



Financial Recovery Plan

Title:	ICU Financial Recovery Plan
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Purpose:	To set out, and report progress against, the agreed management actions to reduce the Union's deficit position as far as possible and improve our sustainability for the future.
Executive Summary:	The Students' Union has recently forecast a year end deficit position of c.£500k. This plan sets out a series of management actions that seek to improve the year end position towards a target of a £250k deficit. So far savings of £132k have been identified, and further work will be done to continue this drive on efficiency and cost saving.
Decision / Action Required:	To <u>note</u> .

1. Introduction and Context:

At the Finance and Risk Committee meeting on 5th February 2020, the Head of Finance and Resources reported that, based on the latest reforecast, the Union was on course for a c.£500k year-end deficit. This is an adverse variance of around £300k from a budget position of a £200k deficit. Unless addressed, this will reduce our free reserves position from a starting point of c.£900k to a position of c.£600k at year end.

There are a number of drivers, which have been reported to F&R, that have driven our poor financial performance. These include:

- Closure of kitchens and catering in some outlets prior to Christmas impacting on commercial performance;
- Exceptional one off costs including the departure of the MD and recruitment costs of a new MD;
- One-off capital items to address health and safety / building maintenance concerns

Whilst some of these items are unpredictable, I do not believe this fully explains the picture. I believe that we have lost sight of a clear financial model and become overly reliant on ever-pressured commercial surplus. It appears that we have increased our fixed cost base year-on-year without fully appreciating the pressures that would build on certain areas of the business. For example, I believe that our recent health and safety failures are a symptom of a lack of ongoing investment and maintenance in our facilities and equipment.

This is clearly not an acceptable position and, to date, there has been no coordinated. This plan seeks to address this problem and correct that inertia.

2. Aims:

The aims of this plan are two-fold:

- 2.1. To reduce our in year deficit position, with a target of £250k deficit.
- 2.2. To position the Union so we will be better placed to ensure a sustainable future and be in a position to provide a realistic breakeven budget for 2020-21.

The immediate priority is addressing our short-term challenges, but this must be done with full mindfulness of our long-term needs and stability.

3. KPIs, Milestones and Outcomes:

Our direct success measures will be:

- 3.1. Reducing the year end deficit to £250k or as close as possible;
- 3.2. A 2020-21 budget that is realistic and (at least) breakeven;
- 3.3. A clear set of management actions that will be reviewed regularly in order to build accountability across the senior managers.

It is anticipated there will be a range of related outcomes from this plan / process:

- 3.4. Greater clarity over the funding model that is applied by the Union, especially in relation to block grant funding of membership services;
- 3.5. Greater urgency and focus around prioritising and de-prioritising different areas of work;
- 3.6. Improved efficiency within the organisation as we cut back on non-value adding work;
- 3.7. Greater collaboration across the organisation as a result of people and teams needing to work together to identify solutions and different ways of working.

4. The Plan / Management Actions:

The following cost savings / efficiencies have been identified, and agreed, by the leadership team as the initial things that will improve our financial outlook in-year and/or for 2020-21 and beyond:

Student Experience

Income / Cost Category	Description	Saving
Temporary Staff	Refers to administrative student staff	£2,637
Equipment purchases	iPad purchase	£300
Hospitality	Refreshments for Train the trainer programme	£400
Training - Staff	Staff away day	£120
Hospitality	Hospitality for emerging leaders	£60
Printing costs	Printing for promo material for emerging leaders	£200
Publicity	Video for emerging leaders	£1,334
Travel	Travel to other campuses	£50
Printing costs		£250
Publicity		£150
Hospitality	Refreshments for Imperial Award training	£40
Temporary Staff	Paid student internship	£2,439
First Aid Course		£350
Publicity	Varsity publicity	£250
Training	Officer Academy saving	£1100
Minibus first aid training		£250
	Total potential contribution	£9,930

Commercial Services

Income / Cost Category	Description	Income Lost	Saving
Temporary staff	From March - July in Metric		£1,000
Ents acts			£500
Food income	Delay as larger discussion as to future of H Bar	£10,500	
Temporary staff	From March - July		£1,000
COS	Food COS saved as no food		£5,251
E&C Manager	1 month of Feb - starts in March in Beit venues		£3,800
E&C Coordinator	5 months of E&C Coordinator		£22,400
Ents Coordinator	Delay in recruitment - starting mid-April		£4,600
	Total potential contribution	£10,500	£38,551

Finance and Resources

Income / Cost Category	Description	Saving
Facilities	Redecoration of Bar staff cloakroom	£980
HR	Well Being Audit	£2,497
Finance – Assistant Management Accountant	Delay recruitment	£11,944
Admin	Rationalise stationary expenditure – reduce by £50 pm	£250
Leadership	Lean Management Consultancy	£4,000
H&S Manager	Delay recruitment and identify alternative options for operational H&S Management	£30,854
	Total potential contribution	£50,525

Student Voice and Communications

Income / Cost Category	Description	Saving
Student Voice	Delay recruitment of Student Voice Manager until end of financial year	£16,110
	Total potential contribution	£16,110

Therefore, our view is that these savings coupled with an improved in the January performance will result in an overall improvement of our year end position from £488k to £356k – a total saving of £132k.

In terms of recurrent savings, when mapped against our original budget we believe that some of these savings can be applied year on year and therefore will translate into ongoing annual savings. However, the exact figures are not yet clear and we will need to clarify as we go through the annual budgeting process.

5. Conclusions and Next Steps:

Whilst this plan reflects a positive start to this process, there is clearly much more that needs to be done – including a further £106k of savings to reach our in-year target. The process has already started to generate useful conversations and encourage a more proactive management of costs across the organisation.

All senior managers have been asked to undertake further work to review their department budgets including the consideration of potential salary savings. These will be gathered and considered in due course.

The committee are invited to ask questions, provide feedback and note this plan.