Minutes of the Finance Committee – Thursday 27 October 2016

Present:  
Mr Jeremy McIlroy - Chair  Professor Paul Layzell  
Mr Nick Perryman  Professor Rob Kemp  
Mr Gurpreet Dehal  Dr David Ashton  
Mrs Margaret Jack - to item 10.3  Mr Stephen Avery

Apologies:  
Mr Iain Ross  Mr David Williams

In Attendance:  
Mr Stephen Cox  Chair of Council  
Ms Tasha Barrett  President of the Students’ Union  
Mr Rob Thrower  Head of Financial Performance Management  
Dr Tom Flynn  Chief Executive of the Students’ Union – to item 8  
Mrs Jenny Febry – Secretary  Deputy Chief Financial Officer

1 APOLOGIES

Apologies were RECEIVED from Mr Iain Ross and Mr David Williams.

2 MEMBERSHIP

Dr David Ashton, Chief Operating Officer and Secretary to Council was welcomed as a member of the Committee.

Ms Tasha Barrett, President of the Students’ Union and Mr Rob Thrower, Head of Financial Performance Management were welcomed to the meeting.

3 MINUTES

NOTED that the minutes of the Meeting of 9 June 2016 (FC/16/59-FC/16/118) had been approved by circulation.

4 MATTERS ARISING FROM THE MINUTES

NOTED that Council had APPROVED the budget and amendments to the Financial Regulations at its meeting of 6 July 2016.

NOTED that the Audit & Compliance Committee had REVIEWED the amended Accounting Policies required for FRS102 at is meeting of 4 July 2016 and the Council had APPROVED them at its meeting of 6 July 2016.

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

To NOTE that there were no decisions agreed by Chair’s Action since the last meeting.
NOTED that following the European Referendum, the proposal that all EU students already studying at Royal Holloway and those starting undergraduate and postgraduate programmes in 2016-17 and 2017-18 will continue to pay the same fees as UK students for the duration of their degree programmes had been APPROVED by Circulation.

NOTED that agreement to Novate contracts on Rusham Park had been APPROVED by Circulation.

NOTED that additional Tuition Fees had been APPROVED by Circulation.

NOTED that the disposal of College’s shares in Sporegen had been APPROVED by Circulation.

6 MEMBERSHIP AND TERMS OF REFERENCE

The Enterprise Sub Committee of the Finance Committee was still standing though it had not met for some time and so should continue to be included in the Terms of Reference.

Following this amendment the Committee APPROVED the revised Membership and Terms of Reference of the Finance Committee.

7 UNSTARRING OF ITEMS

No items were unstarred for discussion.

8 STUDENTS’ UNION

8.1 RECEIVED a report on the Students’ Union.

It was anticipated that the full year results would show a substantial deficit once the fixed assets value had been agreed but there had been a small operating surplus.

The financial statements for the year to 31 July 2016 would be presented to the next Finance Committee along with the management accounts to 31 January 2017.

The financial control of the Students’ Union had been improved and the majority of major audit points from previous audits had been addressed.

MAJOR ITEMS FOR DISCUSSION AND DECISION

9 FINANCIAL RESULTS FOR THE YEAR ENDED 31 JULY 2015

9.1 RECEIVED a report on the College’s position at 31 July 2016 which were prepared under former UK GAAP and did not include any adjustments required under Financial Reporting Standard 102 (FRS102). The final surplus was £8.9m compared to the April 2016 forecast of £8.7m. There were several variations from the forecast and the forecasting process was to be tightened up further including income from HEFCE grants which was £750k better than forecast.

A forecast under FRS102 reporting had been submitted to HEFCE and this had shown the volatility of results under FRS 102 resulting from changes in the market valuation of swaps and devaluation of the picture collection.

Contribution by department was reported and variances by department were to form the basis of future analysis to further improve the accuracy of forecasts.
9.2 CONSIDERED the Consolidated Financial Statements for the year to 31 July 2016 which had involved a large amount of work to convert to FRS 102. The major changes due to FRS102 were inclusion of pension liability, movements on hedging instruments and endowment assets. Freehold land had been revalued at July 2014. Additional information on the movement of hedging instruments was requested and would be circulated prior to submission of the accounts to Council for approval. Minor amendments were requested to the strategic report. Subject to requested amendment, the Committee RECOMMENDED the Financial Statements to Council for APPROVAL.

9.3 RECEIVED the External Auditors’ report to the Audit & Compliance Committee. The audit work was substantially completed and had not identified any issues.

9.4 RECEIVED the Financial Statements for Royal Holloway Enterprise Limited. Turnover had decreased by £132k to £209k, reflecting reduced levels of consultancy and technical services. Operating profit had decreased by £46k to £41k. The Committee RECOMMENDED the Financial Statements to the Directors of Royal Holloway Enterprise Limited for APPROVAL.

9.5 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 had remained relatively low in the year at £616k. The accumulated surplus of £2.5m, which is held within the general reserves of College, would be applied to future projects. The market valuation of £38m represented an increase of 3% compared to the previous year. The governance of the Founder’s Endowment Fund was under review and it was agreed that in future years this report would be presented to a sub group of Trustees before presentation to the Finance Committee.

10 FINANCIAL MONITORING

10.1 RECEIVED a report on the student intake for the 2016-17 academic year. Home and EU students, both undergraduate and post graduate were above target at the October count but the position could change by December. Overseas students were below target.

10.2 RECEIVED a report on preparation for the USS valuation in March 2017. College had submitted its view that there should be no further increase in employer contributions.

10.3 RECEIVED a report on the placement of cash balances. It was noted that funds were placed to mature to match payments.

11 CAPITAL PROJECTS

11.1 CONSIDERED a report on current major capital projects.

The Picture Gallery lighting project was £200k under budget due to inclusion of allowances for potential problems which did not materialise.
The Science building was at a crucial point and there would be cost certainty in the next few days. It was anticipated that the investment case would be presented to CPAC and Council in November for approval to start work in January 2017 with completion by April 2018.

It was anticipated that the lease of the Monkey’s Forehead would be completed by December 2016.

12 **FINANCIAL POLICIES AND PROCEDURES**

12.1 RECEIVED proposals for Tuition Fees for continuing students. PRC recommended that the HEU UG tuition fee for 2014-15 and 2015-16 entrants progressing in 2017-18 into their 4th and 3rd years, respectively, should be £9,000. Furthermore, this fee should be maintained in 2018-19 for the few 2015-16 entrants progressing into their fourth years.

The Committee APPROVED this proposal.

12.2 NOTED a report on Enterprise Activity within College. There was quite a low level of activity and the Enterprise Sub Committee had not met for some time. It was recognised that there was a need to review the situation, particularly in relation to Local Enterprise Partnership.

12.3 RECEIVED proposals for amendments to the College’s mandate for making payments other than online. Manual payments over £200k and future changes to mandates would require a signatory from without the Finance Department. There were sufficient segregation of duties within Finance for online payments.

12.4 RECEIVED a report on delegation of authority and confirmed that authority is delegated to nominated deputies when Directors and Officers were not available.

12.5 RECEIVED a report on the use of AirBNB for staff and students. The Committee recommended to Council that the College’s Travel and Subsistence policy should be amended to exclude the use of AirBNB and similar sites for staff and students on College business.

13 **INVESTMENT SUB-COMMITTEE**

RECEIVED a verbal report of the meeting held on 27 October 2016.

The investment portfolio had recovered well over the previous 9-12 months.

There were continued concerns regarding the performance of Aberdeen Asset Management and College would write to express these concerns.

The ethical investment policy remained under review and consideration was given to a presentation to Council by an external adviser.

**STARRED ITEMS FOR REPORT AND FORMAL APPROVAL**

14 **INVESTMENT SUB-COMMITTEE**

14.1* RECEIVED the Investment Sub-Committee minutes of 9 June 2016.
15 ENTERPRISE SUB-COMMITTEE

NOTED that there had not been a meeting of the Enterprise Sub-Committee since their last report to the Finance Committee.

16 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

RECEIVED reports on:

16.1 The student debtors position

16.2* The general debtors position

17 BENEFACIONS AND DONATIONS

17.1 NOTED a report on Fundraising.

18 FINANCIAL REGULATIONS

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

19 FOUNDER’S ENDOWMENT FUND

NOTED the value of the Founder’s Endowment Fund on 1 October 2016 was £38,766k £522k in excess of the protected value.

20 ANY OTHER BUSINESS

There was no other business.

21 PUBLICATION

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

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

DATE OF THE NEXT MEETING

Thursday 9 February 2017 at 2pm in the Huntersdale Boardroom

J Febry
Deputy Chief Financial Officer
Xx December 2016