

Imperial College Union
Finance, Audit & Risk / 26 March 2025

Budget 2025/26 Principles

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Purpose: To summarise the process and principles for setting the budget for 2025/26

Action(s): To consider and **approve** the approach to budget setting for 2025/26

1. Introduction

A budget for 2025/26 will need to be approved by the start of the new financial year (1 August). We will present a detailed budget for review by the subcommittee in June, for recommendation to the Board for final sign-off in July. This paper sets out the planned process and principles, for initial consideration.

2. Strategic Context

A budget is a plan to use resources 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 strategy.

FY25/26 will be Year 2 of the Union's two-year funding agreement with College and the Strategic Plan, which includes a break-even budget target for Core activity and a commercial contribution on top of this contributing to the Strategic Investment Fund in line with the current funding model.

The intention of this approach has been to minimise uncertainty for the Union in relation to commercial performance and provide confidence that our 'core' activities are funded by secure income (College grant) without having to rely on volatile commercial lines.

Core activities can be defined as services which the Union is best placed to deliver, which include:

- Student representation (e.g., Officer Trustees, representatives, Union Council)
- Support for student-led activities (e.g., CSPs, liberation and community networks)
- An independent advice and advocacy service

A case for specific enhancements to Core services is made at the start of the planning cycle. Each year, the College also provides support for the cost of salary increments and uplifts, with HR being managed centrally with Union staff being College employees.

Surpluses generated through Union commercial/enterprise activities (retail and venues) are intended to contribute to a separate Strategic Investment Fund to support one-off or time-limited investments focused on achieving our strategy or directly on student activities and projects as determined by our members.

3. Proposed Trading Subsidiary

Management are proposing to route commercial/enterprise activities through a separate subsidiary from FY25/26 (ref separate paper FAR/24-25/24). This would, subject to approval, involve "Commercial/Enterprise" activities being presented through a separate company. It is

anticipated the separation would resemble the current “Core” and “Commercial” activity split described above.

Rather than reporting information together, surpluses arising from the (separate) trading subsidiary would be gifted to the charity entity, which would be different mechanism but not present a significant change to ICU’s accounts, ultimately. The main driver for the change is tax reasons (as described in the separate paper which includes some further information).

4. Detailed Assumptions

Proposed budget framework assumptions are set out below:

Income:

- Same College Grant figure (of £3,176k) to be used from FY24/25, with costs of pay uplifts to be invoiced separately as in prior years, which are negotiated through College.
- College support for National Insurance cost increase assumed (c£50k estimate in FY25/26).
- No income for insurance costs assumed, as per reforecasting assumption (was assumed in budget).
- Full year’s worth of interest income to be included, at a prudent interest rate level of 3% in the context of forecast reductions (some forecasters assume a reduction in the Bank of England Rate to 3.25-3.5% by the end of 2025) and planned diversification of accounts.

Commercial:

- Separate venue budgets will be developed for each venue/ activity as previously, which will facilitate separate presentation as required.
- Realistic commercial targets for each outlet, and a targeted contribution overall.
- Budgets to be developed based on the Commercial Strategy (November 2024 Trustee Board paper), which included proposed new activity around Temp Agency and Partnerships Agency. This will be in addition to existing venue and retail activity.
- A proposal for the Reynolds Bar will be presented to FAR in June (concurrently with the budget), following a review of different options.
- We are currently reviewing Union Catering provisions for 25/26 and plans will be put forward for FAR along with 25/26 ops plans and commercial budgets
- A budget for the Summer Ball will also be developed, based on envisaged plans, likely with a break-even target.

Staffing:

- Current staff structure maintained. Any additional/ new roles would require financing from within the existing budget, unless funded separately.
- Minimal vacancy assumption to be used, given progress on filling roles. Note: a 2.5% budgeting assumption was used in FY24/25.
- Full year impact of employer’s National Insurance costs increase to be included (assumed funded – see above).

Non-Staff Expenditure:

- Non-staff expenditure to be based on budget holder requirements, with instruction issued to work within FY24/25 reforecast figures overall, where possible. This may involve reallocation between lines. Allowance should be made for unavoidable cost increases (e.g. contract prices or latest inflation – currently around 3% (CPI figure to

January) where required to deliver current service levels. Where reforecasting involved one-off savings, budget holders may revert to the initial budget.

- £31k contingency will likely be reduced to cover any unavoidable Y2 cost increases (note: this was £10k in previous years).

Capital Expenditure:

- Provision for replacement of existing assets within current budget (i.e. replacement of fully depreciated asset and equipment lines), with capital funding for larger works to be sought separately for work on shared College spaces dependant on outcome from larger capital review.

Subject to feedback from the subcommittee, this will inform the proposed parameters for budget holders in compiling detailed budgets. Training will be delivered which supports the delegation of budgets to individual budget holder level and ensure consistency.

Requests for new budget provision submitted by budget holders will be considered within the available funding envelope, with time allocated for review and moderation by Finance and SMT. Trustee input on any key/unresolved prioritisation decisions will be sought at Committee stage, where required.

5. Timeline

A Budget and Business Planning Timetable 2025/26 was set out for the Board in February, which included strategic priority workshops. The following detailed finance is planned for FY25/26:

Stage	Planned Date	Description
Budget Assumptions discussed with FAR	26 th March	Opportunity to discuss approach and key assumptions, prior to detailed budget review (in June/July).
Budget Holder training and templates issued	31 st March	Steer provided for budget holders, with reference to approved parameters.
Detailed budget preparation	April (deadline: 2 nd May)	Budget, drafting and review, involving budget holder input. Note: the intention is to allow at least an additional week for budget holder input than last year, following Staff feedback.
Budget Collation and Review	May 2025	Finance, SMT and Director/DoF stages of review
Budget Presentation	FAR – 25 June 2025 BoT – 23 July 2025	Budget for the year, in line with the principles and assumptions presented above.
Reforecast	Jan/Feb 2026	Informed by the first term performance, a comprehensive re-forecast of all budget lines.

6. Recommendation

The Finance, Audit & Risk Sub-Committee is asked to **approve** this proposed approach, framework and timetable for FY25/26 budget setting.