The Minutes of the Meeting of the Finance Committee held on
Wednesday 19 January 2011 in the Huntersdale Boardroom

Present: Mr Bob Potts (Chairman), Mr David Beever (left after item 7), Mr Paul Blagbrough, Registrar and Director of Operations Mr Simon Higman, Principal Professor Paul Layzell, Mr J McIlroy, Director of Finance Mr Graeme Robinson, Professor Geoff Ward.

With: The Assistant Director of Finance Mrs Jenny Febry (Secretary)

In attendance: Sir Andrew Burns, Professor Rob Kemp, Ms Susan Kay, Mr Stephen Bland, Ms Rachel Pearson (President Students’ Union), Mr Martin Stokes (left after item 6), Mr Sean O’Donnell (left after item 6).

Apologies: None

1 MEMBERSHIP

Mr Simon Higman, Registrar and Director of Operations, was welcomed as a member of the Finance Committee.

2 MINUTES

CONFIRMED and signed the Minutes of the meeting held on 8 October 2010.

3 MATTERS ARISING

NOTED that there were no matters arising from the Minutes which were not covered elsewhere in the Agenda.

4 DECISIONS AGREED BY CHAIR’S ACTIONS AND BY CIRCULATION SINCE THE LAST MEETING

As indicated in minute FC/10/206, a small number of tuition fees for 2011-12 were to be determined. The Chair of the Finance Committee had agreed with the Chair of Council that the Overseas fees for Music should remain the same and the Management International MBA fee should be
set at £16,940.

Following the last meeting it had been clarified that the Finance Committee did not have the requisite delegated responsibility from Council to make the amendment to the Treasury Management Policy (FC/10/207 to FC/10/208) as it related to Money Market Funds. The Chair of Council had therefore agreed to the amendment by Chair’s action and the amendment had been reported to Council and confirmed.

5 IDENTIFICATION OF ITEMS FROM THE AGENDA TO BE UN-STARRED

No items from the Agenda were un-starred for consideration during the meeting.

6 STUDENTS’ UNIONS ACCOUNTS

RECEIVED a report on the Students’ Union Accounts to 30 November 2010 which showed a deficit to date of £30,831.

It was NOTED that turnover from Bar and Entertainments was down. The Students’ Union was implementing a restructuring in Commercial Services in consultation with staff and other stakeholders to increase efficiency and economies of scale. Cost reductions for administration and cleaning and professional fees were targeted which included two redundancies. It was noted that the redundancy process was separate from that of College although the Students’ Union liaised with Royal Holloway Human Resources department and senior management throughout.

7 COLLEGE STRATEGY

RECEIVED a report on the College’s Strategy. It was noted that the forecasts had large sensitivities which required strategic decisions before a financial plan could be prepared. The financial plan would be required by the summer.

The Principal outlined the contents of his Manifesto which was to be presented to Council on 26 January 2011. The direction of travel for the College proposed in the Manifesto would need to be agreed before detailed work on the forecast could commence.

There was discussion regarding the proposed fee level for 2012-2013 and the required responses to the challenges ahead under seven headings:

- Brand
- Protection of Income
- Income Growth
- Size and Shape
- Operational Robustness
- Infrastructure
- Regulatory Issues
It was AGREED that a ‘Road Map’ would be provided for the next Finance Committee showing proposed changes including staffing, academic footprint and student experience and identifying key projects, when they would occur and their contribution.

It was AGREED that, given the changes in the Higher Education sector and the forthcoming critical period of three to five years, the focus would necessarily be more on medium term planning and less on the budget. It was AGREED that a medium term plan would be prepared for the next Finance Committee although some assumptions would still be necessary if external factors were not confirmed.

8 ENTERPRISE SUB-COMMITTEE

NOTED the annual report from the Enterprise Sub-Committee.

There was discussion regarding the future of the Enterprise Sub-Committee, the involvement of external advisers and the relationship to student entrepreneurship.

9 FINANCIAL MONITORING

9.1 RECEIVED and CONSIDERED the Management Accounts for the period to 31 December 2010.

It was noted that high legal fees, a reduction in student numbers against budget and an additional cut in HEFCE funding resulted in a large adverse variance, which was offset by £500k targeted savings. This, together with an estimated surplus on the RCS account over budget, resulted in a total estimated surplus of £1,408k against budget of £1,784k. The estimate included a provision of £2m for restructuring costs for which the timing and requirement were uncertain.

9.2 RECEIVED and CONSIDERED a report on the Budget for 2010-2011. The budget had been provisionally agreed by Council in June 2010 due to the imminent arrival of the new Principal, uncertainties regarding income generation and cost savings under Planning For Change and the future funding of HE under the new government following the Browne review.

The original budget with a £1,784k surplus (at valuation) was recommended to Council for approval.

9.3 NOTED the report on the funding implications of the BIS letter to HEFCE.

9.4 NOTED the report on Key Financial Risks.

9.5 RECEIVED a report on the current treasury position and options for additional Money Market Funds (MMFs).
It was AGREED that a MMF account should be opened with Scottish Widows SWIP Global Liquidity fund with a maximum investment of £10 million.

It was requested that the function of Custodian was made clear and that investment in Local Authorities and Short Dated Gilts was explored. The outsourcing of cash management was still being considered.

9.6 RECEIVED a report on the Financial Forecast. It was noted that there were many assumptions and uncertainties regarding HEFCE funding cuts and their timing in addition to the proposed fee level.

The new level of HEU undergraduate fee income was the biggest assumption and achieving growth of overseas fee income would be a key challenge. It was noted that the Historic Cost Adjustment complicated the picture and it might be better to net this off the depreciation cost used in the management accounts.

It was requested that the cash flow forecast be discussed in the commentary, especially to consider the funding of planned capital expenditure. It was noted that many sensitivities and uncertainties would be addressed before the next Committee meeting as strategic decisions were made.

9.7 RECEIVED a report on “Factors Impacting Supply and Demand from Overseas Students”. Strategies for engaging overseas students were discussed including the provision of Foundation years and studying UK HE degrees abroad.

The analysis was welcomed and it was requested that a similar paper was prepared by the Strategic Development Unit on the factors impacting supply and demand from Home/EU students.

10 STUDENT FEES 2011-2012

RECEIVED and DISCUSSED a report on proposed Residence Fees for 2011-2012.

It was noted that the requirement to raise fees in line with inflation was not a current stipulation. It is important to consider residence fees as part of the total cost of university education especially with the advent of increased student fees. Prices should be set to reflect the increasingly competitive nature of higher education provision, not necessarily following increases in the RPI.

The President of the Students’ Union was pleased that efforts were made to limit the rise in fees as much as possible and noted there was concern regarding the gap between the student maintenance loan and the cost of residences. In particular the first installment of the maintenance loan was less than the first installment of Residence Fees.
It was AGREED to increase Residence Fees by 3.5% for 2011-2012 in line with the RPI. FC/11/33

11 BAD DEBTS OVER £5,000

APPROVED the write off of two student debts totalling £16,850 which had previously been fully provided against. FC/11/34

12 CAPITAL PROJECTS

12.1 RECEIVED and NOTED the report on Major Capital Projects. FC/11/35

12.2 RECEIVED the Business Case for a Reconfiguration of the Students’ Union. The reconfiguration would provide more flexible space, improved working environment for staff and sabbatical officers, increased space for clubs and the provision of alcohol free zones which were particularly attractive for overseas students.

It was noted that the radio station Insanity was not relocating to the reconfigured building as they were concerned that there was not sufficient room for growth, especially if they were awarded a Community Licence. The space allocated in the design for Insanity would instead provide additional space for other activities, notably for Student Activities and Student Action.

It was noted that the Students’ Union building was visited on Open Days by prospective applicants to Royal Holloway.

Funding of £200k would be provided by the Students’ Union with the remaining £1m from RHUL. £0.5m was already held for this purpose as a contingency and an additional £0.5m would be allocated from other capital contingencies. As this was a reprioritising of contingencies, the Finance Committee had sufficient authority to agree the reallocation and there was no increase to the Capital Expenditure budget.

It was noted that the Student Union Reconfiguration Project Board, the Principal’s Briefing Group, the Budget Group and the Estates Committee (by email circulation) had agreed the project.

The Students’ Union Reconfiguration was APPROVED. FC/11/41

13 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

NOTED the reports on General Debtors and Student Fees Debtors and that no debts under £5,000 have been written off since 28 October 2010. FC/11/42

14 BENEFACIONS AND DONATIONS
NOTED that there have been no benefactions or donations made to College since October 2010, other than fundraising income since 28 October 2010 totalling £20,857. EN

15 FINANCIAL REGULATIONS

NOTED a report on the cases where, for good reason, the normal process for obtaining competitive tenders had not been followed.

16 TRANSFER OF INVESTMENTS

NOTED a report on the transfer of investments from Kleinwort Benson.

17 FOUNDER’S ENDOWMENT FUND

NOTED that the value of the Founder’s Endowment Fund on 31 July 2010 was £29,736k compared to the protected value of £32,282k.

18 PUBLICATION

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

CONFIRMED that the papers were correctly designated for Freedom of Information Act purposes with the exception of FC/11/04, FC/11/07 and FC/11/08.

19 DATE OF THE NEXT MEETING

NOTED that the date of the next meeting was Thursday 19 May at 1pm in the Principal’s Meeting Room.

J Febry
Assistant Director of Finance
31 January 2011