

Imperial College Union
Finance, Audit & Risk Sub-Committee / 31 August 2022
Minutes of the 2pm 22 June 2022 Sub-Committee Meeting held via Microsoft Teams

Trustees Present:

Daniel Wagner in the Chair (DW)	Sam Lee (SL)
Stephen Richardson (SR) – from item 8	Jacques Bazile (JB)
Lloyd James (LJ)	Gabby Mathews (GM)
Nathalie Podder (NP)	

In attendance:

Tom Flynn (Managing Director) (TF)
Rob Scully (Director of Finance & Resources) (RS)
David J Ashton (Financial Controller) (DJA)
Clem Jones (Governance & Democracy Coordinator) (CJ)
Chidozie Ofoego (Director of Financial Reporting and Planning, Imperial College London)

1. Welcome

DW welcomed everyone to the meeting.

2. Apologies

Noted SR would arrive late due to technical difficulties.

3. Minutes of the Previous Meeting

Approved by consensus.

4. Matters Arising

None.

5. Identification of Conflicts of Interest

N/A.

6. Identification of Confidential Business

RS noted that ICU will present an anonymised version of the Management Accounts and draft budgets for public access on the website, so that it is not easy to identify individual staff members' salaries.

7. May Management Accounts & Draft 2021/22 Outturn

RS presented paper FAR/21-22/22, noting that financial performance in May was broadly on budget. RS further noted that prior to depreciation ICU is heading towards finishing the year with an overall organisation surplus of £108k, which would go into the strategic investment fund as per the organisational financial model. RS also noted a meeting is planned with the auditors next week in order to plan scheduling for the audit process, and that he would circulate the confirmed audit dates to trustees. RS noted that a draft final financial position for the year would come to the next Sub-Committee meeting on 31 August prior to completion of the audit.

TF highlighted that the new organisational financial model has meant that underperformance from the venues at points in the year has not slowed the strategic development of other membership services, and thanked CO for his role in advocating the new financial model to colleagues in College. CO commented that a staged approach is sensible and builds up flexibility. DW noted that he was very pleased with the draft outturn and commented that dipping into the sinking fund to enable the anticipated surplus was the right course to have taken over the year.

Finance, Audit & Risk Sub-Committee duly considered the May 2022 Management Accounts and Draft 2021/22 Outturn.

8. 2022/23 Draft Budget

RS presented paper FAR/21-22/23. RS stressed that this is a draft budget and welcomed feedback on the draft ahead of the July meeting of Trustee Board. RS highlighted the budget principles approved by Trustees in March 2022 (included in Appendix 2 of the paper), and noted that the budget reflects the financial model approved in May 2021.

(GM left at 2:22pm)

- i. NP asked, regarding Section 3 on Strategic Investment Opportunities, whether the development of the Union's EDI Strategy & Action Plan would be in scope. RS noted that the opportunities listed were indicative and that Management Committee would discuss a more detailed list of proposed Strategic Investment Opportunities prior to the July meeting of Trustee Board.
- ii. SL asked about the reason for presenting the different venues separately in the budget. RS noted that labour control has been an issue this year and that splitting them out separately for management purposes allows the team to monitor the performance in each venue (particularly in relation to Beit bars). RS further noted that this presentation was simply to present them in the same way to trustees as for management. RS agreed that a subtotal could be presented as well, so the venues can continue to be monitored holistically. DW suggested that breaking down the revenue per venue might be sufficient, so that trustees can get a feel for how large the venues are relative to each other. TF echoed that understanding the income for each venue individually is important in order to understand the labour cost.

(SR joined the meeting at 2:31pm)

- iii. LJ noted the need to be mindful that the overall profits for h-Bar and Reynolds are sensitive to the share of permanent staff costs attributed to each, which may be difficult to estimate. DW proposed having the revenue lines split into different venues but not the cost side. RS proposed to work on such a draft presentation and to run it past SL and DW before presenting a final version to Board.
- iv. SL asked for more details on the strategic investment opportunities. TF noted that he had asked RS to provide in the paper a flavour of some of the proposals that had come through from budget holders, but noted that full business cases would come to Management Committee in due course. DW noted the need to make clear in the Board budget paper that Board will not be being asked to approve the suggested list of strategic investment opportunities. TF suggested it may be helpful to propose that Management Committee agree a prioritisation of the proposed strategic investment opportunities, and Finance, Audit & Risk or (Board) approve expenditure. RS agreed to incorporate such a proposed process into the paper. On this, CO asked a question on how ICU thinks of planning versus budgeting. RS noted that this is incorporated into the Annual Operating Plan process after the Budget process which has a section on resource requests. DW commented that, emerging from the pandemic and with the Back to Basics strategy in place, ICU should aim to look at more of a two or three year plan for strategic investments as opposed to simply an annual cycle.
- v. DW asked about stock delivery. RS noted a strong position regarding the security of ICU's supplies. RS noted more of an issue with gas (needed to get beer out of the cellar) and there only really being one gas supplier. RS further noted the College have a big contract for chemicals with ICU's gas supplier, and that ICU would seek to leverage that relationship.

- vi. DW asked what proportion of external bookings are dependent on the Royal Albert Hall (RAH), should the venue ever have to close. RS noted that c.60% of external bookings are related to the RAH. RS further noted that the other major proportion of external bookings are local schools who are a stable client base.

Finance, Audit & Risk Sub-Committee duly considered the 2022/23 Draft Budget and agreed to recommend it to Board subject to the agreed presentational amendments.

9. ICU Health & Safety Policy

SG joined the meeting for this item.

TF presented paper TB/21-22/24. TF noted there is one correction needed to the policy as presented, in that the responsibility of the Managing Director needs to be amended to talk about the joint responsibility between the Managing Director and the President. TF also noted that the policy is an update to the previous H&S policy looked at two years ago.

- i. SR agreed with the importance of working in partnership with the College to ensure that adequate measures but queried what steps in the Union has in place to avoid any responsibilities falling in the gap between different parties. TF noted that a key measure in place is that the ICU H&S Committee has College membership, and the Union has membership on the College's H&S Committees and fora. TF further noted that the challenge to H&S from the Union's perspective is that that ICU permanent staff are employees of the college, and the buildings in which the Union operates are the College's, however some of ICU's staff are employees of the Union and students are members of the Union, and therefore a situation where there genuinely is shared responsibility, addressed by the cross-membership of committees of both organisations. SR asked if SG felt the cross-committees are working well together. SG responded that the relations he has developed with College H&S have been very positive.
- ii. DW queried why the Policy Owner column in Appendix B had been left blank. SG proposed that the Sub-Committee designate him as the Policy Owner in order that he may go away and review/redraft the policies listed. The Sub-Committee agreed with the proposal.

Finance, Audit & Risk Sub-Committee approved the updated Health & Safety Policy.

SG left the meeting.

10. CSP Provisional Grant Allocations

IM presented paper FAR/21-22/25, noting that it sets out the process undertaken to allocate grants to CSPs this year. IM highlighted that there had been some complication with regards to Imperial Athletes and therefore non-sporting groups' allocations were primarily presented in the paper, with all sporting groups appearing as a single line in the allocations as presented and the relevant allocations to individual sports groups due to take place in the next three weeks.

- i. TF commended the paper in summarising CSP grants. TF also noted that ICU will be asking IM to stay on as a staff member for the month of August (i.e. beyond her term as an Officer Trustee) to complete the sports budgeting process, and noted that he would be writing to SR and LJ to confirm this as good governance demands we are transparent about the decision-making process. SR echoed the thanks to IM, SL and LJ.
- ii. RS highlighted an outstanding action in the matters arising table to codify how CSPB policy interacts with financial regulations (in relation to financial procedures

- manual and associated documents), which relates to the CSP Grant Allocation process. RS noted that this will be actioned for the 31 August 2022 meeting.
- iii. SR asked about the RAG rating in the percentage change column. IM appreciated that the colour coding was somewhat misleading and noted that it was used in her scaling methodology. IM clarified that red rating did not indicate particular concern but rather, in order to be fair to all groups, if a group has had an increase it highlights the importance of considering limiting that increase. DW queried where there was a risk of punishing groups who had been prudent in previous years and then having a large increase on a low base in the next year. IM noted that any group that got zero in the year before did not have that rating applied to them (and had their 100% increase set at a green rating).

Finance, Audit & Risk Sub-Committee approved the provisional individual non-sport club grant allocations and the total sport clubs grant allocation.

11. Activity Development Fund (ADF)

RS presented paper FAR/21-22/26, noting that the aim of the paper is to document the approach to the ADF.

- i. TF noted a need to be clear on terminology and queried whether ADF is the best name for the fund, noting that the phraseology of 'development' might be confusing. TF also commented that this is one element of designated funds that the Sub-Committee has considered, noting that the Sub-Committee has also considered a Summer Ball designated fund. TF posited whether the Board needs to look at a *designations* of funds policy that encompasses oversight of all of these, and that CSPB 'owns' *allocations* of those funds. DW commented that he agreed with the suggestion.

Finance, Audit & Risk Sub-Committee approved the proposed ADF principles.

12. Summer Ball

SL and RS gave a presentation on plans for the Summer Ball. SL noted that event has now sold out, and due to alumni being able to purchase tickets at a higher price than budgeted for the Union has been able to generate more income from those ticket sales than expected. SL also noted that 150 tickets were given out to students on the Imperial Bursary.

SR praised all the efforts, commenting that it is the best organised Summer Ball he has seen in 50+ years. DW echoed the comments and wished the team all the best for the Ball. TF noted that the team have done everything possible to manage the risk of the event, in a staged way, and have worked hard to engage College staff in the process.

13. AOB

Bank Payment Authorisation Update

RS tabled a paper to update the authorisation limits for bank payments. RS noted that the Union's financial procedures currently require all payments over £25,000 to be authorised by both the Managing Director and the Director of Finance and Resources (7.6.3). RS further noted that this provides a strong financial control, but can prevent the Union from being able to meet its financial obligations during periods where either postholder is unavailable or the post is currently vacant. RS proposed to update the financial procedures to require payments over £25,000 to be authorised by: both the Managing Director and the Director of Finance and Resources, OR: either the Managing Director or the Director of Finance and Resources, together with a member of the senior management team or the Financial Controller.

Finance, Audit & Risk Subcommittee approved the proposed update to section 7.6.3 of the Union's financial procedures manual.

LJ noted that section 7.6.1 of the Union's financial procedures manual also needs updating. RS noted that this could be picked up in the next update of the manual, to come to the next meeting on 31 August 2022.

Fraud Incident

RS updated the Subcommittee regarding an incident that occurred last week where the Union became aware that it had been the target of a complicated fraud –essentially a complex bank mandate fraud where the finance mailbox was hacked and one of ICU's suppliers had their email addresses spoofed, with genuine emails being filtered out and replaced by fraudulent ones. RS noted that the maximum exposure is just over £12K, and that the bank is investigating the incident, with a slim chance ICU will get some of it back within 45 days, at which point RS will provide a further update. RS further noted that ICU does have controls in place against this, with the finance team seeking to verify the request to change a supplier's bank details, however, RS noted this was not done in this instance via an interpedently obtained telephone number and therefore the email verification was compromised. RS noted DA has put in immediate steps to make the finance team aware of their responsibilities, and further noted that a paper will be circulated in due course regarding the incident and its resolution.

VAT Catering

TF reminded the Sub-Committee that Students' Union have traditionally been able to apply exempt rate for VAT to catering in the same way that universities have, and that HMRC has challenged Students' Unions generally on this. TF noted that NUS taken a collective approach on behalf of sector to challenge this directly to HMRC, to which ICU contributed £5k 2 years ago as part of the fighting fund. TF also noted that ICL agreed to cover the exposure (c.£140K) to ICU if Students' Unions are found not to be able to apply the exemption. TF further noted that NUS now at point where they have had further correspondence in May about it and they've been told various teams in HMRC are now looking at the issue. TF commented that the difficulty is that the Chartered Institute of Tax sent out a note that HMRC had updated their guidance, without any notification, to make it clear that bars on campus are not eligible, so NUS have gone back with query the status of their complaint. TF noted that it is likely to proceed to Stage 2 of the complaint before Stage three which is the judicial review, so we are still 12-18 months away from a decision.

Institutional Knowledge

NP noted an emerging risk of losing institutional memory due to some key staff members leaving the organisation, and proposed that this would be worth flagging to Board. TF noted that this was explicitly considered as part of the appointment process of SR becoming Chair-designate, and noted that the Senior Management Team need to consider this point further before the next Board meeting. SR thanked NP for the observation and agreed that Board should consider this.

Since there was no other business, DW thanked everyone for their participation and wished everyone a pleasant time at Summer Ball. SL noted that this was the last Finance, Audit & Risk Sub-Committee that himself, LJ, IM, LJ, GM and SR would attend in their current roles, and thanked everyone for sharing their insights on charity governance. DW thanked SL and all members for their contributions during their time on the committee.