

# paper

Subject:	Financial Update - summary
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To:	Union Council
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Action:	For information

## Overview

The first quarter highlights a growing concern over the ability of the Social Enterprises to generate the budgeted levels of contribution. Overall Net Income was £51k against a budget of £118k (Shortfall £67k) and prior year £110k (shortfall £59k). However £25k of the variance is a quarter of the additional £100k grant income which has not yet been paid by the University. The cash position is healthy at £1,857k, an increase of £570k since the year end. However the equivalent position last year was £2,363k so we are beginning to see the impact of shortfalls in net cash generation that are at the heart of our discussions with the University regarding a sustainable financial model.

## Summary of performance on Net Income and Expenditure.

Net Operating Income variance can be further attributed to the constituent parts of the Union as follows:

	£'k
Union (Charitable activity)	71
Grant Income	(25)
Social Enterprises - campus	(99)
Waterfront	(14)
<b>Consolidated Total</b>	<b>(67)</b>

All £'000	Variance
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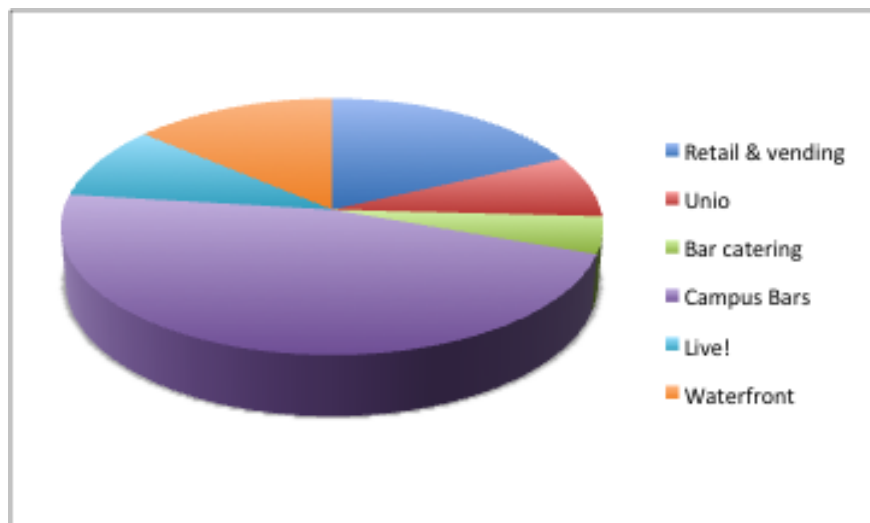
## Drivers of performance - CHARITY

It is always difficult to make substantive comments about Charity Spend after one quarter as shortfalls will tend to be timing of spend. £18k of the underspend relates to direct staff costs, principally where we have unfilled vacancies.

Overall expenditure is around £50k lower than for the equivalent period last year.

## Drivers of performance – Social Enterprise

There are concerns over trading across Social Enterprise, but the notable variances are in the Bars, which remain the key pillar of funding. It is worth reflecting on the make-up of our Social Enterprise Contribution Note that for the year, Campus bars are budgeted to generate not far short of half of Income from Social Enterprise, so any impact here will difficult to offset from other sources.



**Variances for the Quarter to October are as follows:-**

	vs Bud £'k	vs PY £'k	
<u>Bars</u> Campus	(69)	(81)	
Waterfront	2	10	- Excludes Additional security costs from football events (Venue)
<u>Venues</u> LCR	5	(11)	
Waterfront	(14)	(33)	
<u>Retail</u>	(18)	(33)	
<u>Catering</u>	(19)	(15)	
<u>Other</u>	(-)	52	- Includes £65k from Adrian Flux deal
<b>Total</b>	<b>(113)</b>	<b>(111)</b>	

The campus bars performance is worrying as it results from lower sales, reduced margins and higher staff costs, all of which will have different drivers but indicate the pressures placed on the venues by our response to licencing issues last year.

The retail margin remains short of budget but the comparison to last year is distorted by bedding in issues last year, which led to an over-reported margin of 38%.

The Waterfront bars are showing an increase in sales reflecting additional pre-football business. The security costs for this are not at this stage separately identified and sit in the Ents P&L. Against last year, the Waterfront has an additional career staff allocation which accounts for the year on year increase.

**Balance sheet and Cash out-turn**

The Cash balance at 31 October 2019 was £1,857k against £2,363k at the same time last year and £1,966k budgeted.

The reduction in cash is largely due to a lower working capital position – i.e. lower amounts owed to suppliers and due from customers – the £65k from Adrian Flux has subsequently been collected. This also indicates a lower amount of advanced ticket sales in the venues.

The cash position has increased by £569k since the year end, which follows the expected pattern. Last year, the cash position increased by £797k in the same period.

## Capital Expenditure

The Capital Expenditure budget is £177k for 2019/20. This remains a minimum spend in accordance with the requirement to set a break-even budget. Expenditure for the first quarter is £77k.

## Reserves

Free Reserves shows an increase over the quarter at £1,033k against a requirement of £574k.

This is not a measure that should be given too much weight on a quarterly basis and focus should be firmly on the year-end headroom of £300k this represents.

## University Funding

We have been in discussion with the University over the last few years on a long term solution to our funding problem. The discussion with the University has been open and we have attempted to quantify the level of increase that would be required to allow the Union to continue in its present form. In summary, this is the highlight of the two distinct aspects to our funding needs.

- 1) The amount of additional funding we need to be viable in the present form – this includes additional Capital Expenditure, vacant Director posts and the re-instatement of costs cut from the budget to break-even this year. **The amount required is £350k** (in addition to the £100k offered this year which is built into our base break-even budget).
- 2) Additional indicative costs of expanding our activities in line with the strategic planning work that was undertaken last year. These are necessarily rough estimates at this stage but important to put some focus on the cost of operating an SU 'fit for purpose'. **we are indicating an additional £700k,**

At present there is a recognition that these numbers are not 'out of line' with grants received by comparable SUs. However there is not currently any commitment to what may be ultimately offered. We are reaching a critical phase in these negotiations. If the University do agree a significant uplift in the block grant we are likely to see both a cut in some services and an increase in costs to students.