

**Imperial College Union  
Finance & Risk Committee / 29 April 2021**

**Budget 2021/22 Process**

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Purpose: To summarise the process for setting the budget for 2021/22 whilst significant uncertainty exists.

Decisions(s): To consider and approve the approach to budget setting for 2021/22.

### **1. Context**

The budget process for the current financial year has been significantly different to previous years due to the huge level of uncertainty related to Covid-19 and the financial situation of the Union. Whilst 2021/22 is expected to be more like a 'normal' year, there is still a significant amount of uncertainty regarding a potential Covid-19 third wave and associated restrictions.

This paper describes the principles and general approach to setting the budget for 2021/22 in a flexible way in order to minimise risk and maximise our ability to respond to opportunities.

### **2. Fundamental Budget Principles**

In setting a budget in an uncertain environment, it is important that we identify and agree the principles that will guide not just the initial budget setting, but also the budget revisions throughout the year as the position unfolds and we gain more certainty around our financial opportunities (particularly our enterprise activities).

The following have been identified as key principles:

- Prudence – we need to set an initial budget that is based on conservative assumptions. If performance is better than expected this will be much easier to deal with than underperformance.
- Regular Review – we know that our ability to forecast future scenarios has been greatly reduced during the pandemic, and this continues. We will continue to review and revise the budget regularly, as we have in 20/21
- Control – with such uncertainty, decisions may need to be made quickly throughout the year, which is more possible where budgetary control is more centralised. Setting an initial budget will be more 'top down' than usual, with the majority of discussions and decisions taken by the Leadership Group, but more consultative decisions would be made for future iterations as the position becomes clearer

### **3. Assumptions**

The budget must be set based on assumptions, which will be adjusted based on new information as it becomes available. A draft set of assumptions for the initial budget is below:

- 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

#### 4. Timeline

The table below is an indicative timeline for the setting setting and revision throughout the year. It is important that we retain flexibility to respond to significant changes such as national restrictions and therefore this timetable may change throughout the year.

Budget Iteration	Date	Description
Baseline budget	May 2021	A high-level, top-down budget for a reasonable worst case scenario, owned by Leadership. It will feel similar to 20/21 with a priority of survival.
Initial 'Back to Basics' budget	May-July 2021	This budget will respond to the discussion around a new financial model and funding settlement with the College: if additional funding is secured this will be incorporated with additional investment/cost as proposed; if no additional funding is secured the baseline budget will be reviewed and reprioritised to ensure that resources are best allocated to support the 'back to basics' strategy in this context.
Assumptions review (stage 2 budget)	September 2021	In September, we will have much more information around the potential for a third wave/restrictions, as well as what the College plans are for teaching and their expectations for halls occupancy etc. At this stage, we will need to focus on our assumptions for commercial and in-person activities prior to the start of term.
Q1 performance review (stage 3 budget)	November 2021	This review will consider the actual performance of Q1, including the first few weeks of term. It will help validate (or otherwise) the assumptions reviewed at stage 2 and give and inform plans for term 2. The final audited position for 20/21 will also be known at this point.
Q2 performance review (stage 4 budget)	Feb 2022	This review will consider the actual performance of the whole of term 1 and start of term 2. By this time, there should be more certainty around the numbers of students on campus and what they are able to do for the rest of the year.
Year end outturn (stage 5 budget)	May 2022	This review will hopefully be light touch, taking in to account the performance in terms 1 and 2 and forecasting the year end outturn position.

Key Leadership Group meetings identified for discussion and approval upto stage 2 are: 18 May, 25 May, 13 August, 7 September.

#### 5. Indicative Baseline Budget

Under the assumptions an indicative, high level budget has been put together which suggests a breakeven position. Further detailed work will be undertaken before this is proposed for approval.

#### 6. Recommendation

The Finance & Risk Subcommittee is asked to approve this approach and agree to the below timetable for the initial budget:

- 9 June 2021 – F&R review initial budget for recommendation to the Board of Trustees
- 23 June 2021 – Board of Trustees approve the initial budget