

### **Note for Audit Committee relating to the Consolidation of Imperial College Union**

- 1.1. The relationship between the College and the Imperial College Union (“the Union”) has been maturing significantly in the last few years, which has seen the latter take on more responsibility for managing its own affairs. It now has its own Charity Commission registration and the College no longer appoints its own representatives to the Union’s various governance committees.
- 1.2. The Union has managed to achieve increased financial independence over this period. The College provides annual subvention to the Union but has no control or influence over the use of these funds. This subvention represented just under 20% of the Union’s total income in 2017/18.
- 1.3. The College’s Council approved a new Constitution for the Union on 23 November 2018. As a result, the College no longer has the ability to jointly make, repeal or amend the Union’s Bye-Laws with the Union Trustees and Council.
- 1.4. This revised Constitution represented the culmination of the journey the Union has been on towards greater autonomy and has triggered a review with regards to determining if it is still appropriate for the College to consolidate the Union within its annual financial statements.
- 1.5. Initial advice received from Crowe and PwC, the external auditors of the Union and the College respectively, has suggested that the current arrangements do not justify continued consolidation. PwC indicated that the decision as to whether to consolidate or not would be influenced by whether the rights that the College retains are protective or substantive. In the light of the changes outlined above, it is difficult to conclude that the College retains substantive control.
- 1.6. The accounting implications of this change would be to remove the Union’s net assets from the College consolidation. Based on 31 July 2018 figures, this would see a reduction in net assets of £6.9m, with a corresponding loss in the College’s Statement of Comprehensive Income and Expenditure of the same value in the year of transition.
- 1.7. This would bring the College’s treatment of the Union more in line with the rest of the sector, as the majority of institutions currently consider their Unions to be separate organisations.
- 1.8. It is important to note that this will in no way change the current working relationship between the College and the Union that operate successfully at many levels. The Audit and Risk Committee would continue to receive the Student Union’s annual financial statements for review and representatives of the Union would attend in order to answer questions. It is suggested that as the November meeting tends to have a very full agenda, the Student Union representatives might in future be invited to the March meeting.

**Audit committee is asked to consider whether it wishes to approve the proposal to no longer consolidate the Student Union in the College’s financial statements.**