Cardinal Hume Centre

Business Plan 2020-23

Appendix One

Financial Plan 2020-23

Business Plan 2020-23:

Appendix 1 to the Business Plan

Introduction

This paper provides financial support to the business plan. There are three key themes:

- Planning for recurrent financial balance by eliminating the recent financial deficits. At the end of 2019/20, this deficit is in the region of £230k. In 2020/21, the Centre is aiming for financial balance through a combination of increased income and reduced expenditure.

- Planning for a surplus in Years 2 & 3, mainly through growth in Voluntary Income. Any surplus will be invested back into the Centre services.

- Ensuring the financial plan supports the business plans goals, by providing the funds to appropriately resource the Centre. This is especially important for 20/21 when our savings program will be a priority.

Indicative Financial Position

The table outlines the route to surplus. By eliminating the historic deficit through a combination of cost reduction and income measures, future Income growth will both cover inflationary pressures and provide funds for reinvestment.

Growth in voluntary income will be realisable due to the new business plan goals, which make a more compelling story for funders.

		2020/21 £m	2021/22 £m	2022/23 £m
Income				
	Voluntary	1.92	2.05	2.30
	Statutory	0.43	0.43	0.43
	Rental	0.42	0.42	0.43
	Other	0.09	0.11	0.11
Total Income		**2.85**	**3.01**	**3.27**
Expenditure				
	Staffing	2.15	2.19	2.24
	Non-Pay	0.53	0.54	0.55
	Depreciation	0.17	0.18	0.19
Total Expenditure		**2.85**	**2.91**	**2.98**
Financial Surplus / (Deficit)		**0.00**	**0.10**	**0.30**

If the Centre is not able to generate a surplus, it cannot reinvest. Protection of the financial balance and reserves are a key indicator of the ability to invest. We will make investment decisions according to criteria that will satisfy strategic, operational and financial objectives.

Income

Over the three year period, the Centre is planning to increase its income by 14% , (5% in Y2 and 9% in Y3). This increase reflects the ambition in the business plan by focusing on core goals to demonstrate our benefit.

The increase is expected to come mainly (but not exclusively) from an increase in voluntary income.

Voluntary Income

The focus is to grow through diversification and utilising the new business plan to generate stronger cases for support.

At present, Trusts and Major Donors combined account for 44% of Voluntary Income (£871k). There will be greater focus on relationship management and expanding the breadth of application to Trusts and by bringing new major donors on board.

Individual Donations are equally important (22%) and it is hoped that a new role of Individual Giving Officer will bring in new donors in Years 2 and 3 and support the stewardship of our current supporters. Individual donations are currently split evenly between regular giving and once-off donations.

Corporate and Community groups generate less income (18% combined) but they are powerful tools in terms of The Centre’s image and reputation. Given our location, we will be seeking to expand our support from Corporates and support from Community groups is already healthy.

Although income from the Shop has increase in recent years, it remains only just economically viable and in order to continue as a Shop, income has to increase significantly. This will require greater focus on retail business principles and we plan to model the operations on more successful charity retail arms in future.

Removing legacies from budgeting will not reduce our commitment to increasing this income stream. Recently we have registered with Smee & Ford, a company dedicated to charity legacy notifications. It is anticipated that this support will increase the value of legacies, but this may take time.

Non-Voluntary Income:

Supporting People

Currently, the Centre activities are restricted by our Supporting People Contract, which is funded by Westminster to provide support to Hostel residents. The current contract is due to expire in March 2021 and the council is in the very early stages of discussion with current providers. The business case assumes this contract will continue at the current rate.

In the event we do not retain the contract, we estimate a £100k adverse impact on our financial position, with the loss of £400k of income offset by £300k of staffing costs.

UASC ESOL Support

Our contract with Westminster is worth £25k per annum and funds one part-time post. We assume this funding will continue.

Residential Income

Year 1 of the Business Plan is assuming an increase of 42% to £416k. In Years 2 & 3, we expect modest increases. There will be focus on continuing to minimise voids and we are continuing to develop a framework for ensuring robust cost allocations, which ensure our submissions to the council are reflective of true cost. At the present prices and availability, maximum income is £435k per annum and the gap is the allowance for voids.

Other Income

It is hoped that the new business plan would enable us to consider more partnerships and whilst none of these would have significant impact on income, cumulatively they would prove valuable. Several potential partners have recently approached us and going forwards, we will continue to evaluate the likely benefit and income of each.

Expenditure

- **Staffing.** The Business Plan assumes that the core staffing levels remain static following the Year 1 savings project i.e. around 60 staff. The plan assumes a 2% annual uplift for salaries.

  The enabler goals will be instrumental in demonstrating positive outcomes and is likely to require some investment (in both staff and systems).

  Financial balance is a 'zero-sum game' and until we have identified further savings or generated additional income, the growth planned for Years 2 and 3 is unlikely to occur and this is likely to require a more flexible approach to the HR strategy.

- **Non-Pay.** Throughout the term of the business plan, Finance will continue to apply the same levels of rigour to our long-term contracts. The Centre aims to develop its oversight over Procurement to ensure it obtains the best prices and value for money. We will strive to offset the impact of inflationary pressures through sourcing at better prices. The Business Plan assumes that across non-pay, prices will increase by £20k per annum. Our procurement goal will therefore be to offset this increase through the improved procurement.

Capital Investment

We are proposing a £50k annual allowance to facilitate a rolling capital replacement programme, to reinvest in Premises and IT.

	Year 1	Year 2	Year 3
Asset replacement	£50,000	£50.000	£50,000

The Business Plan articulates ambitions to develop the Hostel. This will require significant investment and there are plans for a feasibility project, but at this stage, it is too soon to provide detail. The ability to fund this project will be dependent on our ability to generate a financial surplus and availability of external funding e.g. Section 106 monies from Westminster.

Reserves and Cash Management

Financial planning will continue to focus on keeping our reserves at agreed levels. The Centre is developing a new model that will be developed in forthcoming financial year to ensure the robustness of our reserves policy.

Historically, the Centre has a skewed Voluntary Income plan that creates a risk to cash balances e.g. in 19/20 37% of Voluntary income is forecast in Quarter 4.

To mitigate the risk to income, both the non-pay and capital plans will profiled according to income. This will only provide a level of mitigation in case of failure to bring in income, but is an important concept to adopt. Clearly, this is not possible with the staffing costs, but to some extent, our management of vacancies will contribute to this risk mitigation.

The Centre will review the financial plan annually.

Cardinal Hume Centre
Turning Lives Around

3-7 Arneway Street
London
SW1P 2BG

Tel: 020 7222 1602

www.cardinalhumecentre.org.uk

Charity no. 1090836