

Imperial College Union
**Constituent Union/Management Group/CSP Deficits and External
Organisation Lead Events**

A paper by the Deputy President (Finance & Services)

Background

On 8 July 2011, the Executive Committee approved a paper proposing a new way for Clubs, Societies and Projects to save money, in the form of Designated Reserves, replacing Capital Expenditure Plans. The details are attached in Appendix 1.

Historically ICU has underwritten the financial risk for large events for any club or other constituent union/management group. Over previous years a number of large scale events have taken place, with some causing some issues and as a result occupying large amounts of sabbatical and staff time.

A monthly meeting takes place with sabbaticals (DPFS and DPCS) and staff members from both the finance team and membership services team. The general purpose of this meeting is to address SGI and grant deficits on a club by clubs. Actions from this meeting generally results in sabbaticals and staff chasing a number of clubs over outstanding debts, ranging from less than £100 to much more significant amounts running into the £1,000's. What has become apparent is this meeting in itself is not an effective tool for dealing with club debts. Debts often occur due to failed events (please refer to paper on events committee). As stated, ICU underwrites the initial outlay for these events if student groups lack the SGI to run these events and the event is budgeted to make a profit.

Issues

Fundamentally we must be aware of the language used when discussing DMFs – the terminology of our SORP accounts clashes with terms used in policy.

In SORP accounting, all club SGI are 'restricted funds', in that it is designated for use by clubs (i.e. Dramsoc's SGI could be used for a play by them, but not by ICU to fund a staff away day). DMFs are essentially no different to club SGI: they are still restricted funds on the Union accounts. Accounting wise, there is no real difference between SGI and DMFs.

In policy, SGI is not 'restricted', as it is accepted it will be for use of a club (and CSP policy doesn't go into detail about the rest of the Union's accounts). DMFs are 'restricted' in policy terms more than SGI.

As in our accounts there is no difference between SGI and DMFs, this allows in principle, a DMF to be 'undesignated' to balance out a year-end negative SGI position. The designation of restricted funds is purely a policy decision

We currently allow clubs running under constituent unions and management groups to run at a debt whilst not accounting for all the constituent union's or management groups available funds. During 2012/2013 we have encountered an issue with one RSM club (RSM Sports) failing to reach membership targets and running in a negative SGI all year. As such it has been agreed with the RSM Exec to close this club and the RSM Exec

absorb the debt of the club. The debt of the RSM Football club has also been an on going issue for multiple years, with sabbatical teams not addressing the issue. As such an agreement has been put in place with the RSM Exec to reduce this debt over this and next year. Progress has already been made due to the work of the RSM Exec. This should be a universal approach to all constituent unions.

We have received contingency funding application from one student group (RCC Underwater) during 2012/2013 who have a significant DMF available to them. Given the limited contingency funding, the full amount was not awarded to this group. In future when reviewing contingency claims, the group's total available funds should be made known when considering claims (including any DMFs). If sufficient funds are available, these should be used before awarding contingency funding.

Another issue is specifically related to ICSMU. ICSMSU has a designated members fund (DMF) currently standing at £40,000. This was put in place to compensate for the cut in funding from Imperial College Healthcare Charity towards their sabbatical officer. This funding will reach zero in 2015-2016. As such, ICSMSU have been moving a proportion of their SGI from event income to this DMF to save towards funding their sabbatical officer.

Another specific issue related to ICSMSU is them running events through the ICU finance systems on behalf of the ICSM Alumni Association. The ICSMSU Exec should have oversight of any events being run through their finances, which was not the case with this event. This exposes ICU to significant risk in terms of potential losses in regards to student-organized events.

ICSMSU has at least £40,000 potentially available from other sources including their DMF. This should be taken into account with ICU's support of ICSMSU. ICSMSU runs significantly more large-scale events than any other group at ICU and as such will expose ICU to significantly more risk than any other group, so in this respect may require specific treatment given ICSMSU has the financial backing to underwrite the risk.

The Union's Finance & Risk Committee has confirmed (June 2013) that it is not happy for non-student organized events to continue running through ICU's accounts.

Proposals

- To require groups (CSPs, management groups or constituent unions) to underwrite the financial risk of their events with **all** their available funds (including DMFs).
- To make available **all** information on a groups total funds (including DMFs) when considering CSB and Exec contingency claims. This includes the funds of the constituent union of the club (if appropriate).
- In turn action ICU to add an additional code (e.g. 5) on eActivities to display DMFs after Grant/SGI/Harlington/IC Trust/College (0/1/2/3/4).
- To ensure that if a group ends a financial year on a deficit then the deficit is made up from the funds available (includes DMFs) as stated in Appendix 2.
- To not allow any part of the Union to run events for external groups through their

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Agenda item 6

(ICU's) account.

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Appendix 1

Imperial College Union
Designated Members Funds Policy

All Clubs, Societies & Projects wishing to purchase large expenditure items, which otherwise would not be feasible to purchase during one financial year, may use a designated reserve upon approval by CSB.

The designated reserve:

- Shall have an assigned funding code and activity codes specific to the designated purchase;
- Shall only be allowed to be spent on the designated purchase;
- Shall be required to be approved by the DPFS prior to purchase in order to check it will be spent on the designated purchase;
- Shall roll over each financial year, until spent. At such time, the reserve will close and any left-over funds will be transferred to SGI;
- May not under normal circumstances receive transferred funds from club grant allocation. The Clubs and Societies Board shall determine exceptional circumstances on a case-by-case basis.

Appendix 2

Designated Members Funds –: Using DMFs

1. When a club wishes to start saving for a large expenditure item, they will apply to the Clubs & Societies Board to open a Designated Members Funds account. This application will include details of the planned expenditure, the time taken to save funds, and demonstration of the need for the item.
2. Some clubs will be saving up for multiple items – they will be able to use Activity Codes to separate their DMF account.
3. The DMFs will be classified as a Natural Code, with the number 226. This code will not appear on the CSPs' normal transaction pages, but will rather appear as a separate tab on eActivities under Club & Society Admin, called Designated Members Funds. This will keep the 'savings account' of DMFs separate from the 'current account' of the normal transaction pages.
4. CSPs will be able to make transfers into their DMF using a specific form on eActivities, found in the DMF tab. The transfers will go from Members Funds (225) to Designated Members Funds (226).
5. These transfers will be entered as 'pseudo-journals', and will appear blue on the transaction pages. At the end of the year, if the club's remaining SGI is positive, the pseudo-journals will be entered as real journals, confirming the transfer of funds. If the SGI balance is negative, the DMF will be used to balance the account. Further, DMFs saved in previous years can be used to offset a future year's losses.
6. Any spend of DMFs needs to be approved by the DPFS, to ensure that the money is spent on the purchase originally indicated in the application to CSB.
7. In order to use a DMF, the club will (after getting permission from the DPFS) purchase the item using their normal SGI account. Equivalent funds from the DMF will then be transferred to the general account by the Finance team. If any funds remain in that DMF, they will also be transferred to the general account, and the the DMF closed.