BUDGET BRIEFING 2016-17

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Attached to the end of this briefing is an itemised budget – this is in a two-page format, which will require zooming. If this is too small for you, please contact info@cusu.cam.ac.uk requesting an alternative format. Printed copies on A3 paper will be provided at Council.

Author of this document: Mark McCormack, CUSU General Manager & Jemma Stewart, CUSU Coordinator 2015-16 – on behalf of the CUSU Board of Trustees

FAQs, listed:

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Introduction to the Budget

This budget has been prepared by the Board of Trustees with support from the General Manager and non-trustee sabbatical officers (CUSU Coordinator and Welfare and Rights Officer).

CUSU’s Board are of the view that further University funds for the students’ union would not be forthcoming unless the Union can demonstrate to the University it is willing to focus its activities and expenditure, make difficult decisions and prioritise its activities. CUSU expects to sign a loss for the second consecutive financial year come the end of June. Furthermore, in recognition of the members’ overwhelming support to introduce a Disabled Students’ Officer, the Board are presenting to Council a budget that presents a modest surplus (amounting to 1.5% of turnover), yet which also requires the prioritising of resources towards core aims and objectives of the union.

CUSU’s Board want to see the union, in the advancement of its purpose for members, reduce risk attached to CUSU’s commercial activities, e.g. their ability to go wrong and then affect other areas of the union’s work. A key part of this is seeking to ensure the union focuses what limited resource it has on those areas of maximum benefit to their members (their beneficiaries) as a students’ union, a representative body. Importantly, the Board recognise the union could better demonstrate an ability to perform to budget as we aim to improve our credibility with the University for future funding rounds. The University are strongly encouraging CUSU to ‘focus’ work and better-define core activities (i.e. seek to do less, but better).

CUSU’s Financial Situation

Alongside a complex Collegiate environment in which to undertake its cross-Collegiate representation at Cambridge, CUSU suffers a complex funding situation. Much of the Union’s income is volatile in some way: affiliation fees are attached to political value measured by independent College unions; the University funds CUSU at only a fraction of that received by other unions, yet receiving approval for this fraction of funds with long-term security is rare and resource-intensive; and most ‘free’ income is generated from advertising, which is also resource-intensive, riskier and variable in yearly performance.

CUSU has healthy reserves. A recent poll of students’ unions found that the average reserves levels amounted to 20% of annual operating costs, whereas CUSU maintains at least 50% (currently at approximately 54%); this is consistent with CUSU’s Reserves Policy and as advised by CUSU’s auditors. The average unrestricted grant from universities to their students’ union is £1.1m per year and so most unions do not require vast reserves. Yet as CUSU relies on advertising income from hundreds of different clients throughout the year, if CUSU were to drop below six months of free reserves the union may risk affecting their liquidity (i.e. the ability to pay outstanding debts and wages etc).

The current model of income-generation, being focused on commercial expansion to fund increasing costs infers substantial risk to CUSU’s solvency ‘should’ some of the income
streams fail to meet targets in a given year (which should be expected from time-to-time). Surpluses 2011-2014 amounted to approximately £90-100k, yet losses of £6k in 2015 and £11k in 2016 expected, with CUSU’s recent higher turnover requiring reserves to be maintained around the £300k threshold or above (currently at £340k).

**Aims of the 2016-17 Budget**

CUSU’s Board, in presenting the budget to Council, have attempted to respond to the following developments that impact on resource commitments from 2016-17:

- Reduction in revenue capability of some income streams, particularly those involving print (incorporating rising costs and falling revenue).
- Increased size of sabbatical team (i.e. DSO increasing sabbatical team from six to seven).
- Increased organisational cost-base, with pensions legislation coming into effect in July for CUSU that requires increased on-costs for employees (employees includes sabbatical officers).
- Lack of University support for some funding items requested in this year’s annual University funding round therefore affecting a need to raise commercial ambitions in order to fund representative activity.

*These aims would be met by:*

1. Reducing the scope of CUSU’s commercial activities and entering into a broader shared service arrangement with the GU that would save costs for both unions, yet improve the service provided to members at their shared offices.
2. Ceasing print activities, which included requiring TCS and the Union’s Freshers Publications to go online only.
3. Deferring the election of the Coordinator (i.e. suspending any bye-election in Easter 2015-16), saving needed resource until a constitutional review can take place.
   a. The review would expect to identify the core representational needs of the union with its members, which were to be met by a sabbatical team more generally.
   b. The Coordinator’s responsibilities would be - temporarily, until future review - distributed across the existing staff and officer team, with modest resource provided to support the administration of CUSU Council and coordination of the Societies Fair.
4. Limiting any cost of living or inflationary increases to match the University’s decision for the following year.

The above are reflected in the budget presented to Council, which is ultimately subject to ratification by CUSU Council.
Overview of Budget, 2016-17

This overview shows the budget split into ‘headline’ income and expenditure areas (i.e. not itemised). A comparative document is attached as an appendix to this document, which members may find helpful in reviewing the budget presented.

<table>
<thead>
<tr>
<th>INCOME</th>
<th>4-yr Average Actual</th>
<th>2014-15 Actual</th>
<th>2015-16 Forecast Yr-End</th>
<th>2016-17 Budget presented</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Allocation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University Planning Round Allocations</td>
<td>116,382</td>
<td>115,613</td>
<td>212,323</td>
<td>160,845</td>
<td>1</td>
</tr>
<tr>
<td>University, Non-PR Funding</td>
<td>24,787</td>
<td>25,517</td>
<td>48,295</td>
<td>34,827</td>
<td>2</td>
</tr>
<tr>
<td>Affiliation Fees</td>
<td>101,059</td>
<td>97,667</td>
<td>97,000</td>
<td>98,000</td>
<td>3</td>
</tr>
<tr>
<td>Fundraising Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Services &amp; Fundraising (Excl Pubs)</td>
<td>220,394</td>
<td>226,097</td>
<td>189,184</td>
<td>206,200</td>
<td>4</td>
</tr>
<tr>
<td>External Publications</td>
<td>111,480</td>
<td>119,191</td>
<td>75,000</td>
<td>136,000</td>
<td>5</td>
</tr>
<tr>
<td>Membership events and activities</td>
<td>9,578</td>
<td>10,826</td>
<td>14,531</td>
<td>13,350</td>
<td>6</td>
</tr>
<tr>
<td>Donations and external grants</td>
<td>948</td>
<td>448</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Shared Activities Income</td>
<td>59,849</td>
<td>57,689</td>
<td>80,952</td>
<td>87,490</td>
<td>7</td>
</tr>
<tr>
<td>Bank Interest</td>
<td>1,521</td>
<td>1,579</td>
<td>900</td>
<td>1,550</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>645,997</strong></td>
<td><strong>654,626</strong></td>
<td><strong>718,485</strong></td>
<td><strong>738,262</strong></td>
<td></td>
</tr>
</tbody>
</table>
## EXPENDITURE

<table>
<thead>
<tr>
<th>Overhead and staff</th>
<th>4-yr Average Actual</th>
<th>2014-15 Actual</th>
<th>2015-16 Forecast Yr-End</th>
<th>2016-17 Budget presented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial, Governance &amp; Legal Admin</td>
<td>54,515</td>
<td>59,649</td>
<td>64,673</td>
<td>56,955</td>
</tr>
<tr>
<td>Overheads (Office Costs, Insurance)</td>
<td>26,012</td>
<td>25,362</td>
<td>26,085</td>
<td>27,485</td>
</tr>
<tr>
<td>Staffing Support Costs</td>
<td>108,233</td>
<td>137,775</td>
<td>157,049</td>
<td>171,518</td>
</tr>
</tbody>
</table>

### Core Activities

| Executive Administration           | 129,757             | 121,382       | 137,690                 | 146,527                   | 10                         |
| Membership Activities              | 121,988             | 119,696       | 130,410                 | 110,170                   | 11                         |
| Website Maintenance                | 10,932              | 13,390        | 23,147                  | 9,800                     | 12                         |
| External Affiliations              | 4,528               | 2,240         | 250                     | 310                       |                            |

**Costs of Generating Charitable Income**

| Costs of Generating Charitable Income | 131,047             | 120,639       | 119,749                 | 120,357                   | 13                         |

**CUSU-GU Student Advice Service**

| CUSU-GU Student Advice Service      | 48,910              | 61,132        | 70,360                  | 84,743                    | 14                         |

### TOTAL EXPENDITURE

| TOTAL EXPENDITURE                   | 635,922             | 661,266       | 729,413                 | 727,866                   |

| Surplus/(Deficit)                   | 10,075              | (6,640)       | (10,928)                | 10,396                    |

| Reserves Levels                     | n/a                 | 341,339       | 330,411                 | 340,807                   |
Overview of key changes to budget (i.e. budget page ‘notes’):

<table>
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<tr>
<th>Notes</th>
<th>Commentary</th>
</tr>
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<tr>
<td>1</td>
<td>Higher level of funds due to Guide to Excellence substitute funding in 2015-16, not included in 2015 PR.</td>
</tr>
<tr>
<td>2</td>
<td>Higher level of funds in 2015-16 due to WPPF (Uni-allocated project-funding).</td>
</tr>
<tr>
<td>3</td>
<td>Reduction in budgeted amount due to regular non-meeting of budget line (usually set at £101k).</td>
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<tr>
<td>4</td>
<td>Reduction in income levels in 2015-16 as a result of fall in print advertising and increased competition. Figure includes an increase in contracted income as part of shared service with GU.</td>
</tr>
<tr>
<td>5</td>
<td>Increase in funding for 2016-17 due to not receiving Uni funds for GtE in PR, however we expect to fill this with RMC funding in-year.</td>
</tr>
<tr>
<td>6</td>
<td>More membership activities: e.g. Sky, iCUSU fundraising.</td>
</tr>
<tr>
<td>7</td>
<td>Increased due to increased Uni funding.</td>
</tr>
<tr>
<td>8</td>
<td>Increase in 2015-16 due to investment in constitution.</td>
</tr>
<tr>
<td>9</td>
<td>Increased due to new location/move (some capital costs spread across future years from 2015).</td>
</tr>
<tr>
<td>10</td>
<td>Pensions legislation and cost of living increase (1% budgeted).</td>
</tr>
<tr>
<td>11</td>
<td>Reduction in expenditure in 2016-17 primarily as a result of reduced TCS expenditure.</td>
</tr>
<tr>
<td>12</td>
<td>Increased 15-16 costs due to WPPF.</td>
</tr>
<tr>
<td>13</td>
<td>Whilst this looks like ‘no change’, the addition of pensions legislation and more staffing (including in ‘costs of generating’ as recommended by Charity Commission) mean this looks like ‘no change’, however the expenditure has been reallocated (e.g. from print costs to service staffing).</td>
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<tr>
<td>14</td>
<td>Changes in staffing resulting in higher costs in 2016-17.</td>
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</tbody>
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Income sources

*University Planning Round Allocations, £161k (22% of all income)*

CUSU submits a funding proposal annually to the University’s [budgetary] Planning Round. Some funds allocated are recurrent (given annually, normally with a flat-rate uplift across the University), others are granted non-recurrent.

All but £2k of this resource is restricted to staffing support costs, contributing to the salary costs of four members of staff who support our income generation, accounting administration, our work with faculty and course representation and the Societies Fair. Approximately £40k of this figure refers to money granted to CUSU to support it to meet new pensions legislation as well as raise the average wage paid to employees at CUSU.

CUSU regularly asks for more resource from the University and was unsuccessful this year in efforts to increase institutional resource. According to the most recent survey students’ unions (63 respondents), the average block grant received was £1.1m per year (Oxford received over £0.6m in the same period).
Non-Planning Round income, £35k (5%)

This income refers to grants received for specific activities from separate funding pots, namely funds to reimburse CUSU the costs of the cross-Collegiate sexual health scheme and from Cambridge Admissions Office for aspects of Access and Funding work (e.g. Shadowing Scheme and Alternative Prospectus). These funds also help to fund some of CUSU’s staffing support.

Affiliation Fees, £98k, (13%)

CUSU sought support from the Collegiate institution this year to see that cross-Collegiate affiliation fees were paid by the College directly and not the JCR/MCR. No other students’ union outside Cambridge uses an affiliation fee model and CUSU has actively sought to remove the College transaction involved in the provision of student representation, arguing that the union is held accountable by an array of means few charities could compete with, including fortnightly student council, annual elections, audited accounts, regulatory oversight by the University (with four meetings per year), and a highly active student press. The Education Act 1994 directs CUSU to ensure no student is unfairly disadvantaged whether they choose to affiliate or not, which includes the provision of services.

Affiliation fees have been frozen since 2010, representing a £31k reduction in income over this period (due to inflation). It is once again proposed that affiliation fees are frozen at the rate of £6.70 per undergraduate, £3.00 per graduate, and £1.50 per PGCE student, for the year 2016/17.

Commercial Services & Fundraising

CUSU’s services and business activities refer to advertising in its print publications (Freshers’ publications, TCS), via the CUSU Mail Service and via its online platforms. CUSU also provides services, such as NUS Extra and cut-price printing at the Print Shop. Surplus generated from these activities is minimal as the union attempts to provide the most competitive price for its members.

Income generation from these activities is intended to meet income required for the union’s activities. For example, advertising in the Mail Service allows CUSU to fund a cross-Collegiate mail service for students who are not permitted to use the University’s mail service; advertising for the printed publications helps CUSU meet the costs of these; and advertising online helps CUSU pay for its website. Surpluses gained from any of the fundraising activities contribute to the broader costs of the organisation.

CUSU relies on its sponsorship more than any other students’ union due to its lack of University funding, yet advertising revenue levels can vary across the years and print advertising has become more expensive and less profitable (a medium-term trend).
External Publications Income, £136k (17%)

CUSU has a contract with a third party publisher to produce a careers guidance publication. Employers pay to be included, and the content is then developed into a mixture of editorial and advertorial guidance for students; in this way, CUSU seeks to generate funds for its charitable and representative work via activities consistent with its aims.

CUSU used to have two publications, however the Board of Trustees chose to bring one of these to close early (the Guide to Excellence), for which the University then offered funds to protect the union from any deficit (the University supported the Board’s decision to end this contract). Please note that Varsity’s article of Michaelmas 2015 published misleading information regarding the ending of this contract. In Michaelmas 2014 the University supported CUSU to close this contract by endorsing a Planning Round bid to substitute the income; whilst not included in CUSU’s approved funds for 2016-17, an in-year proposal for these funds is expected.

The publications income is important to CUSU as it has few overheads attached to it, therefore whilst it represents a fifth of CUSU’s free income, it effectively contributes more to CUSU’s free income.

Membership Activities Income

This income refers to at-cost services, such as the Sky subscription scheme and welfare supplies provided to students.

Shared Activities Income, £87k (12%)

This income refers to funds received by the University and the Graduate Union (GU) for their contributions to the Students’ Unions’ Advice Service, and for the shared sabbatical with the GU.

Expenditure areas

Financial, Governance & Legal Admin, £57k (8% of all expenditure)

This expenditure area includes CUSU’s annual audit, the cost of financial administration on a daily basis and legal and debt recovery costs.

Overheads (Office Costs, Insurance), £27.5k (4%)
Overheads include office printing and stationary, insurance and internet, telephones, cleaning, repairs and similar items required to help CUSU operate as an organisation. Whilst costs in this area generally go up each year, regular review means we make marginal savings as time goes by.

**Staffing Support Costs, £171.5k (24%)**

This is inclusive of the salaries, taxes and insurances of employees, as well as statutory pension contributions required by law. The amount shown includes modest provisions for training, development and expenses.

The majority of CUSU’s expenditure is related to staffing in some way (i.e. inclusive of elected officers and support staff). This is to be expected and is the same for most charities and non-profits: the work CUSU undertakes is primarily person-led; whilst large amounts of resource spent on wages may seem out of sync with campaign budgets, the reality is that budgets for individual campaigns rarely need large amounts of resource. Of course, if a large-scale campaign was developed and required major resource this could be considered by Council or the Board.

**Executive Administration, £146.5k (20%)**

Executive administration refers to sabbatical officer salaries, their training and development. CUSU’s Board of Trustees will propose an annual cost of living increase, or salary amount, to CUSU Council for elected officers. The current salary for an elected officer is £20k, and this budget proposes a 1% uplift for the following year. Other costs in this budget heading include Council expenses and part-time officer budgets.

**Membership Activities, £110k (15%)**

This expenditure area includes campaign budgets, costs of products for welfare supplies, a proportion of expenditure for the Freshers Fair (i.e. non-business participation in the event); and affiliated-group funding, such as the autonomous campaigns and TCS.

**Website Maintenance, 10k (1%)**

CUSU currently uses NUS’ online platform, which is tailored-made for students’ unions. Costs related to the site are attached to a platform licence agreement and maintenance fee.

**External Affiliations, £0.5k (-)**
CUSU currently affiliates to the National Union of Students (NUS). The affiliation fee is relative to block grant funding received. As CUSU does not receive a block grant, its affiliation fee amount is variable, however due to the union’s financial situation it will expect to pay £250 in 2016-17 as it did in 2015-16. The normal affiliation fee for a union, such as Cambridge yet with institutional funding, may expect to be between £6-£20k. CUSU also affiliates to the local charitable group the Cambridge Council for Voluntary Services.

*Costs of Generating Charitable Income, £120.5k (17%)*

Expenditure in this area directly relates to income generated in the comparative budget heading. Expenditure in this area refers to purchasing costs such as NUS Extra or products sold at the service desk, a proportion of printing costs and a proportion of the Societies Fair expenditure (as much of the income comes from businesses attending).

*CUSU-GU Students’ Unions’ Advice Service, £85k (12%)*

Expenditure in the Students’ Unions’ Advice Service is mainly made up of staffing costs of those working in the service, though other expenditure relates to insurance, casework and service expenses, equipment and furniture etc.

**Reserves**

“Reserves” are funds a charity keeps *in reserve*. Funds are kept to support a charity’s resilience against unforeseen events, or for committing to long-term investment initiatives, for example, drops in income or the demands of a new project.

CUSU’s draft 2014-15 accounts put the union’s reserves at £341,339.

CUSU’s Reserves Policy states that reserves should amount to six months operating costs. CUSU direct operating costs for approximately six-months, where CUSU were to face ultimate liabilities (i.e. exclusive of income-owned, asset worth or liabilities; inclusive of wind-up costs and redundancy provisions), would be £291,943. This operating expenditure is based upon budgeted expenditure for 2015/16.

CUSU’s operational turnover (i.e. annual income) was £696k in 2014, and reserves have been maintained at just short of 50% of turnover since 2010.
Frequently Asked Questions

1. Is CUSU in another ‘financial crisis’?

Relatively: no. Yet the union has for many years experienced a difficult funding model, for which there are financial pressures at present.

CUSU has healthy reserves, can pay its bills, and manages to undertake good work. Despite press articles to the contrary, the total loss expected for a two-year period is less than £20k, against three years prior to that bringing in surpluses five-times this. For an organisation with a turnover not far off £1m, this isn’t so bad. Plus, for its size, CUSU has better reserves than most students’ unions, and CUSU doesn’t receive the funding they do. To boot, whether students see it or not, CUSU achieves many things for students on a daily basis, and the union has progressively been getting better at it and is constantly trying to improve.

Yet at an organisational level the Board of Trustees have a legal responsibility to ensure the membership’s assets (i.e. the charity) are managed and the risk of major problems arising are reduced or removed. A key part of this is keeping on top of the union’s financial health and how well it advances its work.

A major hindrance to CUSU’s work is a multitude of complex funding constraints and sources, which coherent University support would subside. Cambridge is not only the only major UK HEI not to receive institutional funding for core and valued representation, it is the only Collegiate institution in the UK to not receive a block grant, which elsewhere funds its core services, elections, affiliations, staff and governance activities, and which at Cambridge is a relatively small amount of recurrent funding.

2. If CUSU is not in financial difficulty, why is the Coordinator, Freshers publications and TCS being cut?

The nature of the Collegiate institution means CUSU already has a difficult task in communicating its value and role to its members, as well as ensuring it is democratic and accountable. However the stress on funding makes this much worse: if members choose to have a new sabbatical role, the trustees must reconcile this decision within a funding framework and consider difficult decisions; i.e. the union has decided to prioritise an activity, and so the union may be minded to consider looking at what it is willing to stop doing to divert full attention to a matter so strongly supported by students.

Whilst not the only changes inferred in the budget, the obvious ones that members will notice concern the deferring of the Coordinator and removal of print publications.

CUSU has a large sabbatical team in comparison with other students’ unions (average sabb numbers are 4.5), and other unions who have greater funds than CUSU. Whilst not being budgeted for, should the members feedback – in a constitutional review - that the
Coordinator fills a representational deficit felt by the membership, then the issue of funding will be revisited.

In the proposed budget, Freshers publications and TCS are not being cut; they are still being funded, however the printing of these publications is being cut (a provision for a Freshers print edition of TCS will remain).

These are, ultimately, all subject to the approval of CUSU Council.

3. Didn’t CUSU stop engaging in external contracts with publishers?

No. CUSU stopped one publication and sought University funds to remove its reliance on advertising and licencing. CUSU has always been open about its need to be enterprising in order to funds its representational work. In particular, CUSU has never stated that it had brought to an end its publication on careers and employability.

4. Why is CUSU projecting a profit?

CUSU is constitutionally bound to project a surplus (or break-even budget). CUSU has a large turnover and, as already stated, recognises its funding sources can be difficult to predict from one year to the next.

Therefore it is prudent to budget within the union’s means; and to seek to maintain healthy reserves. Despite general financial competence, a narrative of incompetence has managed to stick in some areas of the Collegiate University environment to the extent that CUSU’s ability to project a positive, realistic budget it will meet does affect the way CUSU achieves its aims and improves on its credibility.

5. What do staff do?

In the first instance: staff at CUSU support elected representatives to achieve what they want, or are mandated, to achieve. In the second: staff help the union retain institutional memory and resource officers get up-to-speed quickly; help the union develop over time; and look after statutory compliance (of which there is a lot for students’ unions).

Staff are prohibited from taking part in democratic processes of the union, and are overseen by the Board of Trustees. Staff are allowed personal views at work, but unless expressly permitted by officers are not allowed to comment on behalf of the union, i.e, on behalf of members.

Elected Officers should lead the policy and student voice work of CUSU, and are ultimately – with the trustees – for the union. As such CUSU has specific policy on the role of staff (the Staff-Student Protocol). However the staff team is hugely important to bringing elected-officer ideas to life, and overseeing and enacting the implementation of projects, always retaining what the elected officer wants to achieve within the delivery of each project.
The General Manager is the senior manager. The role works closely with the elected officers; is responsible to the Board; and is responsible for the staff and services. CUSU employs the following staff roles:

- General Manager
- Fundraising and Services Manager
- Financial Process Manager
- Advice Service Manager
- Student Advisor
- Membership Engagement Coordinator
- Design & Communications Coordinator
- Representation & Change Coordinator
- Sales Coordinator
- Service Assistant
- Mail Service Coordinator

6. What about salary costs?

CUSU’s Board of Trustees sets pay for the organisation and reviews rates of pay annually. These discussions and agreements are confidential: staff are not representatives; they receive a wage like any other person in a job; and therefore it would be unfair for their salaries to be determined annually by a Council of students and to be made available for critical assessment.

Wages are calculated by considering the skill, knowledge and experience level required to perform the role effectively, the competitive salaries offered by comparable organisations, the values CUSU generally promotes concerning fair pay, and the limited resource the union has. The average salary at CUSU is £26k per year.

An article regarding the General Manager’s pay in 2013 was untrue - The Tab reported that the General Manager received a salary equivalent to a budget-line that included taxes and insurance as well as training and development costs.

7. Who are the trustees?

Trustees are the guardians of the union’s assets by law. Four of the six sabbaticals are trustees, and there are two student lay members, and two external trustees who bring broader experience to the governance of the charity.

Charity law requires that the union’s assets are applied only in furtherance of its objects as set out in its constitution. Trustees must ensure that assets are not used for extraneous purposes. It is also a requirement of charity law that the charity’s activities are for the public benefit so trustees must ensure that the charity’s activities are focused on carrying out the charity’s purposes to this end rather than being seen as a vehicle for private benefit for the members.
Assets should be understood broadly in terms of not only direct expenditure of funds, but also for example use of charitable property or use of the time of employed sabbatical officers.

The Trustees are also under a legal duty to act in the best interests of the charity. This involves making balanced and informed decisions about what will best enable the charity to carry out its purposes.

8. What is the current viability of CUSU’s advertising/sponsorship income streams?

There are lots of positives about CUSU’s ability to generate income via advertising and sponsorship for its members: it has excellent access to the student population; it can pick and choose which businesses to work with; it has great connections and a large database of contacts; and its generally good at delivering for businesses who wish to get the attention of students).

Yet there are some challenges:

- If, for any reason, advertising income falls short of target, the relative impact is bigger (say in comparison with other expenditure areas), and it produces greater organisational stress on people and resource.
- Print advertising has been in long-term decline.
- Most businesses want to place adverts in Michaelmas, which means receiving less income, alongside consistent costs through the year.
- As CUSU needs to generate as much resource as possible to meet its outgoings, it has a lot of products to offer businesses (various publications, events, etc.) - for many businesses, there are too many products to choose from.

As the cost of print is so high, any failure to meet revenue targets has a disproportion effect on the charity's bottom-line - it creates greater negative margins too easily (e.g., in comparison with shop sales which cost less to acquire but have lower margins, therefore a shortfall in commercial performance may be around £2k as opposed to £20k for publications).

This lowering of risk, as well as having fewer products to sell with lower revenue rates to fulfil, either means we need to attract more clients paying much less, or fewer clients paying less. Therefore the need for full-time sales activity beyond the summer months is undermined.

9. What was the rationale for proposing, via the budget, that TCS become an online-only newspaper?

The cost of the paper has for some time outweighed the revenue it brings in. In recent years online sales (as a proportion of TCS revenue) have grown from 10% pre-2014, to 17% last
year, and up to a forecasted 33% this year. Where we would spend up to 20% of web revenue on web maintenance and development, print costs vs print revenue made a loss of £273 last year and a projected loss of £12,400 this financial year.

Included in the rationale for moving online was a recognition of CUSU’s carbon footprint. CUSU produces hundreds of thousands of printed publications annually and students have fed back to us that they are not happy with the number of TCS papers printed and distributed each week (9,000).

Profit margins aren’t the most important criteria for CUSU’s decision-making, however we do try to gather modest surpluses in the very least so that we can continue to fund work for students. Further to this, activity that involves advertising to our members on behalf of third parties or that is supported by staff in the Business Team, would normally seek to create profits that can be reinvested into the union’s representative work.

10. Rather than cutting print, could the paper not be reduced, invested in or other options regarding TCS considered?

An option mooted was to fund the paper for one year to give TCS volunteers an opportunity to become less dependent on CUSU financial input. Included in this was a proposal to reduce print costs and print fewer editions. The Board decided to continue with the proposed budget despite these proposals:

- The Board of Trustees were in agreement that CUSU’s finances needed to be under control and that demonstrating CUSU’s financial competence to members and the University was of utmost importance, and key to this would be focusing on the core objectives of the students’ union when it came to resource allocation.
- CUSU values what TCS does and is; TCS complements a very active and high quality student press in Cambridge; and offers a credible alternative to other media sources Cambridge students have. Student journalism differs from representational work and if resources are limited, decisions need to be made to prioritise representational work where possible – the proposed budget continues to fund TCS, but online only.
- The relative margins achieved by the reduction in print cost (as opposed to removal of print cost) still required CUSU to invest in the paper and accept risk for any financial shortfall at the expense of other activity that wasn’t student media. I.e. the risk of any commitment not being met by delivery would be met by CUSU.
- There is a limited market for attracting advertising spend in Cambridge. By retaining a print publication, CUSU is still required to either sell an additional advertising product (and therefore commit resource to it) or reduce the capability of other advertising products to perform.
- CUSU was keen to approach the University with TCS in a future funding round to explore University funding in the future that may bring back a printed edition.
- In any decision to ‘invest’ in TCS, the Board had to consider whether it was right to ‘invest’ when the union had experienced successive year-end losses, and whether if it were to invest in something, a print edition of TCS was the most important piece of work to invest in. For example, ‘Freshers publications’ or a more developed
communications capability might be areas for increased investment, areas which students and the University have consistently told CUSU it needs to improve on and for which the University turned down a funding proposal for this year.

The Charity Commission advises that there “is no single level or even a range of reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity.” (SOURCE: CC19, Charity Commission guidance). The Charity Finance Group (CFG) states: “Well run organisations manage their long-term financial requirements, liquidity and cash flow to ensure that they get the most value out of their assets for the benefit of their beneficiaries (SOURCE: Beyond Reserves: How charities can make their reserves work harder”).

11. What alternatives were discussed by CUSU’s Board of Trustees?

There are few options that could easily source the resource required as CUSU is already very lean. Much of the expenditure allocated is needed for compliance or risk management purposes (e.g. provision for unpaid debts or overheads). Yet when putting together the budget the Board were required to find £70k to create a break-even budget due to increased costs and reduced commercial expectations.

The available options to the Board were to find additional income, or reduce an area of expenditure. In the former, the only available area for increased income-generation is affiliation fees. For the former, the options are ‘do something differently’, or ‘stop doing something’. In this regard, the Board considered restructuring the work of the organisation, addressing how it directs funding allocation across the budget; it considered CUSU’s workforce (sabbatical or staff teams), non-pay costs such as representational budgets and publication costs and website costs.

The Board could look to cut up to £22k from representation and campaign budgets, but these were considered absolute core purpose of the charity above other activities the union might fund; this would also mean cutting the Big Cambridge Survey, Reclaim the Night, all Council campaign funds, and the Student-led Teaching Awards, each of which are key enablers of the union’s core work.

The Board considered reducing the size of the sabbatical team and proposed reducing this, at least temporarily whilst the membership considered the roles required in the future. This would allow the union to explore further funding opportunities in the future.

The remaining options are to, either: reduce size of the staff team, which supports other core activities and income generation, and ranges from compliance to mission advancement, some of which are funded via grant funding for specific purposes; or, raise affiliation fees, which would risk disaffiliations. Unfortunately reducing (not removing) production levels of print items, such as TCS or Freshers publications, will not make sufficient resource available nor reduce the risk attached to the outlay required for the paper production.
The Board’s decision-making was based upon protecting and advancing core purpose of the charity where possible, which included considering the impact of any cuts or changes on existing team; impacts on student service or representation; reputational consequences and knock-on financial uncertainty affected.

For example, if we remove one officer or staff role, it was important to reconsider the impact this would have on CUSU’s outputs more generally. As explained in this briefing, CUSU seems well-staffed, however remits at the union are very large as there are few people to do the breadth of work required of the union or for which the union has committed to on behalf of members; the breadth of work from support staff (from accounting, to communications, to governance, to sales and fundraising, to charity compliance etc) also requires staff support with specialist experience of knowledge. Therefore if work is passed across the team, the Board considered of the knock-on impacts of this. In this regard, the Board are proposing to change the way some of its staff work and sharing some activities with the GU.

12. What about due process in-line with the constitution? Does this undermine the budget process?

CUSU’s Constitution requires that CUSU Council approve the budget each year. The Constitution also provides for the communication of the budget to members in advance of their approval, and mechanisms to discuss and approve the budget.

Council members should note that the Charity Commission would expect a charity to follow rules set out in its constitution, however it would also expect to see a charity acting in the spirit of that constitution where relevant and not to be impeded by poor constitutional precedent or restrictive covenants that may hinder the advancement of the union’s charitable objects or the legal responsibility of the charitable body or its trustees (who in CUSU’s case are individually responsible for the charity’s affairs on behalf of the members).