

**Imperial College Union
Board of Trustees / 24 March 2021**

Going Concern Assessment

Author(s): Rob Scully (Director of Finance & Resources)

Purpose: This paper provides an assessment of the Union's ability to continue to operate as a going concern, to satisfy the requirements of the 2019/20 statutory audit.

Decisions(s): Trustees are asked to consider and approve the going concern assessment.

1. Context

As part of the year end process and statutory accounts sign off, Trustees are required to make an assessment of the charity's ability to continue as a going concern, and to disclose any uncertainties around this assessment.

Relevant accounting standards¹ (FRS102) define 'going concern' as:

"An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so."

Charity Commission guidance² states:

"Charity trustees are required to make their own assessment of their charity's ability to continue operating as a going concern. They should take into account all information about the future for at least, but not limited to, 12 months from the date the accounts are approved."

2. Assessment Approach

In order to assess whether there are any material uncertainties as to whether ICU would be able to continue to operate as a going concern for at least the next 12 months, the Director of Finance & Resources has:

- i. Obtained confirmation for the College Director of Finance that the College has no intention of reducing the level of block grant in 2021/22 compared to 2020/21, and indeed has committed to receiving a bid for additional funding.
- ii. Conducted a desk based exercise to put together a 'worst case scenario' budget for the next year

3. 'Worst Case Scenario' Budget

A 2021/22 budget scenario has been compiled on a reasonable 'worst case' basis, to assess whether ICU would have the appropriate level of reserves to be able to continue to operate under this set of circumstances. The scenario is based on the following assumptions:

- i. The continuation of Covid disruption means that there is no potential for commercial trading throughout the year
- ii. Block grant remains the same as 2020/21 (as confirmed by the College)
- iii. All roles in venues and retail need to be made redundant where it is cheaper in the short term to do so (cost assumption of redundancy 3 months of annual cost)
- iv. All other roles are retained as they currently exist in the structure
- v. Minibuses are all sold for book value, operating costs removed

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/870619/charities-sorp-frs102-2019a.pdf

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/883707/Guidance_on_Independent_Examination_during_COVID-19.pdf

- vi. All other non-staff expenditure in the charity as per the 2020/21 stage 4 budget, except where it is explicitly known to be a one-off (eg interim FD support, freshers marquee)
- vii. There is no government support (including furlough scheme) from 31 July 2021.

The summary budget under this scenario is detailed below:

	2020/21 Stage 4 Budget	2021/22 Worst Case	Variance
Income			
Block Grant	1,885,213	1,885,213	-
Other Income	393,460	12,073	381,387
Retail Contribution	(165,071)	(73,938)	(91,133)
Venues Contribution	(94,350)	(18,287)	(76,063)
Income Total	2,019,252	1,805,061	214,191
Expenditure			
Education & Welfare	(59,240)	(109,468)	50,228
Advice & Support	(47,936)	(37,709)	(10,227)
Student Opportunities & Development	(521,413)	(522,004)	591
Minibus Service	(31,082)	(1,500)	(29,582)
Marketing & Communications	(163,348)	(161,772)	(1,576)
Leadership & Governance	(712,088)	(453,013)	(259,075)
Finance	(165,644)	(175,004)	9,360
Systems	(221,310)	(224,520)	3,210
Central Services	(115,650)	(148,177)	32,527
Expenditure Total	(2,037,711)	(1,833,167)	(204,544)
Operating Surplus/(Deficit)	(18,459)	(28,106)	9,647
Depreciation	(226,000)	(226,000)	-
Restructuring Costs	(153,202)	-	(153,202)
Total Surplus/(Deficit)	(397,661)	(254,106)	(143,555)

The summary shows that under this scenario, the Union would make a small operating deficit (£28k), but a significant total deficit of £254k after depreciation charges are accounted for. Given that there is no cash cost of the latter, and this is fully covered by a designated reserve it is more important to focus on the cash position/impact on the general reserve for the going concern assessment.

The impact on cash and general reserve funds is shown below:

£	Cash	General Reserve
As at 1 August 2020	776,612	451,152
Pending adjustments		(64,500)
As at 1 August 2020 (revised)	776,612	386,652
2020/21 Stage 4 Budget	(171,661)	(171,661)
Liquidation of Investments	1,534,516	
As at 1 August 2021	2,139,467	214,991
2021/22 Worse Cast Scenario	(28,106)	(28,106)
As at 31 July 2022	2,111,361	186,885

Of the cash held, c£1,712k relates to CSP/Halls balances, and therefore the worst case scenario sees ICU ending the 2021/22 financial year with a free cash position of c£300k and a general reserve at c£187k.

4. Conclusion and Recommendation

Whilst a general reserve position of less than £200k would not be desirable for ICU, the above modelling shows that even in a 'worst case' scenario there are no material risk that the Union would fail to be able to operate as a going concern for at least the next 16 months. It is far more likely, even with continued disruption related to Covid-19, that the Union will generate external income from bookings and advertising, and that we will be able to operate our retail outlets and venues for at least some of the year. Even if the worst did happen, it would not be unreasonable to expect there to be some support from government (eg the Coronavirus Job Retention Scheme) or the College.

It is therefore recommended that the Trustees approve the assessment that ICU is able to operate as a going concern until at least 31 July 2022, even in a 'worst case' scenario, and there are no material uncertainties that need to be disclosed.