

**Imperial College Union
Finance, Audit & Risk Committee / 16 March 2022**

Budget 2022/23 Principles

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Purpose: To summarise the process and principles for setting the budget for 2022/23, moving back to a more traditional three-stage Budget.

Decisions(s): To consider and approve the approach to budget setting for 2022/23.

1. Context

The setting and monitoring of the 2021/22 budget has been significantly influenced by the impact of the coronavirus pandemic. In order to respond to the level of uncertainty presented by the situation, a five-stage budget approach was approved. This allowed the Union to respond to changes in the operating environment rapidly and ensure that

2. Fundamental Budget Principles

Ultimately, a budget is a plan to use resource in pursuit of the organisation's charitable objects and strategic objectives. As such, the underlying ethos behind setting our budgets should be that they enable the best service delivery and development in line with our Back to Basics Strategy.

More practically, we also need to consider the management of risk and uncertainty, particularly given that we are coming out of a very unstable period into a new operating environment. Therefore, 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 – whilst we expect some more certainty related to the pandemic compared to the 2021/22 budget setting process, there are further
- Empowerment – over the last year, there has been significant change within the organisation, particularly at line manager / budget holder level. This, combined with the level of uncertainty, necessitated a more 'top down' approach to budgeting in 2021/22. Going forward we should empower budget holders and managers to own and lead the development and management of their budgets.
- Adherence with the Financial Model – the financial model was agreed with the College in June 2021 and sets out the fundamental principles for how certain activities are funded. Any budget must be in line with this.
- Longer term sustainability – As more certainty about the future is realised, we need to ensure that the longer term implications of budget decisions are considered. The 2022/23 Budget will include a capital investment plan and a 3-year budget forecast as well as associated cashflow forecast.

3. Assumptions & Parameters

The budget must be set based on assumptions, which will be adjusted based on new information as it becomes available. We do not have perfect historical data, and will need to utilise the judgement of our operational managers. A full set of assumptions will accompany the budget. Some initial parameters are shown below

- Income from venues and retail will be based on manager experience and supported by data
- Venues will breakeven or make a small surplus
- Venues budget will be supported by a pricing policy that helps to maintain the target GP margin and enable clear communication to our members about price increases
- Retail, external bookings and advertising sales will generate a surplus (at least as much as 21/22)
- We will use College assumptions around staff cost increases (and assume a block grant increase to cover this for non-commercial staff
- Capital expenditure will be included in a CapEx plan and considered at an organisation-wide level

4. Timeline

A more detailed operational timeline has been developed to ensure that budget holders are adequately engaged and supported throughout the process. The key governance dates are included below:

Budget Iteration	Date	Description
Grant negotiations	May 2022	Confirmation from the College on the level of Block Grant for 2022/23 as well as any capital or one-off funding bids
Budget	FAR – June 2022 BoT – July 2022	Budget for the year, in line with the principles and assumptions presented above
Forecast 1	Jan/Feb 2022	Informed by the first term performance, a comprehensive re-forecast of all budget lines.
Forecast 2	April/May 2022	A second re-forecast based

Key Management Committee meetings identified for discussion and approval: 26 April, 31 May

5. Recommendation

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

- 22 June 2022 – FAR review the Budget for recommendation to the Board of Trustees
- 13 July 2022 – Board of Trustees approve the Budget