Minutes of the Finance Committee – Thursday 26 October 2017

Present: Mr Jeremy McIlroy - Chair Ms Ann Ewing
Mr Nick Perryman Professor Paul Layzell
Mrs Margaret Jack Professor Rob Kemp
Mr David Williams Dr David Ashton
Mr Gerry O’Hagan Mr Stephen Avery

Apologies: Mr Stephen Cox Chair of Council
Ms Natasha Barrett President of the Students’ Union

In Attendance Mr Rob Thrower Head of Financial Performance Management
Mrs Jenny Febry – Secretary Deputy Chief Financial Officer
Ms Jane Brett Executive Assistant

1 APOLOGIES

Apologies were RECEIVED from Mr Stephen Cox and Ms Natasha Barrett.

2 MEMBERSHIP

Ms Ann Ewing was welcomed as an ex-officio member of the Committee.

Mr Gerry O’Hagan was welcomed as a member of the Committee.

Mr Nick Perryman and Mr David Williams were reappointed as members of Committee.

3 MINUTES

NOTED that the minutes of the Meeting of 8 June 2017 (FC/17/86-FC/17/137) had been approved by circulation.

NOTED that the report on management and oversight of Enterprise had been deferred to the February or June meeting as the new Director of Research and Enterprise had not yet been appointed and now was not expected to be reported in sufficient time to report earlier.

4 MATTERS ARISING FROM THE MINUTES

NOTED that Council had APPROVED the budget and procurement of a banking facility at its meeting of 5 July 2017.

NOTED that a residences strategy paper would be presented to Council

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

NOTED that there were no decisions agreed by Chair’s Action since the last meeting.
NOTED that Mr Nick Perryman was reappointed to the Investment Sub Committee by circulation of the Finance Committee members.

6 UNSTARING OF ITEMS
No items were unstarred for discussion.

MAJOR ITEMS FOR DISCUSSION AND DECISION

7 FINANCIAL RESULTS FOR THE YEAR ENDED 31 JULY 2017

7.1 CONSIDERED the College’s Management Accounts for the year ended 31 July 2017. The surplus before other gains and losses was £6.2m against a budget of £5.8m, this was a decrease from £10.3m in 2015/16.

7.2 CONSIDERED the Financial Statements for 2016/17.
The Finance team were thanked for their work in preparing the accounts.

The Committee RECOMMENDED the Financial Statements to Council for APPROVAL.

7.3 RECEIVED a report from the External Auditors. The audit work had been substantially completed and had not identified any issues. The Audit & Compliance Committee was scheduled for 13 November.

7.4 RECEIVED the Annual Report for Royal Holloway Enterprise Limited for the year 2016/17. Turnover had increased by £80,543 to £289,754 reflecting increased levels of consultancy and technical services. Operating profit had increased by £41,802 to £83,087.

The Committee RECOMMENDED the Financial Statements to the Directors of Royal Holloway Enterprise Limited for APPROVAL.

7.5 RECEIVED a report on the Founder’s Endowment Fund which demonstrated that the income had been applied in accordance with the trust requirements. The level of expenditure on specific projects exceeded the allocated income by £9k but an accumulated surplus of £2,441k remained. The market valuation of the fund was £41,165k, an increase of 8.3% and £1,767k above the RPI protected value of £39,399k.

The Committee RECOMMENDED the report of the Founder’s Endowment Fund Income and Expenditure for 2017-18 to the Trustees for APPROVAL.

8 FINANCIAL MONITORING

8.1 RECEIVED a report on the 2017/18 Financial Position.
NOTED the financial impact of the short fall on post graduate numbers and the voids in residences. It was anticipated that the end of year position was likely to be stronger.

Student recruitment was discussed. The number of undergraduates for this year was slightly over target on both Home/EU and overseas students, but some attrition was expected. Home/EU Post Graduate numbers were 60-70 below target. Two years previously post graduate numbers were low but the availability of post graduate loans had improved the
situation the previous year. Current post graduate numbers remained constant although there were fewer overseas students. The College was on target to meet student numbers target over three years.

8.2 RECEIVED a tabled report on the 2017/18 Residence Voids. FC/17/161

NOTED that more students were choosing to live at home and there was a 10% reduction in the take up of student accommodation. Governance was now in place to mitigate this issue which had not arisen in the past.

There were limited opportunities to fill voids due to VAT implications and local planning associated with external lets. FC/17/162

8.3 RECEIVED a verbal update on the preparations for the USS 2017 valuation. There was little appetite amongst employers for a contribution increase. UCU had balloted its members who had responded in favour of industrial action. FC/17/163

9 CAPITAL PROJECTS

9.1 RECEIVED a report on the Founder’s Open Plan Office proposals for Marketing and Communications in the present archive space. A survey had highlighted the need for significant work in the South Tower, which was cost effective to undertake at the same time. The stated benefits of the scheme were challenged and the layout would be reconsidered.

There was a desire to commission the work promptly. Subject to approval for maximum expenditure of £1.5m, the tender would be issued before the end of October, so that the work could begin in January.

The budget was APPROVED subject to final layout. FC/17/164

9.2 The Residences 5 Year Plan was APPROVED. FC/17/165

9.3 RECEIVED the Term Services Contractor proposal. The College had engaged JRP to prepare a five year plan for maintenance and renewal. The College was not committed to any or all of the work and some items such as those relating to Kingswood may not be needed if its disposal proceeds. The proposal was to engage a single contractor to take responsibility for all aspects of work and the appointment of an internal projects manager.

APPROVED the Term Services Contractor and internal project manager proposal. FC/17/166

9.4 CONSIDERED a report on current major capital projects. FC/17/167

10 FINANCIAL STRATEGY

10.1 RECEIVED a report on the potential Residences Transaction. The Project Board had been formed and the project was at the stage of obtaining expressions of interest. The Project Board was seeking approval from the Finance Committee for its proposal before going to market.

It was NOTED that College was under no obligation to proceed with the Residences Transaction. FC/17/168

An alternative option to secure long-term debt finance had been explored which would result in gearing of over 100%, and had been ruled out accordingly. FC/17/169
Proceeding to the next stage of the Residences Transaction was APPROVED. FC/17/175

10.2 RECEIVED a verbal report on the procurement of a Revolving Credit Facility. Finance Committee encouraged the Executive to progress this. FC/17/176

11 FINANCIAL POLICIES AND PROCEDURES

11.1 RECEIVED a proposal for all Residence Fees for 2018-19 to be increased by 2.5%. The Committee APPROVED this proposal. FC/17/177

11.2 RECEIVED proposal for Treasury Management Policy amendments to take placement limits back to previous levels. The Committee APPROVED this proposal. FC/17/178

12 INVESTMENT SUB-COMMITTEE

12.1 RECEIVED a verbal report of the meeting held on 26 October 2017. FC/17/179

There were two differing views on performance and it was decided to engage independent external advice to gain assurance that the funds were managed properly. FC/17/180

STARRED ITEMS FOR REPORT AND FORMAL APPROVAL

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

RECEIVED reports on:

13.1* The student debtors position FC/17/181

13.2* The general debtors position FC/17/182

14* BENEFACCTIONS AND DONATIONS

RECEIVED a report on Fundraising. FC/17/183

15* FINANCIAL REGULATIONS

NOTED that there have been ten cases where, for good reason, the normal process for obtaining competitive tenders or quotations had not been followed. FC/17/184
16*  **FOUNDER’S ENDOWMENT FUND**

NOTED the value of the Founder’s Endowment Fund.

<table>
<thead>
<tr>
<th>Date</th>
<th>Market Value</th>
<th>Protected Value</th>
<th>Excess/ (Shortfall)</th>
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<tr>
<td>31 Jul 17</td>
<td>£41,166</td>
<td>£39,399</td>
<td>£1,767</td>
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<td>30 April 17</td>
<td>£40,722</td>
<td>£39,067</td>
<td>£1,655</td>
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<td>31 Jan 17</td>
<td>£39,632</td>
<td>£38,562</td>
<td>£1,070</td>
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<td>1 Oct 16</td>
<td>£38,766</td>
<td>£38,244</td>
<td>£522</td>
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<tr>
<td>1 May 16</td>
<td>£35,747</td>
<td>£37,739</td>
<td>(£1,991)</td>
</tr>
</tbody>
</table>

17  **ANY OTHER BUSINESS**

The Chairman noted that Rob Kemp was stepping down and thanked him for his contribution.

18  **PUBLICATION**

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

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

**DATE OF THE NEXT MEETING**

Thursday 8 February 2018 at 2pm in the Principal’s Meeting Room.