

Council
30 April 2013

Felix's Finances
Imperial College Union Executive Committee

NB: The Imperial College Union Executive Committee met on the 22 April to consider the state of Felix's finance and referred this paper for Council's consideration.

Every month a small group of sabbaticals and staff members meet to consider Clubs, Societies & Projects which are overdrawn within their Self-Generated Income (SGI). This forms part of the Union's Business Review process.

Felix has appeared on the overdrawn SGI list for some time now, £3,054 at the end of January increasing to £9,228 by the end of February.

After considerable work to clarify the financial position of Felix their accounts appear as being £11,092 overdrawn. This is not the *true* state of their finances, another £1,900 of expenditure that has been received by the Union Finance team requires purchase orders to be created by the Felix Editor and approved through the normal finance procedures (ie, Media Group authorised). As with all societies, the Union Finance team won't pay an invoice until a society has acknowledged on eActivities that they are expecting to pay an invoice. **This gives a current position of Felix being overdrawn by £12,992.**

Expenditure

This overdrawn figure reflects all expenditure incurred (that we are aware of or reasonably expecting). It is fair to assume that Felix were probably overdrawn by both considerably more and considerably less than the reports over the past few months have suggested at certain points.

Income

As far as we are aware sales invoices for external advertisers in the autumn term have been created and are reflected in the current financial figures. No sales invoices appear to have been created for external advertising during the spring term. Furthermore no internal charges have been put through this year – this is the method by which the Union and other Clubs, Societies & Projects are charged for adverts.

While we can assume the internal charges are potentially valued at ~£2.5k so far for the year to date it is near impossible to put a value on the outstanding sales invoices to be created for external advertising during the spring term.

The Felix Editor has promised to enter the required information into eActivities on a number of occasions. Help in doing this has been offered and an offer to do this for them (to ensure we establish a financial position soon) has been made.

The Felix Editor has managed to create internal charges in eActivities relating to advertising costs incurred by the Union during 2011/12. These total £2,600 and have not yet been approved until the full picture (and invoicing for last term's external advertisers, and up until last term for internal advertisements has been done – the carrot in the 'carrot and stick' approach).

If we were to draw a line under the finance with the charges recently submitted, and expected charges to the Union for 2012/13 so far, Felix would be left in a position of being **overdrawn by £7,800**, with the external adverts for last year Spring term yet to be processed.

Number of external adverts last term

There are concerns over the lack of external adverts that appeared in the paper last term, so much so that we're not sure whether external adverts will bring the balance back up to £0 from £7,800 overdrawn.

Financial position going forward

The advertising revenues which Felix could expect during the summer term are hard to determine. The historic financial information available does not provide detail at this level; anecdotally we can assume it to be less than in the previous terms.

Assuming Felix will wish to produce eight editions during the summer term a fair assumption would be that we need the accounts of Felix to be showing a positive balance of ~£5k to ensure they finish the year without a deficit. Felix's 2011/12 accounts closed with a £6.3k deficit on eActivities, but in reality were closer to £0 due to a processing problem with Union Finance and a payment that was made too late to appear in the 2011/12 accounts. The year prior to that, 2010/11 ended with £3k surplus.

If the estimates relating to internal charges are accurate and the Union approve the internal charges for advertising last year then, if Felix is to be able to afford to print in the Summer term, we would need sales invoices to the approximate value of £12,800 (£7,800+£5,000) to be created in the very near future. The Felix Editor is not replying to emails from the Membership Services Team in order to make this happen though.

Any other finances

There may be other transactions the Union is unaware of – but these have not been entered into eActivities by the Felix Editor.

Union Financial Procedures

The Union doesn't have a 'max limit' we allow clubs to go into the red. This is for good reason; the rule would be broken on a daily basis, or would have to have lots of bureaucratic caveats: if a club has a credible plan on how to make the money back (through ticket sales, etc) then we will allow the club to 'borrow' the money (from other clubs – all the club money is in the same bank account).

Felix, by not invoicing and recouping the advertising money is effectively just spending other clubs money and there isn't currently any action on the part of the Felix Editor for effectively, or efficiently invoicing advertisers to reduce (or completely remove) the overspend.

This has been highlighted as part of the Business Review and is why this paper is being presented.

Felix Dinner

Questions have been raised over why – if the accounts have been coded correctly – the Felix Dinner was this year subsidised by £659 (based on ticket sales of £500 and expenditure of £1159 as of the 1st April 2013).

Administration of Felix

The Felix Editor is a full time sabbatical position of the Union, but must – as a club officer – still adhere to all of the Union’s policies. The current committee either failed to hold an AGM last term, or the Felix Editor hasn’t updated next year’s contact details as required under the Clubs and Societies Policy.

The Felix Editor was asked to meet with the President on Friday to attempt to resolve the £13,000 overspend (given over 48 hours’ notice, not on leave and free in their diary) and did not attend.

The Current Situation

Felix’s accounts are effectively frozen at the minute, as the Media Management group and DPFS are – naturally – refusing to authorise any more payments (to printers) without some proof of income (remember that you are liable for what you authorise under the financial procedures and financial responsibility form all officers sign at the start of the year).

So in effect, no further expenditure can be incurred by Felix until the overall financial position of Felix is clarified (all sales invoices, internal charges and purchase orders we are aware of are entered into eActivities).

RESOLVES

1. The Executive Committee supports the decision of persons responsible for authorising expenditure to cease authorisation of any further expenditure until the overall financial position of Felix is clarified.
2. Expenditure is frozen until:
 - a. A budget and action plan for recovery of the £13k is agreed with the Felix Editor, DPFS and DPCS, and reported to the Executive Committee. This should include a financial plan for how the costs of printing in the Summer term will be met.
 - b. The Felix Editor provides a financial breakdown of the Felix Diner 2012 Income & Expenditure to Council.
3. Authorisation of the financial decision on whether to print Felix in the Summer term remains with the DPFS and DPCS (as always) and is not reserved by the Executive Committee.

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4. To recommend to the Council Chair that the Felix Editor provide a report to Council in response to this paper.