

**Imperial College Union  
Finance & Risk Subcommittee // 3 February 2021**

**Management Accounts – December 2020**

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Purpose: To update Trustees on the financial performance of the Union against budget for the 5 months to 31 December 2020.

Decision: To consider.

Please find attached the management accounts for the five months to 31<sup>st</sup> December 2020. As agreed, there is a commentary below followed by two 'Union' income & expenditure accounts which present the organisational performance against budget in two separate ways. 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 £29.5k for December and a total deficit of £6.6k after accounting for budgeted depreciation of £19.1k and budgeted restructuring costs of £16.9k. This results in a favourable variance of £2.6k compared to budget.

YTD there is an operating deficit of £38.4k which converts to a total deficit of £291.7k after depreciation and restructuring costs. This results in an adverse variance of £36.3k compared to budget. December was predicted to be a challenging month financially, and indeed the forced closure of the retail and venue outlets has led to in-month adverse variances of £22.8k and £18.5k respectively. Fortunately, these adverse variances have been offset by some positives in month:

- i. Use of the furlough scheme has generated savings of approx. £15.2k
- ii. We sold two minibuses, netting £18.0k
- iii. Staff vacancies have generated a salary saving of £5.0k

We will continue to take advantage of the furlough scheme as long as it's available, but minibus sales should be considered as one offs and cannot be relied upon to completely offset the inevitable under-achievement on the minibus rental income budget caused by the pandemic.

We still have around £35k general contingency in the budget which is currently being released at a rate of £5k per month. We will be preparing a full reforecast next week which will be reflected in the January management accounts.

The main variances from budget are as follows (bracketed figures indicate an adverse variance):

	Variance Dec 2020	Variance YTD	Summary Comments
<b>Income</b>	<b>(£21.3k)</b>	<b>(£75.3k)</b>	Retail Contribution is adverse to budget both in-month (£22.8k) and YTD (£73.0k). Venues Contribution is also adverse to budget in-month (£18.5k) and YTD (£57.6k). In month, these

			adverse variances are offset by favourable variance of £15.2k for furlough savings and £4.0k for minibus income and YTD by £36.9k for furlough and £9.4k for marketing income..
<b>Staff Costs</b>	<b>£6.0k</b>	<b>£11.8k</b>	Three leavers in month generating £5.0k of salary savings. Other small variances on several cost centres more than offset by the centrally held payroll contingency in the Leadership & Governance budget.
<b>Operational Costs</b>	<b>£16.8k</b>	<b>£26.0k</b>	The favourable variance in December is due to underspends on the minibus maintenance budget £3.3k, Felix printing costs £2.1k, general contingency £4.9k and irrecoverable VAT £5.1k.  The favourable YTD variance is due to the cumulative effect of the general contingency £24.7k and the recovered bad debts of £20k reported earlier in the year, offset by overspends on cleaning £9.5k and marquee hire £13.0k.

## 2. Trading

There is very little to report this month.

Venues only traded for a few days in December before they were once again forced to close. Although, they are now showing a YTD deficit of £51.3k, which is £57.4k adverse to budget, it should be remembered that we have only budgeted income for term 1 so any income that arises from this point onwards will start to erode the overall deficit.

The physical shop remained closed all month, but online sales continued to thrive with the rollout of the new website and YTD sales £28.6k, are now almost double the annual budget.

## 3. Charity

The charity budget continues to perform well with all but HR & Central showing favourable YTD variances compared to budget. The most significant YTD variances are:

- Minibus £11.0k favourable variance – minibus sales £8.0k and an underspend on maintenance £3.3k.
- Leadership & Governance £63.8k favourable variance – furlough income £36.9k, payroll contingency £15.1k and general contingency £24.7k offset by an adverse variance of £13.0k for the unbudgeted hire costs of the marquees.
- Finance £11.7k favourable variance – bad debts recovered £19.9k offset by the additional costs of agency staff £4.9k.
- H&R & Central £11.9k adverse to budget – 2019/20 cleaning costs.

College have just confirmed that we will be receiving some refunds for cleaning since the start of the pandemic. We have not made an adjustment in the accounts at this stage because the refund has not been quantified.

#### 4. Restructuring costs

All redundancy payments have now been made and although there are a few solicitors invoices outstanding, its looking like the restructuring costs will come under budget by approx. £5k - £6k.

#### 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 December compared to the year end:

	31 Dec	31 July	Increase/ (Decrease)
	£	£	£
Cash at bank & investments	3,586,568	2,311,129	1,275,439

The overall increase in cash of £1.3m is mainly due to the increase in Union funds as the following shows:

	31 Dec	31 July	Increase/ (Decrease)
	£	£	£
CSP Restricted Reserves	1,998,248	1,817,296	180,952
Union Reserves	<u>1,588,320</u>	<u>493,833</u>	<u>1,094,487</u>
	3,586,568	2,311,129	1,275,439

Although the payment of the block grant quarterly in advance and the £144k received from College for the obsolete branded stock have helped our cashflow this year, the main reason for the increase in Union cash funds is the delay in paying College for the payroll costs. Due to ongoing difficulties in obtaining accurate payroll information, we now owe 6 months salaries (ie July to December) plus the redundancy costs, which we estimate to be approx. £800k in total net of furlough savings. We are now in the process of working with College to reconcile the figures and will be making a payment on account of £469k this week.