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## IMPERIAL COLLEGE UNION "5+7" FORECAST

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The "5+7" forecasting exercise was finalised on 15 January 2019. The budget holders were asked to forecast their income and expenditure from January through to July, after reviewing the actuals up to December, assessing the position at that point and then evaluating what was actually likely to happen going forwards from January within their department and taking into account the future expected activities of the Union.

Result of the forecast and its impact on the Union's bottom line:

|                              | Forecast         | Budget           | Difference       |
|------------------------------|------------------|------------------|------------------|
| <b>Union</b>                 |                  |                  |                  |
| Income                       | 5,515,382        | 5,772,659        | (257,278)        |
| Cost of Sales                | (1,354,310)      | (1,365,513)      | 11,203           |
| <b>Gross Profit</b>          | <b>4,161,072</b> | <b>4,407,147</b> | <b>(246,075)</b> |
| Staff Pay Costs              | (3,502,082)      | (3,412,050)      | (90,033)         |
| Other Direct Costs           | (1,018,391)      | (991,343)        | (27,048)         |
| <b>Net Surplus/(Deficit)</b> | <b>(359,401)</b> | <b>3,754</b>     | <b>(363,156)</b> |

### Executive Summary

The budget set last year envisaged a small surplus at the end of the year of £3,754. However, the detailed and thorough reforecasting exercise has predicted a loss of £359,401 due to less income being generated (-4.46%) and the increase in staff and other direct costs (2.64% and 2.73% respectively).

Please find below explanations for the main variances, followed by the appendices which detail all the main variances.

### Main Findings

#### Income and Cost of Sales:

#### Appendix 1 & 2

The decline in core income in the Commercial and Marketing areas in the earlier part of the year has impacted the Union greatly in its forecast. The £257,278 income decline can be attributed to the Union's core underlying income-generating activities; £163,874 in the Commercial area and £55,236 in the Marketing area (Appendix 1).

Commercial: The wet sales in the Bars and Catering area have been scaled down by 2.5% for the seven months forecast ie for the remainder of the year. There has been a downward trend in the sale of alcohol which is in line with the market trend. Functions income also has been revised down

(30% for the wet sales and 50% for the dry, generally, for remainder of the year) as indicated by the general decline in functions. Subsequently the dry core sales have been negatively impacted too. Obviously following on from these downward revisions in income the corresponding cost of sales for the remainder of the year have been adjusted accordingly (Appendix 2).

Marketing: Income from advertising, career sales and sponsorship have not borne fruit as aspired to due to weak sales and the absence of a marketing manager. The Freshers Fair's budget was an ambitious one and 17 extra standard stalls were expected to be taken up, unfortunately this was not attainable. However, the New Year Fair generated a surplus of £3,300.

### **Other Income Considerations for the Union**

### **Appendix 3**

Apart from the challenges in Commercial Enterprise and Marketing, there are three other areas for the Union to consider:

- 1) Income from hiring of Minibuses: CSPs are not utilising the Union's minibuses as expected and nor are the College. Student Activities have not been able to focus on an advertising plan to promote the minibuses thus the hit to income.
- 2) Income from Associate Memberships: There has been a decreased uptake of membership and a big client (worth £5k) who normally signs up by now has not done so. The Student Activities team are actively chasing up on this.
- 3) The income the Union receives in regards to the Student Social Enterprise Programme has been returned to the College as it will no longer be run by the Union as per College's instruction. No associate costs have been incurred so the impact is negligible.

### **Staff Costs:**

### **Appendix 4**

#### **Main staff cost revisions:**

- 1) Exceptional circumstances: these one off costs have occurred due to long term sickness of a SMG member (manager of Student Experience) and his eventual retirement from the job (settlement agreement) and the loss of the Operations Manager (paid in lieu of notice) from the Commercial section (envisage new manager to commence in April).
- 2) Commercial: Factors such as long term sickness of the Head Chef, high attrition rate and the lack of controls in place regarding stock, proper use of recipes etc have led to hiring of temporary and agency staff. There has been much work done to stabilise the team in Bars and Catering through promotion of existing staff who have knowledge and experience, thus enabling the training of the new staff and implementation of controls/procedures etc. Things are beginning to settle although still more work needs to be done from the root upwards. As staff costs are high there will be a focus by management on controlling these costs in the future. However, whilst new staff are being trained agency costs in the short term will be high. Marketing have plans going forward to help deliver the commercial strategy.
- 3) Investment: Systems have appointed a fixed term web developer to help progress the Union's numerous projects, thus the permanent costs are over budget. Marketing are refreshing and building the Union's brand, hence have employed a few temporary staff to aid this and other projects. There has been some upheaval in this area as the existing

Marketing Manager accepted a post at SMG level as the interim Student Voice and Communications Manager but a Marketing Manager has yet to be engaged.

Full breakdown of the forecast to budget variances for the non-core activities are shown in **Appendix 5**.

### **Conclusion**

The Union's deviation from budget is significant and the projection is more than what was expected. However, there have been unexpected and exceptional events that could not have been foreseen that have impacted the Union's bottom line.

The problem areas have been identified and steps are being taken to hedge the risks of costs spiralling out of control against the declining income stream. Decisions are being made to minimise the impact of the projected fall in income as the Union's Leadership finds the forecasting result unacceptable.

|             | <u>Appendix 1</u>  | <u>Main Core Income Revisions</u> |   |
|-------------|--------------------|-----------------------------------|---|
| <u>Area</u> | <u>Core Income</u> | <u>Variance to Budget</u>         | <u>Revision Explanation</u>   |
| 568/Bar     | Core Wet Sales     | (36,194)                          | Revised down by 2.5% for remainder of the year - general decline in alcohol sales as a market trend. Have revised this down by less than the actual trend shown so far.   |
|             | Dry Core Sales     | (8,246)                           | Variance due to earlier part of the year being behind budget, forecast as per original budget.  |
|             | Function Wet Sales | (25,448)                          | Revised down by 30% for remainder of the year - general trend is tracking down (by a greater % than this) against last year and also against budget. Reasons unknown at this stage. Further investigation needed.   |
|             | Function Dry Sales | (15,874)                          | Revised down by 50% for remainder of the year - general trend in decline of functions, see wet above. This is turn is affecting dry sales. Reasons unknown at this stage - further investigation needed.  |
|             | Door Income        | (9,756)                           | Ticket sales at the door - under investigation  |
| H bar       | Core Sales         | (20,773)                          | Revised down by 5% for remainder of the year. Figures YTD show negative variance of 13% against budget and 4% down against last year. This decline is in keeping with general market trends of millennials drinking less alcohol. Further investigation needed to ascertain other factors & way forward |
|             | Function Sales     | (5,600)                           | Revised down by 50% for remainder of the year. Last year's functions totalled £67 actual for the year. Not sure how the figures for the original budget were set. Needs further investigation.  |
| Metric      | Core Wet Sales     | (6,132)                           | Revised down by 2.5% for remainder of the year - in line with 568 & Union (see notes)   |
|             | Function Dry Sales | (3,835)                           | Revised down by 50% for remainder of the year- in line with 568 & Union (see notes)   |
|             | Function Wet Sales | (5,404)                           | Revised down by 30% for remainder of the- in line with 568 & Union (see notes)  |
|             | Door Income        | (9,823)                           | less expected   |
|             | Ticket Sales       | 2,597                             | More forecasted   |
| Reynolds    | Core Wet Sales     | (15,800)                          | Revised down by 5% for remainder of the year. Sales tracking at 18% down against budget and 6% down on last year. General trend of declining alcohol sales for this demographic.  |
|             | Dry Core Sales     | (1,277)                           | 50% down against budget and 23% down on last year. Less food sold as knock on effect of less alcohol sales. Revised down by 20% for remainder of the year   |
|             | Function Wet Sales | (3,981)                           | Functions tracking 89% down against budget and 30% down on last year. Not sure what original assumptions were made here as didn't set this budget. Have revised down by 20% for remainder of the year as more investigation needed. General alcohol drinking is down.                                   |
| UDH         | Dry Sales          | 3,285                             | Income from conferences eg British Legion, Boat Buffet & Nibbs Premiere in Dec 18   |
| Beit        | Misc Sales         | (4,205)                           | We don't realistically sell that many flipcharts and pens in a month. New figures represent a more realistic view point for how much we sell. We are intending to sell more AV packages in the future. Not sure if this would go under Misc sales or in other services which it goes in currently.      |
|             | Room Hire          | (5,117)                           | Every Nation have cancelled their bookings (we are currently looking for another client to fill this gap. Roughly £800 to £1000 lost each month). Little Foxes and Kiddikicks have reduced the volume of their bookings.  |
| Shop        | Online Sales       | (9,443)                           | Sales forecast at 70% of budget for Jan, Feb & March due to delay in delivery of new online shop project. New shop should be fully operational by March.  |
| Shop Extra  | Core Sales         | 17,574                            | More optimistic on sales income versus budget based on strong performance so far this year. Increase of 4.3% on budget forecast.  |
| Marketing   | Advertising        | (11,840)                          | Advertising; Jan - March adjusted for weak pipeline and with most energy going into NY fair sales, expected push for May/June with Graduation, Summer Ball, Union awards and other sellable events  |
|             | Career Sales       | (22,814)                          | Career sales; Adjusted for weak pipeline for January; correcting the expectation of income in March/April when historically there's been none; with conservative estimates for end of year push.  |
|             | Felix              | (3,484)                           | Felix; Adjusted for weak pipeline and weak January sales push due to absence of manager   |
|             | Freshers Fair      | (15,753)                          | Fresher Fair - ambitious budget - 17 extra standard stalls were expected to be taken up, unfortunately this was not possible.   |
|             | New Years Fair     | 3,300                             | Surplus made  |
|             | Sponsorship        | (5,500)                           | Sponsorship; Adjusted for weak pipeline and no support activities in February;  |
|             |                    | (219,543)                         |   |

|                     | <u>Appendix 2</u>    | <u>Main Other Non-Core Income Revisions</u> |   |
|---------------------|----------------------|---|---|
| <u>Area</u>         | <u>Other Income</u>  | <u>Variance to Budget</u>                   | <u>Revision Explanation</u>   |
| Minibuses           | Hire - Union         | (7,444)                                     | CSP not using union minibuses but likely to pick up business as coach company has gone bust so students more likely to use our minibuses so less adverse variance |
|                     | Hire- College        | (5,959)                                     | College not using minibuses due to restrictions so expectations lowered   |
| Student Activities  | Associate Membership | (7,722)                                     | Big client not taken up yet, chasing £5k  |
| Student Development | Income               | (6,900)                                     | Student Social Enterprise Programme returned to college, no longer ran by union   |
|                     |                      |   |   |
|                     |                      | <b>(28,025)</b>                             |   |

|             | <u>Appendix 3</u>    | <u>Main Cost of Sales Revisions</u> |   |
|-------------|----------------------|-------------------------------------|---|
| <u>Area</u> | <u>Cost of Sales</u> | <u>Variance to Budget</u>           | <u>Revision Explanation</u>   |
| 568/Bar     | Cost of Sales Dry    | (30,299)                            | Revised down GP% to 58% across the board. Industry trends report increased food costs due to Brexit with recent greater pressures due to a possibility of a no deal Brexit. Universities nationally reporting lower food GPs of 60% average - we are not part of TUCO hence 58% for us. |
|             | Cost of Sales Wet    | 29,863                              | Revised down in line with revised income  |
| H bar       | Cost of Sales        | 9,562                               | Revised in line with revised income   |
| Metric      | Cost of Sales Dry    | 1,241                               | Revised figures to 58% GP - see 568 & Union notes   |
|             | Cost of Sales Wet    | (1,096)                             | Revised down in line with revised income  |
| Reynolds    | Cost of Sales Wet    | 3,648                               | Revised down in line with revised sales   |
|             | Dry Cost of Sales    | 1,461                               | Revised down in line with revised sales to 30% GP. Hard to ascertain figures as missing invoices from beginning of year   |
| Shop        | Cost of Sales        | 10,644                              | less than forecasted  |
| Shop Extra  | Cost of Sales        | (17,983)                            | Cost of sales rise by 4.3% based on expected income growth vs budget.   |
|             |                      |                                     |   |
|             |                      | <b>7,041</b>                        |   |

|                     | <u>Appendix 4</u>      | <u>Main Staff Cost Revisions</u> |  |
|---------------------|------------------------|----------------------------------|--|
| <u>Area</u>         | <u>Staff Costs</u>     | <u>Variance to Budget</u>        | <u>Revision Explanation</u>  |
| Leadership          | Permanent Staff        | (10,290)                         | 1 SMG on L-T sick beginning part of year plus pay-off thereafter, another senior resigned so paid in lieu and interim roles for 2 senior vacant roles.   |
|                     | Temporary Staff        | (17,859)                         | Commercial admin support   |
| 568/Bar             | Permanent Staff        | 54,638                           | No Operation Manager recruited yet.  |
|                     | Temporary Staff        | 2,643                            | Temporary staff costs revised to reflect lower wet sales   |
|                     | Agency Staff           | (113,402)                        | The attrition rate is high. Agency staff have had to be utilised due to increased labour in the kitchen - the Head Chef and one other staff member being on sick leave and extra staff required for the implementation of the lack of processes/procedures. Original budget-not realistic  |
|                     | Security Staff         | (10,044)                         | Reallocation of security costs amongst Commercial section  |
| Beit                | Permanent Staff        | 6,333                            | Budget figure was wrong  |
|                     | Security Staff         | 6,833                            | Imperial Health Volunteers Party have cancelled their event in January - therefore, no requirement for Security.   |
|                     | Temporary Staff        | (3,626)                          | Required for Summer Ball preparations  |
| Metric              | Security Staff         | 4,241                            | Less forecasted  |
|                     | Stewards               | 3,051                            | Removed completely and now absorbed by temp staff line   |
|                     | Temporary Staff        | 10,517                           | Revised down in line with revised income   |
| Shop                | Permanent Staff        | 3,952                            | January increased spend of £1981.50 due to college not assigning new starter pay to the Union for new 1b retail assistant in December. Rest of year saving reflects new 1b assistant on lower spine point that previous post holder.   |
|                     | Temporary Staff        | (7,588)                          | Agency staff required  |
| Shop Extra          | Temporary Staff        | 6,532                            | Less temp staff required than originally thought   |
| Summer Ball         | Staff Costs            | (20,923)                         | Breakeven budget   |
| Marketing           | Permanent Costs        | 3,773                            | 1 employee left in Oct - just recruited new staff and Head of Marketing to be recruited in February.   |
|                     | Temporary/Agency Staff | (10,332)                         | 2-3 Agency staff required  |
| Advice              | Permanent Staff        | 9,549                            | Advice Manager left Dec, new manager should be in place in March   |
| Finance             | Temporary Staff        | 3,420                            | Temp costs removed as thought required to clear out CSP queries inbox but no longer required.  |
| Student Development | Permanent Staff        | 14,409                           | E Helsen to interim position-charged to leadership. Recruitment for the permanent Student Development Manager role is estimated for March, so Training and Development Manager post will be frozen until April. SD Coordinator (Project Coordinator) is now on level 2B and SD Coordinator (2B) has been recruited on the highest spine point. |
|                     | Temporary Staff        | (3,414)                          | SD admin support staff, Community and Transition Project and Imperial Award Trainers will be required.   |
| Systems             | Permanent Staff        | (31,478)                         | Based on assumption that temp contract role is extended for an additional 3 months   |
|                     |                        | (99,065)                         |  |

|                     | <u>Appendix 5</u>        | <u>Main Other Non-Core Revisions</u> |   |
|---------------------|--------------------------|--------------------------------------|---|
| <u>Area</u>         | <u>Other Non-Core</u>    | <u>Variance to Budget</u>            | <u>Revision Explanation</u>   |
| 568/Bar             | Consumables              | (7,102)                              | Revised in line with amended wet and dry income above and using 0.9% from last year's actuals for disposables. This assumption does not take into account differences in wet and dry disposables costs based on more food sales and less wet sales  |
|                     | Entertainment Acts       | (6,161)                              | Overall the forecast for Metric and 568 & Union combined is £20,592 vs £23,890 budget (i.e. a projected underspend overall of £3,298). The separate outlet variances are due to an apportionment error when splitting out the budget into the new format.   |
|                     | Irrecoverable Vat        | (18,306)                             | Increased due to agency/temp costs  |
|                     | Premises & Equipment     | 4,326                                | Less equipment hire/purchase and maintenance required than budgeted   |
| Metric              | Depreciation             | 4,763                                | Budget too high   |
|                     | Entertainment Acts       | 9,459                                | Less forecasted   |
|                     | Equipment Purchase       | 1,318                                | Less equipment purchase than originally thought   |
|                     | Hospitality              | 2,040                                | Less forecasted   |
|                     | Maintenance              | 2,890                                | Less forecasted   |
| H bar               | Equipment Purchase       | 3,041                                | Purchases no longer required  |
| Reynolds            | Various Costs            | 3,640                                | Cleaning/Depreciation/Entertainment Acts and Maintenance costs revised downwards  |
|                     | L&P                      | 7,000                                | Services not required   |
| Beit                | Other Sales              | (5,309)                              | Imperial Health Volunteers Party have cancelled their event in January.   |
|                     | Pass Through             | 6,634                                | Not budgeted for but theoretically should be charged out internally - needs investigating   |
| Shop                | Credit Card Commission   | (3,591)                              | New forecast for rest of year reflects a 33% increase based on actuals from first 5 months. Credit card charges are higher than budgeted due to increased card payment spending and high Yoyo charges.  |
| Shop Extra          | Equipment Hire           | 7,962                                | Coffee machines purchased instead of rented so no hire will be needed for the rest of the year.   |
| Marketing           | Admin Cost               | 7,220                                | Reduction in costs such as consumables, printing and publicity  |
| Admin               | Equipment Purchase       | (1,439)                              | Purchases for Call Conferencing device and new office chairs for staff  |
|                     | Maintenance              | (4,010)                              | Repair locks on 16 staff lockers, West Basement pest control/ removal of materials agreed with College (Union share of cost- £2,798)  |
|                     | Recruitment Costs        | (31,037)                             | Recruitment advertising for: new Advice Manager, Education & Welfare Rep Coordinators x2, Operations Manager, Bar Supervisor/ Head Chef, Head of Student Experience, Duty Venues Manager/ Venues Manager, Student Development Manager, Training & Development Manager and Chef de Partie (March £200). Recruitment cost for Operations Manager (Feb 20% of agreed salary = £10,000) |
|                     | Training                 | (4,917)                              | Staff Away Days: Team Development/Directorate Away Days/Student Development   |
|                     | Wellbeing                | (4,480)                              | Staff wellbeing activities to be delivered by Onsite Massage Co = £4,800 for the full year. £2,400/6 Feb - July, Plants for the office/ meeting room spaces. 4 head height plants, 2 flower arrangements, 3 table top planters to include maintenance costs £150 pm   |
| Advice              | Printing/Publicity Costs | 1,478                                | As no campaign held in first term, printing/publicity costs less than originally budgeted   |
| Education & Welfare | Grants Payable           | 600                                  | Grants paid to the 8 Liberation Officers but not many have needed the money so funds will be returned to Union  |
|                     | Publicity                | 400                                  | Disabilities History Month in December which was unspent and hasn't been carried forward  |
| Finance             | Bad Debts                | 2,280                                | Bad debt recovery   |
|                     | Banking Charges          | 2,280                                | Natwest refunded bankline charges   |
|                     | Interest                 | 2,032                                | Investment income from Rathbones ( investment )   |
|                     | L&P                      | (4,750)                              | Services of Rathbones - fee for investment review   |
| Minibuses           | Advertising              | (1,200)                              | No costs forecasted as unable to focus on advertising and promotion of fleet so not expected to make any income on this.  |
|                     | Fines                    | (6,526)                              | Should not have been budgeted for as recharged. Have not been fining people in the first term for minibus misuses, but plan to pick this up in second term.   |
| Student Activities  | CSP Accreditation        | (4,368)                              | Not budgeted for but agreed with Malcolm to spend this from last year, it was 'ring-fenced' from college for ICXP.  |
|                     | Insurance                | 3,550                                | Prepaid out so straddles two academic years.  |
|                     |                          | (30,283)                             |   |

