Minutes of the Finance Committee – Thursday 9 June 2016

Present:  
Mr Jeremy McIlroy - Chair  
Mrs Margaret Jack  
Mr Paul Blagbrough  
Mr Gurpreet Dehal  
Mr Nicholas Perryman  
Mr David Williams – to item 9.3  
Professor Paul Layzell  
Professor Rob Kemp  
Mr Stephen Avery  
Mr Simon Higman – from item 8.3

In Attendance:  
Mr John Carroll  
Ms Nayab Cheema  
Dr Tom Flynn  
Mrs Jenny Febry – Secretary  
Assistant Director of Finance  
President of the Students’ Union  
Chief Executive of the Students’ Union – to item 7  
Deputy Director of Finance

1 APOLOGIES FOR ABSENCE  
Apologies were received from Mr Iain Ross.  
FC/16/59

2 MEMBERSHIP  
WELCOMED Mr Stephen Avery, Chief Financial Officer, as a Member of the Finance Committee.  
FC/16/60

3 MINUTES  
NOTED that the minutes of the meeting held on 3 February 2015 (FC/16/01-FC/16/58) had been approved by circulation and that the date of the next meeting had been circulated incorrectly but was now corrected.  
FC/16/61

4 MATTERS ARISING FROM THE MINUTES  
NOTED that the half-year financial statements had been circulated by email.  
FC/16/62

NOTED that the minutes stated that Council had approved the change that amendments to the Financial Regulations should be recommended by the Finance Committee and approved by Council. Council had not yet approved the new statutes and so this change was not yet in force but the revised procedure would be followed.  
FC/16/63

There were no further matters arising not covered elsewhere on the agenda.  
FC/16/64

5 DECISIONS AGREED BY CHAIR’S ACTION AND BY CIRCULATION SINCE THE LAST MEETING  
NOTED that the disposal of two fixed assets with a value more than £2,000 had been agreed by Chair’s Action.  
FC/16/65

NOTED that the project budget of £3m including contingency for work on the Boiler House Café, International Building and Associated Works had been APPROVED by circulation.  
FC/16/66
6 UNSTARRING OF ITEMS

No items were unstarred for discussion.

7 STUDENTS’ UNION

7.1 CONSIDERED a report on the Students’ Union Accounts to 31 March 2016. The finance processes and systems had been overhauled this year and would provide data in future to separate the charity function of the Union and the trading activities. It was anticipated that a small surplus would be achieved for the year. A new Head of Finance would start in early August.

7.2 NOTED the Students’ Union budget for the year 2016-17 which included a small surplus for the year after providing for an additional Sabbatical Officer. It was intended to move to three year budgets in future.

The Students’ Union was to appoint an additional trustee with financial expertise.

MAJOR ITEMS FOR DISCUSSION AND DECISION

8 FINANCIAL MONITORING

8.1 NOTED HEFCE’s Risk Assessment and Comparative Financial Data.

It was noted that College was deemed to be not at high risk although it was at the higher end in the sector proportionately for borrowing and liquidity.

8.2 NOTED the Financial Statements to April 2016 which included a surplus to date of £7.2m and was broadly on track against the budget.

The accuracy of forecasting had been examined, concentrating on areas subject to volatility.

8.3 CONSIDERED a report on the 2015-16 Forecast, 2016-17 Budget and 5 Year Financial Plan.

The anticipated surplus for 2015-16 was £8.7m; £0.5m higher than the previous forecast and £2.9m above budget. The forecasting process had been tightened during the year and areas of potential variations were highlighted which indicated a plausible surplus range of £7.5m to £11m.

The 2016-17 budget included a surplus of £5m (i.e. 3% of income) on income of £168m. Income was expected to increase by £5.5m over 2015-16 and expenditure by £9.4m. The increase in expenditure was mostly due to increased employer salary costs of pension, National Insurance and the apprenticeship levy.

The capital budget of £88.4m included £82.2m for specific projects which were subject to individual governance processes and £6.2m for IT and cyclical maintenance.

The 2016-17 to 2020-21 financial plan included significant student growth assumptions as well as an increase in fees for Home EU Undergraduates from 2017-18. The forecast cash flow...
showed that current funding was not sufficient for the full estates capital programme but was sufficient for current committed expenditure.

The Committee RECOMMENDED the budget to Council for APPROVAL.

9  CAPITAL PROJECTS AND DEBT FUNDRAISING

9.1 RECEIVED a report on the Science Building which was fundamental to support the new Electrical Engineering department. £5m had been received from HEFCE to support the project which included £3.5m of essential infrastructure work.

The Committee RECOMMENDED the affordability of the project at £22.5m, including the HEFCE grant to Council, subject to receipt of acceptable tender submissions, validation of the project costs by College’s cost consultants and subsequent approved of the Stage 3 Investment Case by the Planning and Resources Committee and the Capital Projects Assurance Committee.

9.2 RECEIVED a summary of Estates Projects.

The Bedford Square project had been very successful but suffered an overspend of £269k due to the costs of dealing with unexpected asbestos discovered during the project.

The Boiler House Café and Founder’s entrance and visitors’ information point would be completed over the summer.

The purchase of Rusham Park was proceeding with anticipated completion in June.

9.3 RECEIVED a presentation on long term funding strategies.

The long term estate programme would inform the funding strategy and should be looked at over the next 15 years. Control over capital spend and rationing would be required for the full period of the plan. It was anticipated that the process would take three to six months and include analysis of options. The process would give College confidence to initiate the next phase of the capital plan once current projects were completed in 2017.

10  FINANCIAL POLICIES AND PROCEDURES

10.1 RECEIVED proposals for the tuition fees for 2017-18.

Due to Competition and Market Authority requirements the fees had to be approved earlier in the year. The proposals included an inflationary increase of 2.5% for overseas undergraduate and postgraduate courses. Home EU PhD fees were set by the Research Councils and notified later in the year.

The bands for post graduate taught courses were simplified and the banding of courses was agreed with the academic departments. Overseas fees were increased by inflation.

From 2017-18 Home EU undergraduate fees could be subject to inflationary increases under the Teaching Excellence Framework with associated increases in OFFA costs and requirements.
Operational procedures for setting of fees were detailed to provide; additional detail, definitions, exceptions and variations, implementation procedures and operational rules.

The Committee APPROVED the proposed 2017-18 Tuition Fees, including undergraduate and postgraduate fees, the post graduate taught band structure and non-standard fees and operational procedures.

The Committee AGREED to consider by circulation the postgraduate fees for individual programmes once the academic departments had been consulted.

10.2 RECEIVED revised accounting policies required for adoption of Financial Reporting Standard 102. The only change from those previously recommended by the Finance Committee was the adoption of hedge accounting for College’s swops.

The Committee RECOMMENDED the accounting policies to the Audit & Compliance Committee for REVIEW and to Council for APPROVAL.

10.3 RECEIVED a proposal to raise the authorisation levels required for disposal of fixed asset to:

- £25k for Heads of Department with notification to the Chief Financial Officer
- £25k to £50k for the Chief Financial Officer
- £50k or more for the Finance Committee.

The Committee APPROVED the increased limits.

10.4 RECEIVED proposed amendments to the Financial Regulations to reflect the appointment of a Chief Financial Officer and the replacement of the HEFCE Financial Memorandum with the HEFCE Memorandum of Assurance and Accountability which was now the regulatory document for College.

Other amendments were proposed to the Financial Regulations and the Financial Procedures in light of developments in processes and Committees.

The Committee RECOMMENDED the amendments to the Financial Regulations to Council for APPROVAL and further APPROVED the amendments to the Financial Procedures.

10.5 RECEIVED a request to write off a student debt of £8,632 which had proved uncollectable.

The Committee APPROVED the write off.

11 INVESTMENT SUB-COMMITTEE

11.1 RECEIVED a verbal report of the meeting held on 9 June 2016.

The sub-committee had received presentations from WM regarding the performance of the investment managers and from Aberdeen Asset Management and Rathbones.

There was some concern over the performance of Aberdeen Asset Management and the position would be monitored in the forthcoming months.
The ethical investment policy had been discussed and an updated policy would be presented to Council in November.

The subcommittee considered the possibility of utilising part of the Founder’s Endowment to part finance acquisition of Rusham Park. The Trustees would discuss the possibility at their meeting in July.

**STARRED ITEMS FOR REPORT AND FORMAL APPROVAL**

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

RECEIVED reports on:

12.1* The student debtors position
12.2* The general debtors position

13* BENEFACIONS AND DONATIONS

NOTED that £648k benefactions, donations and fundraising had been received since 1 August 2015.

14* FINANCIAL REGULATIONS

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

15* FOUNDER’S ENDOWMENT FUND

NOTED the value of the Founder’s Endowment Fund on 1 May 2016 was £35,747k (£34.265k reported at 26 January 2016) compared with the protected value of £37,739k.

16 ANY OTHER BUSINESS

There was no other business not covered elsewhere on the agenda.

17 PUBLICATION

17.1 AGREED that none of the agenda items require broad dissemination around College with the exception of the agreed tuition fees.

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

**DATE OF THE NEXT MEETINGS**

Thursday 27 October 2016 at 4pm in the Principal’s Meeting Room.