Minutes of the Finance Committee – Thursday 8 June 2017

Present: Mr Jeremy McIlroy – Chair Mr David Williams
Mr Iain Ross Mrs Margaret Jack
Mr Gurpreet Dehal Professor Rob Kemp
Professor Paul Layzell Dr David Ashton
Mr Stephen Avery

In Attendance: Mr Stephen Cox Chair of Council
Ms Tasha Barrett Students’ Union President
Mr Rob Thrower Head of Financial Performance Management
Mrs Jenny Febry - Secretary Deputy Chief Financial Officer
Dr Tom Flynn Students’ Union Chief Executive – to item 7
Mr Rob Scully Students’ Union Head of Finance and Business Reporting – to item 7

1 APOLOGIES

Apologies were RECEIVED from Mr Nicholas Perryman  

2 MEMBERSHIP

NOTED that this was the last Finance Committee meeting for Mr Iain Ross and Mr Gurpreet Dehal, they were thanked for their contribution over the years.

3 MINUTES

NOTED that the minutes of the Meeting (FC/17/63-FC/17/85) held on 24 April 2017 had been approved by circulation.

4 MATTERS ARISING FROM THE MINUTES

NOTED that there was no currency exposure with the College’s hedging instruments.

5 DECISIONS AGREED BY CHAIR’S ACTION AND BY CIRCULATION SINCE THE LAST MEETING

NOTED that the WebReForm Project with a budget of £1,154,874 had been APPROVED by circulation.

6 UNSTARRING OF ITEMS

It was AGREED to postpone the paper on Enterprise Activity FC/17/29 for discussion until the Finance Committee of 26 October 2017.

No items were unstarred for discussion.

MAJOR ITEMS FOR DISCUSSION AND DECISION

1
7 STUDENTS’ UNION

RECEIVED the proposed Students’ Union budget for 2017-18 which had been approved by the Trustee board and the SU Exec. The budget was presented under the Education Act to the Finance Committee to ensure that the funds were used for the correct purposes and were accounted for correctly.

The budget was based upon the 2016-17 budget with some changes including regularising the pay for permanent staff and increasing the academic representation of students. The budgeted surplus for 2017-18 was £20k and included a contingency of £25k. In year surpluses were no longer required to build up cash balances and so expenditure was budgeted to support the students.

8 FINANCIAL MONITORING AND STRATEGY

8.1 RECEIVED a report on the April 2017 management accounts which were presented under FRS102. The surplus as £10.1m, £5m higher than budget. The forecast surplus for the year was £9.3m The higher surplus was due to a number of factors, notably £1m less payments of scholarships and bursaries due to the actual student intake.

There were still factors which may affect the year end position including the English language PELP student intake and any fundraising or donations received before year end.

The forecast cash position at the end of the year was £35-45m which was heavily dependent on the rate of capital expenditure.

Tuition fee income was in line with budget but other income was £4m over budget which related to increased contribution from residences and catering and a higher recovery of VAT due to capital expenditure.

8.2 RECEIVED the HEFCE Annual Provider Review. College was not at higher risk and met the Tier 4 visa requirements of the Home Office which allows for higher Home EU Undergraduate tuition fees to be charged in future.

College had relatively prudent growth estimates for student numbers, particularly for overseas students and out performed its peer group in terms of financial sustainability.

8.3 RECEIVED the HEFCE Recurring Grant Funding letter. There were no in year cuts and the figures were as anticipated.

8.4 RECEIVED the 2016-17 Forecast, 2017-18 Budget and 5 Year Financial Plan.

The 2017-18 budget preparation had been challenging due to the increased corporate costs of the new buildings. The planned surplus was £8.1m or 4.5% of income. Income had increased by £11.4m due to an increase of 300 FTE in student numbers, including those returning for
second and third years, an increase in research income and additional income from the new residences.

Expenditure increased by £11.5m including an additional £4.4m of staff costs of which £1.5m was strategic investment plus cost of living and incremental increases.

Academic departments were planned to contribute an additional £3.9m after an additional £1.5m investment.

£7m was to be invested in technology for each of the next four years and £1m was allocated to a brand campaign. The USS deficit still presented a potential risk.

The capital plan was categorised into projects approved, those planned, future projects, requirements of the condition survey, an annual allocation for IT, Estates and equipment and residences. Capital expenditure in the year was planned as £43.3m against £88m in 2016-17.

There was no planned expenditure on Rusham Park as any such investment that might be carried out in the future is anticipated to be taken forward in a partnership arrangement that would relieve College of any upfront funding obligation.

Capital expenditure was planned as £208m over five years and £345m over ten years. Over the five years to 2021-22 College expects to generate operating cash flow of £132m, and £291m over the ten years to 2026-27.

The capital budget of £43m for 2017-18 was presented for recommendation on the basis that it was affordable in the context of the full budget. Each individual project was subject to governance requirements and would require specific approval in due course.

The five year forecast allowed for realisation of value in a residence transaction of £60m and £20m from Kingswood. The forecast showed the debt burden reducing through the period.

RECEIVED the Financial Strategy.

Cash balances fell to a low of -£18m at the end of 2018-19 with considerable volatility in the level. Therefore it was considered that a cash facility would be more suitable to finance the shortfall than a loan.

Sensitivity analysis was provided to review the potential risks.

The budget and capital budget were RECOMMENDED to Council for APPROVAL.

APPROVAL was given to develop a potential residences transaction and to seek approval from Council to procure a banking facility.

**CAPITAL PROJECTS**

RECEIVED a summary of current capital projects.

The residences refurbishment programme which had been approved previously on projected costs was likely to be under budget as most tender packages had now been received.
10 FINANCIAL POLICIES AND PROCEDURES

10.1 RECEIVED proposed tuition fees for 2018-19. The overseas and post graduate fees has been analysed in line with the market. The banding of fees was simplified and some courses changed bands.

Home EU Undergraduate fees were mandated at £9,250 per annum and the PGR fees were mandated by RCUK but were not yet available.

The increases had been discussed with the Students’ Union. FC/17/119

The proposed fees were APPROVED. FC/17/120

10.2 RECEIVED a request to write off five student debts totalling £56k which had been long outstanding. The debts had proved impossible to recover and had been provided against for some time.

The write off of the debts was APPROVED. FC/17/121

11 INVESTMENT SUB-COMMITTEE

11.1 RECEIVED a verbal update on the Investment Sub-Committee meeting of 8 June 2017. FC/17/122

The performance of the investments over the last six months had been good. The sub-committee was content with the diversification of the funds but would continue to monitor the performance of Aberdeen Asset Management.

11.2 APPROVED the appointment of David Williams as a member of the Investment Sub-Committee. FC/17/123

Gurpreet Dehal was thanked for his work on the Investment Sub-Committee. FC/17/124

12* DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

RECEIVED reports on:

12.1* The student debtors position FC/17/125

12.2* The general debtors position FC/17/126

13* BENEFACIONS AND DONATIONS

RECEIVED a report on Fundraising. FC/17/127

14* FINANCIAL REGULATIONS

NOTED that there have been one case where, for good reason, the normal process for obtaining competitive tenders or quotations had not been followed.

15* FOUNDER’S ENDOWMENT FUND

NOTED the value of the Founder’s Endowment Fund. FC/17/128
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**16 ANY OTHER BUSINESS**

There were no items of other business not covered elsewhere on the agenda.

**17 PUBLICATION**

17.1 AGREED that none of the agenda items require broad dissemination around College.

17.2 CONFIRMED the designation of papers as exempt from the Freedom of Information Act requirements.

**DATE OF THE NEXT MEETING**

Thursday 26 October 2017 at 1pm in the Principal’s Meeting Room.

J Febry  
Deputy Chief Financial Officer  
14 June 2017