

**Imperial College Union
Board of Trustees / 28 September 2022**

2021/22 Financial Outturn

Author(s): Rob Scully (Director of Finance & Resources)
Summary: To provide an update on the final year outturn of the 2021/22 financial year.
Purpose: To consider

1. Context

Financial management during 2021/22 was based on the multi-stage approach to budgeting agreed in response to the uncertainty surrounding the coronavirus pandemic. This involved, five stages of budgeting, each of which was approved by Trustees.

The Stage 5 Budget was a light-touch review of budget performance to May and an estimate of outturn for the final few months of the year. The actual performance in this paper is measured against the Stage 5 Budget.

The position presented is draft, as presented to our external auditors for review. It is subject to potential audit adjustments if required.

2. Operating performance

The detailed accounts are presented in Appendix 1. The operating performance for the Union is a marginal surplus of £4k, compared to a Stage 5 Budget surplus of £108k. The main reasons for this shortfall are:

- i. Venues – (£58k)
 - a. This is primarily driven by a shortfall on the top line (ie sales not hitting target for) at H Bar and on food sales in 568
- ii. Retail – (£61k)
 - a. This is driven by a historical stock issue which came to light during the year-end stock take, and had not been picked up with the transition to the new EPOS system. This resulted in an adjustment needing to be posted of c£35k which has significantly impacted the GP in July. Measures have been put in place to ensure such issues cannot occur again.
 - b. Additionally, there was an oversight with the production of the Stage 5 Budget which resulted in a formula assuming that the YTD variance of Shop Extra sales would be made up in July which was an error
- iii. Marketing / External Bookings Income – (£28k)
 - a. Lower than forecast external income generated from external bookings and advertising sales
- iv. Aged balance adjustments - £18k
 - a. We have written-back a series of historic bank deposits which had been sat on the balance sheet as they were previously unallocated
- v. Minibus – (£4k)
 - a. There is a £29k shortfall on the operating budget for the minibuses. This was expected due to being unable to operate the fleet fully for large parts of the year, however it was intended that this would be offset by the proceeds on the sale of some of the assets as we transition to a new delivery model. This has not occurred and the new model is under review (so the current fleet has been retained for the short term)

- b. The above is largely offset due to an historic accrual (£20k) for insurance costs being reversed as it has been confirmed that it is not required, and a saving against budget on insurance costs for 2021/22 of c£6k.
- vi. Other core activity savings - £32k
 - a. General savings resulting from staff vacancies, non-staff underspends and unspent contingency

3. Other adjustments

In addition to the operating performance, there are also accounting adjustments that will be made to the accounts which will show in the Financial Statements which are audited and filed. These include:

- i. USS Pension Deficit Provision – (£204k)
 - a. The pension deficit is a long term liability based on an estimation of our share of the current shortfall for the USS pension scheme. At 31 July 2021 it was £176k, however this has changed significantly in the latest valuation and a year later stands at £379k. The increase in provision (£204k) will be posted to the Statement of Financial Activities (SOFA) as a cost.
- ii. Holiday entitlement accrual - £11k
 - a. We are required to record as a liability any annual leave entitlement that staff have accrued but not yet taken. At 31 July 2022 this was £35k, which was relatively high as many staff had not taken annual leave due to the restrictions on travel related to the coronavirus pandemic. This year, the balance is lower (ie there is less outstanding leave) which will result in a positive posting to the SOFA of £11k.

Neither of the above represent a cash cost to ICU, and are not considered as part of the operating budget.

4. Impact of result

The intention of the financial model is that surpluses are not expected from the 'core' operations of the Union, and that any surpluses derived from 'enterprise' activities will be allocated to a strategic investment fund to support future development of ICU.

Given that the operating result is a very marginal surplus, there are two main considerations:

- i. There is no need to utilise any of the general reserve to fund the shortfall against budget (as there is still an operating surplus)
- ii. There is no significant contribution to a strategic investment fund, which will impact on the number of strategic projects we are able to fund in the coming year

The other adjustments presented in section 3 above will be presented in the accounts as deficit, and therefore will negatively impact reserves. We are discussing with our auditors how we might be able to present this within the reserves note to separate from the general reserve fund.

5. Balance Sheet & Cashflow Statement

The balance sheet is contained in Appendix 2, and the statement of cash flows in Appendix 3. They show a healthy cash and net assets position, evidencing the strong financial health of the Union. The BS shows a reduction in the general reserve position to £343k, which is below our target reserves value. However, this is due to the large addition to the pension deficit discussed above, which is not a risk that will materialise to that degree in the short term.