

WHERE ARE WE NOW?

ICU Financial Model Consultation



PURPOSE

It is widely understood that the Union is in a period of turnaround and transformation. A key pillar of this will be securing our financial sustainability.

- + To provide context on our historical financial model, setting out the challenges this has caused for the Union.
- + To consult on some initial thinking and draft principles behind a new financial model, setting out the potential benefits for this change and impact this could have.
- + To understand potential key issues around this change in order to develop a comprehensive business case for consideration later this year.



CONTEXT

We are in the middle of developing and approving a new strategic plan for the Union. There has been significant and wide-ranging consultation on it across the institution.

- + We identify and understand the **major contextual challenges and opportunities** that we face.
- + We state what our overall **mission** is and the **theory of change** that underpins all our work.
- + We define what this means for our students as our **aims**.
- + We articulate how we work through our **values**.
- + We identify the **enablers** that will help us to become an effective organisation.
- + We set **key performance indicators** to measure our performance against clear goals.



OUR ENABLERS

ENABLER TWO: Sustainable Resources & Infrastructure

Our resource model and infrastructure should be aligned directly with our strategy. It should be environmentally, ethically and socially responsible. And it should be sufficiently flexible to accommodate the changing needs and priorities of our membership. We need to work closely with the College to secure our long-term financial future, agreeing a funding model that enables our core charity to provide the engagement, support and representation services that students rely on.

Our bars, retail and events operation should work in partnership with students and the wider campus, rooted in the notion of competitive advantage. It must balance the need to generate a surplus to reinvest in the Union, with a requirement to give students maximum value for money. We need to proactively engage with students about how this model works in different areas and continue to generate funds from other sources where this fits with our primary purpose.



HISTORIC MODEL

Across the sector there are broadly four different financial models utilised by students' unions. These have developed organically over a long period of time – and is particularly true for ICU.

Imperial College Union has historically been operated as a type D union, becoming increasingly commercially leveraged over the past five years.

Type	Block Grant [used to fund...]	Commercial Income [used to fund...]
A	Charity costs	N/A
B	Charity and commercial costs	Commercial costs
C	Charity costs	Commercial costs
D	Charity costs	Commercial and charity costs



KEY CHALLENGES

The type D financial model has generated several longer term (and non COVID-19) issues for the Union.

- + **Mission drift:** there has been a requirement to ‘chase’ income at the expense of core activities activities and services. This has been critical in for the Union to simply ‘stand still’ in the face of increasing costs.
- + **Loss of impact:** this mission drift has in turn caused the Union to focus on the ‘wrong things’, leading to poor resource allocation.
- + **Short termism:** the sensitivity of our budget to small fluctuations in trading has hampered our ability to consider the medium to longer term – particularly important for sustained positive change programme.
- + **Lack of investment:** our income generating activities have been required to maximise their surplus within each year, reducing an ability to fund key cyclical replacement of equipment, or modernise.



COVID-19 IMPACT

The COVID-19 pandemic has exacerbated these challenges, creating a 'worst case scenario' for the Union. We are conducting our 'stage four' budget reforecast this week which is likely to predict the Union entering a negative free reserves position by 31 July 2021.

- + A reduction in our costs associated with income generating activities, particularly in terms of our permanent staff.
- + A reduction in our operational expenditure across the entire Union, in line with reduced levels of activities.
- + A significant reduction in our permanent staff team within our core charitable services and activities, **driven by the constraints of our financial model.**



PROPOSED MODEL

A number of guiding principles should underpin the proposed new financial model for the Union – moving towards Type C.

- + **A clear distinction between our ‘core’ and our ‘enterprise’ activities.**
- + Resource allocation based on strategy and pursuit of impact.
- + The majority of BAU core activities should be funded by our block grant.
- + Some BAU core activities should be delivered at cost (or partly subsidised) to students when this is appropriate. No surplus should be expected.
- + Enterprise activities should be delivered where we have competitive advantage to do so. A values-based approach should be taken, with a reasonable surplus targeted to fund targeted ‘strategic investment’ within the Union on an annual basis.



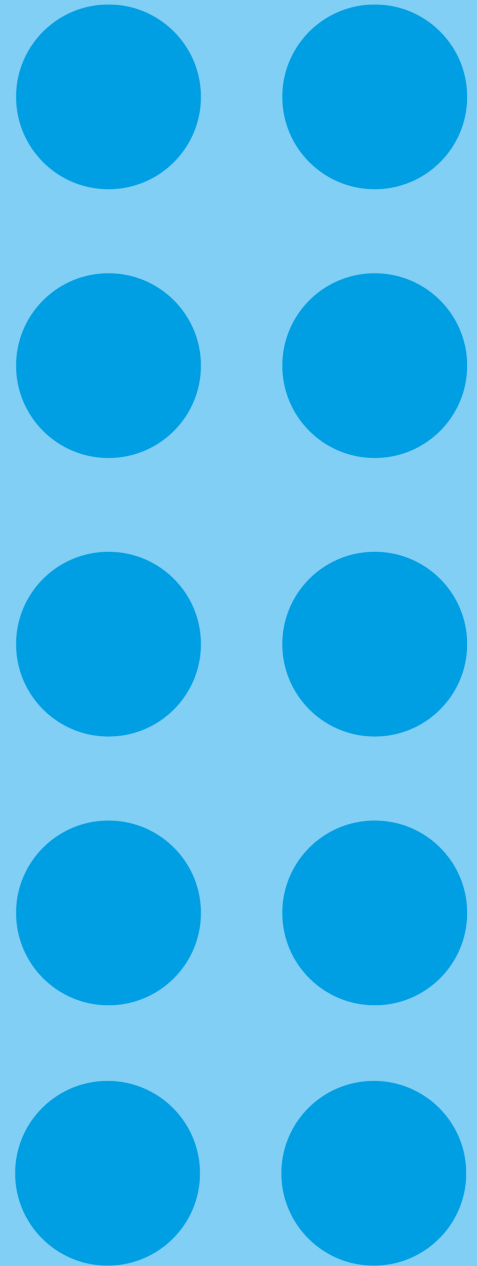
CORE [CHARITY]

There is widespread agreement within the sector on much of what the phrase 'core services' within students' unions refers to.

A description of current services that would fit into this category include:

- + Student Representation
- + Advice & Advocacy
- + Clubs, Societies & Projects (CSPs)
- + Student Media
- + Events

- + Communication & Marketing
- + Research & Insight
- + Finance, Governance & HR

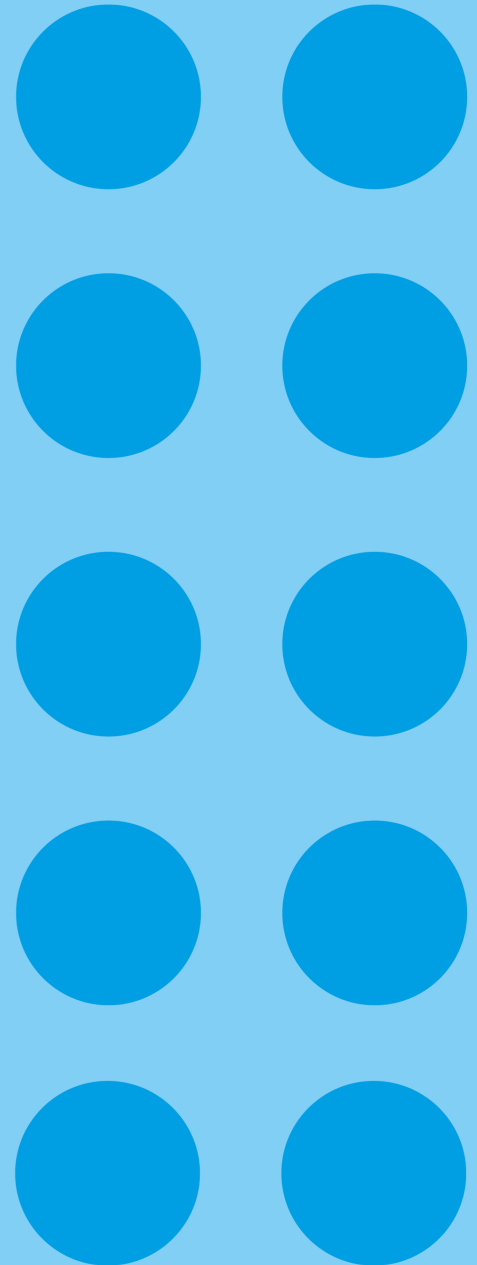


CORE [VENUES]

Whilst many students' unions run food and drink venues, the financial model varies dependent on a wide range of factors including:

- + **Location?** There are insufficient 'student friendly' venues nearby
- + **Price?** The alternatives are not priced with students in mind
- + **Community?:** The alternatives are not designed for student group use
- + **Safety?** The alternatives are less safe for students, particularly late at night
- + **Reputation?** It is preferable to manage issues 'within house'

Due to these factors, ICU would view **our venues firmly as a core service**. They should generate income to deliver a high-quality experience aligned with our strategy but should not subsidise our other core services.

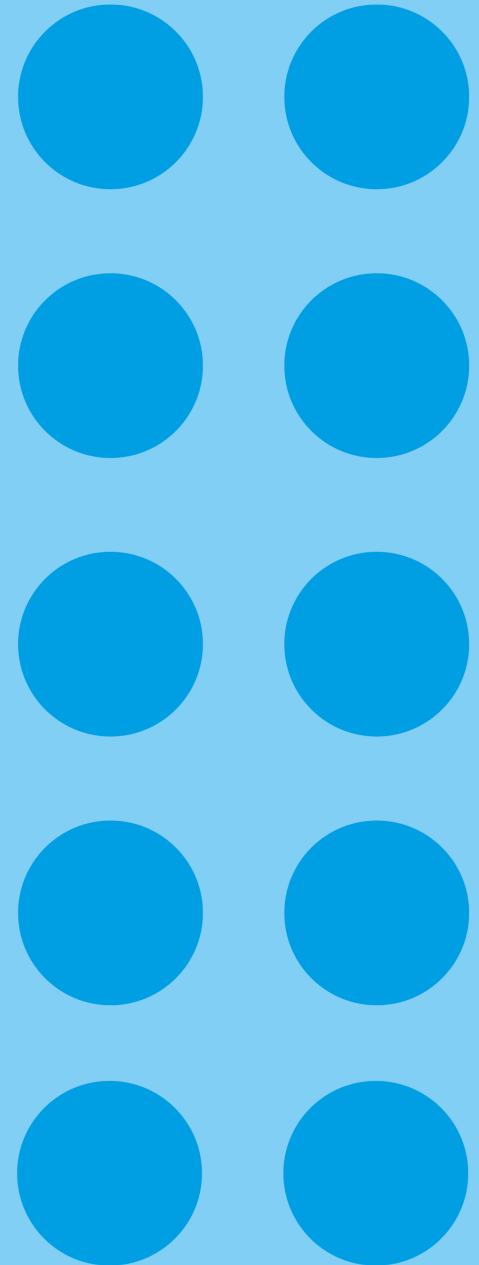


ENTERPRISE [RETAIL]

Whilst many students' unions run retail operations, it is important to understand why we have a competitive advantage to do so.

- + **Flexibility:** we have an agile operation that can shift quickly with changing student habits.
- + **Costing:** we have an elastic staffing model that can cope with the pattern of trade associated with academic terms.
- + **Digital:** we have the infrastructure and channels in place to run web-based shops at little extra cost.
- + **Membership impact:** we are able to provide a range of benefits to students via employment and training opportunities.

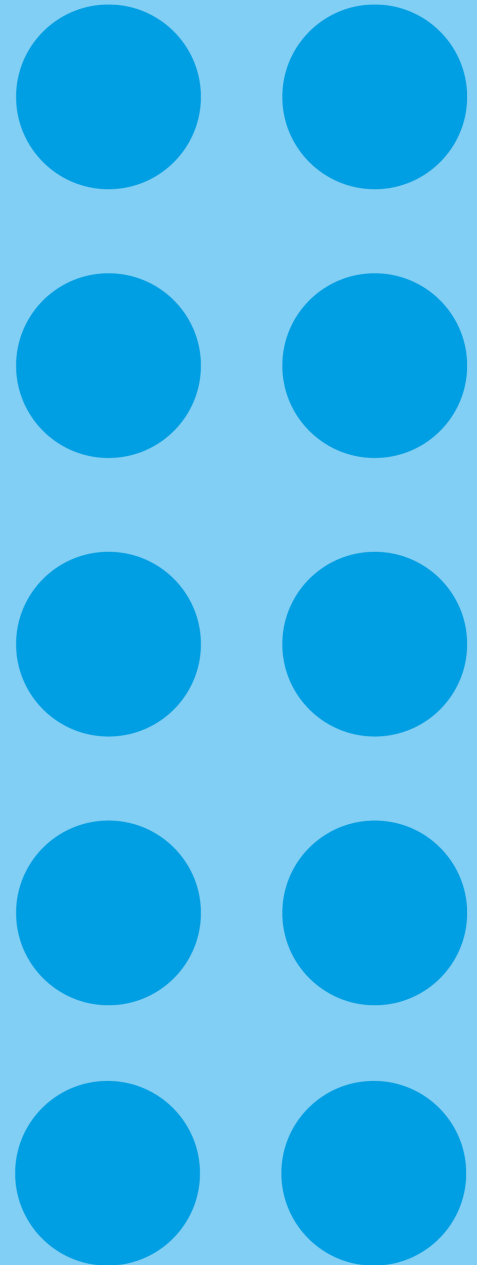
ICU would view our retail operation *largely* as an enterprise activity, with a nuanced approach to pricing for essential student items. Cyclical re-investment in the service should be part of its operating budget, with a reasonable surplus on top of this to fund Union-wide strategic investments.



ENTERPRISE [SPACE]

The location of the Union's main building has facilitated the opportunity for additional enterprise activities related to external clients. We have already taken the decision to reform this back to a much more tightly focussed activity.

- + External bookings can only take place in defined periods that are renewed annually. The bookings we make must not take precedent over internal Union or student group activities during term times.
- + **Values:** we will only work with other organisations who are aligned with the values of the Union and the College.
- + **Sustainability:** we will only work clients who are looking to build a long-term relationship with the Union.
- + **Financial:** we will not commit significant resources to actively seek out more clients other than those who approach us.



KEY BENEFITS

Switching to this financial model will have a number of substantial benefits for the Union, our members, and the wider College.

- + A union targeted towards a clear strategic plan that achieves more impact for more Imperial College students.
- + A union that focuses on delivering our core mission over the medium to longer term, developing sustainably and coherently.
- + A union that is less exposed to volatile changes in income and can make service investment decisions more strategically.
- + A union that plan more confidently and respond to changing student priorities in a more agile way.



KEY QUESTIONS

We are keen to take questions about this model, and we would like to understand your thinking on the current topics:

- + Does the proposed financial model make sense to the College, and are the assumptions within it broadly supported?
- + Does the split between 'core' and 'enterprise' make logical sense? Is there any further detail you would like to see within the full business case?
- + Are there any other key stakeholders we need to engage? What is the best way to do this?



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