

# A New Settlement

Report of the commission  
on the costs and benefits  
of NUS membership





## Foreword

 Our strong view is that a 'new settlement' is required that significantly improves the whole approach to membership and restores a focus onto member value and benefit creation for students."

**F**ollowing consultation with students' unions, NUS established an independent Commission to report on the costs and benefits of NUS membership.

We understand that there's been a long-standing conversation within the student movement about the nature of the relationship between NUS and its members that needs addressing in a considered, formal manner. This approach was intended to allow students' unions and NUS to participate freely as stakeholders in the provision of evidence.

As Commission Chair I would like to thank colleagues from students' unions and within NUS that have taken their time to share views, provide evidence and to support the process. Specifically I would also like to thank my fellow Commission members, Helen West, Steven Findlay and Karen Mellanby who throughout the process have brought fresh perspectives to thorny issues.

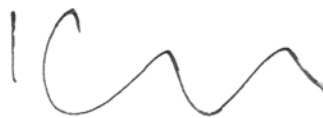
The research has told us very clearly of the importance the movement places on values and of its attachment to NUS as a body that upholds and promotes those values. What is equally clear is that there are themes of clarity, transparency, fairness and accessibility that need to be addressed. The challenge with this is to find a compromise that balances often incompatible interests.

The Commission recommends that the student movement collectively builds a new settlement around two distinct but mutually dependent offerings, each with its own clear purpose, fair funding and good governance, in order to improve effectiveness and generate stronger benefits for students.

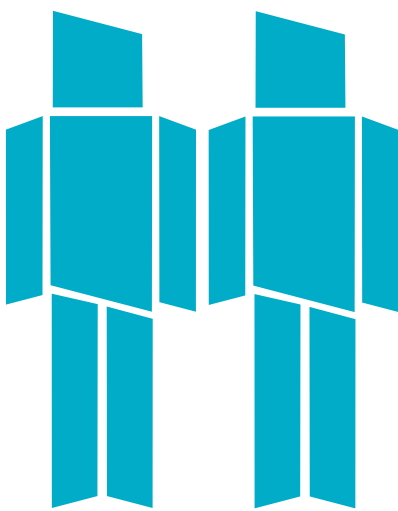
As a Commission we recognise there are significant implications for NUS and its members that flow from our recommendations and that the work required to implement is substantial. If accepted, there are many decisions that would need to be made that are not in our remit, but we recommend that change is managed over a 3-5 year timeframe.

We hope that our perspective can play a part in establishing a basis for the relationship between NUS and Student's Unions that recognises democratic compromise but within this context is a settlement that everyone can understand, buy into and support.

Thanks again,



Ian Passmore



# Executive summary

## Analysis and key themes

- Students' unions and NUS want a movement based on strong, interconnected organisations that act in the interest of students' locally and nationally
- For relationships to be strengthened, NUS' membership offer needs to be clearer and more accessible through a fairer model of funding and a more disciplined focus on member value
- NUS' activity has grown significantly over the last decade in the absence of rigorous scrutiny from within NUS or students' unions because in the main, it has been funded by new money and not students' unions

## Central recommendation

- A 'new settlement' is required that significantly improves the whole approach to membership and restores a focus onto member value and benefit creation for students
- The aim of the new settlement that we describe here will be to create the means for all students' unions to contribute, in a clear and fair way, to creating a strong national voice for students and other benefits to support them
- The new settlement should be based around two major areas – 'voice' and 'development and enterprise' – these are rooted in the mission of NUS and mutually dependent, but do different things and should be governed and financed in different ways
- On both sides, students' unions and NUS must be clear about how purpose, means of action, effectiveness, funding, fairness, sustainability/ growth, and governance should be established

## Voice

*Purpose* – 'Voice' is about advancing student interests; it tries to create universal benefits for all students by making education and society better

*Action* – It should be fuelled by co-operative campaigning and policy influencing work

*Effectiveness* – Steps should be taken to ensure a stronger focus on benefits to students, achieving better prioritisation and real impact, with more rigorous 'tests of value'

*Funding* – It should be funded by students' unions broadly according to ability to pay, while recognising that there can be no perfect way of achieving that

*Fairness and sustainability* – The mechanism we recommend is to retain direct membership fees linked to block grants from institutions – but these should be calculated as a single percentage (we recommend something in the range of 2.5% and 3.5%) with no other formula factors and no caps in place, and with a nominal minimum fee

- *Governance* – At a high level, activities in this area should be governed by diverse representatives of students themselves; at a lower level they should be governed by elected student leaders and volunteers; and everyone involved in this should be accountable for achieving best value

## Development and enterprise

*Purpose* – 'Development and enterprise' is about strengthening students' unions – as democratic organisations, as supporters of students and as commercial businesses

**Action** – It should be fuelled by co-operative enterprise and co-operative programmes accessible to all students' unions, in different ways, across a wide portfolio of work

**Effectiveness** – Steps should be taken to ensure that all the activities here are run as going concerns in an effective way, so that the overall area generates considerable financial surpluses and significant non-monetary returns for students' unions and students, and those returns should be measured in a clear way and tested for value

**Funding** – It should be driven by offering great products and services into a range of markets, including, but by no means only, to students' unions

**Fairness and growth** – a wide range of charging structures should be adopted to ensure accessibility of products and services across the full diversity of students' unions, and steps should also be taken to drive growth in new markets so as to build even more on returns to the movement

**Governance** – At a high level, activities in this area should be governed by students' unions as organisations; at a lower level they should be governed by a range of formal and informal stakeholder boards, as appropriate; as on the 'voice' side, everyone involved in this should be accountable for achieving best value

#### Governing the 'settlement'

- The balance of funding arrangements across both the 'voice' and 'development and enterprise' sides will be complex, with choices to be made about the level of membership fees on one side and the treatment of surpluses on the other, as well as other issues; we therefore recommend that there should be a specific governance system in place to decide the overall settlement and ensure it is effective, balanced and fair

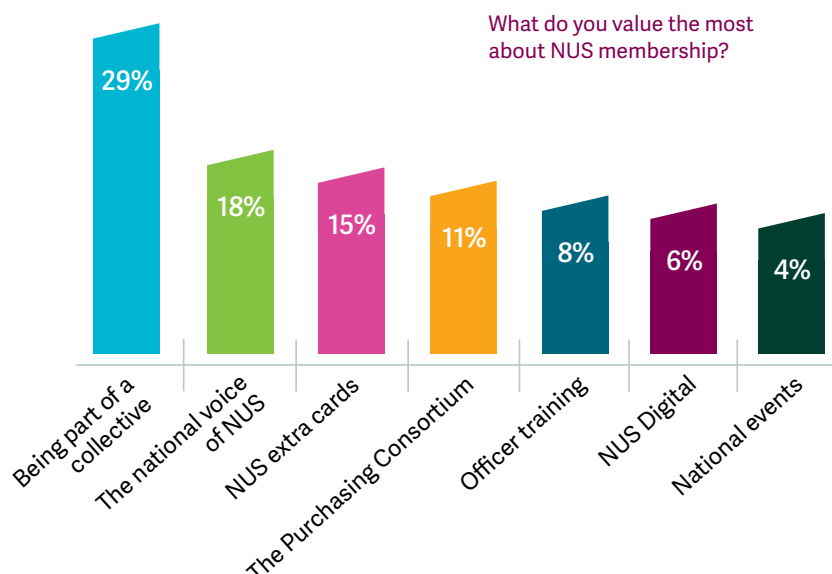
- This system should be designed to ensure openness and transparency and to have a significant stake-holding of both diverse student representatives and of students' unions represented as organisations
- There will also continue to be significant interdependencies between the areas and within the NUS group, so this system should also enable 'resource governance' that cuts across both major areas

#### Other areas of interest

- Events – all 'governance' events should be free to participate in, but they will need to be delivered in different ways to make that economically viable; other events should be run within the scope of the 'development and enterprise' area and in line with its values
- Externally funded projects and grants – are very welcome additions to shared resources, but more steps should be taken to avoid becoming tied up in ongoing costs, and potential risk of 'mission drift'
- Transparency of payments and flows – quarterly statements of all payments between NUS and students' unions should be introduced so that members can see their net benefits in clear terms

#### Next steps

- Conduct a review of the 'settlement' built around the two major mission areas, to include a root and branch review of spending and establishing new tests of value to refocus activities around strongest benefits
- Conduct an equally major review of governance across the NUS group
- Gain agreement for and deliver the 'new settlement' with changed funding structures, governance arrangements, over a three to five year period, including time to phase in the biggest changes



# Analysis and key themes

We anticipate that many will want an in-depth look at the research we collated so we have produced a more extensive research report to complement this one, which can be found online on NUS connect. In the interests of brevity, we have summarised the key themes and analysis below of the issues we believe need to be addressed by NUS and students' unions.

In each of the following headings, we articulate the characteristics of a stronger relationship between NUS and students' unions. Whilst not an exhaustive list, these are the ones we believe require attention based on our research. In the subsequent sections of the report, we lay out our suggestion for structuring NUS' offer with these in mind.

## Fair, Accessible and Simple

Students' Unions of differing sizes and location view NUS' current membership offer as favouring others; both when it comes to costs and benefits. Costs are viewed as unfair either because comparatively higher affiliation fee burdens because of the £52,000 cap or due to the additional costs associated with membership. Benefits are viewed as disproportionately serving students' unions who either ask for the most, or have the resources to 'unlock' elements of NUS' work, either through service fees or participation in events.

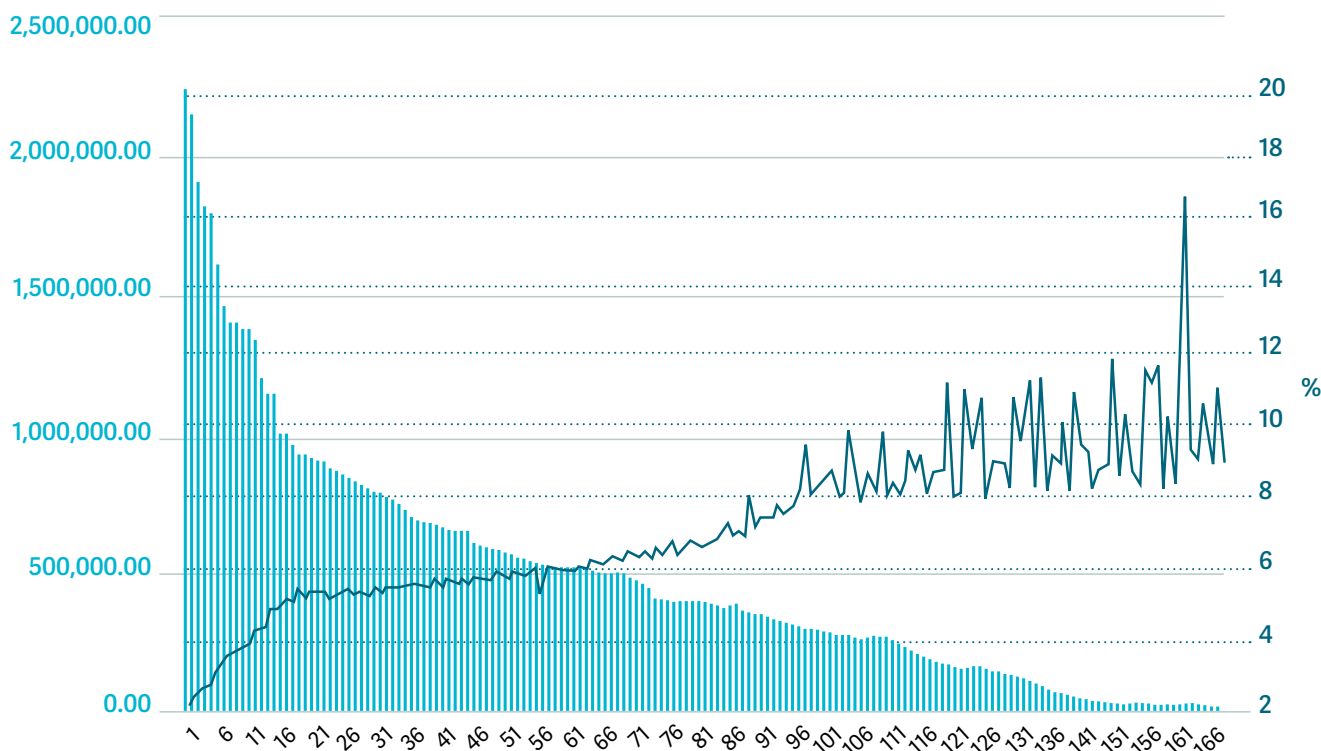
Students' Union Block Grants  
and % paid in NUS affiliation fees

We address the affiliation fee question later in the report however we believe any new offer would need a clearly defined offer to member students' unions and commit resource to deliver it to all members, rather than to those that 'shout loudest'. This does not mean that all students' unions should be offered the same service by NUS, as colleagues in students' unions have made clear, different types of students' unions require different levels of support. The point remains however, NUS should lay out its membership offer clearly and commit resource to deliver it in full.

## Clear & Transparent

NUS' has seen significant growth in the last decade, both in terms of income and activity, whilst affiliation fees have remained relatively stable. This has meant that activity has grown in the absence of robust rules and tests that usually come with spending money that flows directly from members. Whilst we can see that NUS' current portfolio of activity is rich and has varying levels of impact locally, the movement is not forced to prioritise resource and therefore new products, services and programmes 'appear' without the necessary buy-in or scrutiny from member students' unions.

This proliferation of activity has meant a confused picture for students' unions, meaning that those that are able to 'navigate' the organisation, are able to realise the most benefit. We are also aware that NUS withdrew its dedicated relationship management function with students' unions in 2011 which has exacerbated this issue for a significant number of members.





### Shared Values

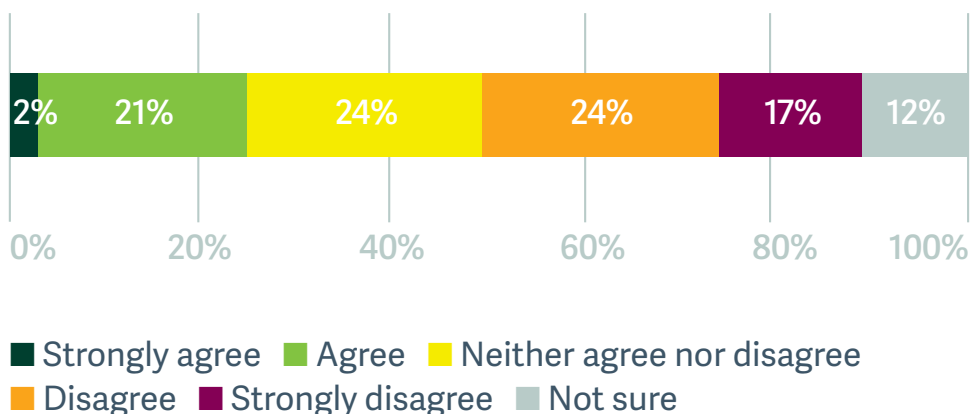
It is clear that there are strong shared values amongst NUS and students' unions, with collectivism being articulated as a common theme throughout our research; an idea that together the student movement is greater than the sum of its parts. However in practise students' unions have felt increasingly isolated from each other and in doing so viewing NUS as a service provider to their local union. NUS has a role in enabling the student movement to become a thriving network of collaborative students' unions, but students' unions need to play their part too.

For NUS' part, it needs to place a greater importance on officer and staff networks, facilitating consistent opportunities for students' union colleagues to engage with each other in an accessible way. The variety of NUS' activity means that for each area to succeed, it requires different behaviours from both NUS and students' unions. As an example, running a national campaign on education funding requires a very different relationship with local students' unions to investing in an online platform for the movement, these nuances and different relationships need to be strongly articulated in any new offer.

### Disciplined, Valued & Efficient

NUS and students' unions need to agree a framework for decision making about how resource is allocated that tests against key criteria to ensure resource is used for maximum impact in the interests of students. These might include assessing the reach or severity of an issue when it comes to students', or assessing the participation and value attached to a programme from students' unions. Once a framework is decided for each area of activity NUS needs to allocate resource based on these criteria, only diverting from them with the permission of members through reformed governance structures.

How far do you agree or disagree that the way the NUS membership fee is calculated results in a fair and equitable system for all members?



# Recommendations

## Central recommendation – a new settlement

**1.** Our strong view that a 'new settlement' is required that significantly improves the whole approach to membership and restores a focus onto member value and benefit creation for students. This settlement should be simple and clear, and set out in two major, mutually dependent areas that build upon the existing mission of NUS. This settlement should become the central way of organising the relationship between NUS, students' unions and students. We believe the two major areas should be:

**'VOICE'** – advancing student interests

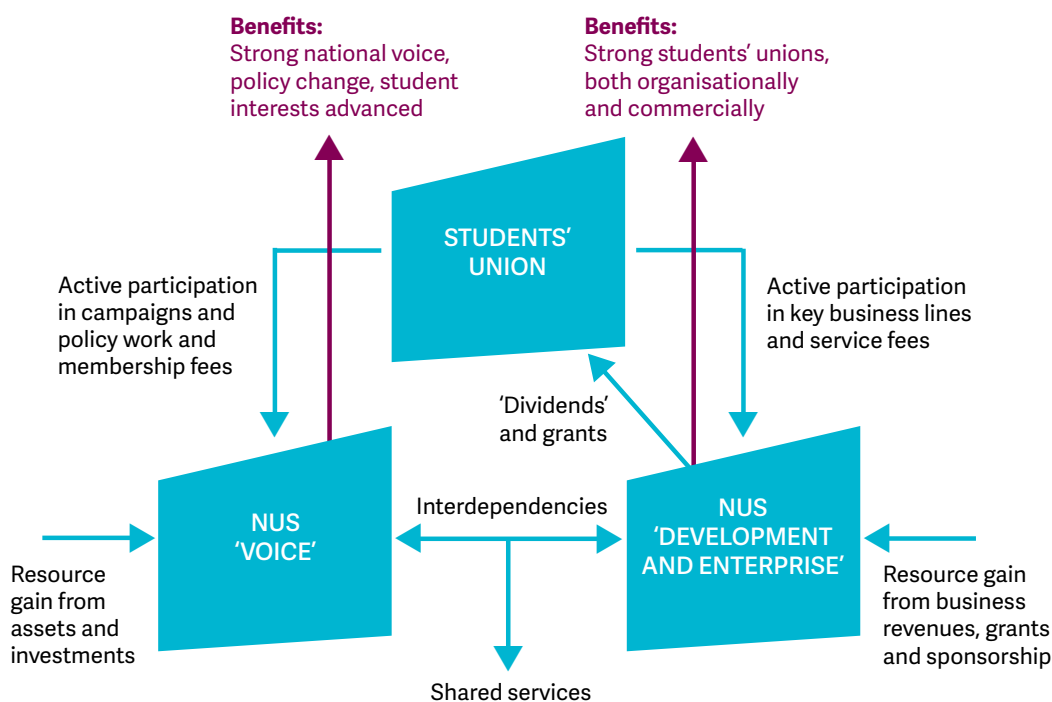
**'DEVELOPMENT & ENTERPRISE'** – strengthening students' unions

There are two key assertions we want to make that underpin the choice of these two areas and are at the heart of all our other recommendations:

**2.** Firstly, we believe that there has been a long running debate, unhelpfully, about whether students or students' unions are the 'members' of NUS. We think the position is actually very clear – students' unions as organisations are the members of NUS, and students are shared beneficiaries of both students' unions and NUS. This distinction matters: our two major areas are distinct from each other because the benefits of them (to students) arise in different ways.

**3.** Secondly, both of the major areas are basically co-operative in spirit and that they must be shaped by student involvement and member involvement in co-creating the activities they generate – whether that be campaigns, research and policy work, development support or commercial operations. As mutual support is fundamental to this, access to the second area as a member should be conditional on contributing to the first as a member.

**4.** We envisage that the overall flow of resources between students' unions and NUS, flow of resources between the major activity areas, and the accrual of benefits to students could look something like this:





In describing the detail of how this could work, we'll take each major area in turn, before addressing some cross-cutting issues.

### 'VOICE' – advancing student interests

5. On this side of the mission, the defining feature is that the benefits are universal. That doesn't mean all the benefits accrue to all students all the time, but simply that the benefits tend to accrue directly to them as a broad collective, across the full diversity of further and higher education. The extent to which different students benefit is not determined primarily by the institutional setting in which they study (though clearly it will be a factor in how they benefit). So 'voice' should be the primary means for the student movement as a whole to work together to create progress (educational, social, and so on) for students. Examples of activities that would fall into this area would include:

- Political leadership of the collective
- Campaigns, lobbying, research and other activities carried out to change public policy
- Driving social change, change of public attitudes, building up civil rights (e.g. through liberation campaigns)
- Providing information to students at large (e.g. on money, housing, etc.)

### Issues

6. Our feeling is that the central issues for this area are primarily related to assurance that the right priorities are being selected (or frankly that any priorities are being selected in some areas) – where real impact can be achieved for students either widely across the range, or deeply for specific student groups. We are concerned that there may be 'programme overload' within this area of activity – too many things being attempted with insufficient critical thought about its potential value. There are exceptions to this where considerable impact has been achieved, and this often comes about as a result of shrewd opportunity-taking in response to a change in the external environment. The approach to performance management in this area may need further attention here driving it in relation to understanding performance through evaluation and metrics.

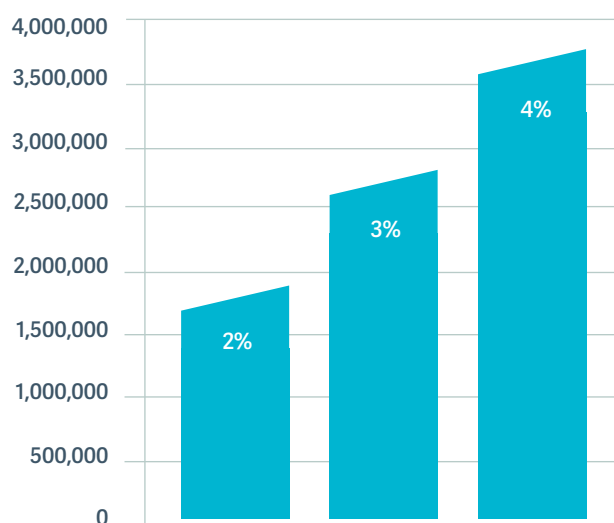
7. In a nutshell, we believe a 'root and branch' review of spending in the 'voice' area should be conducted, applying tests of value to all programmes and activity. This should be done on a 'zero budget' basis – in other words, given a fixed resource envelope (determined mainly by the scope of membership fees agreed amongst the members – see below), what kind of NUS 'voice' function can be created if it was starting again with a blank sheet of paper? This will be imperative to assuring members that there is genuine criticality and judgment of what gets done, how it gets done, and what the benefits would be if the activities succeed. An approach like this would also help to ensure that this side of NUS lives within its means, and doesn't simply gobble up collective resources to meet an ever-growing activity base in an uncontrolled way – which we believe

will become a risk if nothing is done, thereby damaging member confidence. There is no doubt whatsoever that students' unions want to see, and are prepared to fund, a very well resourced 'national voice' for students – but this has to be challenged better on whether is doing the right things, and is governed and managed for effectiveness.

### Finance

8. The financial structure here should reflect the universal essence of this part of the mission. So there should continue to be a single primary channel of funding from members to NUS through a membership fee which is affordable and accessible to all kinds of students' union. Because students' unions are highly diverse, this means the membership fee must be in some sense linked to unions' financial capacity, and it must be seen to do that in a fair and reasonable way. In addition, any fee structure should be simple and transparent as possible.

9. We believe that levying membership fees based on 'block grant' is imperfect, but probably the 'least worst option' as it scores reasonably well as an indicator of financial capacity, scores reasonably well on fairness, and scores highly on simplicity especially if it was reformed. We recommend that fees should be levied as a single percentage of block grant across all students' unions, with a floor set at a specified level of block grant. For example, 3% of block grants, with a floor at £10,000, in which case all unions with a block grant lower than £10,000 would pay a £300 nominal fee, and any unions above that level would pay 3%. This would continue to be subject to a system of abatement and hardship appeals, which appears to work well but should be regularly reviewed.



Total affiliation fee receipts in £s to NUS

 The most important thing is to ensure effective business planning is in place across the whole portfolio, and in some areas this will mean thinking about products and services in new ways."

**10.** We do not intend to recommend a precise 'levy' rate – this must be for the student movement to decide following a review and an open debate about what kind of voice function it wants and what the resource needs for that would be. However, we have modelled the impact on NUS and students' unions of running the levy at 2%, 3%, and 4%. We believe that it follows from our recommendations on effectiveness that the voice side of NUS should operate with more financial discipline. Therefore a levy rate somewhere between 2.5% and 3.5% would be appropriate – at this level the resource envelope of NUS UK would reduce, and the vast majority of students' unions would obtain significant membership fee reductions.

**11.** Funding from membership fees should be supplemented by income from assets and investments owed by NUS – most notably as things stand this would include revenue from its preference shareholding in Endsleigh, but there are others and may be more in the future. It should also be possible for some of the collective commercial surplus generated by the student movement (see below) to be vired across to support 'voice' in certain circumstances; though we recommend that for 'voice' to be subject to proper financial discipline, this should not be considered the norm. It is very important for 'voice' to have strong, assured sources of income that do not derive from payments made to it by students' unions, as this ensures that NUS can carry out activities that students' unions would not be permitted to fund under charity law.

### Governance

**12.** Governance at a high level in this area should be thought of as 'democracy of the beneficiaries' (i.e. of students themselves). The activities here are carried out with the ambition of creating direct collective benefits to all students, and it follows that the direction and priorities should be controlled through governance arrangements that are as representative as possible of the overall student demographic. It is outside our remit to make suggestions for exactly what structures should be put in place to do that, though we would expect them to be broadly speaking an evolution of current structures. Even so, there should be much stronger

means within whatever structures for prioritisation of actions to take place (as opposed to the current system in which usually a wide range of aims are set through lots of democracy, but with no real sense of prioritisation).

**13.** Governance at a lower level should be driven by elected officers supported by a network of voluntary committees of student officers and students. We are convinced that one of the unique and highly valuable characteristics of NUS is the way that these things work to ensure that leadership is based on political choices, that students are highly involved in activity design and delivery, and that there is personal accountability as well as organisational accountability. We make no comment on the specific arrangements, officer roles, and committee structures, however we do believe that it will be important that the cost of these things should be considered carefully as part of the overall budget, and justified. Above all, the officers and committees here should more clearly understand their duty to focus on the agreed priorities, minimise drift, make their resources count, and justify their decisions.

### 'DEVELOPMENT & ENTERPRISE' – strengthening students' unions

**14.** On this side of the mission, the defining feature is that the benefits are conditional – students tend to benefit very differently, conditional on the institutional setting in which they study, by being members of very different types of students' union and through accessing different kinds of product and services. That doesn't mean there aren't activities here that have the potential to benefit students very widely, only that the benefits primarily flow to them through their own students' union. Although it is obvious that students' unions will participate in different ways, we would expect all students' unions to participate in some way. So in effect, 'development and enterprise' becomes the primary means for students' unions as a whole to co-operatively create great products and services, of all kinds. Examples of activities that fall into this area would include:

- Bringing great products to the market that support student life and enable students to get a better deal (often but not exclusively sold through students' unions); e.g. NUS Extra, Epona Clothing
- Providing services (both commercial and non commercial) that help students' unions to succeed and thrive (e.g. UnionCloud, quality assurance via 'QSUs', training for officers and staff, consultancy, collective purchasing)
- Entering new markets to lever additional value and extend the influence the UK student movement in line with its shared values

### Issues

**15.** We believe the student movement generally, and the NUS group in particular, has taken a wrong turn by developing a line of thinking that 'commercial' services to members are fundamentally different in some way

from 'non-commercial' services to members. This is a very long running dynamic, but it has been 'made sticky' by adopting governance structures and ways of working that unhelpfully cleave one from the other. We take the view that 'enterprise' is a specific form of 'union development' (indeed, it is practically synonymous with 'business development'). On the other hand, we believe that placing a 'not business' halo around activities like quality assurance, events and training has been a strong factor in impeding their development. The main issue in this space is to bring the 'development portfolio' together as a coherent whole and ensure it is working to generate value (in several forms) for students' unions.

**16.** The most important thing is to ensure effective business planning is in place across the whole portfolio, and in some areas this will mean thinking about products and services in new ways. For example, it makes no sense for the NUS 'events' function not be run more as a business, selling events production into new markets at potentially much higher revenues than events 'in-sold' to students' unions. Similarly, there is no particular reason why – in the fullness of time – UnionCloud or the Quality Students' Unions package could not be developed to a level where it could be licenced or exported to student and/or youth organisations in other sectors or even other countries, with the proceeds reducing participation costs for UK students' unions. This would certainly be ambitious, but in our view the NUS offer should be highly ambitious.

## Finance

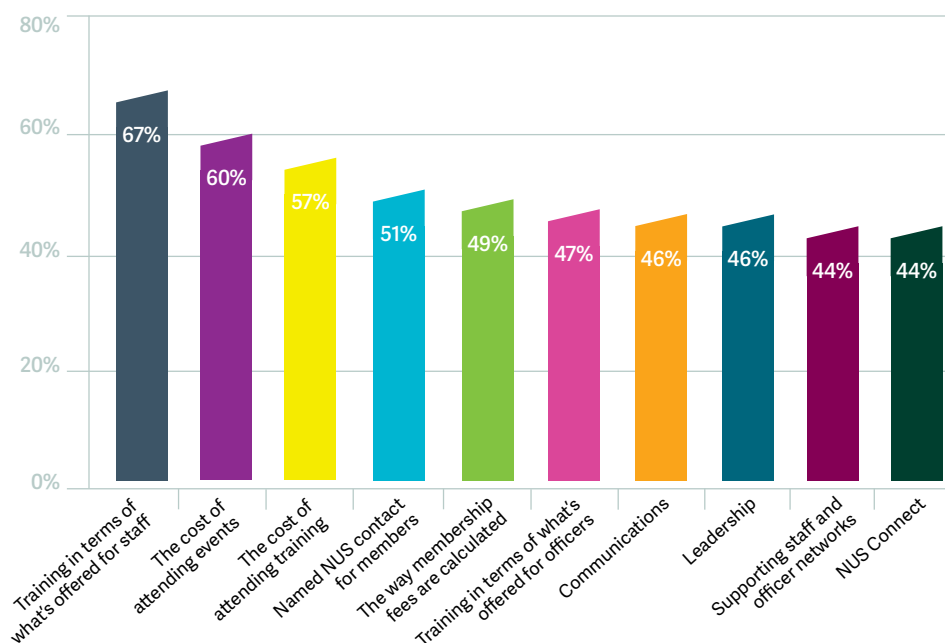
**17.** Financially, this whole area should be run as a going concern, which in simple terms means that it should sell the products and services it develops into a wide range of markets, and should be surplus-making. We want

to be explicitly clear that we are not saying that every individual product or service should make a financial profit or that services should be driven in such a way that some students' unions could be 'priced out'. Firstly, there are other kinds of value, and they really matter – value generated through social returns, reputational gains, capability returns in our people, and so on. Secondly, all major businesses cross-subsidise to offer preference to certain customers, to take risks, to invest, to innovate and so on. So what must happen is that the leaders and bodies in control of this whole area take an overall view of the product and service portfolio, making judgements along the way about the charging structures across it, taking into account:

- The need for 'development and enterprise' as a whole to make a strong financial surplus
- The need to establish clear measures of non-financial returns where relevant
- The need to ensure accessibility for less-resourced students' unions, especially those in the further education sector, to access products and services on appropriate terms
- The potential increase revenues by moving into new markets, across the whole portfolio

**18.** Surpluses from this activity should be directed in three ways. Firstly, they should be used in part to support new investment in business growth. Secondly, they should be distributed back to the members as, in effect, a 'dividend' – based on a range of transparent and objective factors such as the level of risk taken by members to support innovation in products and services, and the level of participation they drive on established products and services (e.g. purchasing, Extra, UnionCloud). Thirdly, it should be possible to direct surpluses from the 'development and enterprise'

What can NUS improve about its membership offer to students' unions?



# Governing the 'settlement'

side to the 'voice side' – this should not be the default position, but may be necessary in circumstances where, for example, a government brings forward major legislation of interest to students or students' unions so that an expanded 'voice' budget is objectively required. In any case, the framework for surplus distribution should be reviewed regularly through the governance arrangements, and approved by students' unions.

## Governance

**19.** Governance at a high level in this area should be thought of as a 'democracy of the members' (i.e. of students' unions as organisations). The Development and Enterprise activities are carried out and focused on strengthening students' unions so that they can in turn improve and extend benefits to students. It follows that control of the direction and priorities should belong to the members (students' unions) as organisations. Again, it is outside our remit to suggest specific governance structures, but we do stress that unless direction and oversight (and accountability) for all the activity that is intended to develop students' unions goes to students' unions as organisations, it will be hard to construct an improved membership offer in the round.

**20.** At a lower level, we note that the structure can involve multiple corporate vehicles, but where this is the case, governance arrangements should be made more coherent. Most obviously there is presently several companies owned essentially by NUS (on behalf of the collective), and a charitable company, operating in parallel. The common objective is to develop stronger students' unions, but by focusing on different aspects of their development and taking different approaches to supporting it. Steps should be taken to ensure that these the corporate governance arrangements of these vehicles becomes more closely aligned, so that the development portfolio can be seen by decision-makers in the round.

**21.** Our report so far sketches out what we would recommend as an overall reconsidered approach to the 'settlement' between NUS and students' unions, focused on creating maximum value for students, their shared beneficiaries. This has taken us towards the idea of framing all activity through two broad frameworks, each with their own distinct remit, governance and financial arrangements. But neither of the two sides can operate in isolation from the other and we are left with the question of how the overall settlement is to be governed on an ongoing basis. The balance of funding arrangements across both sides will be complex, with choices to be made about the level of membership fees on one side and the treatment of surpluses on the other, and other issues.

**22.** The key issue here is in the structure of control for resource allocation across both major activity areas, because activity on both sides is primarily funded by students' unions as the members. We believe that on the 'voice' side, control of priorities should be governed through representative structures of students themselves, and on the 'development and enterprise' side control should be vested in students' unions as organisations. But there is clearly interdependency here – on the one hand it is vital that a democratic student voice informs the shape of products and services, and on the other it is equally vital that the use of resources for the 'national voice' should be influenced by students' unions.

**23.** To deal with these issues, we recommend that a specific governance structure should be put in place to decide the overall settlement and ensure it is effective, balanced and fair. This structure:

- should 'cut across' all areas of activity, with a key role in governing the funding arrangements, resource allocation and spending across them
- should have a stake-holding from both the student representative democracy and from students' unions as organisations
- should be lean – a new national event should not be the default choice and there may be many ways to achieve the aims using imaginative approaches supported by new technology

We will not set out precisely how this should be put into practice – that is for NUS and its members to consider in detail – but we do think that unless there is something put in place to do this, the overall settlement cannot work effectively.

**24.** In addition, at the centre there will still be a complex national organisation operating in a group structure with multiple legal vehicles. Examples of this would include:

- Exchange of cash for operational purposes
- Provision of in-kind support from each side to the other (e.g. policy staff working on events, research unit contributing to design of research on the voice side, etc.); no attempt should be made to account for such resource exchanges in detail



## Other areas of interest

*We have a range of recommendations to make in specific areas of interest.*

### Events

**27.** Events are worthy of specific discussion because they appear to be politically controversial (National Conference 2014 adopted a particular stance on the cost of 'democratic' events), they consume considerable resources for both NUS and for students' unions (both directly and through what we believe is an enormous cross-subsidy in staff time), and are an area where member/student satisfaction is not as high as it should be.

**28.** A 'democratic' event seems to be currently understood as an event where someone is elected to an office or a committee within the governance structures of NUSUK. This definition is culturally embedded, and it is highly misleading and unhelpful, because 'governance' involves far more than only elections and formal accountability of elected officers. It does not for instance include 'Strategic Conversation', even though that event has an important role in governing the strategy of the whole NUS group. We recommend adopting a clear and all-encompassing definition of what is and is not a 'governance event' (recognising that some events may be 'governance events' only in part).

**29.** In line with policy adopted by National Conference, we would recommend that if possible all 'governance events' should be made free for members to attend and participate. If we believed this mandate was wrong, we would say so, but we agree with it on its merits. However, to achieve this significant steps will need to be taken to control costs and make such events accessible to all students' unions. These include:

- Ability for either 'side' to lever collateral from assets owned within the NUS group as a whole, but especially to support business investment
- Flow of surplus from 'development and enterprise' to 'voice' in specific circumstances, as discussed

**25.** Finally, we envisage that for operational reasons both 'sides' will need to fund shared support services. This would include estates, IT, HR, some aspects of communications and member engagement, and other items. We don't take any specific view on how exactly that should be put into practice in terms of legal structure or accounting structure, but we do note that the circulation of service charges within the NUS group causes a certain amount of confusion and might benefit from being simplified.

**26.** To deal with these points, any new governance structure here should also have an overview of the 'interdependencies' between major areas of activity and in particular of shared services and the flow of resources within the NUS group.

- 'Governance events' should be reviewed to ensure their number and cost is minimised while still ensuring effective steering of and accountability for the work of the various vehicles of the NUS group
- In particular, no 'governance event' should involve more than one night of residency, and accommodation should not automatically be provided at 'governance events'; this would allow students' unions to select different accommodation options to meet their needs and minimise both cost and risk
- Accommodation should be provided on a case-by-case basis where there is a specific practical need related to, for example, safeguarding or accessibility, or as a form of bursary support on the basis of need
- Ideally these principles should apply universally, but we recognise that National Conference as presently constituted may be regarded as exceptional, but its role and structure of should be re-examined as it costs around £300,000 to run and it is not clear that this delivers value



**30.** 'Non-governance events' should be run within the scope of the 'development and enterprise' operational area. They would include a wide range of different profiles in relation to event design, accommodation, and so on, depending on the purposes of different events and who they are aimed at. Where events can be seen as combining features or functions of 'governance events' and 'non-governance events', the priority should be on designing these events to keep the 'governance' elements free to attend.

#### Externally funded projects and grants

**31.** All areas of the NUS group should continue to seek funding from external sources to run specific projects, as this can deliver significant additional value to students and students' unions. However, we have seen some evidence of 'project profusion' and if left unchecked this could consume resources in an unplanned way. Not all money on offer should be taken just because it is on offer, and both sustainability and/or the path to 'orderly exit' from a project should be fully evaluated at the outset. This is an area that needs more work, so that externally funded work is subjected to the same tests of value that we commend for all activities.

#### Transparency of payments and flows

**32.** We recommend that NUS adopts systems to implement total 'quarterly statements' for all transactions with students' unions. This would involve setting all charges flowing from students' unions to NUS (core membership fees and any other fees accumulated for services) against flows back from NUS to students' unions ('dividends' from development and enterprise activity, any grants to students' unions that NUS administers, and so on), on a quarterly basis. This will enable far greater transparency and support improved value judgement, as members will be able to see their net financial contribution and return at a glance. It would also create a more balanced cashflow dynamic within the student movement.

 This has taken us towards the idea of framing all activity through two broad frameworks, each with their own distinct remit, governance and financial arrangements."

#### Next steps

**33.** If our recommendations were implemented in full, this would represent a major undertaking. We have to bear in mind that it would involve:

- Conducting a review of the 'settlement' built around the two major mission areas, to include a root and branch review of spending and establishing new tests of value to refocus activities around strongest benefits
- Conducting an equally major review of governance across the NUS group
- Comprehensive revision of financial and legal structures and flows
- Potentially significant removal of costs from some areas of activity and the winding down of others altogether

**34.** These are no small matters, and this would clearly need to be a central leadership and management task for a new NUS Chief Executive and other senior staff, with the full involvement of all relevant Boards, approval obtained through wider democratic structures and in further deep consultation with students' unions. We therefore believe it would take between three and five years to complete the whole process.

**35.** However, work on the first two items listed above should begin as soon as practicable – which we believe would be Autumn 2015. Work on reviewing externally funded projects, on re-thinking the approach to 'events', and on implementing total quarterly billing should begin immediately.


**36.** In the medium term, we believe implementing any significant changes to governance and to financial structures must happen in concert, as they are so closely interlinked. Ideally a position would be reached where a revised set of Articles and Rules codifying new governance arrangements for NUS is proposed at National Conference 2017. A new membership fee methodology should be proposed at the same meeting and that proposal should include transitional arrangements so that a reconfigured financial structure (including the new fee system) can be phased in over three years. At that point, any consequential amendments to Articles of other legal vehicles should be completed with the agreement of relevant bodies.

**37.** Although it would be possible to approach all these issues separately, we think it would not be desirable to move for a changed fiscal settlement without securing reciprocal changes to the governance arrangements, especially in relation to the governance of resources. We also believe that transitional arrangements will be need to be carefully designed to avoid damaging NUS's ability to deliver activities, and to mitigate any shock to students' unions facing any increased costs.





Macadam House  
275 Gray's Inn Road  
London WC1X 8QB

 0845 5210 262  
[www.nus.org.uk](http://www.nus.org.uk)

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