

## Imperial College Union

### Union Reserves Policy and the Beit Redevelopment

*A note by the President and the Deputy President (Finance & Services)*

#### Background

The finance division is currently finalising our end of year accounts and last week the DPFS and I were informed of an issue that may come to dominate the work of this committee over the coming term. In short there is a hole in the Union General Reserves as a result of the 6<sup>th</sup> Ordinary Meeting of Council authorising expenditure of £384,000 from Union funds on the first stage of the Beit Redevelopment project. Recall that this is the same meeting we corrected the minutes of in light of a paper brought by the GSA Chair so that they gave a proper indication of this decision. The aim of this paper is to start an open and honest dialogue between the Executive Committee, other Union bodies and the student body about the Union's finances.

#### Reserves policy

The following is quoted directly from the annual report entry on ICU's reserves policy.

*The Union maintains reserves in accordance with the Charity Commission's guidance. – they represent the "free reserves" available to the Union's trustees to unrestrictively spend on the purposes of the Union. They do not include any endowments, restricted or designated funds, nor do they include funds that could only be realised by disposing of fixed assets or stock in trade (or working capital).*

*In the Executive Committee's view the Union should maintain 'free' reserves that are capable of:*

- *ensuring that free funds are available to repair, upgrade or replace facilities and equipment as needed; major developments will have their own designated funds and are thus excluded from 'free' reserves;*
- *ensuring that staff are able to be paid full entitlements in the event of catastrophic trading failure or reduced support from the College leading to their redundancies;*
- *ensuring that clubs and representation activities are able to be maintained for a full academic year in the case of reduced support from the College.*

In short, we are meant to keep funds in reserve to ensure that our activities can be maintained for a substantial period of time and, more importantly, meet our

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legal obligations towards our full time staff in the event of a catastrophic event which would mean that ICU could no longer sustain its current level of activity.

### **The current level of the Union General Reserve**

A provisional version of the annual report for the year ended 31 July 2007 indicates that currently the Union General Reserve stands at £382,421. It is obvious that this sum is no where near enough to cover the items outlined in the reserves policy. It has become clear that the allocation of £384,000 by Council from these reserves ***should never have been authorised*** without taking due regard to our legal obligations outlined in the reserves policy.

### **What this means**

In the short term this will have no impact on the day to day running of ICU unless there is a major incident (eg a fire in the bar rendering it unable to trade for a significant period of time, a major cut in our subvention). The chances of such events are small but they would currently have a devastating impact on this organisations ability to fulfill its aims and objectives. In the medium to long term we must have a sustainable plan in place for ensuring that the Union General Reserves are replenished to an acceptable level where they would be of practical use in the event of a high impact event.

In essence this is an accounting problem but one that regulators take very seriously. In the short term members of this committee must ensure that financial discipline is maintained in their respective faculty unions and committees as there is a high probability we could be looking at a serious tightening of belts this year.

I would like to reiterate that this paper is for information purposes only. Nothing is affected in the short term but we are of the opinion that it is better to share this information with you now rather than later on in the term when we start having a look at club and faculty union finance procedures once the review of our finance function is complete.