           | 51,912                                   | 148,919  | 200,831                             |
| Sports : Centrally administered                    | 119,918                                  | 52,994   | 172,912                             |
| Policy & Activism Groups                           | 780                                      | 0  | 780                                 |
| Media Central                                      | 234                                      | 526  | 760                                 |
| Alumni   | 43,274                                   | -1,843   | 41,431                              |
| SCP  | 37,804                                   | -20,912  | 16,891                              |
| Student Development                                | 51,704                                   | -3,168   | 48,536                              |
| Club Assets  | 31,125                                   | -3,972   | 27,152                              |
| <b>Restricted funds:Total</b>                      | <b>398,818</b>                           | <b>198,265</b>   | <b>597,083</b>                      |
| <b>Designated Funds:</b>                           |  |  |                                     |
| Volunteering, Support and Liberation Groups        | 10,399                                   | 1,815  | 12,214                              |
| <b>Designated Funds:Total</b>                      | <b>10,399</b>                            | <b>1,815</b>   | <b>12,214</b>                       |
| <b>Custodian Funds:</b>                            |  |  |                                     |
| RAG  | 2,064                                    | 12,650   | 14,714                              |
| <b>Custodian Funds: Total</b>                      | <b>2,064</b>                             | <b>12,650</b>  | <b>14,714</b>                       |
| <b>GRAND TOTAL</b>                                 | <b>960,909</b>                           | <b>248,199</b>   | <b>1,209,108</b>                    |
| <b>Unrestricted funds: Total</b>                   |  |  |                                     |
| Less:  |  |  |                                     |
| Tangible Fixed Assets                              | 69,655                                   | 18,150   | 87,805                              |
| Unrestricted free reserves                         | 479,972                                  |  | 497,291                             |
| <b>Minimum permanent reserves held</b>             | <b>206,000</b>                           |  | <b>206,000</b>                      |
| Free reserves available                            | 273,972                                  |  | 291,291                             |

## COMMERCIAL RISKS AND MITIGATIONS REPORT

### PURPOSE

To update the committee on the commercial risks and mitigations.

### REPORT

1. Following a tough financial year 2021/22 we engaged in a commercial review of the area using an external company. A report was then produced. Key areas were then highlighted as short, medium, and long term by an internal review panel. We have tackled the short-term goals over the summer.
2. Club Nights

A major source of income which last year tailed off completely. Increasing amounts of competition in the city centre. New clubs and existing specifically targeting social secs of clubs with incentives (bribes). Not something we have had to deal with before on a Wednesday. This has increased this year. A new night from Oxford called 'Fishes' is entering into our marketplace. Already taking big clubs out for drinks with offers of incentives such as Hockey and Rugby.

#### Risks

- With the cost-of-living night clubs in the city are targeting students every night of the week drinks and entry prices are getting lower & lower. We can only compete with this to a certain point before it becomes irresponsible. I would suggest we are already at that point.
- Dilution of attendance at our nights has a knock-on effect. When most clubs seem full with 600 we appear very empty. We have weathered this before but is a problem if we get back to this stage.
- Spend per head has been lower this year. We are currently hitting budget but would expect 10k club nights and are hitting 6-8k bar sales.
- Reliance of club nights to bring in the bottom line.
- Trying to match city centre competition with pricing hits the bottom line.

#### Mitigations

- Both club nights now are now run-in conjunction with official events (formally A-List) promotional teams. We have restructured our deal to be 50/50 split on both nights whereas before they paid us a flat hire fee for Saturdays. In theory this should give us the same income as we would have had from full control of Score across the 2 nights. Arguably when we had nothing at the end of Sem2 last year this is a good place to start.
- Official events & SU Sports & Commercial teams engaged with clubs over the summer months to build firm relationship. Tickets also to be sold by clubs who then get kickbacks which go directly back to the clubs for things like end of year ball etc.
- Negotiated installation of bar for sporting events at STV to strengthen build relationships.
- Ticket sales to go through Fatsoma ticket platform for ease as already established as the place to buy for student events. However, there are fees which are passed on to the customer.
- Student DJ's employed.
- Weekly feedback, communications & reviews done by Official Events with teams.
- Change of security provider.
- Run Score events in Fresher's week.
- Bring in special guests twice a term.

## COMMERCIAL RISKS AND MITIGATIONS REPORT

### Results so far

- A promising start to the year considering both nights had completely failed by the end of last year.
- Starting to see some drop off in numbers start of November. Reading weeks may account for some of this. Special guest events coming up are selling well.
- Driving volume of people with kickbacks to clubs and using an external promotor if effecting the bottom line of budget on ticket sales. This will be kept under review.

|        | Score wet sales (budget 8k) | Attend | Peachy wet sales (budget 5k) | Attend |
|--------|-----------------------------|--------|------------------------------|--------|
| Week 1 | 9938.4                      | 1087   | 7453.13                      | 1000   |
| Week 2 | 6668.3                      | 1031   | 5677.7                       | 804    |
| Week 3 | 8807.32 (rugby home game)   | 1104   | 4392.36                      | 652    |
| Week 4 | 4699.89 (rugby at the Rec)  | 969    | 6230.81 - Halloween          | 1243   |
| Week 5 | 6930.29                     | 897    | No event                     |        |

### 3. Food offer

On the whole food is now going well but is not hitting its budget. We have had an issue with the new fryer. It did not work for the first 2 weeks of term. After trying to get it fixed multiple times, I eventually sent it back and bought the same fryer from a different company. This led to us not having half the menu at a very crucial time of year. That said, the fryer and hot holder have cut down wait times during lunch and early evening service. We aim to review pricing by Christmas. We are starting to see some prices rise because of global issues.

We have also had a couple of big reading weeks hit the daytime trade. This is something the University has also felt. I am aware that the Head of Campus Services has asked UEB for more info on when these may, so we know to expect them.

Sales are now picking building. The world cup trade will also help this.

#### Weekly budget 5k

|        |         |              |
|--------|---------|--------------|
| Week 1 | 3220.37 | No fryer     |
| Week 2 | 3301.49 | No Fryer     |
| Week 3 | 4824.05 |              |
| Week 4 | 3730.44 | Reading week |
| Week 5 | 4535.64 |              |

### 4. Purchases Trading

This line on our management accounts is high. We do have 70% GP on last months, but this is brought down by the month before, falling short with the year-to-date margin.

We are going to look at the phasing of this part of the budget. We are not confident in our stock evaluation. This will be addressed by working with the external company at the next count.

We are going to review before Christmas with a potential price increase in semester 2.

### 5. Staff Costs

Currently we have some vacancies in the full-time staff salaries and wages. This shows an under spend in this but an overspend in casual staff. We have also used some agency staff for the kitchen.

Recruitment for our kitchen supervisor role has proven difficult to fill. The Grade 3 position is not reflective of the current market rate of pay. We have asked HR to look at the role which is comparative to a grade 4 in campus services.

## COMMERCIAL RISKS AND MITIGATIONS REPORT

Casual staff pay increases over the last few years have hit our bottom line hard. Whilst trying to maintain pricing levels at a competitive rate to suit the student pocket.

| Year    | Rate of casual pay | Number of hours | Total bill | More than year before |
|---------|--------------------|-----------------|------------|-----------------------|
| 2018/19 | 9.81               | 23300           | £228,573   | £                     |
| 2019/20 | 10.09              | 23300           | £235,097   | £6524                 |
| 2020/21 | 10.42              | 23300           | £242,786   | £13048                |
| 2021/22 | 10.65              | 23300           | £248,145   | £5359                 |
| 2022/23 | 11.89              | 23300           | £277,037   | £28892                |

£48,464 increase in casual staff wages. This has risen by 21%.

### 6. Other Expenditure

A few overspends on budget lines which need adjusting on the phasing. Things like licensing, maintenance contracts for equipment etc we pay most of the year up front We have also spent a lot of the budget on things like repairs and maintenance to refurbish the toilets & bar.

#### Risk

- We have spent a large portion of the repairs budget on refurbishment of the toilets and decorating. The toilets and decorating were essential to the revival of trade. These should see us through to the end of the year but any big repairs going forward will have to be funded from revenue.

### 7. Summary

Our turnover is going down. Our costs are rising. To maintain 100k bottom line each year is proving more difficult year on year whilst trying to ensure our membership get perceived value for money.

|                |
|----------------|
| <b>ACTIONS</b> |
|----------------|

The Board of Trustees are asked to note the report.

|                 |             |
|-----------------|-------------|
| <b>Contact:</b> | Mike Dalton |
|-----------------|-------------|

|                |                       |
|----------------|-----------------------|
| <b>E-Mail:</b> | M.J.dalton@bath.ac.uk |
|----------------|-----------------------|

## REVISED BUDGET

### PURPOSE

To provide Trustees with a proposed revision of the budget for FY22/23.

### REPORT

#### 1. Background

- 1.1 The trustees approved the FY22/23 budget in April 22 and this has been used for the accounts to date. The budget was formally approved by the University Finance Committee at its last meeting in early November 22.
- 1.2 There have been a few significant changes to the budget which are causing large variances and so a revised budget is presented to you in Appendix 1. The budget remains a cautious one, returning a small surplus.

#### 2. Revisions

- 2.1 The biggest change is in the grant and salaries lines following the outcome of HMRC's assessment of the VAT on supplies of staff between the University and the SU which found that the supply of staff is taxable.
- 2.2 The University confirmed that they will provide additional budget for FY22/23 to cover the unrecoverable VAT suffered by the SU as a result of the University now invoicing VAT on staff costs, estimated at £204k pa. This funding has been added to the block grant total for the year. The irrecoverable vat charge has been added as a new GL line.
- 2.3 Some existing budget lines have been reallocated in line with actual. Media budgets have been restructured so no longer part of marketing.
- 2.4 The photo commission budget has been increased reflecting actual received in June by £15k.
- 2.5 Bank interest increased also reflecting higher rates and actual received.
- 2.6 A few staff roles have changed hours or grading resulting in a net cost of £24k. These include revising the facilities roles after failures in recruitment, HERA revision of advisor roles, and the revision of the digital role as recommended in the commercial review.
- 2.7 Reflecting the staff changes, and savings in vacancies to date the vacancy factor has been increased by 0.5% to 4.5% total.
- 2.8 No adjustment has been made to the bars budget. The area is reviewing its performance to date and whilst is expecting to fall short of its current budget of £114k income it does not have a detailed revision or forecast. The area has made several changes following the commercial review with varying results. More time needs to be given to understand the trading patterns and true post covid, mid cost of living crisis trading environment.
- 2.9 Without a revised budget plan for this area any year end shortfall will be tracked through the monthly accounts and forecasts. It would be prudent to allocate an amount from reserves that the committee would feel appropriate to underwrite any shortfall in this area.

### ACTIONS

1. The committee is asked to approve the revised budget.
2. The committee is asked to agree action for contingency to cover commercial shortfall.

|                 |                                  |  |
|-----------------|----------------------------------|--|
| <b>Contact:</b> | Helen McHenry<br>Head of Finance | E-Mail: <a href="mailto:sushmw@bath.ac.uk">sushmw@bath.ac.uk</a> |
|-----------------|----------------------------------|--|



# REVISED BUDGET APPENDIX 1

## APPENDIX 1 REVISED BUDGET

|                                   | Budget            | Proposed Revised Budget |                  |  |
|-----------------------------------|-------------------|-------------------------|------------------|--|
|                                   | 2022/23           | 2022/23                 | Movement         |  |
| <b>Income</b>                     | £                 | £                       |                  |  |
| Block Grant                       | 1,975,000         | 2,179,000               | 204,000          | <i>Increase in grant to fund irrecoverable vat</i>   |
| Commercial sales                  | 997,600           | 1,014,449               | 16,849           | <i>Grossed up pool table commission</i>  |
| Groups income                     | 7,000             | 5,000                   | - 2,000          | <i>Recode</i>  |
| Sports income                     | 129,490           | 131,490                 | 2,000            | <i>Recode</i>  |
| Advertising & Marketing           | 32,500            | 32,500                  | -                |  |
| Event Income                      | 414,700           | 414,700                 | -                |  |
| Other                             | 84,600            | 101,600                 | 17,000           | <i>Increase in bank interest and photo commission budget</i>   |
|                                   | <b>3,640,890</b>  | <b>3,878,739</b>        | <b>247,849</b>   |  |
| <b>Staff Costs</b>                |                   |                         |                  |  |
| Staff: Salaries & Wages           | -1,842,953        | - 1,867,399             | - 24,446         | <i>Various pay changes inc: Advisers HERA, HoF, Facilities roles, Sports restructure, revised Digital Marketing role</i> |
| Staff: Casual                     | -304,998          | - 289,998               | 15,000           | <i>Moved to agency</i>   |
| Staff: Training & Conferences     | -12,000           | - 12,000                | -                |  |
| Staff: Vacancy Factor             | 55,638            | 63,693                  | 8,055            | <i>Increase by 0.5% on updated salaries</i>  |
| Other                             | -11,776           | - 230,776               | - 219,000        | <i>Irrecoverable salary VAT, £15k from casual</i>  |
|                                   | <b>-2,116,089</b> | <b>- 2,336,480</b>      | <b>- 220,426</b> |  |
| <b>Other Expenditure</b>          |                   |                         |                  |  |
| Commercial                        | -317,842          | - 317,842               | -                |  |
| Sport                             | -268,188          | - 268,188               | -                |  |
| Advertising & Marketing           | -18,600           | - 20,600                | - 2,000          | <i>Freshers mailout costs</i>  |
| Event costs                       | -370,422          | - 360,422               | 10,000           | <i>Arts recoding see event costs</i>   |
| Affiliation                       | -38,833           | - 39,148                | - 315            | <i>Recode media group budgets</i>  |
| IT Management Fee                 | -46,100           | - 44,500                | 1,600            | <i>Recode media group budgets</i>  |
| Administration Costs              | -32,551           | - 36,071                | - 3,520          | <i>Recode media group budgets</i>  |
| Budget allocated to student group | -15,062           | - 8,693                 | 6,369            | <i>Recode media group budgets</i>  |
| Volunteer & Student Costs         | -30,975           | - 41,975                | - 11,000         | <i>Arts recoding see event costs</i>   |
| Establishment                     | -154,785          | - 160,569               | - 5,784          | <i>Insurance under budgeted</i>  |
| Capital Purchase Under £1000      | -21,400           | - 21,900                | - 500            | <i>Recode media group budgets</i>  |
| Repairs & Maintenance             | -34,068           | - 34,918                | - 850            | <i>Recode media group budgets</i>  |
| Irrecoverable VAT                 | -29,420           | - 29,420                | -                |  |
| Bank & Credit Card Charges        | -26,000           | - 26,000                | -                |  |
| Professional fees                 | -38,500           | - 44,500                | - 6,000          | <i>Increase in VAT services</i>  |
| Depreciation                      | -32,000           | - 32,000                | -                |  |
| Other                             | -47,015           | - 53,863                | - 6,848          | <i>Increase in hire charges, see grossed up income</i>   |
|                                   | <b>-1,521,761</b> | <b>- 1,540,609</b>      | <b>- 28,848</b>  |  |
| <b>Total Expenditure</b>          | <b>-3,637,850</b> | <b>- 3,877,089</b>      | <b>- 249,274</b> |  |
| <b>Surplus / - Deficit</b>        | <b>3,040</b>      | <b>1,650</b>            | <b>- 1,425</b>   |  |

# THE EFFECTS OF COST OF LIVING AND INFLATION

## PURPOSE

To update Trustees on the effects of Cost of Living and Inflation increases.

## REPORT

### 1. Background

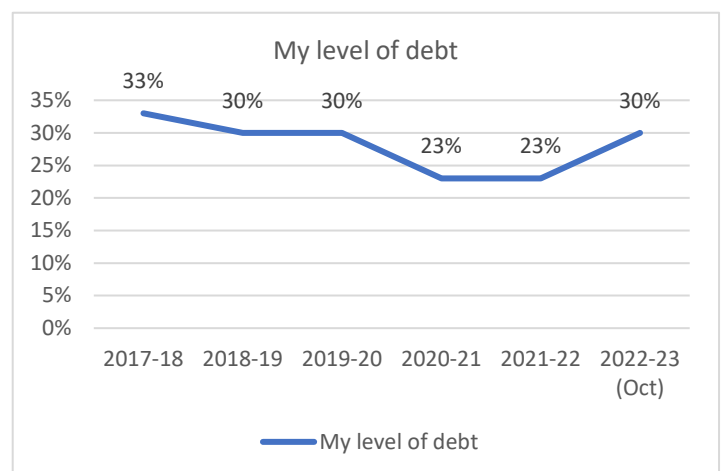
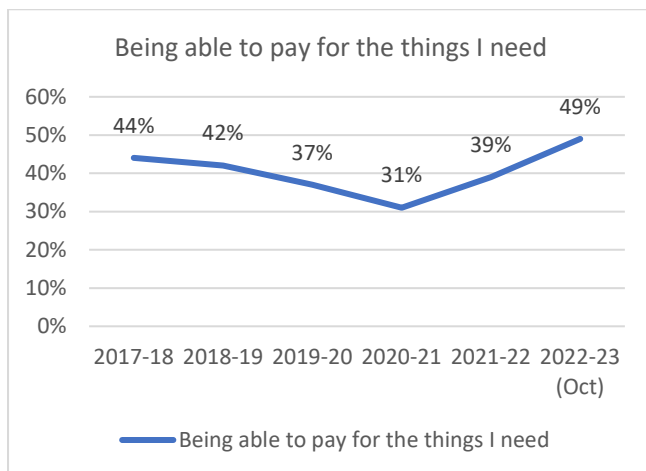
Trustees asked for information on the effects of the inflations hike and cost of living crisis in the SU

### 2. Financial pressures on students

2.1 The SU conducts a monthly pulse survey which since March 2022 has included open questions regarding the cost of living crisis. Key emerging themes from this survey suggest some students may be:

- More likely to get a part time job or increase hours of existing part time paid work,
- Taking more steps to reduce costs in the home including, looking for cheaper tariffs for utilities, reducing gas and electricity usage, including not putting heating on unless 'needed',
- Budget planning more than before,
- Reducing expenditure on 'extras' like shopping and socialising,
- Looking to reduce food costs by meal prepping and using cheaper shops,
- Travelling less by bus (reliability and cost highlighted), travelling home less.

2.2 In addition to the open questions, since 2017/18 The SU has included sub-questions, in a bank of questions asking students to rate their level of concern, regarding level of debt and being able to pay for the things they need. (2018-19 – 2021-22 data is the average of the 9 months, 2022-23 is just October).



2.3 Whilst data for 2022/23 is restricted to just October it is clear that students are more concerned with being able to pay for the things they need than in previous years where the yearly average has been between 31% and 44%, October 2022 is already showing that nearly half of respondents being concerned about this.

2.4 The SU is planning an 'Impact of the Cost of Living Crisis' survey to be sent to all students in early December. The National Union of Students (NUS) ran a Cost of Living survey nationally in October which The SU chose not to promote (due to clashes with the Be Well Survey and wishing to do our own survey later in the term). The SU will be using some of the same questions used in the NUS survey to allow for benchmarking University of Bath responses with the national picture.

2.5 SU Officers are doing a lot of lobbying to the University around costs for students, including accommodation and food provision. Webpage launched on thesubath.com with cost-of-living updates, action and advice.

## THE EFFECTS OF COST OF LIVING AND INFLATION

- 2.6 The Advice Team have not received any cases specifically linked to cost of living.
  - 2.7 Sports membership fees have been frozen, a new kit supplier chosen who is more affordable. Targets for membership and kits sales have already been exceeded. Bath Active is a free social sport program run by the SU.
  - 2.8 Societies have retained central membership fee of £3. Arts, music and dance classes all subsidised.
  - 2.9 Alumni Activities Participation Fund about to launch - £5k available to be applied for by students who have a barrier to participating due to lack of funds.
3. Salaries & wages
- 3.1 These are controlled by the University. The annual pay ward for this year was 3%, and a one-off cost-of-living payment has been awarded to staff up to Grade 8 of £500, and a further £500 for staff in Grades 2-5. The University has fully funded these payments.
  - 3.2 Recruitment has been challenging, with 20% of posts vacant at one point. Currently three posts are vacant, all advert stage.
  - 3.3 The university implemented the National Living Wage in April which increased casual staff rates. This has caused extra pressure in the commercial area.
4. Pressures on staff
- 4.1 We have no data other than anecdotal on the pressures staff within the SU are feeling due to the cost-of-living crisis.
  - 4.2 The University, as well as the payments mentioned above, has support and advice for staff on the front page of the website with various links.
  - 4.3 UCU are striking for three days with solidarity from the SU Officer Team.
5. Utilities
- 5.1 We do not pay any utilities charges. We pay a notional rent charge to the universities for all our facilities. There is no risk of utilities being passed on to us. However, we are reliant on the grant income from the University and any pressure on their finances proposes a risk to our future funding.
  - 5.2 This will need to be raised with the university in the negotiations that the Chief Executive will have with them about our grant around any multiyear agreement.
6. Increasing costs from suppliers
- 6.1 Freshers saw some increased expenses but except for the mailout postage costs, has managed to stay within budget.
  - 6.2 The majority of trading purchases, including drafts are made through the NUSSL consortium which has fixed prices. Increase in food supplies are more noticeable. The commercial team will review prices at the end of Semester one.
  - 6.3 The sports team negotiated a price freeze with our main coach supplier for the year. Any increase would be significant, we paid them £210k for their services last year.
7. Interest Rates
- 7.1 The SU is benefitting from higher interest rates in our cash deposit account. We are expecting high volume transactions when the University processes the historical VAT invoices.

## THE EFFECTS OF COST OF LIVING AND INFLATION

7.2 The SU doesn't have an Investment Policy, but we intend to write one after the Finance Policy is updated.

7.3 Options for investment will be explored however feedback from other SU's have found that using ethical investment companies has given little benefit as the fees negate much of the return.

|                |
|----------------|
| <b>ACTIONS</b> |
|----------------|

The Board of Trustees are asked to note the report.

|                 |  |  |
|-----------------|--|--|
| <b>Contact:</b> | Helen McHenry - Head of Finance<br>Elizabeth Stacey – Sports Officer | E-Mail: <a href="mailto:sushmw@bath.ac.uk">sushmw@bath.ac.uk</a> |
|-----------------|--|--|

## DIRECT TAX REVIEW

### PURPOSE

To brief the committee on the Direct Tax Review outcome.

### REPORT

#### 1. Background

In the Audit Findings Report for the financial year 2020/2021 a recommended action was made to review sources of income to assess if there are any potential taxable activities for direct tax purposes, arising within the Charity. In view of the specialism required in this area Crowe was engaged to carry out the review in May 2022, with the final report received on 30 September 2022.

#### 2. Main Report Information

The report is attached in Appendix 1

The report concludes that the non-charitable trading income falls below the £80k small-trading exemption for the financial year 2021/2022.

It recommends that the forecast/budget for the financial year 2022/2023 should be considered to form a review of whether the small-trading exemption is likely to be exceeded in the period or not.

It recommends that it will likely be beneficial to move highlighted activities to a trading subsidiary to avoid potential issues in the future.

Items which potentially fall outside the scope for these purposes are Stall Hire, Advertising, Sponsorship, and Theatre Hire. Each of these items was reviewed and a percentage of each considered potentially liable. The budget for FY2022/2023 for these items remains comfortably under the threshold.

The commercial activity within the SU is under review following the consultation in June and will be considered in the strategic plan and capacity review to be undertaken this year. An action has also been set to investigate the diversification of income streams for the SU with a particular focus on other grant funding. The outcome of these reviews should determine whether a trading subsidiary is necessary or not. In the meantime, income sources will be monitored.

### ACTIONS

The Board of Trustees are asked to note the report.

|                 |                                  |  |
|-----------------|----------------------------------|--|
| <b>Contact:</b> | Helen McHenry<br>Head of Finance | E-Mail: <a href="mailto:sushmw@bath.ac.uk">sushmw@bath.ac.uk</a> |
|-----------------|----------------------------------|--|



Smart decisions. Lasting value.

# University of Bath Students' Union

Direct Tax Review

SEPTEMBER 2022



30 September 2022

University of Bath Students' Union  
Claverton Down  
Bath  
Somerset  
BA2 7AY

Dear Sirs / Madam

**University of Bath Students Union** (the Charity)

**Income Streams Review**

In accordance with your instructions, we have prepared this report in line with our agreed scope of work.

As set out in our engagement letter (a copy of which is attached as Appendix III), we were required to review the income streams of the Charity to assess whether there are any potential taxable activities for direct tax purposes, arising within the Charity, and any recommendations for mitigating a potential tax exposure in this regard.

The information contained in this report is based primarily on information and explanations provided by Helen McHenry on behalf of the Charity. Please review the key facts and assumptions included within the report and advise us as soon as possible if any of these are not entirely complete or correct, as any such inaccuracy or incompleteness could have a material effect on our conclusions.

This report has been prepared based on the information and explanations supplied to us in the period to 31 August 2022. This report has not been updated for any subsequent information which may have become available after this date.

This report is intended for the sole use of the Board of Trustees. We will not accept responsibility to any party to whom our report may be shown, or who may acquire a copy. It should not therefore be regarded as suitable to be relied upon by any party wishing to acquire rights against Crowe U.K. LLP other than the engaging party for any purpose or in any context. Any party other than the Board of Trustees who obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at their own risk. To the fullest extent permitted by law, Crowe U.K. LLP will accept no responsibility or liability in respect of this report to any other party.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume responsibility for decisions and actions which are based upon such an out of date report..

Further, this report has been prepared on the basis of current tax law and our understanding of published practice as at the date of this report. Our work under this engagement will not be updated to reflect any future changes in tax legislation which may occur. Our review will only be updated should it be specifically requested by the Board, this will be treated as being a separate engagement.

Our work does not extend to the delivery of legal advice, which you shall obtain as required from your legal advisors.

For the avoidance of doubt, in providing the services outlined above, we are not providing any opinion as to the financial merits on the proposed transaction and our advice does not constitute 'Investment Advice'.

If there are any matters upon which you require clarification or further information, please contact Jon Daley

Yours faithfully

*Crowe U.K. LLP*

**Crowe U.K. LLP**

55 Ludgate Hill  
London  
EC4M 7JW, UK

# Contents

---

**Section**

|   |    |
|---|----|
| 1. Executive summary                                      | 4  |
| 2. Background information                                 | 6  |
| 3. Charitable objects                                     | 8  |
| 4. Income streams   | 10 |
| 5. Conclusion   | 15 |
| 6. Appendix I: Sponsorship – Extract from HMRC Guidance   | 17 |
| 7. Appendix II: Setting up and using a Trading Subsidiary | 20 |
| 8. Appendix III - letter of engagement                    | 26 |



# Executive summary

---

# Executive summary

---

Our review has identified the following sources of income which potentially fall outside of the scope of charitable exemptions (unless they collectively fall under the £80k small scale trading exemption limit):

- Stall hire
- Advertising
- Sponsorship
- Theatre hire

On review it would appear that the potential non-charitable trading income is below the £80k small-trading exemption threshold for the year ended 31 July 2022 (21/22), although some commercial sources of income were lower than usual in this period due to Covid-19.

For the year commencing on 1 August 2022, the forecast/budget should be considered to form a view of whether the small-trading exemption is likely to be exceeded in this period or not. In particular, you may wish to consider the impact the current 10% rate of inflation might have on future revenues.

It is important to note that the small trading exemption applies where there is a “reasonable expectation” at the start of the period that the threshold will not be exceeded.

## Recommendations

We would advise that it would likely be beneficial to move the highlighted activities to a trading subsidiary to avoid any potential issues in the future, particularly if income from the non-charitable trading sources is expected to increase. This would also enable the University of Bath Students' Union to expand certain potentially non-charitable trading activities.

# Background information

---

# Background information

---

The University of Bath Students' Union (The SU Bath) is an unincorporated association and registered charity.

Unincorporated associations are generally treated as companies for tax purposes and fall within the scope of corporation tax. However, as a registered charity, The SU Bath benefits from some specific exemptions from tax on its income and capital gains, provided they are applied to charitable purposes, including in particular:

1. Investment income – non-trade interest, dividends etc.
2. Property income – pure rental income of an interest in land
3. Capital gains – applicable to most disposals of investments or property
4. Trading profits are exempt if they fulfil one of the following criteria:
  - The trade is exercised in the course of carrying out a primary purpose of the charity or ancillary to carrying out a primary purpose of the charity,
  - The work in connection with the trade is mainly carried out by beneficiaries of the charitable company (i.e. the students of the University of Bath)
  - Where the trading income arises from VAT-exempt fundraising events,
  - Where total income from non-exempt trading and all other non-exempt activities is below de minimis limits – currently £80,000 (this limit is reduced to 25% of total income, where the non-exempt income is <£320,000). This exemption also applies where there is a reasonable expectation on the first day of an accounting period that the £80,000 limit will not be exceeded in that period.

As mentioned above, trading profits are exempt if the trade is carried on for the primary purpose of the charity. The charity's primary purpose is stated in its governing document; the charitable objects of The SU Bath (according to the Charity Commission register) are stated below. So, having identified a trade, we then need to consider whether that trade is being undertaken for a primary purpose, as set out in the charitable objects, or ancillary to the primary purpose i.e. the trade doesn't directly advance the charitable purpose but is closely linked. An example of ancillary trading for a University (whose primary purpose would be the advancement of education for the public benefit), would be the sale of stationery and text books to its students.

# Charitable objects

---

# Charitable objects

---

The SU Bath's charitable objects are the advancement of education of students at the University of Bath for the public benefit by:- promoting the interests and welfare of students at the University of Bath during their course of study and representing, supporting and advising members; being the recognised representative channel between students and the University of Bath and any other external bodies; and providing social, cultural, sporting and recreational activities and forums for discussion and debate for the personal development of its members.

# Income streams

---

# Income streams

---

In our review we focussed particularly on the Management Accounts provided for the 8-month period to April 2022 and discussed future income streams. This was to consider whether there were any income streams that could potentially be viewed as trading that does not fall within the trading profits exemptions for charities listed above i.e. non-charitable trading, that might be taxable.

## Block Grant

The Block Grant is a donation from The University of Bath to fund the general activities of the student union, and as a donation is not within the scope of corporation tax.

## Student bars, student groups, student events and sports clubs

On the basis that these activities are only available to students (and their private guests), these activities should be viewed as primary purpose trading in providing social, cultural, sporting and recreational activities for The University of Bath students.

Should The SU Bath consider extending any such activities and events to the general public in future, the tax position should be reviewed as income from these sources might fall outside of the primary purpose exemption.



# Income streams continued

---

## Stall Hire

Income is received for the rent of floor space for a stall holder. They provide their own stall. Per the Booking Form, the stall holder is responsible for their own risk assessment and insurance. The SU Bath does not provide any additional services for the stall holder. Occasionally, a stall may require a power source which is provided by The SU Bath.

There is an argument that the stall hire is exempt as pure rental property income, as it arises in respect of rents received for hire of floor space with minimal additional facilities provided.

However, there is also an argument that the advertisement and general commercial activities carried out using the stalls, could mean that the income is trading from a commercial event. The terms on the Booking Form demonstrate that The SU Bath has involvement in the organisation of the overall event, with references to a requirement for hirers to provide artwork for publications and to marketing activities.

As the events in question are not fundraising events and are not primarily organised by students, if the income is considered to be trading then it has to be primary purpose to be exempt (please see charitable objects above). Whilst some stalls may fall within the primary purpose e.g. recruitment events which may promote the interests and welfare of students, it would appear that most do not, being clothes and food establishments.

We have been provided details of total stall hire income for the 19/20 year, being a more typical year than 21/22 due to the impact of Covid-19. The total stall hire income for 19/20 was £52k. On a review of the stall hire detail, we estimate that £40k could relate to potentially non-charitable trading. Income in 21/22 was considerably lower.

We understand that The SU Bath expects income from stall hire to increase in future periods.

POTENTIALLY TAXABLE INCOME £40,000

# Income streams continued

---

## Advertising

The provision of advertising is generally considered trading, and is usually taxable if not within the charity's primary purpose. In respect of advertising, the main amount in 21/22 relates to Domino's Pizza who pay £14,000 per annum for advertising. Advertising income has dropped over recent years and Domino's is the only main advertiser at the moment. As a basic advertisement for a commercial service we would consider the Domino's Pizza advertising agreement, and other similar advertising to be too far from the charitable objects to be exempt charitable trading. However, we understand income from advertising is not expected to increase in future.

POTENTIALLY TAXABLE INCOME £15,000

## Sponsorship

Sponsorship income can be deemed a donation and not taxable but you need to consider the level of "advertising" the sponsor receives. Appendix I is an extract from HMRC guidance on Sponsorship income for charities.

The main sponsorship received in 21/22 relates to the Blues Award, which is an annual sporting awards event for the University. From a review of the sponsorship agreement with Matrix there are certain elements which would lead to this most likely being viewed as non-charitable trading. These include:

The Matrix logo being on all tickets

Matrix being included in posters for the event and at the event

All social media links from the event, to include reference to Matrix social media

Matrix being able to include information about their products and company (extract from the agreement below):

*"Include the Matrix logo\* on the Blues webpage (thesubath.com/blues) and some possible text highlighting the support Matrix are providing the event and any information Matrix would like to be emphasised about their products and company."*

POTENTIALLY TAXABLE INCOME £10,000

# Income streams continued

---

## Theatre Hire

This was mentioned as an area that The SU Bath are considering to expand further, in hiring out the theatre for use by third parties, including filming.

Theatre hire to students of the University of Bath would potentially fall within primary purpose trading exemption.

Theatre hire to third parties – there is an argument that this could be viewed as property income and exempt, if the theatre is hired primarily for use of the space and there is minimal use of any other facilities or services as part of the hire. However, if other services such as audio-visual equipment, props or setting up the stage are also provided with the theatre hire then this could mean this income is more likely to be viewed as trading and non-primary purpose.

The income from theatre hire is minimal at the moment but expected to increase in future.

# Conclusion

---

# Conclusion

---

Our review has identified the following sources of income which potentially fall outside of the scope of charitable exemptions (unless they collectively fall under the £80k small scale trading exemption limit):

- Stall hire
- Advertising
- Sponsorship
- Theatre hire

On review it would appear that the potential non-charitable trading income is below the £80k small-trading exemption threshold for the 21/22 year, although some commercial sources of income were lower than usual in this period due to Covid-19.

For the year commencing on 1 August 2022, the forecast/budget should be considered to form a view of whether the small-trading exemption is likely to be exceeded in this period or not. It is important to note that the small trading exemption applies where there is a “reasonable expectation” at the start of the period that the threshold will not be exceeded.

However, we would advise that it would likely be beneficial to move the highlighted activities to a trading subsidiary to avoid any potential issues in the future, particularly if income from the non-charitable trading sources is expected to increase. This would also enable The SU Bath to expand certain potentially non-charitable trading activities.

A trading subsidiary of a charity can undertake the non-charitable trading activities of the charity. If a taxable profit is generated, the trading subsidiary can make a gift aid payment, equal to the taxable profit, to the charity to obtain tax relief, so that no tax liability arises. The gift aid payment must be made within 9 months of the year-end in order for tax relief to be available. There are operational and legal matters that need to be considered in setting up and operating the trading subsidiary, such as inter-company licensing arrangement and recharging expenses. We can provide advice regarding setting up and running a trading subsidiary, should you wish to consider this further. Further general details have been provided in Appendix II.

# Appendix I: Sponsorship – Extract from HMRC Guidance

---

# Appendix I

---

## **21. Direct tax: business sponsorship**

It's common for charities to enter into sponsorship arrangements with businesses in order to raise funds. Business sponsors may fund the general work of the charity or a particular charitable project.

Sponsorship arrangements often link the name of the business with the charity or its project, creating in the minds of the public an affinity between the business and the charity. The affinity with charity created by sponsorship is a valuable marketing asset for businesses.

## **22. Direct tax: sponsorship and trading income**

The direct tax treatment of payments received by charities under sponsorship arrangements will depend on the nature of the arrangement. Just because a sponsor derives good publicity or public relations benefits from payments to charity, does not automatically mean that payments by the sponsor are trading income in the hands of the charity.

If the charity does not provide goods or services in return for payment, sponsorship payments will normally have the character of charitable donations rather than trading income in the charity's hands. The fact that the business sponsor itself takes steps to publicise or exploit the affinity with the charity will not change the treatment of the payments in the hands of the charity, unless the charity also publicises the affinity itself.

## **23. Direct tax: where a charity provides goods or services to the sponsor**

If the charity provides some goods or services in return for the sponsorship payments they may be treated as trading income.

Most commonly a charity will play a part in publicising the business sponsor's affinity with the charity by including references to the sponsor in publications, posters, etc and at events organised by the charity.

# Appendix I continued

---

Provided that such references amount to no more than acknowledgements of the sponsor's contributions they will not cause the payments to be regarded as trading income. However, references to a sponsor which amount to advertisements will mean the payments are trading income. HMRC Charities will regard a reference to a sponsor as an advertisement if it incorporates any of the following:

- large and prominent displays of the sponsor's logo
- large and prominent displays of the sponsor's corporate colours
- a description of the sponsor's products or services

There are other services that a charity might provide in return for sponsorship payments that will be factors in determining whether the payments are trading income. Examples of such services are:

- use of the charity's mailing list
- use of the charity's logo
- endorsement of the sponsor's products or services
- links to the sponsor's sales website from the charity's own website
- exclusive rights to sell goods or services on the charity's premises

## **24. Direct tax: whether a sponsorship arrangement is charitable trading**

Once it's been determined that sponsorship payments are trading income in the charity's hands the next step is to consider whether the sponsorship arrangement falls into the charitable or non-charitable parts of the charity's trade.

It's recognised that where a sponsor's funding is tied to a particular event or project, it may not be practical to confine the charity's response to a mere acknowledgement. However, HMRC may challenge any arrangement in which the charity's response is on such a scale that it appears to be a main purpose of the sponsor making the donation. In such a case, HMRC will want to consider the possibility of non-charitable trading by the charity and, where the donor has claimed tax relief on the payments, whether there has been a breach of the donor's benefits limits.



## **Appendix II: Setting up and using a Trading Subsidiary**

---

# Appendix II

---

## **Which activities should be transferred to a trading subsidiary?**

A trading subsidiary is typically used to house trading activities that fall outside the charity trading exemptions and whose profits would be taxable if carried on by the charity.

It is important when considering whether to set up a trading subsidiary to prepare a budget and cash-flow forecast for the subsidiary's operations. A subsidiary should not be used for loss-making activities that go beyond the parent charity's objects, because if the subsidiary made a loss overall in practice the charity would probably have to fund this. Funding the non-charitable operations of a loss-making trading subsidiary is not regarded as an appropriate use of charitable funds by either the Charity Commission or the tax authorities (HMRC).

It should be noted that if a charity is making a loss on a non-charitable trading activity it can incur a tax liability on the grounds that charitable funds are being used to subsidise non-charitable trading, and therefore the charity loses tax relief on an equivalent amount of other income.

A charity may run non-charitable trading activities which make a contribution to the charity's overheads but are not profitable on a fully-costed basis. This can be justified under charity law only where the net loss is likely to be covered by future profits (as shown in a current business plan) or else to retain hard-to-replace back-office staff/resources that are only temporarily surplus to current needs for charitable activities. However, if there is a tax loss HMRC will still regard this as non-charitable expenditure and require tax to be paid. The trustees would need to consider carefully whether on any other basis these non-charitable activities can or should be transferred to a subsidiary and how the subsidiary could lawfully be capitalised/financed.

If a charity is running such non-exempt trading activities which make a gross loss then the trustees should review the purpose and prospects of these activities in order to mitigate the risk of tax liabilities and regulatory consequences.

# Appendix II continued

---

## Funding the subsidiary

Based on the subsidiary's budgeted working capital requirements the trustees will decide whether to invest any of the charity's funds in the subsidiary. Investment can be by way of either share or loan capital.

If investment in share capital is small, say £100, the Charity Commission will normally not object to a charity investing this amount. However, it is more likely that the subsidiary will need more substantial amounts of funding. Under charity law, charities are required to bear in mind the following requirements:

- objectivity in the selection of investments;
- the need to avoid undue risk – or even speculation; and
- the need for a proper spread of investments suitable for that charity/fund.

For tax purposes all charity investments must fall within the Approved Charitable Investment rules (see below). If a charity makes non-Approved Investments it can lose exemption on its income up to the amount of the investment. The trustees must therefore take great care when considering investing in a trading subsidiary, as this could lead to a large tax liability for the charity if not properly considered.

## Approved Charitable Investments

It is important to note that the charity exemptions are only available to income and capital gains which are applied to charitable purposes. Non-Approved Investments are treated as non-charitable expenditure, and therefore the charity's tax exemptions can be lost on income and gains up to the amount of the non-Approved Investment.

Approved Charitable Investments are listed in Section 511 of CTA 2010 and include 'safe' investments such as quoted shares and securities, interests in land, bank or building society accounts.

Investment in an unquoted company, such as a trading subsidiary, is technically only an Approved Charitable Investment if it is approved by HMRC. HMRC have said that because of self-assessment they will not comment in advance on whether an investment is an Approved Investment. Where a charity is investing in a trading subsidiary, the trustees need to be able to demonstrate that the investment is for the benefit of the charity and not for the avoidance of tax. The charity would therefore need to prepare and keep the documentation to support such a claim.

# Appendix II continued

---

One way to make a claim that an investment is an Approved Charitable Investment is to complete a charity tax return for the year in question and put a cross in box E26. HMRC have also said that a claim can be made outside of a return.

HMRC have said that a loan to a trading subsidiary is likely to be an Approved Investment if it fulfils the following three conditions.

- a) it is secured; and
- b) the charity charges a market rate of interest; and
- c) there is a formal loan agreement with binding and clear repayment terms

Moreover, the trustees will need to consider how such a loan is to be repaid. Profits used to repay the loan cannot be gift-aided to the charity, and therefore such profits would suffer tax.

Share capital or a loan which does not fulfil the conditions above may still be an Approved Charitable Investment if it is supported by a business plan for the subsidiary that demonstrates that the subsidiary will be gift-aiding profits to the charity that will represent a reasonable return on the investment. It will be important that the trustees can demonstrate that the potential rewards from the trading activity are commensurate with the commercial risks being taken.

There will often be a current account in operation between the charity and the trading subsidiary. Care should be taken to clear this current account on a regular basis, ideally monthly or more frequently. If the subsidiary owes money to the charity which is not regularly paid over, the current account could be regarded as the charity making a non-Approved Investment in the subsidiary.

## **Keeping taxable and accounting profits in step**

Taxable profits may differ from accounting profits due to disallowable items such as entertaining, or capital allowances claims that differ from the depreciation charge. If a subsidiary's taxable profits are higher than its accounting profits, it will often have insufficient funds to pay up all its taxable profits to the charity under gift aid.

# Appendix II continued

---

The Trustees will then have to decide whether a case can be made for further capital investment in the subsidiary or else to pay up all the taxable profits to the charity and possibly show a revenue reserves deficit in the balance sheet (but see section 6 below), or alternatively to pay up the accounting profits and incur a tax liability within the subsidiary. It should be noted here that if a revenue reserves deficit exceeds the subsidiary's capital reserves the fact must be disclosed in the parent charity's Annual Report under the Charities Act 2011, together with the steps being taken to remedy the situation.

It is therefore recommended to keep disallowable items in the trading subsidiary to a minimum. In particular it is preferable so far as possible to keep capital items (fixed assets) in the charity and to make annual charges to the subsidiary for their use. If the asset is one on which capital allowances can be claimed, a reversible timing difference may not in practice cause too much of a problem, but items such as buildings on which capital allowances cannot be claimed should be kept out of the subsidiary's balance sheet as the accounts depreciation will not be matched by capital allowances.

## **Paying up gift aid**

Companies which are wholly owned by a charity (or charities) and which make payments to it (them) under gift aid can have up to nine months after the end of the relevant tax accounting period to make such donations. In other cases the payment must be made before the end of the relevant accounting period.

Care needs to be taken where the subsidiary has a long accounting period, or it begins or ceases to trade during an accounting period as this can accelerate the gift aid payment deadline.

A gift aid payment is defined in the tax legislation as the payment of a sum of money. It is therefore essential for a trading subsidiary to have its own bank account, and to be able to demonstrate the payment of funds from this bank account to the charity before the deadline.

It is not possible for the company to make a top-up payment after the end of the nine month period, should the final taxable profits exceed the payments made before the deadline. However, according to Inland Revenue guidance notes, a company may make an estimated Gift Aid donation which may subsequently prove to be excessive, for example, where the payment exceeds the actual taxable profits of the company once the tax return has been finalised. Such an overpayment may be repaid to the company by the charity provided that the company has documentary evidence that the intention was to pay over the annual profits (for instance), but that the amount paid was clearly provisional or loaned until the profits were finalised. If there were a need for the charity to repay some of the money, again the Inland Revenue would look for evidence that this was the purpose of the payment by the charity. Supporting documentary evidence, such as board minutes, must be in place. A company is not required to deduct basic rate tax from Gift Aid payments that it makes.

# Appendix II continued

---

A book entry, i.e. crediting the amount of gift aid payable to a current account with the parent charity is not generally regarded as payment.

If all the taxable profits are to be passed up to the charity, the subsidiary may have a shortfall of working capital. It may be preferable to leave some profits in the subsidiary, making use of the lower rates of corporation tax.

## **Distributable reserves**

Towards the end of 2014 Counsel's opinion clarified that gift aid donation payments from subsidiary companies to parent charities are distributions for the purposes of company law and that these can only be paid out of distributable reserves.

A company's distributable reserves are basically its accumulated realised profits, less accumulated realised losses.

Until the end of October 2014 Charity Commission guidance (CC35) stated that it was permissible for a trading subsidiary to have a deficit on reserves provided that there was sufficient share capital to cover the deficit. This guidance has since been withdrawn.

If gift aid has been paid in excess of distributable reserves the legal position is that the charity has an obligation to repay the excess, and it appears that for tax purposes it does not count as a valid payment for Gift Aid purposes. This only relates to the amount that exceeds the distributable reserves, but it applies to overpayments that may have been made in the last six years.

It is therefore important that at the time of making a gift aid payment, the directors should have evidence to support the fact that there are sufficient distributable reserves for the gift aid payment to be made. If the signed accounts do not support this, then they will need to prepare interim accounts with a balance sheet, and formally record that they have sufficient distributable reserves to permit the distribution.

For a private company full interim accounts are not required, and good quality management accounts would be sufficient. The only requirement for such accounts is for figures "necessary to enable a reasonable judgement to be made as to profits, losses, assets and liabilities, provisions, and share capital and reserves". The directors then need to formally minute the position before they make the payment.

## Appendix III - letter of engagement

---

# Letter of engagement



6 June 2022

University of Bath Students' Union  
Claverton Down  
Bath  
Somerset  
BA2 7AY

Our Ref: LAF/JD/JAT/MCB00244

Dear Trustees

This letter sets out the basis on which we shall be pleased to act for you and includes your and our respective responsibilities.

Under 'Other Matters' below, we set out our maximum legal liability. This letter is subject to the annexed Terms of Business and these include other important details, including provisions that further limit the amount of our liability in certain circumstances. Please read this letter and the Terms of Business carefully, and raise with me any questions that you might have.

## 1. Tax advisory

- 1.1 We have agreed to assist you with tax advisory services.
- 1.2 We will advise on the matters in relation to which you have instructed us. These Services relate to a review of the income streams of the charity to assess whether there are any potential taxable activities for direct tax purposes, arising within the charity, and any recommendations for mitigating a potential tax exposure in this regard.
- 1.3 We shall provide Services as agreed with you and in doing so we shall observe the Code of Ethics issued by the Institute of Chartered Accountants in England and Wales.
- 1.4 We shall provide Services for your exclusive benefit and you agree not to disclose or supply to any other party written or verbal advice, reports or other information provided by us without our specific written agreement.

Crowe U.K. LLP is a limited liability partnership registered in England and Wales with registered number OC307043. The registered office is at 55 Ludgate Hill, London, EC4M 3JF. A list of the LLP's members is available at the register office. All members are registered with the Financial Conduct Authority. Crowe U.K. LLP is a member of Crowe Global, a Swiss entity. Each member firm of Crowe Global is a separate and independent legal entity. Crowe U.K. LLP and its members are not responsible or liable for any act or omission of Crowe Global or any other member of Crowe Global.

**Crowe U.K. LLP**  
Chartered Accountants  
Member of Crowe Global  
55 Ludgate Hill  
London EC4M 3JF, UK  
Tel +44 (0)20 7842 7100  
Fax +44 (0)20 7583 1720  
DX: 0014 London Chancery Lane  
www.crowe.co.uk



- 2 -

6 June 2022

- 1.5 From time to time initial advice may be given orally. No decision should be made (by you) on the matter until you have received and considered our detailed and specific advice in writing.
- 1.6 In order for us to advise you properly you must give us access to full information about your tax affairs and the matters on which you have asked us to advise you. You must keep us informed about significant changes in your circumstances if they are likely to affect your tax position. This may involve allowing us to obtain relevant information direct from third parties.

## 2. Tax planning and other services

- 2.1 We will be pleased to assist you generally in tax matters if you so require. To enable us to do this you will need to instruct us in good time.
- 2.2 From time to time initial advice may be given orally. No decision should be made (by you) on the matter until you have received and considered our detailed and specific advice in writing.
- 2.3 Because tax rules change frequently you must ask us to review any advice already given if a transaction is delayed, or if an apparently similar transaction is to be undertaken.
- 2.4 If you direct us to advise you on other matters the parameters governing the advice will be set out in writing confirming such advice and the standard terms of business under which such advice is given are set out in this letter.
- 2.5 Unless you specifically request us to do so, you will continue to deal with matters such as "Child Tax Credit", "Working Tax Credit", "Universal Credit" or any similar benefit, VAT returns, employers end of year returns, P11Ds etc., Inheritance Tax returns, Stamp Duty and/or Stamp Duty Land Tax returns, etc.

## OTHER MATTERS

### 3. Limitation of liability

- 3.1 Our aggregate liability in respect of all claims by you under or in connection with this Contract shall be limited to the amount of £1,000,000. This limit shall apply to any and all causes of action against us in respect of or arising from or in any way connected with our engagement by you. However, we never seek to exclude or restrict our liability to the extent that we cannot do so by law for any reason, or any liability for our fraud or dishonesty. If you wish to discuss this or other provisions before we carry out work for you, please let us know.

### 4. Fees

- 4.1 Our fees for the Services set out in paragraph 1.2 are agreed as a maximum of £3,500+VAT. Our fees are calculated on the basis of the time spent on your affairs by the partners and staff and on the levels of skill or responsibility involved.

Our fees will be billed once the particular assignment has been completed. We may from time to time render bills together with applicable VAT on account of Services.



# Letter of engagement



- 3 -

6 June 2022

4.2 If we need to do work outside the responsibilities outlined in our engagement letter, we will advise you in advance. This will involve additional fees. Accordingly it is in your interest to ensure that your records etc are completed to the agreed stage.

## 5. Terms of Business

5.1 The Terms of Business accompanying this letter contain further information about the basis on which we will be pleased to carry out work for you. In the event of a conflict between the Terms of Business and what is set out in this letter, this letter will prevail.

## 6. Confirmation of your agreement

6.1 Please let me know if you have any questions in relation to this letter and the Terms of Business. If you are content with them, then would you please confirm your agreement by signing and returning one of the enclosed copies.

6.2 If I do not hear from you regarding this letter but it is clear that you wish us to proceed with the work, then this letter and the Terms of Business will govern the terms of our engagement.

Yours faithfully

*Crowe U.K. LLP*

Crowe U.K. LLP

## AGREEMENT OF TERMS

I acknowledge receipt of this letter, which together with the Terms of Business fully records the agreement between us concerning your appointment to carry out the work described in it.

Name Helen McHenry Signed *H McHenry*

Position Head of Finance Date 09/06/2022

For and on behalf of **University of Bath Students' Union**



- 4 -

6 June 2022

## TERMS OF BUSINESS

### 1. Definitions

1.1 In these Terms of Business and any associated engagement letter:

1.1.1 "We" means Crowe U.K. LLP, and shall include any successor or assignee;

1.1.2 "You" means the person or company with whom the Contract is agreed and that is named as such in the engagement letter;

1.1.3 "Contract" means the terms of engagement agreed between Crowe U.K. LLP and you to which these terms of business relate and into which they are incorporated;

1.1.4 "Services" means the services we agree to provide you with under the Contract, as set out in the engagement letter.

### 2. Limitation of liability

2.1 We never seek to exclude or restrict our liability for our fraud or dishonesty, or otherwise to the extent that we cannot do so by law for any reason.

2.2 We accept that we owe you a duty of care to provide the Services with reasonable skill and care, regardless of whether the people we decide to use are members or employees (who may also be described as 'partners') of Crowe U.K. LLP or agents or sub-contractors retained by us. You in turn agree that you will not bring any claim based on any cause of action in respect of or in any way connected with the Contract against anyone other than Crowe U.K. LLP.

2.3 Where we are liable to you, and in addition any other person is also liable to you, or any such person or you have caused or contributed to the same loss or damage for which we are liable, either in whole or in part, then our liability shall be limited to such amount as is just and equitable having regard to the extent to which each of us and/or such other person is liable for and/or has otherwise caused or contributed to such loss or damage. For the purposes of this clause, the liability for and/or cause or contribution of any such other person shall be determined by disregarding any limitation, exclusion or restriction of legal liability or any inability to pay or insolvency, even if it means that you cannot recover any compensation from such other person.

2.4 Any action (including any proceedings in a court of law) in connection with this Contract or the Services must be brought within 3 years of the date of the act or omission that is alleged to have given rise to the action.

### 3. Crowe Global and its member firms

3.1 Crowe U.K. LLP is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. There is no ownership, agency, partnership or control relationship amongst any of Crowe Global and its member firms. Crowe Global does not perform services and you agree that you will not bring a claim against it.

3.2 It is possible that we may retain another member firm of Crowe Global to act for us as a sub-contractor in providing the Services to you under this Contract. In that event, we accept that we owe you a duty of care to provide the Services for which we have retained that other member firm as a subcontractor, as set out in Clause 2.2, and you in turn agree that you will bring any claim against us and not against that other member firm, as set out in Clause 2.2.

3.3 If we have not retained another member firm as a sub-contractor, then you agree that any services that may be provided to you by another member firm are separate from the Services provided by us under this Contract. You will be responsible for entering into a separate contract of engagement with that other member firm, on such terms as you and that other member firm may agree. You agree that we shall not under any such circumstances be responsible or liable in any way whatsoever for any acts or omissions of Crowe Global or of any other member firms of Crowe Global.

### 4. Responsibility to third parties

4.1 We shall provide the Services for your exclusive use and for the purpose for which you engage us, and you agree that you will not disclose our advice or the product of our Services to anyone else without our specific written agreement.

4.2 We do not accept any responsibility to anyone other than you ("third party") for any aspect of our Services, whether because any work of ours is made available to the third party or for any other reason.

4.3 To the extent that the law imposes on us any responsibility to any third party even though we do not accept that, our liability to that third party shall be limited in accordance with the "Limitation of liability" section of the engagement letter. You therefore agree that you will share a single limit of liability as set out in those provisions in the event that we have a liability to you and to a third party.

### 5. Nature of our Services

5.1 You acknowledge that we will rely on information and documentation provided to us by you, your management, employees and third parties in the course of our work. We will not be responsible for the consequences of any deficiency in the information or documentation provided to us, whether as a result of it being false, misleading or incomplete. You agree to inform us if you are or become aware of anything inaccurate or misleading in respect of information or documentation provided to us.

# Letter of engagement



- 5 -

6 June 2022

- 5.2 Except as expressly agreed in the description of the Services in the engagement letter, our work will not be an audit as conducted in accordance with applicable auditing standards. Unless expressly agreed, we will not seek to verify the accuracy of the information provided to us in the course of carrying out our Services, and we will not seek to be responsible for detecting fraud by you or by your management, employees or third parties. We shall satisfy ourselves that the information provided is consistent with other information provided to us, but we will otherwise generally accept the explanation and assurances we receive from the directors, officers and employees of the entity that is the subject of the Services under this Contract or other third parties in the course of our work.
- 5.3 It may be necessary or desirable to instruct other professional advisers or third-party suppliers in connection with the Services, upon whom we may place reliance and/or in conjunction with whom we may carry out our work. You shall be responsible for the appointment of such other professional advisers or suppliers and for their fees and expenses. We shall have no liability for the non-delivery, non-performance or any acts, errors or omissions of such other advisers or suppliers (other than our express agents), regardless of any role that we may perform in relation to communications with such advisers or suppliers.
- 6. Fees**
- 6.1 You agree to pay our fees within 30 days from the date of the invoice.
- 6.2 Payment of our fees from a bank based outside the UK must be made via transfer to our bankers and must quote our invoice details.
- 6.3 We will claim for relief for any fees falling within the scope of the VAT Regulations 1995 (SI 1995/2518).
- 7. Non-payment of fees**
- 7.1 If you fail to pay our fees within 30 days from the date of the invoice we reserve the right:
- 7.1.1 to charge monthly interest on the unpaid amount at 5% over the Barclays Bank plc Base Rate in accordance with the Late Payment Legislation;
  - 7.1.2 to suspend the Services and any other work which we are carrying out for you;
  - 7.1.3 to take whatever legal remedy exists in order to obtain payment; and
  - 7.1.4 to claim the cost of debt recovery.
- 8. Communicating with you**
- 8.1 Please let us know if you have a preferred method of communication e.g. telephone or email or letter. Unless we hear from you, we will use whatever mode of communication appears appropriate in the circumstances.
- 8.2 All email messages sent to us will, if properly addressed, arrive on the terminal of the person to whom they are addressed. Please be aware of the following points:
- 8.2.1 the firm is connected to the internet, but the exchange of email messages may be subject to delays outside of our control;
  - 8.2.2 the safe delivery of email via the internet should not be assumed;
  - 8.2.3 the confidentiality of email cannot be guaranteed.
- 8.3 Please ask about our secure portal solutions. Unless you ask us, we shall not attempt or promise to password-protect any email or attachment sent by us to you.
- 8.4 You and we shall not be responsible for each other's loss or damage arising from any corruption or alteration, or any unauthorised interception, redirection, copying or reading, of emails including any attachments.
- 8.5 You and we shall not be responsible for the effect on each other's hardware or software (or any loss or damage arising from any such effect) of any emails or attachment which may be transmitted by the other.
- 8.6 The recipient is responsible for carrying out a virus check on attachments.
- 9. Improving our service**
- 9.1 If at any time you would like to discuss with us how we could improve our service to you or you are dissatisfied with the service you are receiving, please let us know by contacting the engagement partner or Peter Varley, the Managing Partner of this office. Alternatively, the Chief Executive of the firm Nigel Bostock, Crowe U.K. LLP, 55 Ludgate Hill, London, EC4M 7JW.
- 9.2 Should our service be less than satisfactory we will take all reasonable steps to correct the situation. We undertake to investigate any complaints carefully and promptly and to report our findings to you.
- 9.3 If you are still dissatisfied you may take the matter up directly with the Institute of Chartered Accountants in England and Wales at:
- Professional Conduct Department  
ICAEW  
Level 1, Metropolitan House  
321 Avebury Boulevard  
Milton Keynes MK9 2FZ
- 10. Professional rules and practice guidelines**



- 6 -

6 June 2022

- 10.1 We will observe the bye-laws, regulations and ethical guidelines of the Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with them. The requirements are available on the internet at [www.icaew.com/membershandbook](http://www.icaew.com/membershandbook).
- 10.2 We are eligible to conduct audits under the Companies Act 2006 and details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk), under reference number C001095468.
- 10.3 Details of our professional indemnity insurer can be found on our internet web site ([www.crowe.com/uk/crowe/uk](http://www.crowe.com/uk/crowe/uk)) on the legal information page, in accordance with the disclosure requirements of the Services Regulations 2009.
- 10.4 Our Services for you shall not be exclusive, and you agree that this Contract shall not prevent or restrict us from carrying on our business. We reserve the right during our engagement with you to act for other clients who may be competitors of yours or in respect of whom issues of commercial conflict may arise, subject to the Confidentiality section below.
- 10.5 Where a specific legal or ethical conflict of interest, actual or potential, is identified, and we believe that implementing appropriate procedures can properly safeguard your interests, we will promptly notify you and discuss the position with you. Please note that there may be circumstances where we are unable to fully explain all of the aspects of the conflict because of obligations that we owe to other clients or third parties. It may also not be possible to put effective safeguards in place, or you may not be content with the situation, in which case it may be necessary for us to terminate the Contract. You also agree to inform us immediately if you should become aware of, or believe that there may be, a conflict affecting our provision of the Services.
- 10.6 Our files are periodically reviewed by an independent regulator or quality controller as part of our on-going commitment to providing a quality service. The reviewers are bound by the same rules of confidentiality as our partners and staff.
- 11. Confidentiality**
- 11.1 We confirm that where you give us confidential information we shall at all times keep it confidential, except as required by law or as provided for in regulatory, ethical or other professional statements relevant to our engagement or for the purpose of notifying insurers concerning any actual or potential dispute relating to the Services.
- 11.2 You agree that we will be complying sufficiently with our duty of confidence if we take steps that we in good faith think fit to keep appropriate information confidential during and after our engagement.
- 11.3 You agree to reimburse any reasonable costs that we may incur in complying with any requirement for disclosure of your information that is imposed on us in any proceedings or regulatory process that does not involve any substantive claim or proceeding against us, provided that we promptly notify you in writing of any such requirement (to the extent we are legally permitted to do so) and that we reasonably cooperate with you in any efforts to protect against such disclosure.
- 11.4 You agree to keep confidential any methodologies and technology used by us to carry out the Services.
- 12. Data Protection**
- 12.1 When acting for you, we are a data controller in respect of any personal data you provide to us to which we have access. This is because accountants and similar providers of professional services work under a range of professional obligations which oblige them to take responsibility for the personal data they process. For example, if we detect malpractice whilst performing our services we may, depending on its nature, be required under our regulatory obligations to report the malpractice to the police or other authorities. In doing so we would not be acting on your instructions but in accordance with our own professional obligations and therefore as a data controller in our own right.
- 12.2 Where we and you are deemed in accordance with the data protection laws to be joint data controllers, you shall be liable for the personal data you process and we shall only be liable for the personal data we process.
- 12.3 You confirm that you have the right to supply personal data to us and this will not breach applicable data protection laws. Where you are providing personal data to us about a third party, for example a family member, a partner, a director (including a non-executive director), and/or any other type of member, business associate or third party, you confirm that you have their authority and express permission to provide us with their personal data.
- 12.4 Neither of us will by our act or omission put the other in breach of the applicable data protection laws.
- 12.5 Where we and you are joint data controllers, you should provide all relevant information to data subjects relating to the processing of their personal data (including the processing carried out by us) and to the exercise of their rights in relation to the processing of their personal data as required by the data protection laws ("Air Processing Notice") and you will be the contact point for the data subject.
- 12.6 To enable us to discharge the services agreed under our engagement, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance, we may obtain, use, process and disclose personal data about you or your entity, its officers and employees, as applicable, including to other member firms of Crowe Global or to third parties in the same or different jurisdictions, as set out in our website privacy notice. We confirm when processing data



# Letter of engagement



- 7 -

6 June 2022

- on your behalf we will comply with the relevant provisions of the applicable data protection laws.
- 12.7 In some circumstances, you may instruct us to provide certain services in relation to which we process personal data on your behalf. Where we act as a data processor in relation to your personal data, we will:
- 12.7.1 process personal data:
    - 12.7.1.1 for the purpose of performing our services and obligations to you, and
    - 12.7.1.2 for such other purposes as may be instructed by or agreed with you or as otherwise notified in writing from time to time; and
    - 12.7.1.3 in accordance with the applicable data protection laws;
  - 12.7.2 implement appropriate technical and organisational measures to protect the personal data against unauthorised or unlawful processing and against accidental loss, destruction, damage, alteration or disclosure;
  - 12.7.3 not otherwise modify, amend, remove or alter the contents of the personal data or subject to clause 12.1 above disclose or permit the disclosure of any of the personal data to any third party without your prior written authorisation;
  - 12.7.4 adopt measures to maintain up to date records of our processing activities performed on your behalf which shall include the categories of processing activities performed, information on cross border data transfers and a general description of security measures implemented in respect of processed data;
  - 12.7.5 unless otherwise required by data protection laws, our own retention policy, we will return or delete all personal data upon the termination of our relationship with you;
  - 12.7.6 adopt measures to ensure that only those personnel who need to have access to your personal data are granted access to it and that all of the personnel required to access your personal data are reliable and have been informed of its confidential nature;
  - 12.7.7 not appoint a sub-processor without your prior written consent, not to be unreasonably withheld, and ensure an agreement is entered into with the relevant sub-contractor which includes terms which are substantially the same as the terms set out in this clause 12;
  - 12.7.8 be entitled to transfer your personal data to a country or territory outside the United Kingdom or European Economic Area, including to any subcontractor, provided that such transfer is permissible under applicable data protection laws. You authorise us to enter into standard form contracts on your behalf where necessary
- to provide appropriate safeguards for such transfers, provided that we notify you in advance;
- 12.7.9 notify you without undue delay if we receive: (i) a request from a data subject to access your personal data; or (ii) a complaint or request relating to the data protection laws;
  - 12.7.10 assist you should you need to carry out a privacy impact assessment;
  - 12.7.11 notify you without undue delay in the event we become aware of any breach data protection laws; and
  - 12.7.12 permit without charge, on an annual basis, and / or where you become aware of a data breach or alleged breach of the data protection laws by us, reasonable access to the relevant records, files, tapes, computer systems, for the purposes of reviewing compliance with the data protection laws.
- 12.8 When acting for you in a personal capacity how we process your personal data is described in our privacy notice. This is available on our internet page. We will tell you it, in our opinion, your instructions may breach the applicable data protection laws.
- 12.9 Each of you and us shall indemnify and keep indemnified the other in full from and against all claims, proceedings, actions, damages, costs, fines, expenses and any other liabilities which may arise out of, or in consequence of, the indemnifying party's breach of the data protection laws or the performance or non-performance by its sub-processor(s) and personnel of its obligations in connection with this Contract in relation to the data protection laws, including loss of or damage to property, financial loss arising from any breach of the data protection laws or any other loss which is caused directly or indirectly by any act or omission arising from any breach of the data protection laws. Any amount payable by us under this clause shall form part of, and not be in addition to, the aggregate limit of liability.

## 13. Ownership and retention of documents

- 13.1 All correspondence and papers in our possession or control and generated for our internal purposes (including our working papers) or addressed to us relating to the Services or the subject matter of the Services shall be our sole property.
- 13.2 We retain copyright and other intellectual property rights in everything produced by us before or during the Services.
- 13.3 We will keep correspondence and other papers and electronic data relating to the Contract, for such period as we may consider reasonable or that is required by law, and for at least eight years. After that time, we may destroy them without further reference to you.

## 14. Termination



- 8 -

6 June 2022

- 14.1 In relation to Services as Auditor under any statutory provisions, you or we may terminate the Contract only in accordance with the provisions of the relevant Act or regulation. In relation to any other Services, you or we may terminate the Contract at any time by giving not less than 30 days' notice in writing. We shall be entitled to payment for any work performed in relation to the Services by us prior to such termination.
- 15. Miscellaneous**
- 15.1 Neither of us may transfer nor assign this Contract, or any rights or obligations under it, without the prior written consent of the other party.
  - 15.2 Neither of us will be liable to the other for any delay or failure to fulfil obligations caused by circumstances outside our reasonable control.
  - 15.3 This Contract replaces and supersedes any previous proposal, discussion, correspondence, representation or agreement between us in relation to the Services, and forms the whole agreement between us in relation to such Services.
  - 15.4 Any variation to the Contract shall only be effective if it is agreed in writing between you and a member in Crowe UK LLP, and only if agreed by reference expressly to the specific term to be amended.
  - 15.5 Upon the termination of this Contract, we shall be under no further obligation to perform any part of the Services. However, the provisions of many clauses of these Terms of Business will, by their nature, continue to apply notwithstanding termination.
  - 15.6 Unless we both agree otherwise, these Terms of Business (as amended from time to time) will apply to any future instructions that you may give us.
  - 15.7 If at any time any provision of these Terms of Business or any engagement letter is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, then that shall apply to the minimum extent required and shall not affect or impair the legality, validity or enforceability in that jurisdiction of any other provision of these Terms of Business or any engagement letter.
- 16. Applicable law and enforcement**
- 16.1 Our Contract with you is governed by, and interpreted in accordance with the laws of England and Wales.
  - 16.2 A person who is not a party to the Contract has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the terms of the Contract. This clause does not prejudice you in relation to any right or remedy that exists independently of the Act.
  - 16.3 However, clause 16.2 does not apply to members, employees, agents, sub-contractors and others who have the benefit of the exclusion of liability in their favour under clauses 2.2 and 3. Accordingly, such persons may enforce that exclusion in their

- favour under the Contracts (Rights of Third Parties) Act 1999.
- 16.4 The Courts of England and Wales shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Contract and any matter arising from them. Each party irrevocably waives any right it may have to object to any action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.



# Contacts

---

**Laurence Field**  
Partner

Laurence.Field@crowe.co.uk

Office dial: 020 7842 7100  
Direct dial: 020 7842 7280

**Jon Daley**  
Director

Jon.Daley@crowe.co.uk

Office dial: 020 7842 7100  
Direct dial: 020 7842 7227

**Jo-Anne Trevor**  
Assistant Manager

jo-anne.trevor@crowe.co.uk

Office dial: 020 7842 7100  
Direct dial: 020 7842 5227



## About Us

Crowe UK is a national audit, tax, advisory and risk firm with global reach and local expertise.

We are an independent member of Crowe Global, a top ten accounting network in the world, which has 794 offices in over 145 countries. With exceptional knowledge of the business environment, our professionals share one commitment, to deliver excellence.

We are trusted by thousands of clients for our specialist advice, our ability to make smart decisions and our readiness to provide lasting value.

Our broad technical expertise and deep market knowledge means we are well placed to offer insight and pragmatic advice to all the organisations and individuals with whom we work.

Close working relationships are at the heart of our effective service delivery.

Follow us on:



Find out more about us at  
[www.crowe.co.uk](http://www.crowe.co.uk)

Crowe U.K. LLP is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe U.K. LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe U.K. LLP. Crowe U.K. LLP is authorised and regulated by the Financial Conduct Authority. © 2021 Crowe U.K. LLP

This material is for informational purposes only and should not be construed as financial or legal advice. Please seek guidance specific to your organisation from qualified advisors in your jurisdiction.

Crowe U.K. LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales and is authorised and regulated by the Financial Conduct Authority.