

**Imperial College Union**

**Finance and Risk Committee**

Wednesday 19 June 2019

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| **AGENDA ITEM NO.** | Item 12 |
| **TITLE** | Plans and Budget for 2019/20 |
| **AUTHOR** | Malcolm Martin & Jarlath O’Hara (with submissions and review by Leadership Team) |
| **EXECUTIVE SUMMARY** | This paper has been constructed with input from the Leadership team and is the result of an intensive planning and budgeting process which was more rigorous than any previous process engaged with by the leadership of this organisation.    It introduces the business priorities for 2019/20. While the primary focus is 19/20 the paper extends its scope beyond 1 year as the Union’s Leadership team takes a longer-term perspective on investment opportunities and recognises the importance of laying robust foundations, having realistic expectations and developing new income streams over the medium term.    Leadership is proposing a £198k investment budget with capital expenditure of £39,607.    Several levers can be utilised to reduce the investment, however after significant thought and deliberation the Leadership team consider that the current recommendation provides the most optimum balance of investment giving the Union the best chance of continuing to deliver adequate services to our members and support for our staff.  The recommendation is that the Finance and Risk Committee closely reviews this paper and provides any further comments or observations ahead of the Board approval. |
| **PURPOSE** | To outline the key business priorities for 2019/2020 and understand how these will be resourced. |
| **DECISION/ACTION REQUIRED** | For Decision |

**19/20 Planning and Budgeting Pack**

**Introduction and Context**

The annual reforecast exercise for 18/19 showed an end of year deficit of £420k. The Leadership Team responded by assessing costs for rest of year and making carefully considered decisions to control expenditure and put actions in place for remainder of 18/19[[1]](#endnote-2). Additional and increased monitoring and controls have also been established both in response to our performance against budget targets and to the internal audit findings.[[2]](#endnote-3) The combined effect of these measures and subsequent performance have resulted in a current (end of May) reforecast position of -£325k. This represents an improvement of c.£95k from the initial reforecast position in January.

Leadership adopted an approach focusing on ‘the next five months for the next five years’ and put significant resource into planning and budgeting for 19/20 including multiple prioritisation exercises[[3]](#endnote-4). This amounted to 68 hours as a team over the 12 weeks since late March, not including the many hours of individual and small group work that have fed back into the team.

We have defined what our ‘core’ is, as well as what we ‘need’ to do, ‘want’ to do and what we can stop[[4]](#endnote-5). We have looked at options for investments which provide opportunity for returns in future years and we are mindful of the timing with our Strategy and College Block Grant both due for renewal for 20/21. We have identified the opportunity to refine our services to ensure that we are in line with our core priorities and to establish an ever-clearer partnership with College about how we work together.

We have developed a ten-year model which required many assumptions (Appendix A) and more emphasis is placed on the first 3-5 years where the assumptions have had greater consideration.

The budget for 19/20 is proposed in the context of balancing current service levels to our members, staff morale, wellbeing, and financial sustainability. In addressing the current deficit, we have taken a primarily investment-oriented approach which looks to invest in services and in future opportunities as opposed to making heavy cuts to our services to students.

**Leadership therefore propose a budget for 19/20 of -£198k, with 20/21 as -£81k and 21/22 as £3k (break-even).**

This investment of £198k next year sets out to deliver against:

* Audit concerns and protecting stock and GP %s through the Commercial Administrator;
* Core Governance challenges including administration of elections, council and board support through the Governance Coordinator;
* Systems development for efficient and agile ways of working as well as core service delivery through the Systems Manager;
* Student wellbeing as well as our partnership with College through the Wellbeing Coordinator;
* Staff wellbeing and overall student service level through all the above.

**Confidence in the 19/20 figures**

In proposing a deficit budget, Leadership are clear that we must have increased confidence in the projections and controls surrounding such a budget.

We must first acknowledge the factors which affected our budgets in 18/19[[5]](#endnote-6).

1. The impact of exceptional staff sickness and absence accounts for c.£125k
2. Below-budget wet sales account for a further £160k
3. Deliberate investment in Systems and Commercial Services Admin accounts for £50k
4. The variance of £50k under-budget performance in Sales and Sponsorship due to vacancies

The exceptional circumstances around staffing will not be repeated and the wider staffing team is, or will be, in place to deliver in 19/20. Significant recruitment within Commercial Services[[6]](#endnote-7) means the plan is to have a full complement of CS staff for 1 August including a continuation of investment in our Commercial Administration to support purchasing and stock control. With regard to Sales & Sponsorship, we have the full team in place with the S&S Manager to deliver targets, Marketing & Communications Coordinator (Commercial) to give that area special attention, Marketing Manager to deliver tactics from the Strategy to be developed by a Head of SVC now able to focus solely on that job.

The thoroughness and intensity of planning and budgeting process has far exceeded anything that the Union has previously undertaken. This means that rather than generic increases, every change (up and down) is conscious and has taken into account the reality of commercial trends as well as achievable GPs. This means the targets around wet sales and GP on these sales are way below those initially set for 18/19.

We have built in our increased understanding of market trends, gained through surveys and external suppliers’ data. We have more stringent reporting requirements for all budget holders and additional management tools around wage %s and GP %s. We have proven that we have much improved monitoring of finances with April and May both being extremely close to our reforecast figures.

Finally, we have been mindful of the availability of levers to pull if we are not on track. In response, we are moving to a default of fixed term contracts for current and upcoming vacancies in appropriate positions to feed into the developing agile working approach and to provide options if budget not being hit.

**Headline deliverables of the proposed plan and budget**

The following are our working set of high-mid level objectives which form the significant aspects for focus and delivery of the proposed plan and budget:

* Deliver on budget
* Complete all audit recommendations from internal and external audits and develop enhanced Leadership oversight of early warning indicators
* Union Strategy 2020+
  + Consult members, staff and college
  + Secure funding
  + Write objectives / plan (detailed for 20/219/20 1)
* Marketing Strategy to drive engagement across the Union with specialised marketing support for Commercial Services
* Develop Spaces Strategy with senior College buy-in
* Write transport strategy during 19/20 with a focus on considering the cost and impact of the minibus fleet on students and the Union
* Build strong relationships with Alumni Relations and Advancement while redesigning the Life Membership model, to ultimately drive more income from Alumni to the Union
* Pull together all aspects of recognition, celebration, support, training, and delivery to create a model of year-long engagement in this area for our student volunteers/ leaders/ members, resulting in a learning, development and recognition strategy across the Union
* Continue delivering on year 2 of Be Active Strategy in partnership with Sport Imperial in order to implement Sports Hub
* Review and adapt our processes, procedures and policies to be student-centred, focussed while providing clarity for all involved and streamlining/ cutting inefficiencies.
* Deliver systems pipeline with a priority on creating efficiencies, modernising our infrastructure by implementing Drupal 8, delivering the tools to support our governance structures and enhancing our compliance (GDPR)
* Agree key staff satisfaction and wellbeing metrics and benchmarks; deliver on targets
* Revision of representation structures and support model to ensure more effectiveness
* Review Advice Service to ensure a unique, complementary offer that doesn't replicate College or external provisions
* Develop long term relationships through Sales & Sponsorship which will redound to the benefit of students and income lines in the longer term.
* Support the Student Support Strategy and develop the WBRN to provide effective student voice in this space and the general student experience.
* Develop our offering for under-represented groups to ensure the student voice is a part of the EDI strategy and the Union is tackling EDI issues.

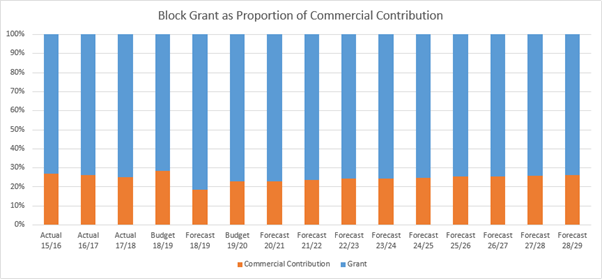
**Operational Highlights**

A straight comparison of the 18/19 budget, forecast 18/19 and budget 19/20 is probably not helpful as there are so many factors affecting the key activity lines over this time period. In creating the budget, the approach was to take the opportunity to re-establish and build core foundations and establish realistic income projections which indeed once laid have the potential to grow over the medium term. The budget while having a clear focus on plans for 19/20, also considered what investments could also be made to yield a return over the medium term. The attached Long-Term Finance model (LTM) is only an indicative guide and is not a specific plan as to what will take place over the next 10 years.

*(The detailed numbers for each department along with the LTM are attached in two separate spreadsheet files)*

* Block Grant

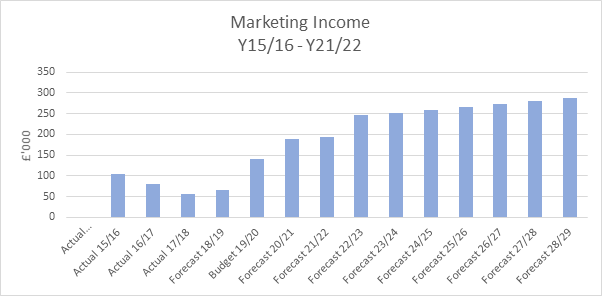
The funding for the final year of our strategy has already been negotiated and a 3% uplift has been confirmed along with the £50k resource for the Wellbeing Representation Network. The Union remains reliant on the College for funding as the graph below shows the proportion of our block grant compared to the net contribution from our Commercial Services.



Union Leadership will take the opportunity to renegotiate the block grant ahead of the start of the new strategy in 20/21. *(See Investment projects below)*

* Marketing Income

The 2018/19 budget was reforecast downwards by £50K last year due to capacity issues which saw the Sales & Sponsorship Manager (on a limited visa) depart his role mid-year. Prior to this, the post holder also lacked full focus on targets as he was asked to undertake other functions in marketing due to lack of staffing in that team for all of 18/19. For 19/20, there is a new post holder as well as a full capacity marketing team. Therefore, it is envisaged that the targets should be the same as projected at the start of 18/19 when circumstances were akin to their current improved state with the same aim: seeing what a focussed year of activity will yield (This area has not had a full time, focussed post holder since the careers fair, which accounted for over £30K annually, was lost to College). There is, however, a slight upturn in projections of £14K, based on more ambition in the fourth quarter to better exploit Graduation and other end of year activities. However, it must be noted that this is untested, though not uninformed, activities.



With a full Marketing team in place for 12 months, the LTM assumes a further step change in 20/21 adding a further £50k of income. Sponsorship remains a growth area whether in the form of increased sponsorship during Welcome, further exploitation of Graduation or improved general promotion of the Imperial brand. Confidence is growing within the Leadership team that more can be achieved.

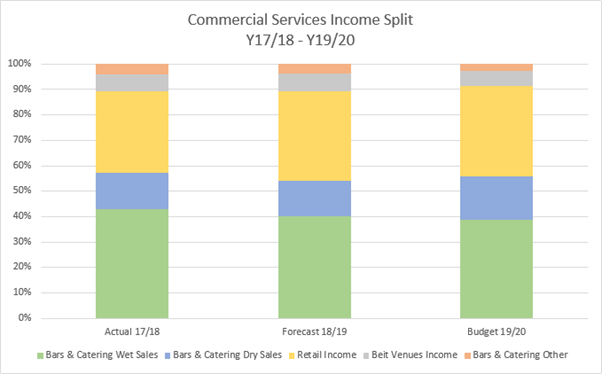
* Commercial Income Mix

The Commercial Strategy has already been reviewed by Board. The focus for 19/20 is laying foundations for growth. Previous papers to Board have outlined the importance of improved procurement procedures, better stock control, the audit of equipment and having the right staff resource. These examples of foundation laying will underpin the step change needed and continue to build a robust service for our members. Overall our Commercial Services are projecting a 35% (£145k) increase in net contribution based on the current year. This contribution is expected to grow by a further 13% (£74k) over the next two years as illustrated in the LTM.

The budget includes a full year of food sales at H Bar which is targeting £115k of new income. Other bar income expectations have been kept realistic with a view that income will reduce by a modest 2% in 568 & Union Bar with a potential downturn in Metric. During 18/19, we have split out the activities of Metric, 568 & Union Bar and Union Dining Hall. This change in reporting has affecting our ability to accurately capture income and expenditure figures in the correct codes, therefore comparisons are not robust. We intend to treat 19/20 as a foundation year to get our analysis accurate. Steps have been taken to address this.

We expect to experience a downturn in Beit Venue income with the assumption that BBC will not return. Even though there will be the opportunity to engage new clients as promotional events are planned for January and April, the BBC have provided a valuable historical contribution. BBC Income is projected to be £42k for the year for the period August and September only which will be down from £63k for the whole of the current year.

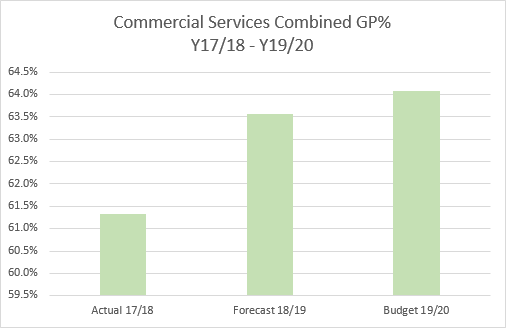
Further investment is needed with our Retail services as such the budget has a provision of £7.5k for a consultancy fees to formulate an informed view of ways to development the Shop space. With core Retail income expected to grow by 7%, in order to sustain recurring 5% income growth assumed in the LTM, investment is needed. The team continue to keep a focus on developing sales trends as the introduction of “food to go” has been successful yielding year income of over £120k since inception.



The table above shows the income mix across our commercial services. Food sales remains a growth area for the Union.

During the year, the Head of Commercial Services negotiated membership of TUCO, a public sector procurement buying consortium. TUCO membership will lead to significant cost reduction in our supplies. It is difficult to accurately predict the full impact at this stage, however the budget has assumed improved gross profit margins to represent some of the expected benefits. Catering services are budgeted at 60% GP when currently we are achieving 57%. This additional 3% is almost £16k. There will be opportunity for further efficiencies in a wide range of supplies.

The graph below shows the projected improvements in the consolidated GP% across Commercial areas.



**Investment Projects**

The leadership team established Task & Finish groups to determine projects that had investment potential. Initially free-form and subsequently following a Strategic Problem- Solving approach, a long list of possible options were identified (Appendices C and D). Many of the smaller items have been built in to existing operational plans, whilst three have been prioritised for focus in 19/20.

These projects, which are built into the plans for 19/20 and the 10-year model, are:

* Alumni – (see Appendix B for full proposal on alumni engagement) – The proposal is to be delivered within 19/20 to intentionally create and maintain positive relationship with Alumni Relations and Advancement to engage Alumni with CSPs, our venues/spaces (creating revenue for commercial services), and revise the model for life and associate membership for alumni – projected returns of £50k in 20/21 onwards.
* Agile working - £10k investment in 19/20 – returns £40k in 20/21 onwards - Over the next few years the agile working project is looking at making our resources more fluid, enabling matters that need rapid reactive responses easier to handle, and create a healthier, more collaborative working environment within the Union. Over the next year, this specifically is looking at adapting the way we work to make efficiencies within teams, and free up working capacity. This would be through a process of undertaking rapid improvement exercises, creating applications for automation of tasks, and hunting for smaller efficiencies within teams, that could free up significant capacity. To make this happen, it would require an approximately £10k investment (one day per week for new member of staff on pa salary, or £10k commissioned as a project). Expected return would be in the region of £40K, assuming that outputs of this task would result in one / two members of extra staff not needing to be employed in the following year. This is currently evidenced through the implementation of the room booking tool, which has potential to free up 50 working days (20% of a role) and was implemented over approx. 7 working days.
* Block Grant – Our existing block grant agreement comes to an end at the end of 19/20. This three-year agreement saw a 6% initial uplift with an annual 3% for the subsequent two years. Our assumption currently built into the model assumes the same and therefore 6%, 3%, 3% uplifts. We are working with College to continually improve our partnership and the recent joint strategy day saw a focus on a shared understanding of what the Imperial Student Experience should be. Continuing to shape and develop this and our role in delivering it will be key to a clearer agreement on our partnership and the associated funding agreement.

The following projects have been identified for further scoping with future income generation potential. These have not yet been factored into our current 10-year modelling:

* **Retail refurb**

The Union Shop is tired and desperately in need of refurbishment in order to stay relevant and ensure the layout and infrastructure supports the offering. Retail has proved to be an area of great success for the Union. If we are to continue increasing sales income at a level that allows the Union to be more financially sustainable then we must look at the viability of investing in our spaces. As with any successful commercial enterprise, it is vital to stay ahead of the curve and ensure our spaces and offer reflect what the market demands.

* **Kitchen / Metric seating redevelopment**

Current trends within the food and beverage sector inform us that alcohol sales are declining and food is a key sales driver. Union sales data supports this trend and therefore it is essential that we consider how we safeguard and increase food sales in the medium to long term as we consider how market trends may develop. If we are to sell more food, we must investigate the viability of redesigning our commercial kitchen in 568 in order to cope with increased demand. If we are planning on selling more food, it follows that we must also look into options to increase our seating. We have identified Metric as a space which is very much under-utilised and a space which could be transformed into something else (i.e. a flexible space with additional seating which allows for multi-purpose use).

* **eActivities commercialisation**

Having spoken with one of our external trustees, Graham, who has expertise in this area, this project shows promise, but is something to consider in the longer term and would need an initial feasibility study. The idea would be to sell subscriptions to either other Unions or Imperial College to use a module/s of eActivities for their own use - the financial transactions and budgeting modules have been identified as most useful for other organisations to subscribe to in order to help modernise and streamline their current systems. However, our current system is very bespoke due to the format our data comes in from College and the fact it must interact with our finance app ‘Unifi’, while other Unions will get in data in different formats/use different apps, so we are unable to immediately do this without any modifications to eActivities. Time needs to be spent on researching demand from other Unions into these systems. There are three options that can be investigated: 1) rebuild the whole of eActivities with the ability to customise to each different union, which would be the most expensive option, but we could partner with an ICT company to create this in 4-6 months (assuming a team of 3 ICT staff); 2) duplicate eActivities but edit it to interact with Oracle (the system College uses) and market to College. This requires less work as the data is entered in the same format but still a lot of modifications to work with Oracle; 3) Partner with a company such as MSL to develop the MSL system to include the different things our system does that theirs does not and receive some benefits from this.

* **College Commercial team / summer opportunities**  
  Discussions with College Commercial Team regarding collaboration on a summer events marketing plan have thrown up other possibilities for partnership in subsequent years. Namely: provision of breakfast for College’s bed and breakfast summer guests; provision of packed lunches for their summer field trips; provision of a transportation option using the minibus fleets; and an events programme marketed to their guests. Discussions are planned to bring these to fruition next year with viability and income potential yet to be properly scoped.

* **Monetise Concert Hall seats / naming**  
  After the completion of the Concert Hall redevelopment ~mid 2020, a maintenance plan is needed to be in operation. This has potential to be largely funded by monetising the seats in the venue and naming the venue itself. Any residual income from this would likely be able to help fund issues with the space, investments for future, or issues with other similar spaces. We would be looking at 112 seats that could be sold (the permanent raked seats), and within most theatres this honorary name lasts for ~5 years.
* **Expand offering to attract new student groups**

We have a wide variety of members of the Union and some of our activities embrace this e.g. CSPs; however, some of the activities and services are probably tailored more to the traditional, UK, UG student. The focus of our activities is still on undergraduates, while postgraduates make up around 50% of the community. We have many other campuses, but our focus has primarily been on SK. We have students from 130 different countries but cater mostly to UK students. We have many students who don’t drink for varying reasons, but the bar is often emphasised. Both the culture and the offering could be investigated, with the aim of providing services that a more diverse range of students will pay for.

**Risk Profile**

The proposed budget contains a range of different risk levels within individual budget lines. This section aims to inform the potential risks that have been identified that form an overall picture of the risk profile. We highlight some of the riskier elements of the 19/20 budget as well as some of the more prudent areas.

* Staff costs

Our proposal for both 19/20 and within the 10-year model assume 100% occupancy rate for staff. We know that this will not be the case but building this in allows flexibility in terms of providing temporary staff where required as well as enabling decisions to limit expenditure should it be deemed necessary / appropriate as was the case this year (18/19).

* Marketing Income for the last quarter £20k

Even though rationale for the upturn in Marketing has been explained earlier, the last quarter’s target of £20k presents a degree of higher risk as we look to further extend our ambition in terms of Graduation and other end of year activities.

* Welcome Sales

Welcome sales have started late since the post holder started in June. Prospecting is reasonable with a quarter of stalls sold for fair. However Welcome accounts for almost a third of sales targets so the ability to sell more than just fair is significant in achieving the overall objectives in this area.

* H Bar Food

Food in H Bar is showing a steady income stream, but this is dependent on an agreement with the College that we receive the 100% profit. Conversations around a formal agreement need to take place in order to have certainty and plan for the future.

* Staff Recruitment & Retention

Recruitment and retention of key staff in our commercial, frontline and support services remains a key success factor.

* Beit Quad, Capital Renovations

Much need refurbishment of the floors in the Union Dinning Hall, Activities Spaces 1 & 2 and minor alterations to the Gym floor are planned for December 2019. These renovations will not only improve the safety and wellbeing of our members but also enhance the potential to up sale these spaces. The works are dependent on College procurement processes. We continue to work with the Building Managers to ensure the planned refurbishment remains on track.

In producing the proposed budget and the associated risk profile, the Leadership team has been focused on the areas listed in the ‘Confidence in 19/20 figures’ section above. As referenced there, the wet sales in particular, show a much more prudent set of targets and the controls and monitoring in place are greatly improved such that we will be increasingly alert to variances and even more so in these areas highlighted as higher risk.

**Highlights from 10-yr model**

Capital Expenditure

The Union needs a clear capital strategy driven by our vision and purpose, therefore giving added rationale for the holding of reserves. Starting in 2006/2007, over £6.5m shared between College, Harlington Trust and the Union was invested in Beit Quad (Metric, 568, Lift and L2M mezzanine floor). In more recent years, further substantive investments were made in the West Basement, Meeting Rooms 1,2,3 & 4, Concert Hall and Reynolds Bar.

In developing a longer-term capital model an assumption has been made that capital items will be replaced when they get to the end of their depreciated life. The model therefore is limited and can therefore only guide the level of affordability.

No assumption has been made about any substantive refurbishment of our spaces to facilitate the extensive footfall and usage Beit Quad experiences. Any investment projects needing a capital investment will need to be added to the reserves table below. The figure used for 18/19 is the year to date expenditure as at 30 April, while the figure for 19/20 represents the list of requests received so far which needs further scrutiny.

The Union only has limited reserves so it needs to open up a conversation with College about longer term capital funding in addition to the block grant.

Reserves Projection

The reserves projection in the table below, which covers a 10-year period, is intended to indicate the potential financial health of the Union over the medium term supported by our reserves which started the year at £1,080k and illustrate how much resource is available to:

* Provide a cushion for unexpected falls in volatile income
* Invest in new items of equipment
* Resource new initiatives which are not in the operational budget

Our capital replacement plan over the 10 years is built on the assumption that capital items will be replaced automatically when they come to the end of their depreciated life, irrespective of their actual condition.

The deprecation figures represent the potential charge against our surplus over time. Levels of charge are based on 19/20 levels of deprecation with an allowance for modest investment in Retail and Beit Venues. It should be noted that the levels of deprecation charge in the model are lower than the levels experienced in recent years when capital requests were at a higher rate.

Depending on actual capital or operational investments over the medium term the Union may need to extract from the Rathbone investment holding in order to sustain the day to day cash needs. The lowest point projected in the model is during 2021/22, in 3 years. Therefore, the risk is we will not be able to embrace and invest in new operational or capital opportunities as cash will only be able to fund day to day activities.

**Model Reserves Profile**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | | Opening Balance | | Capital  Purchases | Depreciation | Surplus | | General Reserves |
|  | |  | |  |  |  | |  |
| 2018/19 | | 1,080,748 | | (176,067) | 311,000 | (327,000) | | 888,681 |
| 2019/20 | | 888,681 | | (39,607) | 263,000 | (197,000) | | 915,074 |
| 2020/21 | | 915,074 | | (328,616) | 276,800 | (81,228) | | 782,030 |
| 2021/22 | | 782,030 | | (304,392) | 288,690 | 3,249 | | 769,577 |
| 2022/23 | | 769,577 | | (283,030) | 290,675 | 87,019 | | 864,241 |
| 2023/24 | | 864,241 | | (338,136) | 292,758 | 188,859 | | 1,007,723 |
| 2024/25 | | 1,007,723 | | (370,395) | 294,946 | 230,547 | | 1,162,821 |
| 2025/26 | | 1,162,821 | | (234,798) | 297,243 | 273,994 | | 1,499,261 |
| 2026/27 | | 1,499,261 | | (893,414) | 299,656 | 390,794 | | 1,296,296 |
| 2027/28 | | 1,296,296 | | (574,478) | 302,188 | 440,144 | | 1,464,151 |
| 2028/29 | | 1,464,151 | | (421,643) | 304,848 | 488,557 | | 1,835,913 |
|  | | |  | |  |  |  | |
|  |  | |  | |  |  |  | |

**Alternatives to the proposed plan and budget**

The proposed budget represents the best efforts of the leadership team to maximise and protect income in the short, medium and long term. Savings have been made and efficiencies found within our limited non-staff costs and staffing costs remain the vast majority of our expenditure. Leadership has concluded that redundancies are not necessary at this point and therefore explicitly decided that this would not be pursued by Leadership.

This sequence results in the primary options available being changes, including pauses and cessations, to staffing positions as they are vacated. As stated above, this proposal represents an investment-oriented approach and the leadership team appreciates the need to express alternatives and why they have not been proposed.

The following budgetary changes to reduce the 19/20 deficit can be made possible, with possible consequences highlighted as a result.

**19/20 reduction of staff: Total saving £175k**

* Not recruiting level 4 role of ***Systems manager – saving c.£63k***
  + Lack of creative development and innovation to drive our systems offering, lending to obsolescence and an inability to seize new initiatives and remain an agile organisation
  + Significant exposure to legal compliance issues with GDPR and data management
  + Lack of skills to drive commercial innovations e.g. EPOS
  + Lack of resource to drive systems strategy and delivery solutions to front line teams effecting our service to student groups
  + Lack of efficient team management and systems capacity as so much or work is systems dependent
  + Missed opportunity to embed project management and efficient methodologies
* Combination of Admin Support Officer, Wellbeing Coordinator, Democracy coordinator – **saving c.£30k**
  + Proposal is for ASO and DC to be combined under the banner of Governance Coordinator.
  + Risk of combining all three means there will be no focus on wellbeing as there isn’t enough capacity for all three to be undertaken by one person. Since ASO and Democracy Coordinator involve core functions, those would crowd out wellbeing related deliverables.
  + If Wellbeing Coordinator is an option for cost control, it’s proposed that it be paused rather than subsumed into a role where it will not get the attention necessary to achieve stated objectives.
  + This would represent a significant risk to our partnership with College in light of the £50k funding they provide for this programme.
* Not recruiting level 2a Commercial Administrator – **Saving c.£34k**
  + Risk of not doing so means the foundational work around EPOS and TUCO administration and data entry would not take place, further jeopardising our revenue streams in commercial services. This role would allow hierarchical control and allow managers to manage whilst being the central administrative function of reporting and control for all of commercial services.
* Not recruiting level 3a role of ***Training and Development manager –* Saving c.£48k**
  + Risk of not doing so means the workload of Student Development would need reconsidering as this role plays a pivotal role in designing and delivering the leadership development programme, officer induction, student staff/trainer support and supervision, etc.
  + Risk of not doing so also has an impact on the wider Union, as the intent is to position this role to provide in-depth support to other teams in the Union pertaining to all areas of learning, development, training across the Union, further equipping our student leaders with more and relevant support which has been lacking in certain areas.
  + Potential mitigation is for SD manager to take on leading Union-wide project group (previously in ASO role) and return some of the areas SD manager has taken on as interim back to T&D manager role.

**19/20 reduction of programmes (in line with prioritisation list of projects and BAU across the Union) – total saving of £30k**

* Not hosting the Summer Ball/ Change location or approach of Summer Ball
  + Currently not in the budget but the criteria used to show it breaks even are not fully correct, as the owner of the project, Conference and Events manager, does sit with the main budget, and so does the TOIL from staff.
* Not hosting Union Awards £4200 + staff/OT time
  + Risk of not hosting event results in very engaged volunteers not feeling appropriately recognised, even though the approach to recognition is a business objective for 19/20
* Not funding Presidents’ Dinner £3000 + staff/OT time
  + Risk of damaging relationships with College – for many staff this is the only non-work event that they will engage with the Union for.
  + This is currently where the Presidents Awards are announced – for many college staff that are not recognised by SACAs this is the only recognition piece the Union do, removing this has risk of reputational damage.
  + Small risk of losing engagement with certain alumni groups.
* Not hosting SACAs £12,350 + staff OT time
  + Risk of undermining a flagship programme with great reputational impact with College and a very useful tool in building partnership and influence
* Not hosting external Varsity £2500 + staff/OT time
  + Possible risk of incoming OT’s manifesto aim not being met; possible risk for a minority of sports clubs not engaging in a student experience event
* Considering minibus fleet £7301 (lease/sell 3) vs £545 profit (lease/sell 6)
  + Decision needs to be made on which option to go for. Leasing 6 makes us sell the 6 oldest ones (even though they have depreciated, we do not make a saving in depreciation but may do in maintenance and also pay the leasing fee).

**Conclusion**

This budget pack outlines a robust recovery plan which extends beyond 19/20 and returns the Union to an operational break-even position within a 3-year period. Leadership have considered the option of a faster recovery, however concluded that the focus is on laying strong foundations and that short term cuts will only adversely impact staff and damage the service deliverable to our members.

Our reserves show that we are in good financial health, however choices will need to be made about how we use and focus our resources to maintain our financial health.

In considering the longer-term financial health of the Union, the Leadership team has identified some potential longer-term initiatives which need further exploration to ensure further resources can be obtained to fund our primary objective of providing support and representation for our members.

**Appendices**

**Appendix A - Assumptions Used in 10 Year Model**

|  |  |  |
| --- | --- | --- |
| Category | Assumption | Risk |
| Income |  |  |
| Block Grant | Step change 6% uplift on strategy renewal in 20/21, 23/24 & 26/27    Cost of living uplift (3%) in introverting years | Negotiations for a step change have not concluded. |
| Commercial Areas |  |  |
| Beit Venues | 19/20 - 8% reduction  20/21 – 2% growth  21/22 – 5% step change following renovation  5% p.a. growth thereafter | Maintaining and growing our client base. |
| Retail | 19/20 - 10% uplift  5% p.a. thereafter | Expectation of reoccurring growth within the context of limited space |
| Online sales | 19/20 – 11% uplift  3% p.a. thereafter | Untapped potential |
| Shop Extra | 19/20 - 5%  5% p.a. thereafter | Expectation of reoccurring growth within the context of limited space |
| CX Bar | 19/20 - 14% uplift  4% p.a. thereafter |  |
| H Bar | 19/20 - 70% uplift  3% p.a. thereafter | Success of the new food offering |
| 568 & Union | 19/20 - 2% decline  3% p.a. thereafter  2% p.a. on other income | Impact of a change in drinking trends |
| Metric | 19/20 - 13% decline  3% p.a. growth thereafter  2% p.a. growth on other income | Capital investment |
| UDH | 19/20 After initial year  3% p.a. growth (all income) | Unknown tested |
| Summer Ball | “Break even”, other staff costs absorbed by TOIL  21/22 £5k p.a. surplus thereafter | Other staff opportunity costs |
| Marketing | 19/20 – £14k budget increase  20/21 - £50k uplift | Untested activity |
| Cost of Sales |  |  |
| Retail - Shop & online | 52% GP *(currently 54%)* | Impact on prices driven by Brexit and other inflationary factors |
| Shop Extra | 38% GP *(currently 36%)* |  |
| CX Bar | 70% GP (composite rate) *(currently 71%)* |  |
| H Bar | 66% GP (composite rate) *(currently 71%)* |  |
| 568 & Union | 67% GP (composite rate)  *(currently 67%)* | Sales mix will change and potentially give a reduced contribution |
| Metric | 70% (composite rate) |  |
| Expenditure |  |  |
| CSP Grant | 19/20 0%, uplift funded by prior year’s underspend  Activities Development Fund funded by grant underspends  CPI (3%) p.a. uplift thereafter |  |
| Staffing |  |  |
| Permanent Staff | 3% p.a. = 2% inflation + 1% incremental    Headcount frozen in model | Pressure on pension costs |
| Temporary Staff | 5% National Living Wage | Open to external government |
| Other Direct Costs |  |  |
|  | No inflationary uplift  Reoccurring efficiencies each year to fund any potential incremental costs worth £22k (£749k \* 3%) |  |
| Capital |  |  |
| Beit Venues | 20/21 £100k investment – 10yr life |  |
| Retail - Shop & online | 20/21 £ - 10 yr life |  |
| H Bar | 19/20 £12k investment – 10 year life |  |
| Other Investments |  |  |
| Agile Working | 20/21 Investment of £10k p.a. with potential saving of £40k p.a. | New initiative |
| Alumni Project | 21/22 – focus on developing Life Membership yielding an estimated £50k p.a. |  |

**Appendix B - Investment projects: Alumni engagement**

Aim

To improve the relationship that the Union has with the Alumni Relations team, Development and Advancement.

To generate income as a side part of the above aim.

How

* Use the alumni relations department in College as a resource. They can offer: alumni contacts, getting alumni in the room and to us, information to/from CSPs and CUs, Plexus (A platform that alumni use to tick what they want to hear about and is linked to donations which we can explore further with them).
* Host events for alumni or for alumni and current students together. This can be done through CSPs, through other relevant groups or the Union as a whole.
* Assess and develop the Life membership model. Suggestions include ability to book spaces at an alumni rate, donate to other aspects of the Union, use desks, a business account and reconsider the levels/ cost of life membership (currently a life-long one off fee).
* Support CSPs: Should there be an alumni and a student price for events/activities that they run? Can we connect alumni/sponsorship officers better so the student officers feel more supported?

Output

**YEAR 1:**

* Investment of time/staff to evaluate and remodel life membership with alumni relations (under HoSE and OT): HoSE and OT to dedicate 40 days to meet with AR, desktop research, redesign sustainable model ready for implementation by Postgrad graduation (October 2020). Added time from Slavi and Glen may be needed as this project progresses
* 2 events per term hosted by the Union that include a large alumni engagement. Income from alumni- only events Bar sales
  + Most profitable: Union bar full hire (cost £473 with £300 min. spend projects a £900 income)
  + Medium profitable: Metric hire for 200 people (cost £1104 with £805 min. spend projects £1400 income but associated on costs of DJ, possible BBQ).
  + Least profitable: sit down dinner for 50 attendees at £65pp (total cost £3250 is cost to Venues and catering).
* Potential income in bars through higher CSPs/ Alumni engagement in our outlets (same income potential as above)

**YEAR 2:**

* Start new model of life membership (under Sponsorship and Partnerships manager) Potential higher income from life membership sales at 50K. 19/20 forecast for lifetime membership is £5868, with a one-off life membership fee of £40 with only £10 not going to a CSP. Has huge potential to bring in far more with a product our alumni are interested in, increased marketing, in combination with a larger one-off joining fee (where a donation to a CSP can still happen) and/or an annual fee to have access to CSPs. (more info on current offer<https://www.imperialcollegeunion.org/shop/union-products/life-membership> ). Also worth considering merging associate/ life memberships into similar model which decreases admin/ on costs.
* Further development of relationship with Alumni Relations for different types of events to bring more alumni in, see what Plexus can offer for us, and what alumni donations can be negotiated for the Union.

Investment

* 1-2 years using current in-house staff to develop and do the above: S&S manager, Ents Coordinator, HoSE and an OT (currently President).
* A requirement that this is a prioritised and other activities are deprioritised.

Future/ Long term investment as a result of considerable collaborations between ICU and Alumni relations:

* Potential resource requirement for a coordinator to do carry out activities based on processes and schemes that have been built in year 1 and 2
* Depending on the model from the outcome of assessing life membership, there may need to be a system, marketing, more collaboration etc.

What we know:

* Alumni Relations is a resource and wants to engage with us.

Assumptions

* There are alumni that want to return and engage.
* Income is from a small increase in targeted alumni events in our venues and from life membership in year 1.
* Income after year 1 comes from increased bar sales, increased events, and an adapted life membership model
* CSPs will be interested in having alumni at events and will continue the Imperial for Life mind-set
* Life membership remains the same in year 1 and is changed for year 2 onwards to an unknown and unresearched model.

**Appendix C – T&F Priorities – New initiatives**

How do we make the Union sustainable?

- We understand what we do

- We make it agile

- We make income streams less volatile

We understand what we do

We are part way through this having mapped the Business As Usual and projects.

Final step is to determine what is core/ why the Union exists.

This should be a dynamic process that is regularly updated and reviewed.

We make it agile

*Agile Working Definition: All resources associated to the Union can move freely. This will enable the Union to adapt to any external or internal factors e.g political climate, unexpected changes, student demands etc.*

*Flexible Working Definition: There is some freedom in some resources e.g people work collaboratively and in different spaces. Finances are able to change within a project e.g. spend less on marketing and more on food within the SACAs project.*

The highest priority action is to effectively horizon scan for opportunities and unexpected problems. Every single person in the organisation should be horizon scanning and Leadership/Board should be listening to them.

There are 4 aspects that need addressing to achieve this goal.

*Agile Finances*

* Get an external review of the agility of the financial model and implement the recommendations.

We would expect some of the recommendations to be:

* + Invert the budget and planning processes
  + More frequent budgeting – monthly or quarterly instead of annually.
  + Project accounting – projects get budgets rather than teams.
  + Core costing split – the core activities are funded by the block grant, other activities are funded by income generating activities.
  + Evaluation of finances/ spending

*Project Working*

* Implement the project framework
* Map the skills of the staff in the Union
* Determine core hours
* Implement an efficient meeting framework
* Implement evaluation methods

*Collaborative & Flexible Working*

* Collaborative office layout
* Create spaces for flexible working e.g. group areas, quiet areas etc.
* Make resources available for flexible working e.g. laptops, pigeon holes etc

*Agile Working*

The above 3 sections could be done in isolation. However this would have a limited impact in making the Union agile and therefore sustainable. Further this would put strain on staff as their roles and JDs are not set up to allow this way of working to be maximized. Therefore the following should be implemented as well to be as effective as possible and reduce the loss of staff/ dissatisfaction.

* Get an external consultant in to review the staff team structure and implement the recommendations.

We would expect the recommendations to include:

* + Roles Function – Roles should be defined to contain a certain number of hours for project work and other numbers for BAU.
  + Flexible Job Descriptions – Job descriptions should allow people to work on any project using what skills they have.
  + Training for progression – Give training opportunities to prepare people to become managers etc.
  + Training for professional skills – Give all staff opportunities to develop more skills.
  + Pay students to deliver projects

We make income streams less volatile

There are 3 aspects to achieve this goal.

*Income Generation*

The group have prioritized Sponsorship and think resources should be put into this.

Other suggestions that have not been prioritized but are worth keeping hold of are:

* Alumni Hub
* eActivities/ Systems Commercialisation
* Catering to students who don’t normally interact with us.

*Less Successful Services*

The group has prioritised fixing the problems. Suggestions for doing this include:

* Invest in the services
* Get a consultant to fix the problems

*More Successful Services*

The services doing well are generally smaller services, so could be left as they are or there could be an opportunity to expand.

The group feel the services should stay as they are but horizon scan for new opportunities themselves.

**List of action that the T&F group would like to propose:**

|  |  |
| --- | --- |
| **Priority Numbering – (relevant context)** | **Action** |
| 1 – (should be done before budgeting starts) | Determine/define what is core |
| 2 | Horizon scan effectively |
| 3 – (already started doing this) | Less successful services – Fix the root problems |
| 4 – (something will be happening anyway as hired role) | Income Generation - Sponsorship |
| 5 – (Same number as all or nothing decision) | Get an external review of the agility of the financial model and implement the recommendations |
| 5 – (Same number as all or nothing decision) | Project working – implement the project framework |
| 5 – (Same number as all or nothing decision) | Project working – map the skills of the Union |
| 5 – (Same number as all or nothing decision) | Project working – Define core hours |
| 5 – (Same number as all or nothing decision) | Project working – Implement an efficient meeting framework |
| 5 – (Same number as all or nothing decision) | Project working – Implement evaluation methods |
| 5 – (Same number as all or nothing decision) | Collaborative working – Collaborative office layout |
| 5 – (Same number as all or nothing decision) | Collaborative working – Make space for flexible working |
| 5 – (Same number as all or nothing decision) | Agile working – Get an external review of the agility of the staff structure/ working model and implement the recommendations |
| 6 – (Little change here- but explains our method) | More successful services – Keep as is and horizon scan |

**Appendix D – Task & Finish Group Existing Services – Update 10/4/19**

## Summary

The group’s approach consisted of discussions around areas to explore. This led to the following actions and outcomes:

|  |  |  |  |
| --- | --- | --- | --- |
| **Topic** | **Action** | **Status** | **Owner** |
| Alumni and the Business School were identified as under-tapped consumer groups | These were flagged to the other T&F group as well as the Welcome Week planning team as areas for further exploration | Complete | Respective Teams |
| Analysis on factors that may have led to a decline in drink sales | Root cause analysis was carried out by the T&F Group. A few key areas such as speed of service, quality of offering and venue condition/environment were highlighted as areas to be improved. | Complete | T&F Group |
| Student Consultation (mainly with DepSoc, CU presidents, students in our venues) to shed light onto key areas such as a decline in footfall and events in the summer term | DPFS carried out the majority of the consultation. | Consultation complete | DPFS, DPE |
|  | Actions from the consultation will be discussed | Pending | T&F Group |
|  | Actions handed to the appropriate teams (Events, Marketing, Bars & Catering etc.). | Pending | HoCS & HoSV&C |
| Action in the Commercial Services Directorate | Many actions are being taken in the CS Directorate which aim to solve the systematic and foundational problems which will hopefully lead to an improvement in all aspects of existing services and hence improved value for our membership leading to more revenue. | In Progress | HoCS |

Further progress has not been made as the T&F group has not been able to meet regularly.

Further information on the actions outlined above can be found in the T&F Existing Services Files.

1. F&R Paper 21 March 2019; and Recovery and Planning paper 3 May 2019 [↑](#endnote-ref-2)
2. CS Board paper 1 May 2019 and Board update 21 May 2019 [↑](#endnote-ref-3)
3. Full Prioritisation List – separate excel file – F&R Item 12d [↑](#endnote-ref-4)
4. Full Prioritisation List – separate excel file – F&R Item 12d [↑](#endnote-ref-5)
5. Board Reforecast Paper 20 Feb 2019 [↑](#endnote-ref-6)
6. Board Update 21 May 2019 [↑](#endnote-ref-7)