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Company Number: 02732244  
Registered Charity Number: 1042175

# Southern Universities Management Services

DIRECTORS REPORT AND FINANCIAL STATEMENTS

for the year ended

31 July 2020

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# Southern Universities Management Services

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# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020

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Company Name: Southern Universities Management Services

Registered Company Number: 02732244 (Registered in England and Wales)

Registered Charity Number: 1042175

Registered Office and Operational Address: University of Reading  
Reading Enterprise Centre  
Earley Gate  
Whiteknights Road  
Reading  
RG6 6BU

### Directors of the Charitable Company:

|                                 |                             |
|---------------------------------|-----------------------------|
| B Casey (resigned 31/7/2020)    | Oxford Brookes University   |
| S Grant (resigned 30/11/2019)   | University of Hertfordshire |
| D Hopper (resigned 30/11/2019)  | University of Leeds         |
| W K T Liew (resigned 30/4/2020) | UWE Bristol                 |
| K O'Connell (resigned 1/9/2020) | University of Hull          |
| J Strachan (resigned 30/4/2020) | University of Hull          |
| C Campbell                      | Newcastle University        |
| L Jeffries                      | University of Reading       |
| Z Radnor                        | City, University of London  |
| H Wain                          | University of Cambridge     |
| M Williams                      | University of Bath          |

These directors of the charitable company are also trustees of the charity for the purpose of charity law and are referred to as Members of the Management Committee in the Articles of Association.

### Senior Management Team:

|                                  |  |
|----------------------------------|--|
| M-B Hyde                         | CEO  |
| J Arber                          | Managing Consultant and Group Head of Business Development |
| S Donoghue (resigned 31/12/2019) | Managing Consultant  |
| R Johnson                        | Head of SUPC Category Management & Services                |
| L Wilde (resigned 02/10/2019)    | Head of Finance and Administration                         |
| C Tudor-Morgan                   | Head of Finance and Operations                             |

### Company Secretary:

|                               |                                    |
|-------------------------------|------------------------------------|
| L Wilde (resigned 02/10/2019) | Head of Finance and Administration |
| C Tudor-Morgan                | Head of Finance and Operations     |

### Auditors:

James Cowper Kreston  
Reading Bridge House  
George Street  
Reading  
RG1 8LS

### Legal Advisors:

Clarkslegal  
5<sup>th</sup> floor Thames Tower  
Station Road, Reading  
RG1 1LX

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020

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The Directors present their annual report together with the audited financial statements of the charitable company for the year ended 31 July 2020. The Report of the Directors is the Directors' Report as required by S.417 of the Companies Act 2006 and the Directors' Report as required by the Charities Act 2011. The financial statements comply with the requirements of the Companies Act 2006, the Charities Act 2011, the charitable company's Memorandum and Articles of Association and 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).

### **Structure, Governance and Management**

#### Governing Document

The organisation is a charitable company limited by guarantee, incorporated on 17 July 1992 and registered as a charity on 18 November 1994. The charitable company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Articles of Association. The current Memorandum and Articles of Association were adopted on 31 August 2019. Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. As at 31 July 2020 there were 27 Members and the total number of such guarantees was 27 (2019: 26).

#### Appointment of Directors

Under the provisions of the Articles of Association the directors are appointed for an initial term not exceeding four years by the Members of the charitable company by ordinary resolution. Directors may be elected for a second term not exceeding four years, but may not serve more than two terms of office unless they are appointed as Chair of the Management Committee during their second term of office. Directors retire in rotation.

#### Director Induction and Training

SUMS directors include member representatives both from the institutions that comprise the charitable company's membership and those that represent the institutions that subscribe to SUPC. As such they have a good understanding of how the charitable company is structured and operates and will have already worked with the various business units of SUMS in their capacity as member representative. As part of the induction process new directors participate in discussions with the CEO. The Charity Commission publication 'The Essential Trustee' along with the Memorandum and Articles of Association and a role profile are distributed to new directors.

#### Management

The charitable company is organised into three divisions: SUMS Consulting, Southern Universities Purchasing Consortium (SUPC) and Procurement Shared Service (PSS). In 2019 the company underwent changes to its Articles of Association to create an equal balance of representation from the different business units of SUMS within its Management Committee. The Management Committee now comprises a minimum of six directors; three representatives appointed from the Members of the charitable company and three appointed to represent Southern Universities Purchasing Consortium (SUPC). The CEO carries out day-to-day management of the charitable company under the direction of the members of the Management Committee.

The company has 16 full-time employees, 6 part-time employees and a pool of associate consultants.

SUMS Consulting provides management consultancy services. Its principal activity is to promote the efficiency of the administration of educational charities in direct pursuit of their objects through the conduct of management consultancy assignments at the request of beneficiaries.

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

SUPC provides services to higher education institutions and further education colleges that are its subscribers. Its principal activity is the co-ordination of purchasing activity between its beneficiaries in order to share expertise and to achieve efficiency in purchasing.

PSS provides specialist procurement support to higher education institutions and further education colleges to help them secure value for money from their procurement activities. This includes the delivery of the Procurement Maturity Assessment Programme to English HEI's.

### Remuneration Policy for Key Management Personnel

The salary policy, which includes the framework for setting pay for all staff including key management personnel is reviewed by the Management Committee every two years. The basis of the annual salary review is to give an annual cost of living increase, and consider any further increases related to performance and changes to each role across the year. The cost of living increase is set having regard to the award applied to the HE sector, whilst the review of performance and roles are undertaken against both the banding structure in place, with benchmarking against similar roles both within and outside the sector considered every two to three years.

### Related Parties

The University of Reading is a member of the charitable company for which it pays the annual subscription fee. The University of Reading also provides payroll, supplier payments, banking services, pensions facilities, IT infrastructure and IT support to the charitable company. The charitable company makes payment to the University of Reading for the services provided and for rentals for the premises occupied under lease by the charitable company.

### Risk Management

Major risks to which the charitable company is exposed are reviewed regularly, documented in a Risk Register and categorised according to their severity based on their likelihood and impact. Actions and procedures have been established to identify and mitigate these risks. The Risk Register is reviewed by the Management Committee annually, with dynamic risks being reviewed at each meeting of the Management Committee and the Executive Group.

The current key risks are:

| <b>Risk</b>  | <b>Mitigation</b>   |
|--|---|
| Universities ceasing membership due to financial pressures from Covid-19 | <ul style="list-style-type: none"><li>• Focus on efficiencies and target operating model services to generate savings for members</li><li>• Member relationship management with increased remote engagement</li></ul>   |
| The potential failure to meet planned financial targets                  | <ul style="list-style-type: none"><li>• Investing in service development including the launch of new products</li><li>• Strengthening of core staff capabilities, supplemented by a pool of associate consultants</li><li>• Close monitoring of financial performance and cashflow against budgets and forecasts.</li></ul> |
| The potential impact of final salary pension scheme deficits             | <ul style="list-style-type: none"><li>• Deficit recovery plans in place at scheme level</li><li>• Ensuring pension scheme provisions remain appropriate</li><li>• Targeting a 5% annual surplus to maintain appropriate level of reserves.</li></ul>  |

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

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### Objectives and Activities, Achievements and Performance

In setting the objectives and planning the activities of the charitable company the Management Committee has given consideration to the Charity Commission's general guidance on public benefit, and in particular to its supplementary public benefit guidance on the advancement of education. The objects for which the charitable company is established are to promote the efficiency of the administration of educational charities in direct pursuit of their objects by:

- (a) advice, training and information about financial planning, effective management procedures, and the best use of available resources, and
- (b) any other assistance appropriate to the provision of financial planning, procedural advice and resource management.

The services provided promote the efficiency and effectiveness of educational charities. The directors have access to the Charity Commission's website which they review regularly, to help ensure that the aims of the charitable company meet the public benefit requirement. The directors confirm that they have complied with the duty in section 17(5) of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

SUMS Consulting this year has continued to focus on delivering consulting assignments, seminars and workshop events to help Members ensure their organisations are efficient and effective given the challenges faced by the Higher Education sector, and particularly in light of the Covid-19 pandemic.

SUPC continues to focus on providing collaborative procurement solutions to its members in central and southern England, and also nationally through its collaboration with the other university purchasing consortia.

The Procurement Shared Service (PSS) division has primarily focused on the delivery of a procurement maturity assessment programme and procurement consultancy support to English Higher Education institutions with the aim of supporting institutions to improve their efficiency and effectiveness, and the value for money they deliver.

The objectives, activities, output and achievements of SUMS Consulting and SUPC are set out in detail in their separate annual reviews that focus on their operating activities. These reports are available either from their respective websites ([www.sums.org.uk](http://www.sums.org.uk) and [www.supc.ac.uk](http://www.supc.ac.uk)), or upon request to the charitable company at its registered office. Copies of the annual reviews are distributed widely within the HE sector and beyond.

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

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### STRATEGIC REPORT

#### Financial Review

The financial year to 31 July 2020 saw an overall surplus for the charitable company of £233k (2019: £228k deficit). A reduction in the USS pension provision of £115k, from £402k in 2018/19 to £287k in 2019/20, contributed approximately half of the surplus.

#### Incoming Resources

Overall income for the year is £2,145k, an increase of 8% on prior year (2019: £1,984k), with the majority (70%) again obtained from SUMS and SUPC subscription income.

#### Resources Expended

Overall expenditure for the year is £1,912k, a reduction of £299k (14%) versus prior year (2019: £2,211k). This reduction is primarily due to the adjustment in USS pension provision of £115k (29%) to £287k.

As with prior years, the largest proportion of expenditure (62%) relates to professional staff and consultants' costs in place to deliver consultancy and support activities to our Members.

#### Reserves Policy

The directors review and consider the charitable company's reserves in the context of risks and funding. In setting a reserves policy the directors aim to establish reasonable, but not absolute protection against risks and to balance this with the need to deploy resources in pursuit of the company's charitable objectives. SUMS maintains financial reserves to provide flexibility to meet:

- Future investments for new and/or growing areas of activity
- Annual fluctuations in operating income and/or expenditure
- The liability that is to arise from SUMS defined benefit pension schemes, for which reserves are to be held within a designated fund
- An element of financial risk, to which the company is exposed
- Most potential unexpected costs.

The Management Committee set a target for the 2019/20 financial year for free reserves – working capital – to be maintained in a range of 6 and 9 months of operating costs.

#### Reserves Held

The University of Reading Employees' Pension Fund (UREPF) was closed to new entrants on 31 August 2011 and since then the number of active members of the scheme has been in decline. At the point the charitable company ceases to have any active members of the scheme a cessation event will be triggered. The potential liability arising from this was estimated by the scheme's actuaries as at 31 July 2017 to be £182k, which, as at 31 July 2020, is being held in a designated fund in accordance with the reserves policy.

Reserves at the end of the financial year were £1,278k (2019: £1,045k), a 22% increase on prior year. These reserves include designated reserves of £182k (2019: £182k), held in relation to UREPF pension scheme liability detailed in note 18. The pension scheme designated reserve will stay in place until a s75 cessation event is triggered.

#### Principal Funding Sources

The majority of the charitable company's funding is from its membership subscriptions and subscribers. As at 31 July 2020 there were 27 Members of the charitable company (2019: 26) and 61 subscribers to SUPC: 47 full subscribers and 14 associates (2019: 63 subscribers; 47 full and 16 associates).

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

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Additional funding comes from consulting work over and above core membership work, retention of some marketing rebates for contract support activities and fees for events.

### Investment Policy

SUMS key investment objective is to preserve the capital value of its investments with a low level of risk, whilst ensuring that an adequate level of assets are ready available to meet all expected cash flow requirements. In this regard, all investments are held within cash or near cash investments and are spread across a number of counterparties who fulfil the criteria set out within the SUMS investment policy.

### Going Concern

Having reviewed the strategic risks, the current financial position of SUMS and the financial projections which sit alongside the overarching strategy, the directors consider that adequate resources continue to be available to fund future plans for the foreseeable future. Accordingly, the directors are of the view that the Charity is a going concern.



# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

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### Future Plans

The charitable company plans to continue similar activities into future periods, tailoring the content of these activities to meet specific member needs alongside focusing on the issues, challenges and opportunities emerging for the Higher Education sector as a whole.

SUMS Consulting will continue to offer Members access to a range of specialist HE expertise through the provision of consulting services, along with a range of member events and publications. SUMS will ensure its expertise base continues to meet the evolving requirements of the sector in areas such as digital transformation, efficiency and effectiveness, and student wellbeing. SUMS Consulting has developed a modular efficiencies and Target Operating Model offering that will help universities realise efficiencies. This includes a procurement module that leverages the expertise within SUPC. SUMS will also support the wider sector through the provision of consulting services to non-Members, as required.

SUPC will continue to deliver value for money to members through the provision of compliant frameworks and value adding services. These enhance the core offering and allow members to tailor their membership package to meet their specific requirements. In addition, SUPC is to continue its successful strategic partnership with sister consortium, LUPC, the aim of which is to offer greater value to members through aligned activity. SUPC is a member of UK Universities Purchasing Consortia (UKUPC) and will continue to engage in and promote collaborative procurement across the HE sector.

The Procurement Shared Service division is offering an improved Procurement Maturity Assessment product (PMA+) that will be delivered virtually. PSS will also continue to provide specialist procurement resource to the sector to support specific projects and provide advice and assistance.

# Southern Universities Management Services

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2020 (continued)

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### Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper and adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

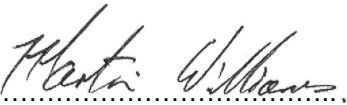
- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### Auditors

The auditors, James Cowper Kreston, have indicated their willingness to stay in office.

The financial statements were approved by the directors on 20<sup>th</sup> November 2020 and signed on their behalf by:



**M. Williams**  
**Director**

Date: .....

# Southern Universities Management Services

## INDEPENDENT AUDITOR'S REPORT

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### OPINION

We have audited the financial statements of Southern Universities Management Services (the 'charitable company') for the year ended 31 July 2020 set out on pages 12 to 30. 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 charitable company's affairs as at 31 July 2020 and of its incoming resources and application of resources, including its income and expenditure 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 Companies Act 2006.

### 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### OTHER INFORMATION

The directors 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

# Southern Universities Management Services

## INDEPENDENT AUDITOR'S REPORT

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We have nothing to report in this regard.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors (who are also the directors of the charitable company for the purposes of company law) 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 Directors 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 Directors are responsible for assessing the charitable company'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 Directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

# Southern Universities Management Services

## INDEPENDENT AUDITOR'S REPORT

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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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Peal BSc (Hons) DCA DChA (Senior Statutory Auditor)

for and on behalf of

**James Cowper Kreston**

Chartered Accountants and Statutory Auditor  
Reading Bridge House  
George Street  
Reading  
Berkshire  
RG1 8LS

# Southern Universities Management Services

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 JULY 2020

|  | Note | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total Funds<br>2020<br>£ | Total Funds<br>2019<br>£ |
|--|------|----------------------------|--------------------------|--------------------------|--------------------------|
| <b>Income:</b>   |      |                            |                          |                          |                          |
| <i>Income from Charitable activities</i>                               |      |                            |                          |                          |                          |
| Subscription income  |      | 1,492,438                  | -                        | 1,492,438                | 1,385,862                |
| Consulting income  |      | 260,652                    | -                        | 260,652                  | 233,741                  |
| Event income   |      | 31,142                     | -                        | 31,142                   | 35,143                   |
| Grant income   |      | -                          | 4,322                    | 4,322                    | 868                      |
| Other income   |      | 3,595                      | -                        | 3,595                    | 5,816                    |
| Marketing premium retained   |      | 340,000                    | -                        | 340,000                  | 310,000                  |
| Investment income  |      | 12,486                     | -                        | 12,486                   | 12,135                   |
| <b>Total income</b>  | 3    | <b>2,140,313</b>           | <b>4,322</b>             | <b>2,144,635</b>         | <b>1,983,565</b>         |
| <b>Expenditure on:</b>   |      |                            |                          |                          |                          |
| <i>Expenditure on charitable activities:</i>                           |      |                            |                          |                          |                          |
| Travel and meeting costs   |      | 74,515                     | -                        | 74,515                   | 88,444                   |
| Professional staff and consultants                                     |      | 1,187,362                  | -                        | 1,187,362                | 1,187,182                |
| Pension provision  |      | (115,698)                  | -                        | (115,698)                | 253,422                  |
| Administration costs   |      | 580,080                    | 4,322                    | 584,402                  | 495,540                  |
| Premises   |      | 79,319                     | -                        | 79,319                   | 78,534                   |
| Governance   |      | 101,683                    | -                        | 101,683                  | 107,976                  |
| <b>Total expenditure</b>   | 4    | <b>1,907,261</b>           | <b>4,322</b>             | <b>1,911,583</b>         | <b>2,211,098</b>         |
| <b>Net (expenditure)/income and net movement in funds for the year</b> |      | <b>233,052</b>             | <b>-</b>                 | <b>233,052</b>           | <b>(227,533)</b>         |
| <b>Reconciliation of funds</b>   |      |                            |                          |                          |                          |
| Total funds brought forward  |      | 1,045,290                  | -                        | 1,045,290                | 1,272,823                |
| <b>Total funds carried forward</b>                                     | 15   | <b>1,278,342</b>           | <b>-</b>                 | <b>1,278,342</b>         | <b>1,045,290</b>         |

The Statement of Financial Activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities.

The notes on pages 15 to 30 form part of these financial statements.

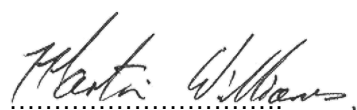
# Southern Universities Management Services

## BALANCE SHEET AS AT 31 JULY 2020

|                                     | Note | 2020             |                  | 2019             |                  |
|-------------------------------------|------|------------------|------------------|------------------|------------------|
|                                     |      | £                | £                | £                | £                |
| <b>Fixed assets</b>                 |      |                  |                  |                  |                  |
| Tangible assets                     | 7    |                  | -                |                  | -                |
| <b>Current assets</b>               |      |                  |                  |                  |                  |
| Debtors                             | 8    | 868,957          |                  | 917,428          |                  |
| Investments: short-term investments | 9    | 957,425          |                  | 953,000          |                  |
| Cash at bank and in hand            |      | <u>374,214</u>   |                  | <u>330,332</u>   |                  |
|                                     |      | 2,200,596        |                  | 2,200,760        |                  |
| <b>Creditors</b>                    |      |                  |                  |                  |                  |
| Amounts falling due within one year | 10   | <u>(635,495)</u> |                  | <u>(753,013)</u> |                  |
| <b>Net current assets</b>           |      |                  | 1,565,101        |                  | 1,447,747        |
| <b>Creditors</b>                    |      |                  |                  |                  |                  |
| Amounts falling due after one year  | 11   |                  | (286,759)        |                  | (402,457)        |
| <b>Total net assets</b>             | 16   |                  | <u>1,278,342</u> |                  | <u>1,045,290</u> |
| <b>The funds of the charity:</b>    |      |                  |                  |                  |                  |
| <i>Unrestricted funds</i>           |      |                  |                  |                  |                  |
| General funds                       |      |                  | 1,096,342        |                  | 863,290          |
| Designated funds                    |      |                  | 182,000          |                  | 182,000          |
| <i>Restricted funds</i>             |      |                  | -                |                  | -                |
| <b>Total charity funds</b>          | 16   |                  | <u>1,278,342</u> |                  | <u>1,045,290</u> |

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime. The directors have elected for the financial statements to be audited in accordance with the Companies Act 2006.

These financial statements were approved by the directors and authorised for issue on 20<sup>th</sup> November 2020 and are signed on their behalf by:



M. Williams  
Director

# Southern Universities Management Services

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2020

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|  | Note | 2020<br>£             | 2019<br>£             |
|--|------|-----------------------|-----------------------|
| <b>Operating Activities</b>                        |      |                       |                       |
| Cash used in operations                            | 19   | 22,446                | 195,831               |
| <b>Investing Activities</b>                        |      |                       |                       |
| Interest received                                  |      | <u>12,486</u>         | <u>12,135</u>         |
| <b>Net cash used in Investing Activities</b>       |      | <u>12,486</u>         | <u>12,135</u>         |
| <b>Financing Activities</b>                        |      |                       |                       |
| Movements in investments                           |      | (4,425)               | (351,345)             |
| Movements in monies held by University of Reading  |      | <u>13,376</u>         | <u>4,011</u>          |
| <b>Net cash used in Financing Activities</b>       |      | <u>8,951</u>          | <u>(347,334)</u>      |
| Change in cash and cash equivalents in the year    |      | <u>43,882</u>         | <u>(139,368)</u>      |
| Cash and cash equivalents at beginning of the year |      | <u>330,332</u>        | <u>469,700</u>        |
| Cash and cash equivalents at end of the year       |      | <u><u>374,214</u></u> | <u><u>330,332</u></u> |

The notes on pages 15 to 30 form part of these financial statements



# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020

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### 1. General information & Principle Accounting Policies

Southern Universities Management Services (“the charitable company”) is a public benefit entity limited by guarantee domiciled and incorporated in England and Wales (registered company number 02732244). The address of the charitable company’s registered office and principle place of business is University of Reading, Reading Enterprise Centre, Earley Gate, Whiteknights Road, Reading, RG6 6BU.

A summary of the more important accounting policies, including those affecting the most significant items in these financial statements, is set out below:

#### a) Basis of accounting

The accounts have been prepared under the Companies Act 2006 and in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102 (effective 1 January 2015) – (Charities SORP (FRS 102)). The accounts are drawn up on the historical cost basis of accounting.

Monetary amounts in these accounts are rounded to the nearest £ except where otherwise indicated.

#### b) Going concern

After making enquiries, the directors have a reasonable expectation that the charitable company has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the statement of directors’ responsibilities. The directors have considered the effect of the Covid pandemic on the operations of the entity and based on their analysis and the performance since March 2020 they have concluded that the entity has not been significantly affected and remains a going concern.

#### c) Funds

If there is a restriction on the purpose to which a fund may be put, the fund is classified as a restricted income fund. In instances where restrictions on the use of grants are set, the grant is spent according to these requirements. Designated funds comprise unrestricted funds, where are earmarked for particular purposes by the directors.

#### d) Income

Income attributable to the financial year is recognised as follows:

- subscription fees are accounted for in the year in which the membership benefit is provided
- consultancy income is accounted for on an accruals basis, in the period in which the work is undertaken
- event income is accounted for as at the date the event occurred
- grant income is accounted at the point the charity is entitled to the income and performance related conditions are met
- marketing premium income is accounted for in the period it is earned
- investment income is accounted for in the period it is earned.

Income is allocated to the appropriate activity within SUMS, SUPC, PSS, Marketing and Communications (M&C) and Central by way of individual cost centres.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 1. General information & Principle Accounting Policies *(continued)*

#### e) Funds received as agent

The charitable company receives rebate income from the suppliers of the SUPC member universities under the purchasing consortium agreements. The income recognised in the accounts is the amount retained by SUMS to further their charitable objectives. All other funds received and dispersed to the member universities are not recognised as income and expenditure in accordance with the Charities SORP 'Accounting for Funds received as Agent'.

#### f) Expenditure

Expenditure is recognised on an accruals basis in the period in which the liability is incurred. All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource. Costs are allocated to the appropriate activity within SUMS, SUPC, PSS, M&C or Central by way of individual cost centres. Costs relating to a particular activity are allocated directly; others are apportioned on an appropriate basis.

#### g) Governance costs

Governance costs include costs associated with providing the governance infrastructure and generating required statutory information. The costs include audit, legal and accounting fees and an apportionment of salary costs to approximate time spent on strategic management and governance of the charitable company.

#### h) Tangible fixed assets

Capital items with a cost exceeding £1,000 are capitalised and depreciated. Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, which in all cases is estimated at 4 years.

#### i) VAT

Irrecoverable VAT is charged against administration costs.

#### j) Investments

The charitable company has elected to hold funds in deposit accounts with banking institutions. The funds are on deposit and interest has been recognised on an accruals basis.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 1. General information & Principle Accounting Policies *(continued)*

#### k) Retirement benefits

The charitable company participates in the both the Universities Superannuation Scheme (USS) and the University of Reading Employees' Pension Fund (UREPF). The USS scheme is a hybrid pension scheme providing defined benefits (for all members), as well as defined contribution benefits. The UREPF scheme is a defined benefit scheme. The assets of the schemes are held in separate trustee-administered funds.

Because of the mutual nature of the USS scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. SUMS is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", SUMS therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. SUMS has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, and so recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

Because of the nature of the UREPF scheme, the charitable company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 102 Section 28, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The charitable company also participated in the University of Reading Pension Scheme (URPS) until 31 March 2019, and from 1 April 2019 a new scheme: the SUMS Pension Scheme (SUMSPP), both defined contribution schemes. For defined contribution schemes the amount charged to expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### l) Operating leases

Rentals paid under operating leases are charged to the SoFA on a straight-line basis over the lease term.

#### m) Financial Instruments

The charitable company has applied the provisions of Section 11 'Basic Financial Instruments' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the charitable company becomes a party to the contractual provisions of the instrument, and are offset only when the group has a legal enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise and settle the liability simultaneously.

#### *Financial assets*

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 1. General information & Principle Accounting Policies *(continued)*

#### m) Financial Instruments *(continued)*

Where the arrangements with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised according to the original terms of the contract. Impairment losses are recognised in the SoFA for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, and are recognised immediately in the SoFA.

#### *Financial liabilities*

Financial instruments are classified as liabilities according to the substance of the contractual agreements entered into. Trade and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangements with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instruments and subsequently measured at amortised cost.

#### *Derecognising financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or subsequently all the risks and rewards of ownership are transferred to another party, or is some significant risks or rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### n) Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The charitable company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The only accounting estimates which the directors believe that the charitable company has is the reliance on the underlying assumptions which have been used by the actuary in the valuation of the pension scheme deficit.

#### o) Taxation

The charitable company is a registered charity, and as such is entitled to tax exemptions on income and gains, properly applied for its charitable purposes.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

### 2. Net income/(expenditure) for the year is stated after charging:

|  | 2020<br>£ | 2019<br>£ |
|--|-----------|-----------|
| Depreciation of tangible assets                            | -         | 1,209     |
| Operating lease costs                                      | 75,457    | 75,893    |
| Trustee liability insurance*                               | 500       | 500       |
| Auditor's remuneration for:                                |           |           |
| - External audit   | 7,500     | 7,500     |
| - Taxation - compliance services to the charitable company | -         | -         |

\* The cost of liability cover is not separately identified but has a declared value of £500 following advice from the insurers.

### 3. Income by activity

| 2020   | SUMS<br>£        | SUPC<br>£      | PSS<br>£      | M&C<br>£      | Total 2020<br>£  |
|--|------------------|----------------|---------------|---------------|------------------|
| <i>Incoming resources from charitable activities</i> |                  |                |               |               |                  |
| Subscription income                                  | 879,138          | 613,300        | -             | -             | 1,492,438        |
| Consulting income                                    | 209,657          | -              | 50,994        | -             | 260,651          |
| Event income   | -                | -              | -             | 31,142        | 31,142           |
| Grant income   | -                | -              | -             | 4,322         | 4,322            |
| Other income   | -                | 1,400          | 130           | 2,065         | 3,595            |
| Marketing premium retained                           | -                | 340,000        | -             | -             | 340,000          |
| <i>Investment income</i>                             | -                | -              | -             | -             | 12,486           |
| <b>TOTAL INCOME</b>                                  | <b>1,088,795</b> | <b>954,700</b> | <b>51,124</b> | <b>37,529</b> | <b>2,144,634</b> |

| 2019   | SUMS<br>£      | SUPC<br>£      | PSS<br>£      | M&C<br>£      | Total 2019<br>£  |
|--|----------------|----------------|---------------|---------------|------------------|
| <i>Incoming resources from charitable activities</i> |                |                |               |               |                  |
| Subscription income                                  | 784,162        | 601,700        | -             | -             | 1,385,862        |
| Consulting income                                    | 166,541        | -              | 67,200        | -             | 233,741          |
| Event income   | -              | -              | -             | 35,143        | 35,143           |
| Grant income   | -              | -              | -             | 868           | 868              |
| Other income   | -              | 1,533          | -             | 4,283         | 5,816            |
| Marketing premium retained                           | -              | 310,000        | -             | -             | 310,000          |
| <i>Investment income</i>                             | 7,358          | 4,777          | -             | -             | 12,135           |
| <b>TOTAL INCOME</b>                                  | <b>958,061</b> | <b>918,010</b> | <b>67,200</b> | <b>40,294</b> | <b>1,983,565</b> |

# Southern Universities Management Services

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

## 4. Expenditure

### Analysis of unrestricted expenditure

|   | Staff costs<br>£ | Other<br>£ | Depreciation<br>£ | Total 2020<br>£ | Total 2019<br>£ |
|---|------------------|------------|-------------------|-----------------|-----------------|
| <i>Expenditure on charitable activities</i> |                  |            |                   |                 |                 |
| Travel and meeting costs                    | -                | 74,515     | -                 | 74,515          | 88,444          |
| Professional staff & consultants            | 916,384          | 270,978    | -                 | 1,187,362       | 1,187,182       |
| Pension provision                           | -                | (115,698)  | -                 | (115,698)       | 253,422         |
| Administration costs                        | 386,627          | 193,453    | -                 | 580,080         | 494,072         |
| Premises                                    | -                | 79,319     | -                 | 79,319          | 78,534          |
| Governance                                  | 93,855           | 7,828      | -                 | 101,683         | 107,976         |
|   | 1,396,866        | 510,395    | -                 | 1,907,261       | 2,209,630       |

### Analysis of total expenditure by activity

| Activity based 2020                         | SUMS<br>£ | SUPC<br>£ | PSS<br>£ | M&C<br>£ | Central<br>£ | Total 2020<br>£ |
|---|-----------|-----------|----------|----------|--------------|-----------------|
| <i>Expenditure on charitable activities</i> |           |           |          |          |              |                 |
| Travel & meeting costs                      | 31,754    | 11,863    | 1,277    | 27,839   | 1,782        | 74,515          |
| Professional staff & consultants            | 782,966   | 359,086   | 41,996   | 3,314    | -            | 1,187,362       |
| Pension provision                           | -         | -         | -        | -        | (115,698)    | (115,698)       |
| Administration costs                        | 11,614    | 145,517   | 18,194   | 142,845  | 266,233      | 584,402         |
| Premises                                    | -         | -         | -        | -        | 79,319       | 79,319          |
| Governance                                  | 35,572    | 22,920    | -        | -        | 43,190       | 101,683         |
| TOTAL EXPENDITURE                           | 861,906   | 539,386   | 61,647   | 173,998  | 274,826      | 1,911,583       |

| Activity based 2019                         | SUMS<br>£ | SUPC<br>£ | PSS<br>£ | M&C<br>£ | Total 2019<br>£ |
|---|-----------|-----------|----------|----------|-----------------|
| <i>Expenditure on charitable activities</i> |           |           |          |          |                 |
| Travel & meeting costs                      | 57,442    | 21,369    | 4,252    | 5,381    | 88,444          |
| Professional staff & consultants            | 708,234   | 369,486   | 109,462  | -        | 1,187,182       |
| Pension provision                           | 168,948   | 63,356    | -        | 21,118   | 253,422         |
| Administration costs                        | 125,405   | 212,457   | 53,632   | 104,046  | 495,540         |
| Premises                                    | 22,775    | 45,552    | -        | 10,207   | 78,534          |
| Governance                                  | 55,450    | 52,526    | -        | -        | 107,976         |
| TOTAL EXPENDITURE                           | 1,138,254 | 764,746   | 167,346  | 140,752  | 2,211,098       |

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

### 5. Analysis of restricted fund income and expenditure

Three grants were received from The University of Reading to cover the salary costs of internship placements for University of Reading students at SUMS.

|  | 2020         | 2019         |
|--|--------------|--------------|
|  | £            | £            |
| <b>Incoming resources</b>                |              |              |
| Grant income                             | 4,322        | 868          |
| <b>Total incoming resources</b>          | <u>4,322</u> | <u>868</u>   |
| <b>Outgoing resources</b>                |              |              |
| Administration costs                     | 4,322        | 1,468        |
| <b>Total outgoing resources</b>          | <u>4,322</u> | <u>1,468</u> |
| <b>Net movement in funds in the year</b> | <u>-</u>     | <u>(600)</u> |

### 6. Staff costs and numbers

|                                     | 2020             | 2019             |
|-------------------------------------|------------------|------------------|
|                                     | £                | £                |
| Staff costs were as follows:        |                  |                  |
| Salaries and wages                  | 1,115,419        | 1,023,447        |
| Employer's national insurance costs | 116,729          | 110,411          |
| Employer's pension costs            | 174,049          | 141,045          |
|                                     | <u>1,406,197</u> | <u>1,274,903</u> |

The average number of staff employed during the year was 21 (2019: 20); various associates were engaged to provide services. The average number of full-time equivalents of persons employed during the year was 20 (2019: 18).

The total of employee benefits (salary and employers pension contribution) paid to the senior management team, as disclosed on page 1, in the year totalled £422,016 (2019: £448,494).

The number of staff who received emoluments in the following ranges was:

|                      | 2020 | 2019 |
|----------------------|------|------|
| £60,001 to £70,000   | 1    | -    |
| £70,001 to £80,000   | 1    | 1    |
| £80,001 to £90,000   | 2    | 3    |
| £90,001 to £100,000  | 2    | -    |
| £100,001 to £110,000 | -    | 1    |
| £110,001 to £120,000 | 1    | -    |
| £120,001 to £130,000 | 1    | 1    |

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

### 7. Fixed assets

|                                | IT Equipment | Fixtures & Fittings | Total        |
|--------------------------------|--------------|---------------------|--------------|
|                                | £            | £                   | £            |
| Cost:                          |              |                     |              |
| At 1 August 2019               | 800          | 4,833               | 5,633        |
| Disposals                      | -            | -                   | -            |
| At 31 July 2020                | <b>800</b>   | <b>4,833</b>        | <b>5,633</b> |
| Accumulated Depreciation:      |              |                     |              |
| At 1 August 2019               | 800          | 4,833               | 5,633        |
| Charge for the year            | -            | -                   | -            |
| Disposals                      | -            | -                   | -            |
| At 31 July 2020                | <b>800</b>   | <b>4,833</b>        | <b>5,633</b> |
| Net book value at 31 July 2020 | -            | -                   | -            |
| Net book value at 31 July 2019 | -            | -                   | -            |

### 8. Debtors

|  | 2020           | 2019           |
|--|----------------|----------------|
|  | £              | £              |
| Trade debtors                                    | 220,963        | 284,714        |
| Other debtors                                    | 72,605         | 43,950         |
| Money held on trust by the University of Reading | 575,389        | 588,764        |
|  | <b>868,957</b> | <b>917,428</b> |

### 9. Short term investment

Investment funds were held with both Lloyds Bank and Nationwide Building Society totalling £957,425. Interest generated was recorded against income and expenditure.

|               | 2020    | 2019    |
|---------------|---------|---------|
|               | £       | £       |
| Cash deposits | 957,425 | 953,000 |



# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

### 10. Creditors: amounts falling due within one year

|                                   | 2020           | 2019           |
|-----------------------------------|----------------|----------------|
|                                   | £              | £              |
| Trade creditors                   | 33,719         | 71,405         |
| Accruals                          | 83,529         | 37,418         |
| Deferred income                   | 41,964         | 118,709        |
| Other creditors (VAT due to HMRC) | 41,749         | 70,412         |
| Funds received as agent           | 434,534        | 455,069        |
|                                   | <u>635,495</u> | <u>753,013</u> |

### 11. Creditors: amounts falling due after one year

|  | 2020             |                | 2019           |                |
|--|------------------|----------------|----------------|----------------|
|  | £                | £              | £              | £              |
| Provision b/fwd                                      |                  | 402,457        |                | 149,035        |
| Employer contributions relating to the recovery plan | (11,420)         |                | (8,968)        |                |
| Unwinding of the discount rate                       | 13,281           |                | 4,918          |                |
| Impact of the change in assumptions                  | <u>(117,559)</u> |                | <u>257,472</u> |                |
| Net movement   |                  | (115,698)      |                | 253,422        |
| Provision c/fwd                                      |                  | <u>286,759</u> |                | <u>402,457</u> |

The above provision relates to the requirement under charity SORP that charities must recognise as a liability the present value of future contributions relating to the funding of a pension deficit.

### 12. Deferred income

Deferred income comprises advance membership, consultancy, PMA and grant income.

|   | £             |
|---|---------------|
| Balance as at 1 August 2019                                 | 118,709       |
| Amount released to income earned from charitable activities | (118,709)     |
| Amount deferred in year                                     | <u>41,964</u> |
| Balance as at 31 July 2020                                  | <u>41,964</u> |

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

### 13. Funds received as agent

The charitable company acts as an intermediary agent for volume rebates payable under contract by suppliers to subscribers to SUPC. SUPC collects the rebates, retains an agreed proportion and then distributes the balance to subscribers. The charitable company has no legal ownership of the distributable resources and no responsibility for their ultimate application. The amounts collected and due to be collected are therefore not recognised in the Statement of Financial Activities.

|                                     | 2020           | 2019           |
|-------------------------------------|----------------|----------------|
|                                     | £              | £              |
| Opening balance 1 August            | 455,069        | 382,820        |
| Received during the year            | 1,093,500      | 1,072,732      |
| Rebate income retained              | (340,000)      | (310,000)      |
| Paid out during the year            | (774,035)      | (690,483)      |
| Total fund held as agent at 31 July | <u>434,534</u> | <u>455,069</u> |

### 14. Operating leases

The total of future minimum lease payments under non-cancellable operating leases for the following periods are:

|  | 2020   | 2019   |
|--|--------|--------|
|  | £      | £      |
| Under 1 year                                 | 31,827 | 75,457 |
| Later than 1 year and not later than 5 years | -      | 31,827 |
| Later than 5 years                           | -      | -      |

Lease payments of £75,457 (2019: £75,893) were recognised as an expense in the accounts.

### 15. Movement in funds

| Unrestricted funds       | 2020             |                | 2020             |
|--------------------------|------------------|----------------|------------------|
|                          | General          | Designated     | Total            |
|                          | £                | £              | £                |
| Balance at 1 August 2019 | 863,290          | 182,000        | 1,045,290        |
| Incoming resources       | 2,140,313        | -              | 2,140,313        |
| Outgoing resources       | (1,907,261)      | -              | (1,907,261)      |
| Balance 31 July 2020     | <u>1,096,342</u> | <u>182,000</u> | <u>1,278,342</u> |

The designated funds held as at 31 July 2020 include pension provisions for the UREPF of £182,000.

# Southern Universities Management Services

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

## 15. Movement in funds (continued)

| Unrestricted funds       | 2019        | 2019       | 2019        |
|--------------------------|-------------|------------|-------------|
|                          | General     | Designated | Total       |
|                          | £           | £          | £           |
| Balance at 1 August 2018 | 990,232     | 281,991    | 1,272,223   |
| Incoming resources       | 1,982,697   | -          | 1,982,697   |
| Outgoing resources       | (2,109,639) | (99,991)   | (2,209,630) |
| Balance 31 July 2019     | 863,290     | 182,000    | 1,045,290   |

| Restricted funds    | 2020    | 2019    |
|---------------------|---------|---------|
|                     | £       | £       |
| Balance at 1 August | -       | 600     |
| Incoming resources  | 4,322   | 868     |
| Outgoing resources  | (4,322) | (1,468) |
| Balance 31 July     | -       | -       |

## 16. Analysis of net assets between funds

### 2020

|                  | Fixed assets | Net current assets | Creditors: Amounts due after one year | Total     |
|------------------|--------------|--------------------|---------------------------------------|-----------|
|                  | £            | £                  | £                                     | £         |
| Unrestricted     | -            | 1,565,101          | (286,759)                             | 1,278,342 |
| Restricted       | -            | -                  | -                                     | -         |
| Total net assets | -            | 1,565,101          | (286,759)                             | 1,278,342 |

### 2019

|                  | Fixed assets | Net current assets | Creditors: Amounts due after one year | Total     |
|------------------|--------------|--------------------|---------------------------------------|-----------|
|                  | £            | £                  | £                                     | £         |
| Unrestricted     | -            | 1,447,747          | (402,457)                             | 1,045,290 |
| Restricted       | -            | -                  | -                                     | -         |
| Total net assets | -            | 1,420,649          | (402,457)                             | 1,045,290 |

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

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### 17. Related party transactions

No director of the charitable company or any persons connected with them have received any remuneration during the year. Two (2019: three) directors received reimbursement of travel expenses during the year of £267 (2019: £1,109).

Southern Universities Management Services has a service agreement with The University of Reading. During the year the charitable company received the following value of goods and services from The University of Reading:

|                               | <b>2020</b>    | <b>2019</b>    |
|-------------------------------|----------------|----------------|
|                               | <b>£</b>       | <b>£</b>       |
| Room hire and catering        | 3,274          | 1,241          |
| IT and telecommunications     | 3,412          | 6,184          |
| Printing and postage services | 1,181          | 875            |
| Rent and maintenance          | 76,961         | 78,208         |
| Professional fees             | 32,232         | 30,619         |
|                               | <u>117,060</u> | <u>117,127</u> |

The University of Reading is also a member of the charitable company and a subscriber to SUPC. Subscriptions and fees are paid by them which are consistent with all other Members. The subscription fees and other income received from the University of Reading are set out below:

|                     | <b>2020</b>   | <b>2019</b>   |
|---------------------|---------------|---------------|
|                     | <b>£</b>      | <b>£</b>      |
| SUMS membership fee | 34,700        | 33,600        |
| SUPC membership fee | 11,500        | 11,100        |
| Consulting income   | 10,560        | 30,350        |
| Grant income        | 4,322         | 868           |
|                     | <u>61,082</u> | <u>75,918</u> |

The grants received from the University related to salary costs for short-term internship placements of three University of Reading students at SUMS.

At the 31 July 2020 The University of Reading held investment funds of £575,389 (2019: £588,765) on trust for the charitable company.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 18. Pensions

#### Universities Superannuation Scheme

SUMS participates in the Universities Superannuation Scheme (USS), a defined benefit scheme. At 31 March 2020, USS had 198,099 active members and SUMS had 9 active members participating in the scheme.

The assets of the scheme are held in a separate fund administered by the Trustee, Universities Superannuation Scheme Limited. Appointments to the board of the Trustee are determined by the Trustee Company's Articles of Association. There are currently eleven members of the Trustee board, of which four are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and the remaining are independent directors appointed by the board.

Part of the Trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers.

The fund is invested in a wide range of assets classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and is targeted at achieving returns required to meet the scheme's liabilities.

The last full, finalised actuarial valuation of the scheme was as at 31 March 2018. This was the seventh valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective to ensure sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels, including interim valuations in years where there is not a full valuation.

Under the Scheme's Trust Deed and Rules, the employer contribution rate is determined by the Trustee, acting on actuarial advice.

USS is a "last man standing" scheme, so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The latest interim report, dated 31 March 2019, showed total assets of £63.7 billion and total liabilities of £67.3 billion, giving a funding level of 97%. This was an increase of 2% from the 2018 valuation position. However, if the assumptions used for the 2018 valuation had been borne out in practice, then, based on the agreed methods, assumptions and contributions at the last valuation, the deficit would have been expected to have increased to £3.9 billion at 31 March 2019. This is equivalent to a funding level of 94% relative to the technical provisions. The updated calculations (which allowed for the benefits paid out of the Scheme over the period and the audited asset values at 31 March 2019) gave a deficit of £5.4 billion, equivalent to a funding level of 93%.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 18. Pensions *(continued)*

The reasons for the deterioration in the Scheme's funding position compared to that expected was due to the lower future expected returns. This in turn reduced the discount rate and increased the value placed on liabilities. This had been offset, to some extent, by investment returns over the period from 31 March 2018 to 31 March 2019 being higher than expected over the year.

The asset value at 31 March 2019 was £67.4 billion and is the market value of the Scheme's DB assets based on the audited asset value in the Scheme's accounts. This was an increase of £3.7 billion since the valuation date.

The 2020 full valuation is currently underway and is due to be completed by June 2021. The Trustee remains confident that it can continue to take a long term view of scheme funding, backed as it is by a robust higher education sector. Nonetheless, the Covid-19 pandemic is likely to have a significant impact on the finances of the sector, both in the short and medium term.

As part of the 2018 valuation, some changes to the Scheme were put in place during the 2019/2020 scheme year. These were as follows.

#### *Salary Cap (inflationary increases)*

The Retirement Income Builder (CRB Section) accrual only occurs for salaries up to a cap. This cap started at £55,000 in 2016 and has been uplifted each year with inflation. The salary threshold was £58,589.70 for the 2019/2020 scheme year and is £59,585.72 for 2020/2021. Accrual over the salary cap will contribute to the Investment Builder (DC section).

#### *Contributions increase*

Contributions were uplifted to 8% for all members with effect from 1 April 2016. From 1 October 2019, the member contributions were increased again to 9.6%. Further member contribution increases were outlined previously. The contribution rate payable by the employers was 21.1% from 1 October 2019, which increased from 19.5% previously.

### **University of Reading Employees' Pension Fund (UREPF)**

SUMS participates in the University of Reading Employees' Pension Fund (UREPF), a defined benefit scheme governed by a board of Trustees. The University of Reading has the power to appoint and remove trustees. There are currently six members of the Trustee board, of which three are nominated by the University of Reading and three are member-nominated Trustees. There is currently a vacancy for a further employer-nominated Trustee.

As at 31 July 2019, UREPF has 235 active members and SUMS has 1 active member participating in the scheme. This scheme was closed to new entrants on 31 July 2011. Accrual of final salary benefits ceased on 31 July 2011 and from 1 August 2011 benefit accrual has been on a Career Average type basis. However, the closure of the scheme means that a Section 75 debt will arise at some indeterminable point in the future when SUMS ceases to have any active members in the scheme. The actuary's estimate of this debt as at 31 July 2017 was £182,000. This figure will be reviewed as part of the 31 July 2020 valuation.

# Southern Universities Management Services

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 *(continued)*

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### 18. Pensions *(continued)*

The assets of the scheme are held in a separate fund administered by the Trustees and are managed by Blackrock Investment Management (UK) Limited, L&G Investment Managers, Invesco and Schroders.

The Fund continues to follow the investment strategy adopted in 2017/2018, ensuring that sufficient income is provided to address the cashflow negative position of the Fund. Quarterly income of approximately £750,000 is currently provided by a buy-and-maintain corporate bond holding, an index-linked gilts holding and, since March 2020, the High Lease to Value (HLV) property fund. This quarterly income is sufficient to cover the regular outgoings of the Fund with further funds drawn down on an ad hoc basis to cover irregular expenses.

The last completed actuarial valuation of the scheme was as at 31 July 2017. This was the third valuation for UREPF under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, ensuring there is sufficient and appropriate assets to cover their technical provisions. The scheme is currently undertaking its fifth valuation as at 31 July 2020.

The agreed funding objective is to maintain assets equal to the technical provisions, assessed on an ongoing basis allowing for future salary increases for active members.

The latest interim actuarial report, dated 31 July 2019, confirmed that the Fund showed a technical provisions surplus of £12.6 million, equivalent to a fund level of 106%. Over the 2 years since the valuation, gilts yields had decreased and the long term inflation/pension increase assumptions had increased slightly, both of which placed a higher value on liabilities. The value of the Fund's assets had increased since the 2017 valuation due to better than assumed investment returns, an overall return of approximately 6.7% p.a. over the two year period.

The contribution rate (ignoring Salary Sacrifice) currently payable by SUMS is 23.80% (2011: 18.20%) of pensionable salaries for UREPF. Pension contributions are usually deducted via salary sacrifice. Members contribute 6.25%. Additional monthly employer contributions of one twelfth of £500,000 are also paid into the Fund, a portion of which is charged to SUMS.

A new scheme was set up to replace UREPF for new entrants from 1 August 2011. This is a defined contribution scheme.

### **University of Reading Pension Scheme**

SUMS participated in the University of Reading Pension Scheme (URPS), a trust-based defined contribution scheme until 31 March 2019. The Scheme's administration and investment of assets is provided by Aviva but the University of Reading has the power to appoint and remove trustees. There are currently four members of the Trustee board, of which two are nominated by the University of Reading and two are member-nominated Trustees. There is currently a vacancy for a further employer-nominated Trustee.

From 1 April 2019, the SUMS Group Personal Pension Plan (SUMSPP) was set up. The Scheme was set up due to the Master Trust Regulation introduced in the Pension Schemes Act 2017. Members of URPS employed by SUMS were transferred to the new arrangement but retain their accrued benefits in URPS.

# Southern Universities Management Services

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 JULY 2020 (continued)

## 18. Pensions (continued)

### Southern Universities Management Services Group Personal Pension Plan (the Plan)

From 1 April 2019, the Plan was set up with all contributions from SUMS members invested in SUMSPP. The Plan is a Contract based Group Personal Pension arrangement with members holding an individual contract with the Plan Provider, Aviva, directly.

The Plan's administration and investment of assets is provided by Aviva. The Scheme is a Qualifying Scheme for auto-enrolment purposes. The latest Re-enrolment date was 1 January 2020.

As at 31 July 2020, the Plan has 11 active members.

The contribution rate (ignoring Salary Sacrifice) payable by SUMS is 5% of pensionable salaries for members who have been employed less than 5 years and 7% for members who have been employed 5 years and over. Members must contribute a minimum 4% of their pensionable salaries to the Scheme. Pension Contributions are usually deducted via salary sacrifice.

The pension costs incurred in relation to the respective schemes are set out below:

| Pension costs | 2020                  |                | 2019                  |                |
|---------------|-----------------------|----------------|-----------------------|----------------|
|               | Employer contribution | Active members | Employer contribution | Active members |
| USS           | 147,067               | 9              | 118,500               | 12             |
| UREPF         | 7,699                 | 1              | 10,073                | 1              |
| URPS          | 0                     | 0              | 7,963                 | 0              |
| SUMSPP        | 19,282                | 11             | 4,509                 | 9              |
|               | <u>174,048</u>        | <u>21</u>      | <u>141,045</u>        | <u>22</u>      |

## 19. Reconciliation of net income/(expenditure) to net cash flow from operating activities

|                                       | 2020<br>£     | 2019<br>£      |
|---------------------------------------|---------------|----------------|
| <b>Net (expenditure)/income</b>       | 233,052       | (227,533)      |
| <b>Adjustments for:</b>               |               |                |
| Depreciation of tangible fixed assets | -             | 1,209          |
| Investment Income                     | (12,486)      | (12,135)       |
| Movement on debtors                   | 35,096        | 83,082         |
| Movement on creditors                 | (233,216)     | 351,208        |
| Cash used in operations               | <u>22,446</u> | <u>195,831</u> |