Minutes of the Finance Committee – Wednesday 9 February 2017

Present:
Mr Jeremy McIlroy – Chair
Mr Gurpreet Dehal
Professor Rob Kemp
Mr Stephen Avery
Mr David Williams
Mr Nick Perryman – from item 5
Professor Paul Layzell – from item 5
Dr David Ashton

In Attendance:
Mr Stephen Cox – Chair of Council – to item 11.1
Ms Tasha Barrett – Students’ Union President
Dr Tom Flynn – Students’ Union Chief Executive – to item 7.1
Mr Rob Scully – Students’ Union Head of Finance and Business Reporting – to item 7.1
Mr Andrew Watson – QMPF
Mr Peter Lyons – QMPF – to item 10.2
Mr Rob Thrower – Head of Financial Performance Management
Mrs Jenny Febry - Secretary – Deputy Chief Financial Officer

1 APOLOGIES

Apologies were RECEIVED from Mrs Margaret Jack. FC/17/01

2 MEMBERSHIP

NOTED that there no changes in membership. Mr Rob Scully was welcomed to the meeting. FC/17/02

3 MINUTES

NOTED that the minutes of the Meeting (FC/16/119-FC/16/174) held on 27 October 2016 had been approved by circulation. FC/17/03

4 MATTERS ARISING FROM THE MINUTES

4.1 NOTED that Research Councils UK had confirmed the indicative fee level for 2017/18, subsequently confirmed as £4,195. FC/17/04

4.2 RECEIVED a report on the loans and hedging arrangements of College. The College had very little exposure to interest rate changes due to high levels of hedging and fixed rate loans. Confirmation of the effect of currency fluctuations was requested. FC/17/05

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

NOTED that there had been no decisions agreed by Chair’s Action or by Circulation. FC/17/06
6 UNSTARRED OF ITEMS

No items were unstarred for discussion.  

MAJOR ITEMS FOR DISCUSSION AND DECISION

7 FINANCIAL MONITORING


The accounts showed a small deficit for the year in line with expectations. It was noted that many longstanding items from the Auditors’ report had been cleared and that the Trustees’ report was very clear and comprehensive.

It was anticipated that the results for 2016-17 would be in excess of the budgeted surplus of £60k which would accelerate capital investments. An effectiveness review was scheduled for February 2017 in light of changes including the retail outlet for the Davison building and the opening of the Packhorse.

7.2 RECEIVED a report on the Management Accounts to December 2016 and a forecast results and cashflow for the year. 

The forecast was broadly in line with budget with lower than forecast cost of living pay increase being offset by lower than budget staff turnover. A number of risks were noted, for example foreign exchange rates.

Adjustments required for FRS102 were less easy to predict, for example the effect of discount rates on the pension provision and there had been significant movements since the last forecast.

College’s cash balance at the end of December was £100m with a forecast capital expenditure in the year of £93m.

It was noted that greater detail on corporate costs would be provided as the report evolved. The ‘write-offs’ related to IT and Estates projects were revenue costs on larger projects and the terminology would be amended.

7.3 RECEIVED a report on Student Applications for 2017-18 academic year. 

Undergraduate applications were 7% lower than at the same time in 2016 and were largely related to three departments in the Arts and Social Sciences which were facing increased competition from the Russell Group and ex 1994 Group institutions who were expanding their capacity in the subjects.

Home EU applications for Post Graduate Taught programmes were encouraging but were offset by lower applications from Overseas.

It was noted that the risk on student numbers meant that a contingency allowance should be considered for the 2017-18 budget.
8 CAPITAL PROJECTS

8.1 RECEIVED a Stage 3 Investment Case for the Physics Clean Room which had been through internal governance procedures and was recommended by PRC.

As a consequence of a successful grant for an electron beam lithography tool to Physics to establish a national facility, the College was required to provide a clean room to allow benefits to be realised from research and commercial possibilities.

The total cost of the project was £2.6m but approval was requested for £2,436k after taking into consideration grant funded infrastructure and College development budget.

The project was APPROVED. The appointment of Clean Room Construction Limited was also APPROVED.

8.2 RECEIVED a report on major capital projects.

The boiler house complex was now complete and was seen as a great success.

Work on the Science building, previously approved by Council, had commenced. The lease of the Monkey’s Forehead had been completed and its name would revert to the Packhorse.

Upon completion of the Davison building, the Bedford library would be repurposed and other departmental moves would follow. Medicine was to be stripped out to become a venue for SU functions but also for other student and College activities. The feasibility of a combined heat and power unit was being explored.

9 FINANCIAL POLICIES AND PROCEDURES

9.1 RECEIVED proposals for residence fees for 2017-18.

The proposed increase of 3.4% had been proposed on the basis of anticipated future costs and not in relation to a general inflation measure. The SU had been consulted.

It was proposed that the fees for 2018-19 were agreed earlier in the year.

The Committee APPROVED the proposed residence fees.

10 FINANCIAL STRATEGY

10.1 RECEIVED a discussion paper on the future investment and financial sustainability of College.

College had had an estate masterplan for some years and had also prepared an estate development plan including major capital projects, investment in student experience, research equipment and revenue investment in staff and studentships.

It was considered that the required levels of capital investment of £25-30m per annum over the next few years would require additional funding. Investment was required to ensure College’s competitive position was maintained and enhanced.

One source of funding was a residence transaction. The Committee was asked to discuss this proposal, and others in due course, and to provide a steer to Council.
10.2 RECEIVED a presentation from QMPF.

There was a well developed process for raising capital from the transfer of residences. The buildings would be handed over to a partner for 40-50 years. The partner would then be responsible for all refurbishment and operating cost and would take the income and risk. The student would continue to contract with College and pay accommodation fees to College for which College would receive a proportion of the fee.

Whilst College could receive cheaper funding rates by borrowing directly, College could not raise the level of funding required for the capital programme directly and such funding would breach covenants with HEFCE and existing lenders. If the agreement were structured properly the transaction would not be shown on the balance sheet.

Many Universities had completed or were negotiating transfer of their residence stock and there were various different partners in the market who were looking for long term investment.

There were many variables including the number of residences to be transferred, length and type of funding bond.

Under an agreement rent increases would be determined by formula and so College would lose annual control over increases. A service level agreement would be agreed to safeguard the student experience required by College.

College would not guarantee occupancy of the rooms transferred. It was not necessary to transfer all the residences and any agreement could be formed to facilitate a second tranche of transfer. The value which could be realised from a transfer was £168m but there were many variables to confirm.

It was anticipated that any process would require 18 months.

The Principal would include a reference to the scheme in his report to Council on 22 February.

An additional Finance Committee would be called to develop this and other options.

11 REPORTS

11.1 RECEIVED a verbal report from the Investment Sub Committee and a report on investment strategy.

It was AGREED that the position of Aberdeen Asset Manager would be reviewed at the June Investment Sub Committee.

11.2 RECEIVED a report on Enterprise Activities.

It was NOTED that the review of Enterprise Activities previously requested should be presented to the June Finance Committee.

11.3 APPROVED the write off of one general and two student debts over £5k, totalling £53,428.
STARRED ITEMS FOR REPORT AND FORMAL APPROVAL

12* REPORTS AND MINUTES

12.1* RECEIVED the unconfirmed Investment Sub-Committee minutes of 27 October 2016. FC/17/51
12.2* RECEIVED the Investment Sub-Committee minutes of 10 January 2017. FC/17/52
12.3* RECEIVED the Annual Report on procurement from the Interim Head of Procurement. FC/17/53

13* DEBT COLLECTION AND IRRRECOVERABLE DEBT UNDER £5,000

RECEIVED reports on:

13.1* The student debtors position FC/17/54
13.2* The general debtors position FC/17/55

14* BENEFACIONS AND DONATIONS

RECEIVED a report on Fundraising. FC/17/56

15* FINANCIAL REGULATIONS

NOTED that there have been no cases where, for good reason, the normal process for obtaining competitive tenders or quotations had not been followed. FC/17/57

16* FOUNDER’S ENDOWMENT FUND

NOTED that the value of the Founder’s Endowment Fund:

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17 ANY OTHER BUSINESS

There were no items of other business not covered elsewhere on the agenda. FC/17/59

18 PUBLICATION

18.1 AGREED that none of the agenda items require broad dissemination around College. FC/17/60
18.2 CONFIRMED the designation of papers as exempt from the Freedom of Information Act requirements. FC/17/61

DATE OF THE NEXT MEETING

Thursday 8 June 2017 at 1pm in the Principal’s Meeting Room. FC/17/62