

**Imperial College Union  
Finance & Risk Committee 14<sup>th</sup> October 2020**

**Management Accounts Reporting**

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Purpose: To update F&R Committee on the changes being made to the management accounts reporting, both at Board and cost centre level, and the reasoning behind the changes.

Decision(s): To consider the changes and approve the new format.

### **1. Executive summary**

Management Accounts are internal financial reports produced for trustees, senior managers and budget holders on a monthly or quarterly basis. They are important management tools because they provide the data for performance appraisal and decision making.

There is no fixed format for a set of management accounts; they should be tailored to the needs of the organisation. For maximum benefit they should be simple, clear, accurate and produced in a timely manner, as quickly as possible after the month/quarter end.

2020/21 continues to be an uncertain year so it is more important than ever to have good quality financial information so that decisions can be taken quickly, and financial sustainability can be achieved.

The current ICU management accounts lack impact and are not considered fit for purpose. They require significant change to improve their usefulness and to better reflect the current operating model of the organisation.

The following sections explain the shortcomings of the current reporting and the proposed new approach.

### **2. Current Management Accounts**

The current ICU management accounts comprise the monthly report containing the overall income & expenditure accounts, the balance sheet, debtors' analysis, cashflow statement and commentary, and the individual cost centre income and expenditure reports.

#### **2.1 Board Report**

The current board report has several shortcomings:

- i. The Executive Summary lacks structure and discussion on corrective action, and the terminology is inconsistent.
- ii. The Consolidated Summary lacks the necessary detail to enable the reader to assess the performance of both the commercial and charitable service areas.
- iii. The inclusion of the Student Group I&E and the Funds Analysis is unnecessary.
- iv. The Balance Sheet, although important, is not required on a monthly basis.
- v. The Debtors Analysis is too detailed and lacks context.
- vi. The Cashflow Statement is only useful at year end.

### 3.2 Cost Centre Reports

The individual cost centre reports feed into the Consolidated Summary and provide budget holders with an overview of their area's performance. The reports are unwieldy and overly complicated and difficult to interpret. The format varies by cost centre making meaningful comparisons difficult. The key issues are:

- i. The 'in-month' columns compare actual performance against forecast and last year, and the 'year to date' (YTD) columns compare actual performance against budget and last year. This is overly complicated and confusing and leaves the reader unsure as to which variances to focus on.
- ii. The row structure is lengthy and complicated with too many subheadings and subtotals preventing the reader from focusing on the key variances.
- iii. The forecasting methodology is inadequate. A full reforecast is carried out in January and rolled forward monthly by adjusting for the actuals in-month only. This means that the forecast does not get adjusted for known changes in future months and if income and expenditure slips by a month it would temporarily fall out of the forecast.

### **3. Proposed Changes**

The new management accounts will be simpler, better structured and follow the format of the final proposed budget. The Board Report will comprise the summary report, the individual cost centre reports, and a commentary.

#### 3.1 Commentary

The commentary will be split into clearly defined sections which highlight the overall organisational performance, key performance indicators for the commercial areas and any key variances within the charitable activities. Corrective action will be highlighted.

#### 3.2 Summary Income & Expenditure Report

This report will split income into the main categories and expenditure by cost centre.

Imperial College Union	April			YTD (9 months)			YTD	Full Year	Full Year
	Actual This Month	Budget This Month	Variance This Month	Actual YTD 2020/21	Budget YTD 2020/21	Variance YTD 2020/21	Actual YTD 2019/20	Forecast Outturn 2020/21	Budget 2020/21
	£	£	£	£	£	£	£	£	£
<b>Income</b>									
Block Grant	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Income	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Retail Contribution	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Venues Contribution	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Income</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Expenditure</b>									
Education & Welfare	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Advice & Support	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Student Opportunities & Development	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Minibus Service	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Marketing & Communications	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Leadership & Governance	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Finance	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Systems	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Central Services	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Expenditure</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Operating Surplus / (Deficit)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Depreciation	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Surplus / (Deficit)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

Some of the previous cost centres have been merged and some name changes have taken place in line with the organisational restructure.

Depreciation will be centralised across the organisation and treated as 'below the line'.

The column structure will be simpler, with actuals compared to just budget in-month and YTD. There will be a separate column for last year's figures to allow year on year comparatives.

There will also be a separate column for the forecast outturn alongside the full year budget column. Forecasting will be more robust with regular reforecasts on all key areas.

These changes will allow trustees and management to appraise the charitable and commercial elements of the organisation and focus on key variances to drive strategy and decision making.

### 3.3 Cost Centre Income & Expenditure Reports

These will follow the same structure:

Student Opportunities & Development	April			YTD (9 months)			YTD	Full Year	Full Year
	Actual This Month	Budget This Month	Variance This Month	Actual YTD 2020/21	Budget YTD 2020/21	Variance YTD 2020/21	Actual YTD 2019/20	Forecast Outturn 2020/21	Budget 2020/21
	£	£	£	£	£	£	£	£	£
<b>INCOME</b>									
Associate Membership Fees	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Life Membership Fees	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Fees & Sales	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Income</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>EXPENDITURE</b>									
<b>Staff Costs</b>									
Permanent Staff	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Temporary Staff	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Subtotal Staff Costs</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Operational Costs</b>									
CSP Grants	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Printing Costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Publicity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Insurance	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Grants Payable	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Engarving and Tankards	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Credit Card Commission	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Travel	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Student Training	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Equipment Hire	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Subtotal Operational Costs</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Total Expenditure</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Surplus/(Deficit)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

The row structures have been significantly simplified by removing subheadings and centralising some expenditure such as training, health & safety and telephones into the Leadership and HR & Central cost centres.

The commercial cost centres will look slightly different as they will also incorporate cost of sales and ratio analysis.

### 3.4 Cashflow Forecasts

No formal cashflow forecasting is currently undertaken by the Union. Whilst this is being developed, the Board Report will contain a simple cash statement which splits the cash holding into restricted and unrestricted and highlights any significant cash flow issues.

### 3.5 Capital Expenditure

Given the limitations of the current financial environment, no significant capital expenditure is planned this financial year. When things change the reporting will be adjusted to incorporate a section on capital expenditure.