

Meeting of the South Bank University Enterprises Ltd Board

2.00 pm on Tuesday, 23 July 2019
in Clarence Centre for Enterprise and Innovation

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
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Agenda Item 9

	CONFIDENTIAL
Board/Committee	SBUEL Board Meeting
Date of meeting:	23 July 2019
Paper Title:	Employment agency update
Author:	Phil Newman, Deputy Director Head of Acad
Recommendation:	For information

Executive summary:

The Board are requested to note the update on the employment agency progress since the last meeting.

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SBUEL Board Meeting 23 July 2019 – LSBU Employment Agency updates

In addition to delivering all major internal LSBU projects as reported in April, the Agency have secured external contracts with Lambeth College, South Bank UTC, South Bank Engineering, Southwark Council and Location Works. As a consequence, the Agency have filled 3279 positions this financial year at a cost per hire of £15.13, compared to the 17/18 cost per hire of £36.54 which in the main is due to the increased number of hires, and exam invigilation positions being delivered internally.

As confidence in the Agency continues to grow among stakeholders, particularly in relation to the ability to source talent and executive searches, an increasing number of permanent positions have been advertised and recruited via the Agency, most notable of which was for the vacant Director of Branding position at grade 11. To date LSBU Employment have billed £16,250.90 in permanent fees including specialist I.T grade 8 roles, various Technician roles and 2x Project Management positions, saving the University £10,245.

Current projects includes work on 6 new permanent vacancies ranging from grade 4-8 across various sectors; July/August exam invigilator resits (800 shifts); LSBU and Lambeth College enrolment; Clearing, Graduate Internship (up to 110 positions); UAE & UTC exams, Southwark Council voting, several Southwark Council projects and BMW Nine Elms (Park Lane switchboard imminent) and Mini Cooper reception work.

To also highlight a major contribution to the student offering, the Agency would like to inform the board of a new partnership with Elephant Studios, formed to create an ACI student talent pool to help commercialise the studios which will assist in the prevention of up to £1million a year in lost revenue.

Financials

LSBU Employment targets for 18/19 were £180,000 external sales and £385,000 internal sales, (total 565,250), resulting in a total impact on LSBU of (£80,684) in year 2 of operations. The agency has been largely focused on internal placements and has achieved sales in this area £755,660 and external sales of £82,228 (Total £862,769) as of July 2019. This has resulted in a larger VAT saving of £137,292 and the current total impact on LSBU is £17,069.00. (Mansum Report attached).

Staffing

The team at present is at full capacity and is fully resourced. An overview of the staff is currently being conducted to ensure that the Agency remains competitive in recruiting and retaining expertise of dedicated staff. It has been identified that the staff at the Agency do not benefit from annual spinal point progression, or bonus

functions within their contracts as incentives for generating income and to this end, it has to be acknowledged that it will remain a challenge to recruit to the Agency as it lacks similar financial incentives that recruiters can offer elsewhere, an issue which is already impacting current recruitment. It has also been identified that the Agency's office space is not fit for purpose, and in order to expand the business, increase staffing, and provide an environment conducive to the needs of the business, particularly in relation to ergonomics, customer service and partnership working, work is already underway with the Estates team to draw plans and provide costings to make best use of the current location.

2019/20 Budget

The following has recently been agreed with the finance and reporting team in adherence to the business case authored in 2016/17, reflects growth in relation to external income, Keystone costs and overall OpEx.

Please note that previous assumptions of the core staff budget containing sufficient funds for 2 additional staff are incorrect.

	A	D	E	G	R	S	T	U
1								
2								
3		2018 forecast (using P11 actuals)			2019 budget suggestion per Phil cost increases removed			
4								
5								
6	External income	(82,228)			(125,000)			
7	Internal mark up	(70,384)			(75,000)			
8	Total income	(152,612)			(200,000)			
9								
10	Workers inc Keystone % (cost of external sales)	70,652			107,403			
11	Core staff (Emma, Nicoleta, Tara, Layo)	166,832			168,348			
12	Core staff increase per Emma (one additional person)							
13	Temp staff	5,000			5,000			
14	Temp staff increase per Emma (just the balance to £225.4k)							
15	Total staff	242,484			280,751			
16								
17	Opex	59,075			59,975			
18	Opex increase per Emma							
19	Total income	59,075			59,975			
20								
21	Contribution	148,947			140,726		134,729	Potential hole in Anna's budget
22								
23								
24	The external income generates a profit of approx 14%							
25	Therefore to generate £10k of contribution, we need sales of approx £70k							
26								

Recommendations

A temporary moratorium is requested on delivering actions stipulated during the last board update, most importantly “*Further information on employment agency progression, especially in relation to recruiting more staff*”.

For a number of reasons, it has not been possible to agree on a satisfactory financial model which will recognise growth within the Agency, and with Align impacting upon the university budget setting process, coupled with major capital projects, dedicated time has not been afforded to complete this task.

A full review of the Agency is currently being conducted, and to this end, we would request a short period of time to revisit the original business case and offer an amended version. It is imperative we take into consideration the changing needs of the business and provide solutions to a myriad of new developments, including;

- Exploration of the full commercial potential of the Agency, incl the introduction of additional desks
 - Full analysis of the external temporary market.
- Staffing and resources as indicated above – full feasibility study of team’s proposals and contribution to revised business case.
- Establishing the Agency’s role within the LSBU family (potential £1.2million contract takeover from Morgan Hunt at Lambeth e.g.)
 - Recharging UTC, UAE and saving recognition.
- Understanding the London Living wage, not currently adhered to by all family, potential reputational damage to the University.
 - Client pay rates – not all clients are signed up to LLW foundation, and a clear indication as to the priority of engaging with these clients. Disparity with this and LSBU Recognised Service Providers agreement.
- Future projects with Southwark (EU Referendum e.g.), in addition non project based professional positions.
- Imminent changes to the enrolment delivery which will have an impact on internal income and have a subsequent effect on external sales.
- The development of the internal executive search facility which will result in further fee and VAT savings.
- Identification of graduate level permanent opportunities for LSBU graduates which will have a positive impact on employability metrics.
- Exploration and potential bid by the Agency in relation to the outsourcing of recruitment to Recruitment Process Outsourcing (RPO) or Managed Service Provider (MSP). As LSBU permanent recruitment service, the Agency would provide considerable savings on VAT and commission.
- In house provision of payroll currently conducted by Keystone (savings).

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	External sales	Internal sales	Enterprise interns into Student	Winter interns into Employability	Summer interns into Business	Operating costs	Consolidated position	Remove recharge journal	Total per Management accounts
External Income	(82,228)						(82,228)		(82,228)
Internal mark up		(68,544)	(816)	(212)	(812)		(70,384)		(70,384)
Internal recharge		(687,117)	(10,202)	(2,665)	(10,173)		(710,158)	710,158	
Additional charge to Employability									
Total Income	(82,228)	(755,660)	(11,018)	(2,877)	(10,986)		(862,769)	710,158	(152,612)
Agency staff cost	68,338	660,361	9,756	2,570	9,699		750,724	(682,386)	68,338
Keystone transaction costs	2,314	26,101	447	95	474		29,430	(27,116)	2,314
Permanent Staff						122,240	122,240		122,240
Addl staff costs						24,097	24,097		24,097
Total Staff	70,652	686,461	10,202	2,665	10,173	146,337	926,491	(709,502)	216,989
Gross margin	(11,576)	(69,199)	(816)	(212)	(812)	146,337	(81,803)		(81,803)
Gross margin	14.1%	9.2%	7.4%	7.4%	7.4%		9.5%		9.5%
Staff Related						2,650	2,650		2,650
Marketing and PR						7,007	7,007		7,007
Student Related									
Computing									
Maintenance & Other Estate									
Financial						468	468		468
Communications						41,692	41,692		41,692
Legal & Professional									
Subscriptions and Membership Fees						803	803		803
Photocopying and Stationery						1,026	1,026		1,026
Other						53,647	53,647		53,647
Total Opex	(11,576)	(69,199)	(816)	(212)	(812)	199,984	117,368	655	118,024
Contribution	(11,576)	(69,199)	(816)	(212)	(812)	199,984	117,368	655	118,024
Approximate VAT Saving on Internal Agency Staff <i>There was no VAT on the interns as they were previously paid through LSBU payroll</i>		(137,292)					(137,292)		
Additional Keystone transaction costs, that were previously not incurred as on LSBU's payroll			447	95	474		1,015		
Internal mark ups that the hiring departments would not have paid previously - money that would have been spent on giving students opportunities			816	212	812		1,840		
Net Impact to LSBU	(11,576)	(206,491)	447	95	474	199,984	(17,059)		

	Business Case 18/19	Achieved to date 18/19	Remaining to the end of the Year	Total 18/19
External sales	(180,000)	(82,228)		(82,228)
Internal Sales (Previously Agency)	(385,250)	(755,660)		(755,660)
Internal Sales (Previously Payroll)		(24,881)		(24,881)
Total Income	(565,250)	(862,769)		(862,769)
Costs of External sales	153,893	70,652		70,652
Costs of Internal Sales (Previously Agency)	343,694	686,461		686,461
Costs of Internal Sales (Previously Payroll)		23,041		23,041
Total Costs of Sales	497,587	780,154		780,154
Staff	158,495	146,337	13,410	159,747
Opex	47,852	53,647		53,647
Bad debt provision	9,000			
Contribution	147,684	117,368	13,410	130,779
VAT Savings		(137,292)		(137,292)
Additional Keystone transaction costs	(67,000)	1,015		1,015
Additional internal mark up		1,840		1,840
Total impact on LSBU	80,684	(17,069)	13,410	(3,655)
Margin savings on internal placement	13,250			
Per Business Case	93,934			
In Pipelin				
External 55k (Southwark, UTC)				
Internal 90k (Exam invigilation)				

Full Year Outturn Last Year (£)	YTD Actuals Last Year (£)	Description	Code	Client	FULL YEAR				YEAR TO DATE				Full year Forecast less Actual YTD (£)					
					2018 Forecast (£)	2018 Budget (£)	Variance - Forecast to Budget (£) %		Note	2018 Actuals (£)	2018 Budget (£)	Variance - Actuals to Budget (£) %		Note				
(5,000)		Contract Research income	1685	SL														
(5,000)		Enterprise - Research Related Activities																
(36,895)	(136)	Employment Agency Income	1681	SL	(56,205)		56,205			(82,228)		82,228						26,023
(38,683)	(23,802)	Agency Staff Recharge Mark Up	1683	SL	(55,592)	(180,000)	(124,408)	-1		(70,384)	(165,000)	(94,616)	-1					14,792
(75,578)	(23,939)	Enterprise - Other			(111,797)	(180,000)	(68,203)	(38%)		(152,612)	(165,000)	(12,388)	(8%)					40,815
(80,578)	(23,939)	Total Income			(111,797)	(180,000)	(68,203)	(38%)		(152,612)	(165,000)	(12,388)	(8%)					40,815
72,687	64,359	Support Permanent Staff	2200	SL	166,832	166,832			122,240	152,929	30,689							44,592
72,687	64,359	Support - Permanent staff			166,832	166,832			122,240	152,929	30,689	20%						44,592
29,179		Agency Staff External	3090	SL	50,349		(50,349)		68,338		(68,338)							(17,989)
1,413		Agency Staff External Keystone Invoices	3091	SL	792		(792)		2,314		(2,314)							(1,522)
11,031		Agency Staff Internal Keystone Invoices	3092	SL	22,095		(22,095)		27,116		(27,116)							(5,021)
469,871		Agency Staff Internal	3093	SL	546,559		(546,559)		682,386		(682,386)							(135,827)
(480,902)	(25,800)	Agency Staff Recharge Lsbu Recruitment	3094	SL	(568,850)		568,850		(710,158)		710,158							141,308
4,202		Agency Staff Recharge From Lsbu Recruitment	3095	SL	17,828		(17,828)		24,097		(24,097)							(6,269)
		Agency Staff Costs	3099	SL	5,000	5,000				4,583	4,583		1					5,000
34,794	(25,800)	Third party staff			73,773	5,000	(68,773)	(1,375%)		94,093	4,583	(89,510)	(1,953%)					(20,320)
107,482	38,559	Total Staff Costs			240,605	171,832	(68,773)	(40%)		216,333	157,513	(58,821)	(37%)					24,271
57		Travel - UK	3100	SL	1,000	1,000				913	913		1					1,000
		Subsistence	3104	SL	968	2,000	1,032	1		1,837	1,837		1					968
	(211)	Staff recruitment advertising	3121	SL	2,650		(2,650)				(2,650)							
(154)	(211)	Staff Related			4,618	3,000	(1,618)	(54%)		2,650	2,750	100	4%					1,968
368	368	Other Publicity	3404	SL	7,382	9,000	1,618		7,007	8,250	1,243							375
960	960	Merchandise	3406	SL														
1,328	1,328	Marketing and PR			7,382	9,000	1,618	18%		7,007	8,250	1,243	15%					375
329	2,329	Furniture	3509	SL														
2,329	2,329	Maintenance & Other Estate																
139	4,590	Management Charge	4415	SL	400		(400)		468		(468)							(68)
139	4,590	Financial			400		(400)		468		(468)							(68)
171	171	Telephone call charges	4602	SL														
171	171	Communications																
		Insurance	5200	SL	1,030	1,030			1,017	946	(71)							13
40,678	40,678	Consultancy Costs	5403	SL	40,676	34,000	(6,676)	-	40,676	31,163	(9,513)							
40,678	40,678	Legal & Professional			41,706	35,030	(6,676)	(19%)	41,692	32,109	(9,583)	(30%)						14
		Professional Bodies Subscription	5102	SL	1,200	1,200				1,100	1,100		1					1,200
		Subscriptions and Membership Fees			1,200	1,200			1,200	1,100	1,100	100%						1,200
132	132	Stationery Expenses	5050	SL	1,347	1,545	198		22	1,419	1,397		1					1,325
307	307	Canon room	5402	SL	198		(198)		780		(780)							(582)
439	439	Photocopying and Stationery			1,545	1,545			803	1,419	616	43%						742
3,745	2,347	Miscellaneous Costs	5404	SL	2,224	9,300	7,076	1	999	8,525	7,526		1					1,225
		Food Costs	5500	SL					28		(28)							(28)
3,745	2,347	Other			2,224	9,300	7,076	76%	1,026	8,525	7,499	88%						1,198
48,675	51,671	Total Other Operating Expenses			59,075	59,075			53,647	54,153	506	1%						5,428
75,579	66,291	Contribution			187,883	50,907	(136,976)	(269%)	117,368	46,666	(70,703)	(152%)						70,514
		Contribution %			(168.1%)	(28.3%)			(76.9%)	(28.3%)								
75,579	66,291	Contribution After Internal Allocations		SL	187,883	50,907	(136,976)	(269%)	117,368	46,666	(70,703)	(152%)						70,514
		Staff costs as % of income			215.2%	95.5%			141.8%	95.5%								