

# paper

Subject:	<b>Estimates 2017-18</b>
Produced by:	Theo Antoniou Phillips, Chair Trustee Board
To:	Union Council
Date:	4 <sup>th</sup> May 2017
Action:	To approve
Purpose:	Under the framework for finance and budgeting, the Union Council and Board annually agrees a set of "Estimates" that reflect spending priorities for the year ahead. The Board later agrees a set of "Detailed Internal Budgets" that reflect these priorities and that have involved detailed considerations from managers. This paper proposes a set of Estimates for the year ahead.

## Introduction

Under the framework for finance and budgeting, the Union Council annually agrees a set of "Estimates" that reflect spending priorities for the year ahead. This becomes the financial policy document for the year ahead.

The Trustee Board then agrees a set of "Detailed Internal Budgets" that reflects priorities in the Estimates and that have involved detailed considerations from managers taken in the round with detailed outturn figures for the previous year.

The Charity Estimates have been constructed to reflect the internal departmental structure of the Union, which comprises core delivery areas: Advocacy & Representation; Activities & Opportunities; and underpinning Infrastructure. They do not include Unio or Retail which will officially move into the Charity vehicle in the coming year- this does not affect the budgeting process and will be reflected in the statutory accounts for 16-17.

The figures presented in this document- a summary of estimated income and expenditure- are a transparent and prudent analysis of the financial resources to be committed by the Union to meet its core priorities for the year ahead. Regular updates on progress against this budget will be presented to Union Council and the Trustee Board throughout the year.

Alongside this process numbers for the union's commercial activity have been prudently estimated. At this stage their **contribution** to the union in terms of estimated surplus is reflected and shown by outlet. For simplicity, these numbers exclude charges made by the Charity vehicle to the Trading Subsidiary for things like rent and service recharges all of which are reconciled and displayed appropriately when the statutory accounts are developed.

## The Estimates

The first page of numbers is the "Estimates" ie the policy being presented, with subsequent appendices explaining what is in each area. All figures are in £1,000s.

The main body of the Estimates details areas of income and expenditure and may be challenged by Union Councillors using the methods detailed below.

The Appendices provide the detailed cost heading analysis of income and expenditure, which support the headline figures reported. The cost headings (cost centres) are revised to reflect services and are presented in a standard format throughout this document. Most cost headings (or "centres") include these three sections:

- Staff/Officer Costs (ie Salaries, Tax and National Insurance)
- Student Staff Costs
- Activity Costs
- Income

This includes all restricted income in this area and explanations are given in the notes. The figures reflect employer's contribution of NI and Tax and allocation to the pension scheme. Pension take up is assumed to be full.

Trading Income reflects the contribution expected from each trading area.

### **How to Challenge the Estimates**

Members of Union Council may table a motion to refer back the Estimates in full (ie to reject the budget) or part of them.

A partial reference back will only be in order if it is composed of two parts:

- (i) The positive reference back of a specified expenditure heading within a budgetary head or heads, indicating that each specified heading should have the sum allocated to it increased by an amount specified for that heading;
- (ii) The negative reference back of a specific expenditure heading within a budgetary head or heads, indicating that each specified heading should have the sum allocated to it reduced by an amount specified for that heading; the total of the amounts specified in (i) being the same as the total of the amounts specified in (ii).

The Chair of the Trustee Board will reply in writing to all Members tabling motions of reference back of the Estimates or part of them, indicating the implications if such a reference back is passed by the Union Council.

Any motions to reference back the Estimates in part or full must be received by the Amendments Deadline for this meeting of Union Council.

Questions on the Estimates may be asked from the floor of Council. Priority on the asking of such questions will be given to Members which have tabled motions on reference back.

## Background to the Estimates 2017

### Union Financial Policy

- To consistently perform to budget, ending the annual cycle of producing year end deficits
- Ensuring the reserve is healthy and used for the benefit of students
- Reducing direct expenditure on infrastructure through careful procurement or partnership work
- Steadily improving investment in services, activities and campaigns for students

Over the past few years the Union has been reviewing and reshaping its financial model, responding belatedly to a downturn in alcohol sales by lobbying to increase in net terms the grant from the University and reducing “back office” costs in order to maximise the spend on charitable objectives.

Following the transfer of Sport support to the University last summer, the Union receives just over £400k in core grant funding from the University. We are now the UK’s most “commercially leveraged” SU- in other words the bulk of the union’s income comes in from trading activity, which has been in decline. The working assumption is that the near monopoly on retail and alcohol sales provides an “in kind” grant to the Union that enables it to deliver significantly higher trading surpluses than other unions to fund directly charitable activity.

Last year a revised financial model was agreed between the University and SU which has enabled the SU financial position to stabilise and some investment to go into core activity. The underpinning financial model assumes that the grant element is uplifted by (university) inflation which means that the remaining increase in costs has to be met from trading surpluses. There are two issues going forward:

- The SU has been working hard over the past three years to drive efficiency from the trading and charity operations (both internally and through University partnership work) but is unlikely to be able to find further efficiency savings of significance.
- Trading surpluses have also been growing through student number growth and resultant turnover increases, but the ability for the SU to grow its trading surpluses have hit a ceiling due to shop floor capacity and LCR size.

There are two medium term headline pressures that could threaten the existing financial model:

- The SU currently budgets to spend around £150k on capital each year. An exercise has been undertaken to determine whether this is an appropriate figure generally, and specifically in relation to lease length at the Waterfront- and we have resolved it should increase to at least £200k
- Pension deficit contributions into SUSS (the old SU Superannuation Pension Scheme) are to increase following revaluation results.

Therefore improved financial performance in 16-17 that is sustainable will be eaten away by the above dual pressures.

We have therefore stressed the following to the University:

- The SU accepts that the principal financial priority for the University is to be able to post increased cash surpluses in order to access borrowing to invest in the campus.
- However some of the additional revenue from fees should be spent on growing campus services to keep up with demand, both generally at UEA and specifically within the SU.
- It is crucial that the SU is able to maintain service levels by planning the way in which it will meet general inflationary pressures effectively.
- It is important that the future capital needs for the SU are understood and budgeted effectively.
- Where student number growth is creating pinch points on service delivery we should have an honest conversation about how these pressures might be met.

## Key Issues

### Social Enterprises Contribution

In response to poor performance against budget, in 15-16 we resolved to test whether the overall budget model was unrealistic or whether the performance was poor. The investigation suggested that the issue was performance and “bedding in” of new processes and that with discipline the outlets would perform to budget ratio- this has been borne out and we expect figures this year to beat budget.

In the future we take the view there is a potentially significant opportunity to reduce purchasing costs in wet sales; an opportunity to grow some catering volumes with additional outlets; and an opportunity to reduce costs and capital investment in ents whilst maintaining profitability with a revised partnership agreement.

This will allow us to hold general pricing for students (other than inflationary pressures) and allow expended value ranges across outlets.

Overall on balance we take the view that the above areas can take both salary increases within the FT and casual complement and it would be prudent to budget in these core trading areas at current 16-17 forecast.

In **Box Office** we will shift to a single ticketing platform for Live Music and there is a significant savings opportunity however this will be carefully phased and as much of our business is sold in advance it would be prudent not to assume any significant contribution in 17-18 at this stage.

### **Core Income**

**Block Grant:** We expect the University grant to increase by the University inflation level (2%)- although following the Sport transfer this is a much smaller proportion of overall charitable spend than in the past. There is also a risk of this being reduced as the University looks to implement efficiency savings.

**Core grant increases:** We have argued that to maintain service levels in core advice and societies support areas as student numbers grow that staffing levels should increase here. However if we are not successful we recognise that these areas may have to cope on existing FTE resource.

**Associate Membership:** We receive a contribution from INTO and Easton & Otley College for associate memberships and given falling enrolments we have assumed a reduction here.

### **Capital Expenditure**

As signalled above, whilst we have budgeted a £150k capital spend in the past we have resolved that this should increase to £200k pa.

### **Charity Expenditure**

#### **Salaries**

The base assumption is that we are not growing the staff team without additional funding. On career salaries we are tied to the University's wider pay settlement, and we are assuming pay inflation of 1.5%

#### **Insurance**

We are in the middle of a review in this area but we anticipate additional costs in this area.

#### **Pension Deficit Contributions**

This is the amount we pay in to the SU's historical pension scheme and increases next year given a recent valuation.

#### **Transfer to reserves**

Our revised reserves policy will suggest that over 5 years we should rebuild reserves by a total of £250k. This may not be consistent as will interplay with phasing of capital, but for Estimates purposes we assume a rate of £50k PA

#### **Student Leadership**

We anticipate additional costs of £15k arising from the Leadership Review implementation plan.

#### **Detailed Internal Budgets**

Following this meeting assuming that Council approves this set of Estimates as a policy, Detailed Internal Budgets are drawn up in the early summer that include:

- Final discussions with University over funding and services to be reflected.
- A line by line review with managers based in part on detailed review of performance at year end.
- Incorporating more accurate versions of key assumptions (ie utility costs).

## Estimates 2017-18

Details	Salary Costs	Activity Costs	Student Staff	Net
<b>1. Advocacy &amp; Representation</b>				
Student Support Unit	£117,038	£11,000	£8,748	£136,786
Policy & Campaigns Unit	£129,141	£36,100	£13,122	£178,363
Student Leadership Unit	£116,465	£78,500	£21,870	£216,835
Advocacy & Rpn O/H	£50,248	£1,000		£51,248
<b>2. Opportunities &amp; Activities</b>				
Societies & Student Media	£48,180	£67,500	£13,122	£128,802
Opportunities & Activities O/H	£99,653	£4,000		£103,653
<b>3. Infrastructure</b>				
Operations & Administration	£100,220	£40,000	£37,250	£177,470
Strategic Development Unit	£192,635	£65,000		£257,635
Union House & Equipment	£22,295	£183,450		£205,745
Finance Unit	£118,711	£47,870	£15,148	£181,729
<b>CHARITY SUBTOTAL</b>				
<b>4. Income</b>				
Basic Block Grant				-£1,168,184
Rent				742,000
Net Block Grant				-£426,184
Additional Pension Grant				-£42,862
Graduate Students Contrib				-£6,739
Easton College Associate				-£5,000
INTO Associate				-£23,000
Graduate Centre (Scholars)				-£3,000
Retail				-£320,745
Unio				-£144,607
Waterfront & LCR				-£495,687
Ents Overhead				£218,163
Bars				-£820,492
Pizza				-£23,010
Marketing & Bus Development				-£41,273
Lettings & Housing				-£2,500
Social Enterprise Overhead				£80,721
<b>INCOME SUBTOTAL</b>				
<b>5. Non-Cash Items</b>				
Rebuild Reserves				£50,000
Capital Expenditure				£200,000
Pension Deficit				£140,062
<b>GRAND TOTAL</b>				<b>£388</b>

## 1 | ADVOCACY & REPRESENTATION

In this section you will find costs relating to the union’s advocacy function, including centrally run campaigns, full time officers and academic representation. A detailed explanation of what each area covers is given below each subsection. This area supports these functions:

### We advocate on students’ behalf, both individually and collectively.

- **Evidence and research** from the **whole student body** a key part of the union’s student voice activity
- More **support, training and development** for our student representatives
- Students **working with** academic and administrators to make **suggestions** and **solve problems**
- **Independent, flexible** student advice and advocacy service that **leads to policy change**

### 1.1 Advice and Housing Unit

Advice and Housing Unit	
Career Staff	£117,038
Student Staff	£8,748
Materials and Printing	£1,000
Nightline	£2,000
Peer Support Groups	£1,000
Subscriptions	£3,500
Volunteer Scheme	£1,000
Departmental	£1,500
Admin	£1,000
<b>TOTAL</b>	<b>£136,786</b>

This area includes the union’s professionally staffed Advice Centre, which provides help and advice to students on all issues. It also houses staff support for the Welfare, Community and Diversity officer and the nee Welfare Sub Committee. In the year ahead the unit will continue out its volunteer programme in advice, roll out buddying support for new students, enhance its support to student groups and provide support to Nightline, the union’s student listening service.

Note whilst this area includes housing advice, it does not include costs or income related to Home Run or Home Let which are operated through the trading budgets detailed on later pages.

### 1.2 Campaigns and Policy Unit

Campaigns and Policy Unit	
Career Staff	£129,141
Student Staff	£13,122
Student Reps System	£6,000
Research	£13,500
Representation	£10,000
Training and Materials	£5,000
Student Led Teaching Awards	£2,500
Faculty Convenor Income	-£2,400
Departmental	£1,500
<b>TOTAL</b>	<b>£178,363</b>

This area provides dedicated support to academic representation, ensuring that school, faculty and institutional representation delivers real change for students. It also houses support for the student officer committee and has a research and policy function, ensuring that the union’s arguments for students are evidence and powerful.

In the year ahead a range of initiatives will come from this spend, including rep support, campaigns teams, and student led teaching awards. For faculty and school level representation we envisage substantial training and development.

### 1.3 Student Leadership Unit

<b>Student Leadership Unit</b>	
Salaries	£116,465
Student Staff	£21,870
Officer Training	£10,000
Democracy & Elections	£7,500
Campaigns	£10,000
Projects	£5,000
Liberation, Equality & Diversity	£5,000
NUS Affiliation	£16,000
Student Leadership Support	£15,000
Conferences	£10,000
<b>TOTAL</b>	<b>£216,835</b>

In this area you will find the costs related to the union's student leadership team, comprising the five full time officers and the wider student officer committee. It includes dedicated budgets for campaigns, elections, training and also include the annual affiliation fee to NUS. There is also a fund for automatic attendance at relevant conferences and events. There is also a budget to support the new student leadership structure. Note that costs relating to postgraduate campaigns have been moved to a single integrated PGSU budget within student opportunities.



## 2 | OPPORTUNITIES & ACTIVITIES

In this section you will find costs relating to the union’s student opportunities function, including clubs, societies and student media. A detailed explanation of what each area covers is given below each subsection. This area supports these functions:

### We provide opportunities for students.

- **Every student** taking part in **extra curricular**, ensuring activities are **student led** and **high quality**.
- Support all student volunteers and staff to use their **experience** taking part in student opportunities to **benefit them in later life**
- An exemplar in relation to **safety** and **risk assessment** and facilities geared around the **needs of active members**
- Support for the **full breadth** of student diversity to take part in the most **diverse** set of activities possible, reducing barriers to involvement and **setting and meeting targets related to diversity**.

### 2.2 Societies, Student Media and Student Enterprise

SOCIETIES & STUDENT MEDIA	
Career Staff	£48,180
Student Staff	£13,122
Societies Collective	£20,000
Give it a go	£8,000
Media Collective	£30,000
Postgraduate SU	£17,500
International SU	£5,000
Academic Societies Collective	£1,000
Enterprise	£2,500
<b>TOTAL</b>	<b>£128,802</b>

In this area there is direct support costs for the union’s award winning societies, including development of events and participation strategies. There is also support for student media, accommodated in the union’s student media centre.

### 2.3 Student Opportunities

Student Opportunities	
Career Staff	£99,653
Fairs	£3,000
Departmental	£1,000
<b>TOTAL</b>	<b>£103,653</b>

This area provides wider support and admin for student activities, opportunities and events. This includes projects on employability and enterprise.

### 3 | UNDERPINNING INFRASTRUCTURE

In this area underpinning services that make the union work are housed. This includes costs related to union house, admin, HR, IT and Finance. A large proportion of infrastructure work serves the commercial activity and so is recharged to the commercial companies in terms of rent or service charges.

In this area we seek to achieve:

- **Outstanding** student led governance
- High quality **management** and internal **processes**
- A strong **partnership** with University and others on infrastructure and culture
- Great stats- No.1 in the **National Student Survey** for **Question 23**, and **outstanding** grade for the **Students' Union Quality Mark**

#### 3.1 Marketing and Communications

In this area the communications team is housed, with full time and student staff running the union's websites and union communications, as well as delivering design work and publications. Note all costs and income from this area have now been moved to the trading budgets detailed on later pages, as the integrated Marketing and Business development function is run as a Social Enterprise.

#### 3.2 Operations and Administration

Operations and Administration	
Career Staff	£100,220
Student Staff	£37,250
Photocopier	£25,000
Data Storage	£2,500
Uniform	£1,000
Stationery	£3,500
Post and Franking	£1,500
Telephone	£5,000
Departmental	£1,500
<b>TOTAL</b>	<b>£177,470</b>

In this area we house all of the union's central admin costs- things like photocopying and telephones all get paid for from here, along with computing and post. We also operate the student reception and welcome team from here.

#### 3.3 Building & Equipment

Building & Equipment	
Career Staff	£22,295
Electricity	£86,100
Water	£19,950
Heat	£29,400
Alarms	£1,000
Maintenance Contracts	£2,000
University Maintenance Contribution	£30,000
Project Brand New	£10,000
Premises	£5,000
<b>TOTAL</b>	<b>£205,745</b>

This area covers the costs of operating union house. A significant part of this in previous years was cleaning, which has now been moved to the University, allowing a significant saving to be deployed on other priorities.

### 3.4 Finance

<b>Finance</b>	
Career Staff	£118,711
Student Staff	£15,148
Bank Charges	£500
Software and Data Storage	£20,000
Audit	£7,500
Insurance	£16,370
NEST Pension	£2,000
Departmental	£1,500
<b>TOTAL</b>	<b>£181,729</b>

The union's Finance function helps the rest of the organisation run effectively. It handles invoicing, accounts and supports managers with data to help them make decisions and manage their operations.

### 3.5 Strategic Development

<b>Strategic Development Unit</b>	
Career Staff	£192,635
Staff Training	£15,000
Management Development / CIPD	£5,000
Group PHI and Life Assurance	£8,000
Legal and Professional	£5,000
Staff Welfare/Meetings	£4,000
Staff Incentive Scheme	£5,000
HR Support	£6,000
Recruitment	£12,500
Travel, Accommodation & Conference Fees	£2,500
Subscriptions	£500
Trustee Board	£1,500
<b>TOTAL</b>	<b>£257,635</b>

This area contains costs for the Chief Executive, Deputy Chief Executive, Governance & Democracy Coordinator and a host of crucial central costs relating to staff training and development and HR support. Staff training is courses for all staff attached to personal development plans. Management Development is specific training for the Heads of Department/Management Team. "Group PHI and Life Ass" is a an insurance policy that covers payments if staff are on long term sick and if they die in service. Legal covers ad hoc legal fees and HR Support is the cost of an external HR firm that delivers support.

## 4 | Social Enterprises

Graduate Centre (Scholars)	-£3,000
Retail	-£320,745
Unio	-£144,607
Waterfront & LCR	-£495,687
Ents Overhead	£218,163
Bars	-£820,492
Pizza	-£23,010
Marketing & Bus Development	-£41,273
Lettings & Housing	-£2,500
Social Enterprise Overhead	£80,721

“Social Enterprises” are what we call the Union’s trading operations. We call them this because we don’t just run them for profit- we have social purposes too:

### Our ambitions for Enterprise

- We will be run efficiently, to a high standard, and generate a healthy surplus that can be ploughed back into the union (making the link between surplus and service delivery for members much clearer)
- We will employ a high number of student staff who are paid well and gain valuable experience at all levels of our business
- We will be an exemplar in relation to safety, security, responsible retailing and ethical practices and purchasing
- In our programming and product ranges we will seek to meet the widest possible range of students’ needs, we will focus on minorities as well as majorities, and we will provide a platform for student talent to shine

The figures above have been prepared with the following core assumptions:

### Retail and Catering

- We will review our shop stock supplier to improve pricing for our members
- We will review our coffee supply to see if we can create a direct relationship with the growers
- There will be a higher number of students on campus so we anticipate larger queues (there will be a need try to find additional shop outlets on campus)
- We will explore opening a new catering outlet in the hive and replace the current bakery offer in the shop with an extended clothing range and more freezer space
- We will extend our Value range, cautious of the impact on Gross Profit
- We open the hatch until 2am most nights but may look at 24 hours opening due to demand
- Unio will open all year round due to demand for social space which has an impact on staff and sales ratios
- Shop opens all year round due to a large number of students on campus out of term which impacts on staff and sales ratios

### Bars/LCR

- We will consider adding a third core club night to the portfolio given increased student numbers
- Introduction of Barista Coffee to Bar Area - Potential Incremental Daytime Sales / Plus Food Growth.
- Potential to change alcohol supplier in January 18 will improve Gross Profit
- Any price increases beyond those for duty/student staff inflation will fall on general public not students

### Waterfront

- We will agree a new lease in the year ahead and will need to invest in capital for the duration of the lease.

### **General**

- Student staff wages will increase and we will need a budget for training and development
- We will continue with "Net Promoter" score research from students twice yearly
- We will shift all ticket sales to the SU Website with potential savings
- Introduction of Late Night Levy 2018 - Strongly being discussed across the Industry at present.
- General Election - Outcome will influence people's disposable income?
- Easter - 2 Weeks Earlier 2018 (1st April) - Spring Pre Easter Semester Earlier