FINANCE COMMITTEE

The Minutes of the Meeting of the Finance Committee held on
Thursday 10 May 2012 at 2pm in the Huntersdale Boardroom

Present: Mr Jeremy McIlroy (Chairman), Mr Paul Blagbrough, Mr Gurpreet Dehal, Registrar and Director of Operations Mr Simon Higman, Dr Jackie Hunter, Deputy Principal Professor Rob Kemp, Principal Professor Paul Layzell, Director of Finance Mr Graeme Robinson

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

In attendance: Mr John Carroll, President of the Students’ Union Mr Daniel Cooper (to item 10), Mr Martin Stokes (to item 8), Mr Sean O’Donnell (to item 8)

Apologies: Mrs Margaret Jack, Mr Iain Ross

1 MEMBERSHIP

Mrs Margaret Jack was WELCOMED as a Member of the Finance Committee

FC/12/71

2 APOLOGIES

Apologies were received from Mrs Margaret Jack and Mr Iain Ross.

FC/12/72

3 MINUTES

CONFIRMED and signed the Minutes of the meeting held on 26 January 2012.

FC/12/73

4 MATTERS ARISING

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

FC/12/74

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

NOTED the changes to tuition fees for 2012-13 as detailed in Paper FC/12/14 which had been agreed by Chair’s Actions.

FC/12/75

6 IDENTIFICATION OF ITEMS FROM THE AGENDA TO BE UN-STARRED
No items from the agenda were unstarred for discussion during the meeting.

7  TERMS OF REFERENCE

The Terms of Reference and Schedule of Delegation for the Finance Committee had been updated to reflect changes in the College’s Committee Structure, changes to the Students’ Union and changes in responsibilities of the Senior Management Team, Estates and Campus Services.

It was noted that although the Students’ Union was legally separate from the College, it was important that there should be continued monitoring of its financial position at Finance Committee, and also noted that there was a College appointed trustee on the Students’ Union board.

The amended Terms of Reference and Schedule of Delegation was RECOMMENDED to Council for Approval.

8  STUDENTS’ UNION

8.1 RECEIVED the Students’ Union Management Accounts for the period to March 2012.

It was NOTED that the trading position was disappointing, with a £34k reduction in income compared to the previous year and a projected deficit of £100k. Changes in student behaviour, including a reduction in alcohol consumption and social networking off site had been identified as causes. Measures to reduce expenditure and increase revenue by approximately £15k had been implemented.

Additional revenue streams had been identified such as the Commercial Lettings agency U Let, to be open for the new academic year, and increased Conference lettings.

It was NOTED that in difficult economic circumstances, the Block Grant received from College would have to be increased. Core activities to be supported by College should be identified and applications for block funding made.

8.2 RECEIVED the Students’ Union Budget for 2012-13.

There was a predicted surplus of £20k, taking in account an increase in the Block Grant from College. Budgeted bar income was reduced compared to the 2011-12 budget and the financial benefit of U Let was not expected to be realised until year 2.

A lease cost of £25k in anticipation of a formal letting agreement with College and capital expenditure for upgrading the sound system to facilitate external lettings had been included.

It was noted that the cash position of the Union over the summer would need
careful management.

College’s commitment to the Students’ Union in the form of the Block Grant was NOTED and that further work was being undertaken to determine its future composition.

Mr Sean O’Donnell and Mr Martin Stokes left the meeting.

9 FINANCIAL MONITORING

9.1 RECEIVED and NOTED the Financial Results for the period ended 31 March 2012

The estimated forecast for the financial year was £8.7m compared to £7.4m presented to the January Finance Committee. The changes were identified as a reduction by £0.3m to £0.8m of the restructuring cost provision and the release of a £1.0m provision held against potential reduction in the HEFCE Teaching Grant from April 2012. The grant letters for April to July 2012 have now been received and there was no additional in year cut.

It was anticipated that the £1.1m Founder’s Endowment Fund managers’ fees from previous years released to income as agreed by the January 2012 Finance Committee was unlikely to be fully spent by the end of the financial year. However the anticipated £0.5m under-spend was offset by additional IT expenditure for wireless access, PC labs and other one-off expenditure

It was noted that there were significant projects scheduled for the summer including repairs to Bourne roof and various Founder’s repairs projects for which it was difficult to forecast expenditure by 31 July. However grant and student fee income was now relatively fixed.

9.2 RECEIVED a report on historic variances between budget and actual results. It was noted that it was possible to improve the robustness of forecasts. For example the increase in deposits charged for overseas postgraduates would create greater certainty about the numbers who had accepted a place who would enrol. However there were still potential issues about visas, and for 2012-13 there was a great deal of uncertainty about Home/EU undergraduate numbers, which had hitherto been subject to a high degree of predictability overall.

9.3 It was requested that this report would be prepared annually and that the original budget should be included.

RECEIVED a report on current financial risks.

College had set challenging targets to the departments for student admissions for September 2012 in the light of increased Home/EU undergraduate fees and reduced Student Control numbers for students who did not achieve AAB+ or equivalent results. The deadline for most students to accept Royal Holloway as a first or second choice was mid-May, with final acceptances due by mid-June which would provide greater certainty.
Generally applications had held up well but there were variances between departments.

It was noted that students who achieved ABB+ or equivalent for September 2013 intake would not be included in the student control number for that year.

10 COLLEGE BUDGET 2012-13 AND FINANCIAL FORECAST

10.1 RECEIVED a summary of the budget for the Main Account, the Residence and Catering Services (RCS) and capital investment for 2012-13.

The budget did not contain any provision for a shortfall if budgeted student numbers were not achieved, nor for any in-year cut in HEFCE grants not already advised. A 1% staff pay increase was included for the national pay award which had currently been offered at 0.8%, whereas the Unions had requested a 7% increase.

It was noted that the supporting papers demonstrated the thoroughness of the budgeting process. There was a high degree of volatility in the international market. More stringent entry requirements for overseas postgraduate entry to the School of Management had resulted in fewer applications, but the accepted students would be of a higher quality.

10.2 RECEIVED the budget for RCS for 2012-13. A surplus of £2.5m was forecast including an increase in income of 4% and in residence fees of 4.5%. Conference income was up 7.5% against forecast 2011-12 income, mostly due to the Olympics contract.

The RCS budget had previously been reviewed by the Trading Subcommittee which was no longer in existence. However the budget was subject to a high level of internal scrutiny by the Professional Services Review Committee.

It was requested that a more detailed analysis of the RCS financials and trading performance should be considered by the January Finance Committee.


The Committee was asked to recommend approval of the annual capital allocations for Estates/FM cyclical, backlog and minor works expenditure of £5.6m and Academic, teaching and research equipment and information services for £4.5m with the proviso that major projects over £1m required specific approval. Projects over £5m also required approval from Council.

The Capital Plan set out the longer term plan. On the basis of the current cash balance, some of which could be invested in the estate, and the cash generated from forecast surpluses, about £50m was available for major
The first priority was a substantial increase in library and related learning resource facilities. The library extension had received Gateway 0 approval within the project the governance procedure to develop options to inform a business case for presentation to Council.

Proposals for a further major project would be developed through the College strategy review process.

It was noted that major capital projects required investment in developing plans and cost projections to enable a meaningful business and investment case to be prepared, as such it could be considered ‘money at risk’. It was agreed that the process for approval of such scoping investment would be reviewed to ensure appropriate governance.

It was AGREED that the capital budget of £5.6m and £4.5m for Estates and Academic/IT as detailed above was recommended to Council for approval.

RECEIVED the Financial Forecast for submission to HEFCE. Council had delegated the approval of the Forecast to the Finance Committee due to the required submission date. HEFCE required forecasts to 2014-15 but the forecast (for internal purposes) has been prepared to 2016-17 and showed surpluses of approximately 5% per annum.

The forecast included the £9k Home/EU undergraduate fee income and noted the risk of student numbers not achieving targets.

A provision had been included after 2012-13 from the additional fee income for additional staff and non-staff expenditure and this had built up to £5m by 2014-15. This would provide a cushion against a shortfall of student numbers.

It was noted that capital funding from HEFCE had fallen from £13.3m over three years from 2008-11 to £3.5m for the three years 2011-14.

The forecast was APPROVED for submission to HEFCE.

Mr Daniel Cooper left the meeting.

11 FINANCIAL POLICIES AND PROCEDURES

RECEIVED a review of Treasury Management Policy and Procedures drawing on a detailed report by external consultants. The Chair, together with the Chair of the Audit & Compliance Committee and the Director of Finance, had attended a presentation of their report by the consultants.

The report commended the internal treasury management team for the returns achieved and the efficiency of their processes. The consultants had provided some interesting observations and some ‘quick wins’ along with criteria to consider regarding the outsourcing of the treasury management function.
A paper would be submitted to the October Finance Committee incorporating the recommendations and proposals for an amended Treasury Management Policy if appropriate.

11.2 RECEIVED proposed changes to the Travel, Subsistence and Personal Expenses Policy which incorporated changes due to recommendations from Internal Audit, changes in HMRC provisions as well as clarification of College practice, and would be effective from 1 June 2012.

The amended policy was APPROVED.

11.3 NOTED that the timetable for setting tuition and residence fees was being reviewed, but that for 2013-14 the same timetable would be followed given the new banding arrangements introduced for 2012-13. Further consideration would be given to setting both tuition and residence fees for 2014-15 at the May 2013 Finance Committee so that fees were set in advance of the recruitment cycle.

The report was NOTED.

12 MAJOR PROJECTS

12.1 RECEIVED a business case for a replacement Finance System. The current finance system was a legacy system with little future for product development and investment in the Higher Education sector. It could not provide satisfactory management data in a timely manner. The requested budget of £1.6m was comparable to similar recent projects at similar institutions. The business case had been approved by the Systems and Major Projects Committee and the Planning and Resources Committee.

An EU tender process would be required with the contract concluded in October 2012 for an implementation date of 1 August 2013. Prior to October 2012 requirements would be defined and a blueprint developed. There would be some expenditure committed prior to Council’s approval of the overall capital budget, but this was limited mainly to internal staff costs.

A benefits realisation plan was a core part of the project and would be developed in association with the concurrent Professional Services Review.

The business case for expenditure of £1.6m for a Replacement Finance System was APPROVED.

12.2 RECEIVED a report on major projects.

It was noted that the College was continuing dialogue with Runnymede Council about the development of the master plan.

The new theatre at Sutherland House has been delayed due to planning issues and the revised completion date was now February 2013, within the approved budget of £3,538k.
The Boiler House renovation had been submitted to Planning and Resources Committee as a stage 0 report.

12.3 RECEIVED a proposal for the refurbishment of Founder’s bedrooms and residential areas. Contracts were being tendered for bedroom refurbishment due to a very tight schedule but no expenditure would be committed prior to relevant approval.

The Founder’s bedrooms, kitchens, bathrooms and corridors were in poor repair. The overall budget of £5.14m would be met from £4.05m of budget from the RCS account. It was requested that the remaining £1.09m of expenditure be met from the Main Account funding, reflecting the additional costs associated with renovating accommodation in Founder’s over newer built residences.

It was AGREED to recommend the business case to Council for Approval.

It was further AGREED to delegate approval of disposal of furniture from the bedrooms to the Director of Finance.

12.4 RECEIVED a paper detailing discussions for the possible purchase of a proposed 528 bedroom Hall of Residence development on the former Brunel Campus. It was noted that contracts would need to be agreed by October 2012 for a September 2014 opening.

The report was NOTED.

13 INVESTMENT SUB-COMMITTEE

RECEIVED a verbal report from the Investment Sub-Committee including presentations from the two fund managers, Aberdeen Asset Management (AAM) and Newton Investment Managers (NIM). The total return target of 8.5% over 3-5 years (with a secondary target of 3-4% income per annum) had proved challenging with shortfalls against the total return target in 2011.

It was noted that AAM had out-performed the WM Charity index and that the first quarter of 2012 showed improved performance despite volatility in the Eurozone.

14 BAD DEBTS OVER £5,000

Received details of four student debts each over £5k, totalling £28,436.84.

The write off of these debts, which were fully provided against, was APPROVED.

15 ENTERPRISE SUB COMMITTEE

NOTED a report from the Enterprise Sub-Committee.
16 **DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000**

NOTED the reports on General Debtors and Student Fees Debtors and that nine debts under £5,000 totalling £18.9k have been written off since 26 January 2012.  

FC/12/144

17 **BENEFACTIONS AND DONATIONS**

NOTED that since 26 January 2012 a benefaction of £2,796 has been received, fundraising income since that date totalled £102,501.  

FC/12/145

18 **FINANCIAL REGULATIONS**

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

FC/12/146

19 **FOUNDER’S ENDOWMENT FUND**

NOTED that the value of the Founder’s Endowment Fund on 30 April 2012 was £31,072k (£30,762k reported on 26 January 2012) compared to the protected value of £34,765k.  

FC/12/147

20 **PUBLICATION**

20.1 AGREED that none of the agenda items required broad dissemination around the College, with the exception of the revised Travel, Subsistence and Personal Expenses policy.  

FC/12/148

20.2 CONFIRMED that the papers were correctly designated for Freedom of Information Act purposes.  

FC/12/149

21 **DATE OF THE NEXT MEETING**

NOTED that the date of the next meeting was Thursday 25 October 2012 at 2pm in the Huntersdale Boardroom.  

FC/12/150

J Febry  
Assistant Director of Finance  
23 May 2012