

**Imperial College Union
Finance & Risk Subcommittee / 9 June 2021**

Baseline Budget 2021/22

- Author(s):** Rob Scully (Director of Finance & Resources)
Dr Tom Flynn (Managing Director)
- Purpose:** To propose a baseline budget in line with the 2021/22 budget timeline agreed by Trustees in May.
- Decision(s):** To consider the baseline budget and discuss further action need in order to recommend to the Board of Trustees for approval (if required).

1. Context

In May 2021 the Board of Trustees approved a staged approach to the 2021/22 budget, reflecting the additional level of uncertainty brought about by the coronavirus pandemic. The paper presents the first stage, the baseline budget.

This budget is based on a number of assumptions agreed by Trustees and has been developed in consultation with the Leadership Group. It is viewed as the 'worst case' scenario budget and assumes no increase in grant funding from 2020/21 levels, which is considered unlikely given the College's positive response to our funding model proposal.

2. Assumptions

The set of assumptions approved is detailed below, and these are reflected in the proposed baseline budget:

- Income from venues and retail at 50% of 18/19 levels
- Income from advertising and media sales at 20/21 levels
- Contribution from venues and retail based on 18/19 gross margins, all known fixed costs and variable staffing costs as a prudent percentage of income
- No furlough scheme will be available
- Current non-commercial staffing structure retained for the full year, assume no additional recruitment or vacancy savings
- Staff costs to increase by 2.5% (College assumption)
- Non-staff costs will be rolled forward from 20/21 but reviewed for known changes
- No capital expenditure/investment (unless external/restricted funding source)

3. Baseline Budget

Appendix One details the baseline budget compared to the 2020/21 Reforecast and Q3 performance (based on April management accounts).

The budget delivers a small surplus of £13k, however this is prior to the implementation of the outcome of the ongoing consultation on a small staffing restructure which has the potential to reduce this by c£7k.

In line with the agreed budget approach, the non-staff expenditure across the organisation is at minimum/essential levels and does not reflect our strategic aspirations – this should be viewed as 'crisis / survival' mode. Even so, there are two areas where Trustees views are sought and a decision will be needed should this budget need to progress to the Board of Trustees for approval:

- i. Advice Capacity – we currently have a single advisor which means that we are not able to meet demand for this service and there is a significant risk that prolonged absence or the departure of this staff member could result in us not being able to offer something that is essential to our members. Trustees are asked to consider whether additional budget should be included to support extra capacity in this area.
- ii. Student Opportunities and Development short term support – In a scenario where we are operating a baseline budget but on-campus activity is back to relatively normal levels, there is considered to be a risk that the existing team would struggle to support student groups deliver their activities safely and effectively in term 1. Trustees are asked to consider whether additional budget should be included to support short term casual staff capacity in this area.

If either of these were considered priorities, a discussion would be required on potential funding sources. Given the nature of the budget there is limited scope to reduce expenditure elsewhere, and therefore the options would be:

- i. Reconsider the assumptions around commercial performance with a view to increasing this to cover additional costs
- ii. Reduce the CSP grant allocation
- iii. Include the addition costs and accept that this would result in a budget deficit to be funded from reserves

4. Recommendation

The Finance & Risk Subcommittee is asked to approve the baseline budget (subject to the discussion above) and recommend to the Board of Trustees if required. This will only be required if the College respond negatively to our request for additional block grant funding and we are required to operate with the 20/21 grant level. This is seen as unlikely, but remains a possibility until the College formally respond to the proposal.