

Imperial College Union
SGI Overspend Issues

A paper by the Deputy President (Finance & Services) and Membership Services Manager

Executive summary

In July 2009 responsibility for Clubs & Societies finances passed from the Finance team to Membership Services; together with responsibility for the practical financial processing came the need to investigate various previously unattended to issues, one of which was Self Generated Income (SGI) overspends. The executive has received various updates surrounding elements of overspend SGI for Clubs & Societies over the previous four months. As previously requested, this paper pulls together the findings to date and suggests seven recommendations. The list of Clubs & Societies with a negative balance in their SGI as at 30th June is given in Appendix 1, it should be noted that of the 64 groups on the list, solutions for 22 are outlined in this paper. In essence this paper recommends a bill to the Union of up to **£116,513.63**, resulting from historic issues around Clubs & Societies at Wye (£75,124.18) and accounting errors which have occurred in the last two years. Investigations of the remaining 42 Clubs & Societies on the list will be carried out over the next six months.

Wye

At the meeting on 29th April the Executive received a report on the SGI overspends resulting from the Clubs & Societies at Wye, amounting to a debt of £75,124.18. The Executive resolved to investigate ways in which funding could be found to cover this debt.

To date funds from a College Trust originating from Wye have been secured, and the President is pursuing further funding from the College. We have been advised by the Head of Finance that there is a need to formally write off this debt in this financial year, regardless of if, or when, any funding to cover the debt will be received.

Recommendation 1: To write off the debt of **£75,124.18** relating to Clubs & Societies at Wye against the Beit Office account in July 2010.

Other Dead Clubs & Societies

At the meeting on 29th April the Executive also received a report on the SGI overspends resulting from non-Wye Clubs & Societies that no longer function, and agreed recommendations to write off the debts on the overspent Clubs & Societies, but to also subsume any positive balances as well. The overall affect of this was positive for the Union to the tune of £53.91. The approved transactions have not been carried out, meaning that three Clubs appear on the list on Appendix 1, when their debts have previously been agreed as being written off – RCC Racing Green, GSA Life Sciences and SCC MTO Sufi.

The Executive asked that the negative balance on the system test Club (RCC Ferret Fanciers in Appendix 1) be investigated further. The source of the negative balance is an expenditure item posted on 31/10/2006 marked "Online October 06" – why it is there and what it is for is unclear. Given the amount of money (especially in the context of this paper) it did not seem a sensible use of resources to investigate it further.

Recommendation 2: To write off the debt of **£163.25** relating to the system test club RCC Ferret Fanciers within July 2010.

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MTSoc Tour

Members will most likely recall verbal updates on work being undertaken relating to Musical Theatre Tour – uncovering the background to their apparent overspend of **£19,583.48**.

Musical Theatre Tour Society are a group who's principal aim is to stage a musical in the Devon town of Budleigh Salterton every summer, together with turning the town hall into a theatre and offering drama workshops to local school children. The operational and financial model of the Society has been broadly similar for some 40 years and changed little in the past decade. The relatively simple nature of the financial operations mean the Society can easily account for items on a show-by show basis.

Two potentially complicating factors are that: this Society (for historic reasons) has its own bank account – which is consolidated into the Union's accounting systems, and that the shows take place over the financial year end. Both of these factors may in the past have been purported to be causes of the SGI overspend – they are not. Each show can be shown to have broken even or made a small profit or loss; none making a substantial loss. This begs the question – **how did an overspend of £19,583.48 arise?**

The answer lies by calculating two figures from published items for each financial year, available online from the Union's financial reporting:

- **A:** SGI balance at the start of each financial year - the Members Funds Opening Balance (according to the transaction pages)
- **B:** SGI movement in the year – the total SGI income minus total SGI expenditure (from the transaction pages)

The Members Funds Closing Balance for the current year (calculated from A+B) should then form the Members Funds Opening Balance for the following year. Introducing an index gives $A_{i+1}=A_i+B_i$ and so on through time. The reported items for the MTSoc Tour accounts are as follows:

	A	B	A+B
2000/01	872.39	-377.50	494.89
2001/02	494.89	4296.70	4791.59
2002/03	4791.59	-409.95	4381.64
2003/04	4381.64	-1777.23	2604.41
2004/05	2604.41	1437.36	4041.77
2005/06	4041.77	584.66	4626.43
2006/07	4626.43	-2113.78	2512.65
2007/08	6706.34	-4634.13	2072.21
2008/09	-19905.14	321.66	-19.583.48
2009/10	-19583.48		

Most years over the past decade appear consistent, two problems exist.

Problem 1 (shown in red): The transfer of funds between 2006/07 & 2007/08.

Problem 2 (shown in green): The transfer of funds between 2007/08 & 2008/09

Problem 1

The transfer of funds between 2006/07 & 2007/08. It appears that when transferring the funds between years this Society has gained £4193.69. The information published at the time is not clear on where the opening balances in the 2007/08 transaction pages were constructed from. However, on the 2006/07 transaction pages numerous spurious entries appear under various transaction codes with the description of "Balance from before last year", with a transaction date of 31/07/05 (that being a transaction date from two years previously).

The point of interest is that for each of these entries on the 2006/07 pages, they total the value of the transactions made in August 2007 (shown on the 2007/08 pages) within the corresponding

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transaction codes. Furthermore, the total of these entries marked "Balance before last year" exactly equals the apparent gain of £4193.69 between the two financial years.

Why this was done and what is was for remains unclear, there are no records to support these transactions. What we can say is that there appears to be a connection between the figures that is more than coincidental (the entries appear across 15 transaction codes, with 20 individual entries within some codes). Equaling out the signs appears to show things *come out OK in the wash* - the Society is neither out of pocket, nor have the Union given it a gift of several thousand pounds. These numbers have been published online for over three years now; the Head of Finance is in agreement that no further action should be taken here.

Recommendation 3: Not to make any adjustments to the accounts of MTSoc Tour relating to the transfer of funds between the 2006/07 & 2007/08 financial years.

Problem 2

The transfer of funds between 2007/08 & 2008/09. The evidence here is slightly more clear cut. The Society has a Union bank account (as discussed), as well as a float logged on the 2007/08 accounts. Both these items are accounted for using balance sheet accounts, which are not used in the construction of the amount to transfer between financial years.

Instead of the predicted £2072.21 appearing as the opening balance on the Society's 2008/09 accounts, a figure of -£19,905.14 appeared. The question is how to link the two figures. As at 31/07/08 the balance of the Society's bank account was £21,862.35; and the float they had issued was £115.

The link is: $£2072.21 - £115 - £21,862.35 = -£19,905.14$

Why these balance sheet accounts were included in the transfer of funds between the two financial years is not completely clear, but appears to have resulted from human error in constructing the transfer journals. The upshot seems is that the Union removed £21,977.35 of Self Generated Income (even though this was money they did not have) from MTSoc Tour, and are obliged to give it back. This has the agreement of the Head of Finance.

Recommendation 4: To transfer **£21,977.35** to Self Generated Income within the MTSoc Tour accounts to correct the mistake made in the transfer of funds between the 2007/08 & 2008/09 financial years within July 2010.

Issues resulting from the MTSoc Tour investigations

MTSoc tour is not the only Club or Society to have balance sheet accounts within their accounts. While investigating the issues surrounding MTSoc Tour it has become apparent that a further 14 Clubs & Societies were affected by the same error; this information was provided by the Head of Finance. Some of these issues have been resolved in the intervening two years, the others are discussed here.

Seven of these Clubs & Societies had money taken away as MTSoc Tour did, so there is a duty to return it. Included in that seven was the Wye Executive, to a value of £105.47. Given the general Wye issues addressed by the recommendation above, it is suggested to do nothing about this particular Wye issue.

Recommendation 5: To make the transfers to the value of **£3497.46** to Self Generated Income within the accounts of the Clubs & Societies listed, to correct the mistake made in the transfer of funds between the 2007/08 & 2008/09 financial years.

SCC Finance – £1090.98

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OSC Afro-Caribbean - £250.00
A&E Cinema - £1057.48
CGCU Chem Eng - £250.00
ICSMSU Exec – £200.00
ICSMSU Boat – £679.00

At the same time two groups had money given to them. This was published online two years ago as their money – as such they were able to spend it. RCC Underwater was effectively given £4169.67 (this is as at the 30/6/10 and related to a differed capital grant, meaning the value of the extra money given will increase each month until it reaches £6526.36) and ICU RAG who were given an extra £590.86.

The money given to ICU RAG was donated to Charity, in fact RAG finished the 2008/09 financial year with a negative balance. At the time of writing RCC Underwater have and SGI balance of £12,555.27.

Recommendation 6: The Executive is invited to consider whether the Union should reclaim the **£4760.53** given to ICU RAG and RCC Underwater in error two years ago, especially considering that the money has been within their respective accounts for sometime and presented to them as theirs to do with as they wish.

Clubs & Societies Board

Appendix 1 indicates the Clubs & Societies Board as having an SGI overspend as at 01/08/09 of £15,751.39; closer investigation reveals that on 31/07/09 the Clubs & Societies Board had a positive SGI balance of £61,362.27, resulting mainly from an accumulation of the fees collected from Associate Membership over previous years.

It is “correct” that this balance of £61,362.27 is the “Union’s” money, and such should not be transferred year on year as the SGI of a Club or Society would. Therefore the total balance should have been transferred to the Union and therefore the SGI balance should have been zero on 01/08/09. However, the Clubs & Societies Board account was used a place to post miscellaneous balances resulting from the erroneous transfers between 2007/08 & 2008/09; the detailed breakdown of the value remains somewhat of a mystery, especially considering that various problems have been dealt with in the interim. Essentially this debt must be written off.

Recommendation 7: To write off the debt of **£15,751.39** relating to the transfer of funds between 2008/09 & 2009/10 relating to the Clubs & Societies Board.

Summary of costs of recommendations

Assuming the worst case, the cost of the recommendations in this paper is:

Recommendation 1	£75,124.18
Recommendation 2	£163.25
Recommendation 3	zero
Recommendation 4	£21,977.35
Recommendation 5	£3,497.46
Recommendation 6	zero
Recommendation 7	£15,751.39
TOTAL	£116,513.63

Further actions

Taking Wye out of the argument, the worst case cost of errors over the past two years is around £41,000. The Head of Finance has made various recommendations to avoid this happening in future, all of which are implemented.

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Work will be undertaken to check in detail the transfers made between the 2009/10 & 2010/11 financial years, to resolve early any issues.

It should be noted that to date the causes of the SGI overspends on only 22 of the 64 groups named in appendix 1 have been examined. The remaining 42 require examination, as may groups which do not appear on appendix 1, given the findings presented in this paper.

Thanks

Particular thanks must be expressed to Aziz Bilgrami, Michael Willmott, Rob Felstead and various former members of Musical Theatre Tour who have spent many hours over the past six months trying to ascertain the root of the apparent financial problem with their society. It was this work that instigated various other investigations leading to some of the recommendations in this paper.

DH/PP
May 2010