

FINANCIAL MEMORANDUM OF AGREEMENT

BETWEEN

HERIOT-WATT UNIVERSITY AND HERIOT-WATT UNIVERSITY STUDENT UNION

1. BACKGROUND

- 1.1 The Heriot-Watt University Student Union (HWUSU) is constituted in the Heriot-Watt University (HWU) Charter as the representative body for students at the University. Article 16 of the University's Charter states:
- (i) There shall be a Students Union of the University.
 - (ii) The constitution of the Students Union, its powers and functions and all other matters which it may be thought proper so to regulate shall be prescribed in the Ordinances.
 - (iii) The University shall in no way be liable for the debts, liabilities and other obligations incurred for any act done or omitted to be done by the Students Union.
- 1.2 The University's Ordinances state that HWUSU shall conduct and manage its own affairs and funds in accordance with the written Constitution which is approved by Court (the University's governing body).
- 1.3 HWUSU receives an annual grant ("the Block Grant") for revenue purposes which is allocated by the Finance Committee of Court. The Block Grant is based on the University academic year cycle.

2. REQUIREMENTS OF THE CONSTITUTION

- 2.1 This memorandum will be appended to the HWUSU Constitution to ensure that it is available to the Trustees and Executive members of HWUSU. It will be reviewed annually by the Secretary of the University. An annual letter will also be issued to HWUSU with details of the annual Block Grant from the University.

In accordance with the Constitution of HWUSU, the University specifically requires HWUSU to:

- (a) Keep accounts and accounting records in accordance with normal professional accounting principles and present audited accounts to the University's Finance Committee of Court on an annual basis.
- (b) Maintain a sound system of financial management and control.
- (c) Display summary copies of the audited Report and Accounts on HWUSU noticeboards and website, and make copies available to students who request this from HWUSU's offices.
- (d) Include as an addendum to the annual accounts and financial reports, a list of the external organisations to which HWUSU has affiliated in the period to which such accounts or reports relate, and details of such affiliations.
- (e) Comply with the Charities and Trustee Investment (Scotland) Act 2005 and any subsequent legislation.
- (f) Submit an Annual Return to the Office of the Scottish Charity Regulator (OSCR)

3. REQUIREMENTS OF THE UNIVERSITY

3.1 The University requires HWUSU to:

- (a) Produce a sustainable Financial Plan for a five year period approved by the HWUSU Board of Trustees, with reasonable levels of resilience against uncertainties in income and expenditure.
- (b) Meet with representatives of the University on an annual basis, in the Spring of each year, to agree the sustainability (or otherwise) of the plan.
- (c) Annually produce an update to the HWUSU Strategy and accompanying Operational Plan for report to the University Executive via the Secretary of the University following approval by the HWUSU Board of Trustees and highlighting any substantive changes from the previous Plan.
- (d) Produce detailed monthly management accounts showing actual income and expenditure against phased budget by entity. Following Trustee Board approval, discuss these with the Academic Registrar on a quarterly basis. The Academic Registrar will inform the Principal and Vice-Chancellor, the Vice-Principal and the Secretary of the University, of any serious concerns related to the accounts highlighted in the quarterly meetings. A further meeting with the Secretary of the University and the Principal & Vice-Chancellor will then be organised.
- (e) Make available the books and accounting records of HWUSU to the University for inspection on request following approval of the HWUSU Trustee Board to release the records, such approval not to be unreasonably withheld.

4. ADDITIONAL REQUIREMENTS

4.1 HWUSU will also be required as a condition of the Block Grant to:

- (a) Plan and conduct its financial affairs to maintain financial solvency.
- (b) Following Trustee Board approval, provide quarterly management accounts to the University with projections of income and expenditure for the remainder of the relevant financial year.
- (c) Ensure that all expenditure is undertaken in accordance with the Schedule 1 of the Constitution of HWUSU.
- (d) Following Trustee Board approval, inform the Secretary of the University and the Academic Registrar as soon as possible of any potential financial difficulties
- (e) Create a reserve fund for investment for the future of HWUSU.

5. IMPLEMENTATION

5.1 Following Trustee Board approval, the financial position of HWUSU will be monitored via regular meetings with the Academic Registrar as outlined in Section 3.1 of this agreement. However if either HWUSU or the University consider it to be necessary, for whatever reason outwith this process, arrangements will be made for the President of HWUSU, a HWUSU Trustee Board member and the Chief Executive Officer (CEO) to meet with University representatives in order to:

- (a) Discuss the situation and review the level of income generated and expenditure incurred by HWUSU.
- (b) Discuss the likely level of income and expenditure by HWUSU over the forthcoming months.
- (c) Discuss any corrective action necessary by HWUSU.
- (d) Discuss revisions to the final budget.
- (e) Be assured of compliance with the terms of this Financial Memorandum of Agreement.

5.2 The Secretary of the University may choose to seek the advice of the Principal and Vice-Chancellor with respect to whether the University should take any corrective action considered necessary by the University if expenditure exceeds income resulting in a possible adverse impact on the financial sustainability of HWUSU. Such action

shall be proportionate to the extent to which expenditure exceeds income and may include ceasing scheduled payment of the Block Grant due during the year.

- 5.3 HWUSU will appoint at least one qualified person to maintain the accounting records of HWUSU and to act as the Chief Financial Officer for HWUSU.
- 5.4 The CEO of HWUSU is responsible for advising the HWUSU Trustee Board and the HWUSU Executive if, at any time, any action or policy under their consideration appears to be incompatible or non-compliant with Schedule 1 of the Constitution of HWUSU or this Financial Memorandum of Agreement. Should the Trustee Board or HWUSU Executive nevertheless proceed with such action, the CEO will alert the Secretary of the University in writing as soon as possible.
- 5.5 The Academic Registrar will act as the main link between HWUSU and the University, reporting regularly to the Secretary of the University on any matters that require to be escalated.

6. FINANCIAL SUPPORT AND REQUIREMENTS

- 6.1 The Secretary of the University will issue the President of HWUSU and the CEO of HWUSU with annual written confirmation of the annual Block Grant allocated by the University Court and any associated conditions imposed by the Court, with a copy to the Academic Registrar. This Block Grant shall be calculated in accordance with the formula agreed between the University and HWUSU as set out in Schedule 1 to this Memorandum.
- 6.2 The University will continue to provide assistance to HWUSU by way of provision of buildings. The general upkeep of these buildings shall be the responsibility of HWUSU, in consultation with the University's Estates Office. These arrangements are subject to ongoing review in accordance with the University's overall estates strategy. All stakeholders will be consulted as part of the planning process.
- 6.3 Any grant of funds by the University Court to HWUSU is made on the condition that the requirements of this Financial Memorandum of Agreement are met.

SIGNATORIES TO FINANCIAL MEMORANDUM OF AGREEMENT

BETWEEN

**HERIOT-WATT UNIVERSITY
AND
HERIOT-WATT UNIVERSITY STUDENT UNION**

Signed by the Principal and Vice-Chancellor of HWU:



Professor Steve Chapman

Date: 16/6/14

The Secretary of the University:



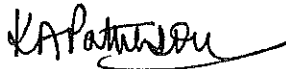
Ann Marie Dalton

Date:

16/6/14.

The Academic Registrar:

Kathy Patterson



Date:

17/6/14

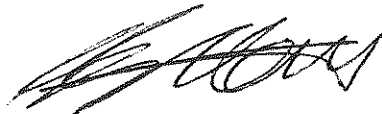
The President of HWUSU:



Jessica Nelves

Date: 17/06/14

The Chair of the HWUSU Trustee Board:



Stefan Kay

Date: 17 JUNE 2014

The HWUSU Chief Executive Officer:



Gail Edwards

Date: 17/06/14

SCHEDULE 1 TO THE FINANCIAL MEMORANDUM OF AGREEMENT

BETWEEN

HERIOT-WATT UNIVERSITY AND HERIOT-WATT UNIVERSITY STUDENT UNION

Background

Following discussions between Heriot-Watt University (HWU) and the Heriot-Watt University Student Union (HWUSU), the University is willing to provide an annual block grant to HWUSU based on:

- FTE numbers at the University's Scottish Campuses
- The unit of resource per student

1. Formula for Calculation of the Grant

- 1.1 The starting point for the formula for the calculation of the Block Grant was the average grant paid per student by comparable Scottish Universities. Comparable Scottish Universities, for this purpose, are those that pay block grants to their Student Union separately from their Sports Union (at the time of the benchmarking exercise, these comprised Edinburgh, Dundee and Stirling).
- 1.2 The unit of resource is defined as the total direct income derived from students at the University's Scottish campuses (i.e. grants and fees) divided by FTE (UG and PGT) student numbers on the Scottish campuses.
- 1.3 Provided that the unit of resource remains constant, then the formula for the grant shall be the product of the FTE (UG and PGT) numbers and the grant per student i.e. £58.94 in 2013/4. If the unit of resource increases or decreases, then the grant shall be increased or decreased in proportion.
- 1.4 The grant will scale with the Scottish Funding Council unit of resource which takes account of inflation/ index linking. This ensures that the grant is always proportional to the relevant component of the University's income.
- 1.5 The actual value of the Block Grant will be fixed by the University for the coming year based on the best available estimates of student numbers and unit of resource. The University will provide estimates of what the Block Grant will be in each of the remaining years of the five year planning period.
- 1.6 In spring of each year, the planned student numbers and calculation of the unit of resource will be as supplied by the Planning Office for the following academic year (ie to align with the University planning cycle and preceding the annual student enrolment exercise). These will be reviewed in December (i.e. following enrolment). If the number of FTEs, as at the review date has changed by $\leq \pm 3\%$ (the tolerance level) from the Planning Office numbers provided earlier, then the Block Grant shall not change. If the number of FTEs has changed by $> \pm 3\%$ then the Block Grant shall be increased or decreased in proportion.
- 1.7 The formula for the calculation of the Block Grant is, in part, subject to the current funding methodology used by the Scottish Funding Council. Should there be a change to the methodology, the formula for the calculation of the Block Grant shall be reviewed jointly by Heriot-Watt University and HWUSU.

