

**Imperial College Union
Board of Trustees / 09 December 2020**

Q1 Management Accounts [October 2020]

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Purpose: To consider the financial performance of the Union against budget for the first quarter of the year i.e., the first three months to 31st October 2020.

Please find attached the management accounts for the three months to 31st October 2020. As agreed, there is a commentary below followed by a 'Union' income & expenditure account which shows the organisational performance against budget. Individual cost centre income & expenditure accounts have also been included for both the charity and commercial cost centres.

1. Headline figures

Overall, the Union is showing an Operating Surplus of £42.3k for October but a Total Deficit of £17.4k after accounting for depreciation of £20.4k and restructuring costs of £39.4k. This results in a favourable variance of £1.5k compared to budget.

YTD there is an Operating Deficit of £44.5k which converts to a Total Deficit of £150.6k after depreciation and restructuring costs. This results in a favourable variance of £7.1k compared to budget.

This continues to be a positive start to the year and gives us confidence in the quality of the 2020/21 budget. The main variances from budget are as follows (bracketed figures indicate an adverse variance):

	Variance Oct 2020	Variance YTD	Summary Comments
Income	(£18.5k)	(£23.9k)	Retail Contribution is adverse to budget both in-month (£25.9k) and YTD (£25.2k). Venues Contribution is also adverse to budget in-month (£11.8k) and YTD (£17.5k). These adverse variances are offset by a favourable variance of £18.0k on Freshers Fair income.
Staff Costs	£4.7k	£5.5k	No significant issues. Small variances on several cost centres more than offset by the centrally held payroll contingency in the Leadership & Governance budget.
Operational Costs	£15.2k	£25.5k	The favourable variance in October is due to £20k of bad debts recovered which had been written off in the 2019/20 accounts, offset by unbudgeted

			costs of £7.1k for the Freshers Fair. The favourable YTD variance is due to the above plus several small underspends e.g. printing and credit card charges.
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2. Trading

Although retail broke even in October, this still resulted in an adverse variance against budget of £25.9k. YTD they are showing a £27.6k deficit and an adverse variance of £25.2k. These variances are due to lower than budgeted operating levels with sales now significantly trailing budget.

There is a deficit of £7.3k on Venues in October, £11.8k adverse to budget, and a £21.1k deficit YTD which is £17.5k adverse to budget. Unlike retail, venue sales are strong, almost double budget, but the trading surplus has been wiped out by high staff and security costs.

2.1 Retail

	YTD Actuals	YTD Budget	Variance
Sales	£46.2k	£109.0k	(£62.8k)
Cost of sales	(£24.0k)	(£59.6k)	£35.6k
Gross Profit	£22.2k	£49.4k	(£27.2k)
GP %	48%	45%	

YTD retail sales are only 42% of budget which is slightly lower than the worst-case scenario in our sensitivity analysis we carried out as part of the budgeting process. However, the 48% gross profit is slightly higher than budgeted and there is a small surplus on the operational costs.

With the announcement of the second lockdown the shop was closed on 5th November and despite further use of the staff furlough scheme, this will inevitably lead to an increase in the deficit during the period of closure. However, there are now real signs that the pandemic will ease, which should lead to stronger retail figures, particularly in the second half of the academic year.

2.2 Venues

Wet Sales

	YTD Actuals	YTD Budget	Variance
Sales	£91.9k	£60.0k	£31.9k
Cost of sales	(£38.2k)	(£18.0k)	(£20.2k)
Gross Profit	£53.8k	£42.0k	11.8k
GP %	58%	70%	

Dry Sales

	YTD Actuals	YTD Budget	Variance
Sales	£22.4k	£15.4k	£7.0k
Cost of sales	(£7.6k)	(£6.5k)	(£1.1k)
Gross Profit	£14.8k	£8.9k	£5.9k
GP %	66%	58%	

YTD wet sales are 53% higher than budget and dry sales are 45% higher than budget with a combined gross profit of over £68k, some £17.7k higher than budget. Whilst this is positive news, unfortunately the gross profit is wiped out by the additional staff costs associated with running table service. When the venues reopen, we will be switching to an ordering app which will reduce staff costs significantly and increase profitability.

Although the second lockdown meant that the venues were also forced to close for a month, it should be noted that the annual budget only assumes venue trading for the first term so any profits achieved in terms 2 and 3 will be real surpluses to offset against deficits elsewhere.

Although we have sorted most of the coding issues which were skewing the wet and dry gross profit percentages last month, there are still some discrepancies which we will need to investigate further with the Operations Manager.

3. Charity

The charity budget is performing well with most cost centres showing favourable variances compared to budget.

The most significant YTD variances are:

- Finance £15.6k – bad debts recovered £19.9k offset by the additional costs of agency staff £4.0k
- Marketing £14.0k – unbudgeted Freshers Fair surplus
- Leadership & Governance £10.2k – payroll contingency £9.5k which offsets several small adverse variances on other cost centres including Student Opportunities & Development, Marketing & Comms and Finance, and the general contingency £14.8k which partly funds the unbudgeted hire costs for the marquees £9.7k

We have received confirmation from College that the proposed cleaning charges for this term are in line with budget, but we are still awaiting confirmation of delayed charging for 2019/20. It is feasible that the actual charges may be lower than our accrued estimates, particularly those relating to the period of lockdown. The Finance Manager is in contact with College and we hope to get some clarification by next month.

4. Restructuring Costs

Although the redundancy payments haven't been charged this month, the October payroll costs for the redundant staff relate to 'notice' and have, therefore, been charged to the 'Restructuring Costs' at the bottom of the Union Income & Expenditure Account in month. Most of the redundancy costs and the remaining pay in lieu of notice will be paid in November.

5. Cashflow

As agreed, the new format management accounts do not include a full balance sheet or detailed cashflow forecast but the following is a summary of the cash position of the Union at the end of October compared to the year end:

	31 Oct	31 July	Increase/ (Decrease)
	£	£	£
Cash at bank & investments	3,132,033	2,311,129	820,904

Most of the investment funds were liquated in October and £1,486k was received into the bank. The remaining funds will be received in December/January.

The overall increase in cash of £821k is mainly due to the increase in unrestricted funds as the following shows:

	31 Oct	31 July	Increase/ (Decrease)
	£	£	£
CSP Restricted Reserves	1,926,691	1,817,296	109,395
Union Unrestricted Reserves	<u>1,205,342</u>	<u>493,833</u>	<u>711,509</u>
	3,132,033	2,311,129	820,904

The main contributors to the increase in unrestricted cash funds are the upfront block grant payment of £509k in August and a VAT refund of £37k in September. However, it should be noted that we have not paid College for the July to October staff costs due to ongoing difficulties in obtaining accurate payroll information. We do not have an exact figure, but it is estimated to be in the region of £650k. In addition, redundancy, and notice period costs of £150k will also need to be paid from our cash reserves.

The increase in CPS restricted funds is due to membership income and other term 1 activity which is normal for this time of the year.