



QMSU Financial Statements 2016–17, current financial position and five year plan

Outcome Requested:	Council is asked to note : <ol style="list-style-type: none">1. QMSU Financial Statements and Trustee Annual report 2016–17 (<i>see additional reading for full version</i>)2. QMSU Services Ltd Financial Statements 2016–17 (<i>see additional reading for full version</i>)3. QMSU Five Year Plan. (<i>Appendix 1</i>)4. QMSU Management Accounts Year-to-date at December 2017 (<i>Appendix 2</i>)
Executive Summary:	<p>[a] The auditors delivered an unqualified audit opinion on the accounts for both the Group and Subsidiary accounts.</p> <p>[b] The 2016-17 Operating Surplus for the Group was £136K, £83K better than budget and £24K better than last year.</p> <p>[c] The long term financial strategy within the five year plan (appendix 1) has been to improve the General Reserve position and Cash flow.</p> <ul style="list-style-type: none">○ The general reserve position improved by £93K from negative £540K to negative £447K.○ The cash in bank improved from £562K to £610K. <p>[d] The 2017–18 Budget Target for the Group is £83.7K.</p> <p>[e] The current year to date (December period 5) operating surplus is £64K (December – appendix 2), better than budget by £25K. The position will worsen due to unexpected business interruption.</p> <p>[f] The total balance of the QMUL loan as of 31st July 2017 was £167,130 and there are two more payments of £83,565 due. One will be paid on 31st July 2018, leaving a balance of £83,565 from 1st August 2018. The initial loan was £889,202 in 2004, as the Union had financially collapsed at the time.</p> <p>[g] Finance and Investment Committee considered the Financial Statements, five year plan and management accounts at its</p>

	meeting on 13 March 2018 and commended QMSU for its improving financial position.
QMUL Strategy:	SA2.2, EA1.2, EA1.7
Internal/External regulatory/statutory reference points:	The Education Act (1994) requires that “the financial affairs of the Union should be properly conducted and appropriate arrangements should exist for the approval of the Union’s budget and the monitoring of its expenditure, by the governing body.” <i>1994 Education Act</i> <i>2006 Charities Act</i> <i>2006 Companies Act</i>
Strategic Risks:	11. Sustainable income streams for activities 12. Cost control, VFM and expenditure
Equality Impact Assessment:	None required
Subject to prior and onward consideration by:	Scrutinised by QMSU Audit and Risk Committee November 2017 QMSE 27 February 2018 Finance and Investment Committee 13 March 2018
Confidential paper	No
Timing:	Annual report to the Committee.
Author:	Mike Wojcik, Chief Executive, Students’ Union Managing Director, QMSU Services Ltd.
Date:	8 February 2017
Senior Management/External Sponsor:	Yasir Yeahia, President, Students’ Union

1. Financial Statements and SOFA

The charity specialist auditors, Russell New, confirmed that the audit ran smoothly and there were no substantial adjustments made, reflecting positively on the Union's financial administration and sound practices.

The QMSU Board of Trustees approved a policy to build a reserve at its July 2017 meeting, with an aim to improve cash flow and the position of the general reserve by a minimum of £50K per annum. The weak balance sheet makes it difficult for the SU to reinvest in the infrastructure. The annual target was exceeded during Year 2016-2017 with an improvement of £93K.

The Statement of Financial Activities (SOFA) outflow for year ending July 2017 was £12k (*Appendix 1*, page 2), an improvement on the previous year's outflow of £35k (prior to that £71k and £166k). The primary adverse factor is the capital grant release of depreciation of £219k. This grant related to capital works carried out on the BLSA building. With the Union paying the contractor, this enabled VAT to be reclaimed to the value of £200k. The grant covered the cost of works and temporarily improved the Group's balance sheet.

2. The Subsidiary company performance (QMSU Services Ltd.) 2016–17

The commercial operations achieved some record results – the subsidiary company **income increased by 6%** and peaked over £4m.

Beacon performers included:

- Village Shop which saw a 7% growth despite the increased competition in the area and translated on the bottom line with £64k net profit.
- Drapers' Bar and Kitchen saw total sales growth of 14% and performed better than budget on the bottom line by £46.6k, achieving net profit of £92k.
- QMotion membership numbers grew yet again (*see Table 1*) and achieved a surplus of £74k.
- The year-on-year comparisons were distorted, as a proportion of the central administration cost (50% of the finance function and a 40% contribution from marketing) has been transferred from Group Administration to QMSU Services accounts, equating to £104k year-to-date. The impact of the transfer is favourable from a VAT perspective, with an estimated saving of £7.8k. The saving for 17-18 is expected to be £12.7k.

3. Current year Management Accounts Year-to-date December 2017 (*Appendix 2*) show a favourable position, with the Group's performance £25k better than budget. However, there are some resource concerns on the horizon. Income generation year-to-date is on target in line with the budget, showing an uplift of 2.5% on the previous year. Salary costs are adverse to budget and other spending is within control. The central administration function is generally on track.

The Company sales are generally respectable at £36k worse than budget but 3.8% up on last year. The Village Shop and Ground Café have experienced growth in sales, better than budget, and are generally expecting better than budget end of year performances.

The Union is subject to a number of immediate financial pressures:

- a) The loss of income from two power failures during Freshers' Week affecting QMotion, Drapers Bar and Kitchen and the Union Shop (£21k) and a number of other heating and maintenance issues;

- b) An estimated unbudgeted cost of around £19k for cleaning and supervisory costs for the Hive, which has recently been refurbished by the university;
- c) A risk to achieving the end of year budget and to improving the balance sheet in line with the Five Year Plan owing to the impact of capital projects on QMotion (£15k), Drapers Bar and Kitchen (4k down on lunch trade alone with food losses running at between £1.2-1.5k per week) and the Union Shop, which will be ongoing until April 2019. There may also be additional unbudgeted costs arising from the management of health and safety and licensing risks.

Table 1

Total Membership Tracked

Trading Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Aug-Dec	7567	8411	9165	10723	11069	11939	11926	12801	13187
Jan-July	12843	13998	14852	16181	18326	18804	18577	20408	20954
Total	20410	22409	24017	26904	29395	30743	30503	33209	34141
Average Mem.	1855	1867	2001	2242	2450	2562	2542	2767	2845
Growth		0.6%	7.2%	12.0%	9.3%	4.6%	-0.80%	9%	3%

Membership peaked at 3,666 in March 2017, dropping to 1,594 in July 2017

The table shows the year on year growth of QMotion membership. The busiest months being January through to March.



FINAL DRAFT FIVE YEAR FINANCE PLAN 2016-2020

Outcome requested:	The Board is asked to note updated five year plan (text in red updates). The document is particularly useful for new Board members.		
Summary of key components	<ul style="list-style-type: none"> <input type="checkbox"/> Five year I&E forecasts <input type="checkbox"/> Five Year Balance Sheet <input type="checkbox"/> QMSU Services Ltd. Balance Sheet July 16 <input type="checkbox"/> Past Five Years I&E <input type="checkbox"/> Five year SOFA <input type="checkbox"/> Five Year Funding gap <input type="checkbox"/> Reasons for weak balance sheet 	<p><i>Key assumptions, which at this point do not factor additional block grant cost of living increase 2017 / 18.</i></p> <p><i>The Balance sheet and SOFA will need further steps to improve the position, though funding gap is expected to reduce.</i></p>	
<p>Key recommendations;</p> <ul style="list-style-type: none"> • Progress with discussions with QMUL in principle agree to cost of living grant post 2017, and summarise in Memorandum of Agreement Panel meetings. (ACTIONED and successful) • QMSU work towards building reserves and higher budgeted profit. (Progress evidence in financial statements) • QMUL / QMUL consider future capital grants, and approach. (ACTIONING with discussions with QMUL around the future mechanisms of the Block grant). • QMUL / QMSU review recommendations table at the end of the document. (incorporating within Enabling plan). • Following on from recommendation's, CEO / MD to draft Enabling Operating Plan) (completed February 2017) 			
Author	Mike Wojcik	Date:	Presented and approved by Boards June / July 2016 Updated November 2017, including slides 6-10

APPENDIX 3 FIVE YEAR FINANCIAL PLAN – I&E RE- STATED IN CHARITIES SOFA FORMAT

5 Year Plan Summary Aug 2015 to Jul 2020
QMSU Group

Forecast Feb 2016 was *

	5 Year Plan					
	Actual Aug 14 to Jul 15	Year 1 Act Aug 15 to Jul 16	Year 2 Act Aug 16 to Jul 17	Year 3 Budget Aug 17 to Jul 18	Year 4 Aug 18 to Jul 19	Year 5 Aug 19 to Jul 20
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP SURPLUS/ (DEFICIT)	39	112	136	83	93	(6)
			£121K *			
Clubs & Socs Grants included in Management Accounts - Transfer to Designated Funds	(20)	(46)	(43)			
Prior Yr Unspent Grant, spent in Current Year - taken out of Reserves - plan assumes no unspent grant	(9)					
Total Student Activity Groups - not included in Management Accounts	73	40	71	20	20	20
Restricted Fund Movements - not included in Management Accounts:						
Capital Grants - released to offset depreciation	(219)	(219)	(226)	(26)	(21)	(21)
Capital Grants - awarded		40	37			
RAG	4	(11)	(14)	(12)		
Annual Fund	31	9	13	(61)		
Buddy Scheme	7	14	(1)	(19)		
Community Campus Fund	(2)	10	7	(34)		
Drapers Fund	2	0	(1)	(1)		
Employability		3	(1)	(2)		
New Fund			8	(8)		
Westfield Fund	9	6	(11)	(13)		
Student Experience (BLSA)	14	7	13	(34)		
Movement in Market Value of Investments - not included in SOFA (Deficit)/Surplus	(1)	2	5			
SOFA - (Deficit)/Surplus	(72)	(33)	(7)	(107)	92	(7)
Movement in Market Value of Investments	1	(2)	(5)			
SOFA - Net Movement in Funds for the Year	(71)	(35)	(12)	(107)	92	(7)

(£105K)*

Clarification note on Charities Statement of Financial Activities (SOFA)

The profit concept is not appropriate to charities, as charity law requires them to use all funds to further the charitable objectives. The I&E is therefore replaced by the SOFA. QMSU Services results are consolidated with QMSU into the QMSU Group SOFA. The SOFA brings together all the resources available to the charity and shows how these have been used to fulfil the charity's objectives.

The SOFA uses Fund Accounting, which requires all incoming and outgoing resources, assets and liabilities to belong to a fund. The different types of fund are:

Restricted Funds – subject to special trusts specified by the donor, eg the Annual Fund, Westfield Fund, Capital Grants etc.

Unrestricted Funds – available for the purposes of the charity, to be spent as the trustees see fit. The Block Grant & QMSU Services income & expenditure is unrestricted.

Designated Funds – unrestricted funds that have been earmarked for a particular purpose by the trustees

BALANCE SHEET

QMSU GROUP BALANCE SHEET	Group		Group		Group	
	Actual 2015		Actual 2016		Actual 2017	
	£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS	631		384		233	
INVESTMENTS	29		27		32	
CURRENT ASSETS						
Stock	82		73		82	
Debtors and Prepayments						
Trade Debtors	25		58		16	
QMUL Debtor	350		45		13	
Other Debtors & Prepayments	63		64		57	
Cash at Bank and in Hand	555		562		688	
	<u>1,075</u>		<u>802</u>		<u>856</u>	
CREDITORS:						
Due Within one Year:						
Trade Creditors	(121)		(130)		(131)	
QMUL Loan	(83)		(83)		(84)	
QMUL Creditor	(743)		(232)		(245)	
Other Creditors & Accruals	(191)		(288)		(276)	
NET CURRENT ASSETS/ (LIABILITIES)	<u>(63)</u>		<u>69</u>		<u>120</u>	
CREDITORS: Due after more than one year	<u>(251)</u>		<u>(167)</u>		<u>(84)</u>	
	<u>346</u>		<u>313</u>		<u>301</u>	
FINANCED BY:						
FUNDS						
Designated Funds	362		402		473	
Total Restricted Funds	592		451		275	
General Reserve	(608)		(540)		(447)	
	<u>346</u>		<u>313</u>		<u>301</u>	

Cash flow improved

The total balance as of 31st July 2017 was £167,130 and there are two more payments of £83,565 due. One will be paid on 31st July 2018, leaving a balance of £83,565 from 1st August 2018. The initial loan was £889,202 in 2004 which was essential in bailing out the Union and preventing financial turmoil.

Total negative reserve improved

FIVE YEAR FINANCIAL PLAN - I&E

5 Year Plan Summary Aug 2015 to Jul 2020
QMSU Group

	5 Year Plan						
	Actual Aug 14 to Jul 15	Year 1 Act Aug 15 to Jul 16	Year 2 Act Aug 16 to Jul 17	Year 3 Budget Aug 17 to Jul 18	Year 4 Aug 18 to Jul 19	Year 5 Aug 19 to Jul 20	Total Aug 15 to Jul 20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charity							
Income	1,627	1,558	1,727	1,648	1,710	1,720	8,363
Pay	830	901	987	1,073	1,116	1,162	5,239
Non Pay	653	539	626	578	581	584	2,908
Charity SURPLUS/ (DEFICIT)	144	118	114	(3)	13	(26)	216
Administration							
Income	82	153	150	164	165	166	797
Pay	287	317	235	198	206	214	1,170
Non Pay	152	197	175	137	138	138	785
Administration SURPLUS/(DEFICIT)	(357)	(361)	(260)	(171)	(179)	(187)	(1,158)
TOTAL QMSU SURPLUS/(DEFICIT)	(213)	(243)	(146)	(174)	(166)	(213)	(942)
QMSU Services Ltd							
Income	3,595	3,892	4,098	4,408	4,488	4,517	21,403
Pay	1,309	1,389	1,665	1,976	2,043	2,113	9,186
Non Pay	2,034	2,148	2,151	2,175	2,186	2,197	10,857
QMSU Services Ltd SURPLUS/(DEFICIT)	252	355	282	257	259	207	1,360
GROUP SURPLUS/ (DEFICIT)	39	112	136	83	93	(6)	418
Total Group							
Income	5,305	5,603	5,975	6,220	6,363	6,402	30,564
Pay	2,426	2,607	2,887	3,247	3,366	3,489	15,596
Non Pay	2,840	2,884	2,952	2,890	2,904	2,919	14,550
GROUP SURPLUS/ (DEFICIT)	39	112	136	83	93	(6)	418

FIVE YEAR FINANCIAL PLAN – I&E RE- STATED IN CHARITIES SOFA FORMAT

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	5 Year Plan					
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	£'000	£'000	£'000	£'000	£'000	£'000
GROUP SURPLUS/ (DEFICIT)	39	112	136	83	93	(6)
Clubs & Socs Grants included in Management Accounts - Transfer to Designated Funds	(20)	(46)	(43)			
Prior Yr Unspent Grant, spent in Current Year - taken out of Reserves - plan assumes no unspent grant	(9)					
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Movement in Market Value of Investments - not included in SOFA (Deficit)/Surplus	(1)	2	5			
SOFA - (Deficit)/Surplus	(72)	(33)	(7)	(107)	92	(7)
Movement in Market Value of Investments	1	(2)	(5)			
SOFA - Net Movement in Funds for the Year	(71)	(35)	(12)	(107)	92	(7)

FIVE YEAR FINANCIAL PLAN – BALANCE SHEET

QMSU GROUP BALANCE SHEET

	Group		Group		Group		Group		Group		Group	
	Actual 2015		Actual 2016		Actual 2017		Budget 2018		Plan 2019		Plan 2020	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS	631		384		233		166		103		52	
INVESTMENTS	29		27		32		32		32		32	
CURRENT ASSETS												
Stock	82		73		82		82		82		83	
Debtors and Prepayments												
Trade Debtors	25		58		16		16		16		16	
QMUL Debtor	350		45		13		13		13		13	
Other Debtors & Prepayments	63		64		62		58		58		58	
Cash at Bank and in Hand	555		562		688		567		642		690	
	1,075		802		861		736		811		860	
CREDITORS:												
Due Within one Year:												
Trade Creditors	(121)		(130)		(131)		(132)		(133)		(133)	
QMUL Loan	(83)		(83)		(84)		(84)		0		0	
QMUL Creditor	(743)		(232)		(245)		(248)		(250)		(253)	
Other Creditors & Accruals	(191)		(288)		(281)		(277)		(278)		(280)	
NET CURRENT ASSETS/ (LIABILITIES)	(63)		69		120		(5)		150		194	
CREDITORS: Due after more than one year												
	(251)		(167)		(84)		0		0		0	
	<u>346</u>		<u>313</u>		<u>301</u>		<u>193</u>		<u>285</u>		<u>278</u>	
FINANCED BY:												
FUNDS												
Designated Funds	362		402		473		493		513		533	
Total Restricted Funds	592		451		275		65		44		22	
General Reserve	(608)		(540)		(447)		(365)		(272)		(277)	
	<u>346</u>		<u>313</u>		<u>301</u>		<u>193</u>		<u>285</u>		<u>278</u>	

Group Accounts								
For December 17								
	YTD to Month 5				for Month 5			
	Prior Yr Amount	Budget	Amount	Variance	Prior Yr Amount	Budget	Amount	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charity								
Income	747	685	732	46	150	138	127	(11)
Pay	400	448	465	(17)	77	91	98	(7)
Non Pay	271	286	254	32	58	42	41	0
Charity SURPLUS/ (DEFICIT)	76	(48)	13	61	14	6	(12)	(17)
QMSU Services Ltd								
Income	1,855	1,963	1,927	(36)	329	346	327	(19)
Pay	668	830	874	(44)	133	163	162	1
Non Pay	979	975	935	40	179	179	141	38
QMSU Services Ltd SURPLUS/(DEFICIT)	209	158	118	(40)	17	3	23	20
Administration								
Income	60	68	69	0	12	14	14	1
Pay	122	82	84	(2)	24	16	18	(1)
Non Pay	82	57	53	5	16	11	12	(1)
Administration SURPLUS/(DEFICIT)	(144)	(71)	(68)	3	(27)	(14)	(16)	(1)
GROUP SURPLUS/ (DEFICIT)	140	39	64	25	4	(5)	(4)	1