Present: Mr Bob Potts (Chairman), Mr David Beever, Mr Gurpreet Dehal, Registrar and Director of Operations Mr Simon Higman (arrived during item 5), Dr Jackie Hunter (arrived during item 5.1), 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, Mr John Carroll, Professor Rob Kemp, Ms Susan Kay (arrived during item 5), Mr Stephen Bland (arrived during item 5), Ms Rachel Pearson (President Students’ Union), Mr Martin Stokes (left after item 6.3), Mr Sean O’Donnell (left after item 6.3).

Apologies: Mr Paul Blagbrough

1 MEMBERSHIP

Dr Jackie Hunter and Mr Gurpreet Dehal were welcomed as members of the Finance Committee

Ms Rachel Pearson was thanked for her contribution over the past year.

Mr David Beever was thanked for his contribution as Chairman and Member of the Finance Committee over many years.

2 MINUTES

AMENDED paragraph FC/11/37 to read ‘notably for Student Activities and Community Action’.

CONFIRMED and signed the Minutes of the meeting held on 19 January 2011.
3 MATTERS ARISING

NOTED that there were no matters arising from the Minutes which were not covered elsewhere in the Agenda. FC/11/54

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

NOTED that there were no decisions agreed by Chair’s actions since the last meeting. FC/11/55

NOTED the decision by circulation that an account should be opened with Scottish Widows SWIP Global Liquidity fund and that the authorised signatories should be the Director of Finance and the Assistant Director of Finance. FC/11/56

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

Item 13, the Enterprise Sub Committee Report FC/11/37, was unstarred for consideration during the meeting. FC/11/57

6 STUDENTS’ UNION

6.1 NOTED that the Students’ Union was now officially registered as a separate charity. FC/11/58

6.2 RECEIVED a report on the Students’ Union Accounts to 31 March 2011 which showed a deficit to date of £49,517. FC/11/59

It was NOTED that it had been a difficult trading year but improvements were anticipated in future after the restructuring of Commercial Services and the impact of the reconfigured building. Additional ticket sales were expected for the Summer Ball due to increased capacity which would increase the contribution. FC/11/60

The final out turn was expected to be significantly less than a deficit of £100k; weekly senior management team meetings were reviewing the position and aim to restrict the deficit to a total of £50k being the budgeted deficit of £20k plus restructuring costs of £30k. FC/11/61

6.3 RECEIVED the Students’ Union Budget for 2011-2012. It was confirmed that the budget would continue to be approved by the Finance Committee after the change in status of the Students’ Union. FC/11/62

The budget showed income of £930k (2010-11 £971k) and expenditure of £953k (2010-11 £994k) providing a deficit of £22k (2010-11 £23k). Capital expenditure increased to £236k (2010-11 £45k) including £200k contribution to the SU building reconfiguration and cash balances were projected as £241k at the end of the year (2010-11 £375k). FC/11/63
A new temporary role was planned within Student Activities, part funded by College, with a remit including Student Employability, Skills Development and Entrepreneurship.

There was discussion regarding the continuing consolidation of the Students’ Union accounts into the College accounts in light of the charity registration and forthcoming reporting requirements. This would be discussed with the College’s auditors.

APPROVED the Students’ Union budget for 2011-2012 to be presented to the Students’ Union Annual General Meeting for final approval.

7 FINANCIAL MONITORING

7.1 RECEIVED and CONSIDERED the Management Accounts for the period to 31 March 2011.

The anticipated out-turn was the same as that presented to Council in April. The major changes from the previous estimate on the Main Account were an increase of £400k in fee income, based on improved modelling of students leaving after the 1 December count date, the effect of January enrolments and the recognition of prior year credit balances, and £400k lower staff cost.

There was increased fee income in the 2011-2012 forecast in light of the revised model. It was noted that the fee model would be reconciled to actual ledger data twice a year and refined as appropriate.

There was an increase in the RCS estimated out-turn of £400k, approximately half due to increased income over a number of headings and half due to reduced expenditure over a number of headings, including a rebate on utilities of £140k.

The Restructuring Provision estimate was reduced from £2m to £500k in 2010-2011 with additional expenditure anticipated for future years.

It was noted that Research activities and Third Stream income were included in these figures as a net contribution to College operating costs.

It was not anticipated that there would be increased drop out rates due to increased fee levels. Increased fees may affect the decision to attend Higher Education but once in attendance the higher fees were not considered to be an issue affecting completion. The Access Agreement submitted for approval included Bursaries to support students during their studies.

7.2 RECEIVED and CONSIDERED a report on the Key Financial Risks.

It was noted that two College-level financial risks not considered by the report were investment risk and the risk of failure of treasury
counterparties. The investment risk was reviewed by the Investment Sub-Committee whose role was to escalate concerns as appropriate. Treasury Risk was monitored by separate reports to Finance Committee and Council.

It was noted that the Risk Management Steering Group received a consolidated report of the top College risks.

The situation regarding Student Visas was fluid. There had been recent announcements from Government regarding English language requirements for the September 2011 intake which would affect the whole sector.

It was noted that the changes to the USS pension scheme had just been agreed by the Joint Negotiating Committee and the USS Board would confirm an effective date for the rule changes.

RECEIVED and CONSIDERED a report on the factors driving supply and demand for Home/EU Undergraduate Students. The report did not consider Post Graduate Taught or Post Graduate Research Students.

There were many factors to consider and past trends were no guide to the future. It was noted that Royal Holloway drew the majority of its students from a tight geographic area, mostly in the age range 18-21 and with a higher than sector norm of EU students probably due to its location.

It was noted that the 18-21 demographic would peak in 2011-2012 and there was likely to be increased demand for part time courses and growth in mature students.

Market research had indicated that there may be growth in commuter students who live at home, maybe after residing in university accommodation for the first year of study. This would have implications for residential demand however Royal Holloway could not currently guarantee three years in hall for overseas students and the risk of over capacity could be mitigated by the style of build for new residences.

It was noted that the Home/EU student numbers would still be capped and so a reduction in demand for Arts, Humanities and Language courses could be met by reallocating student numbers to other subject areas.

The student groups considered to be deterred by higher fees were not traditional Royal Holloway students.

8 COLLEGE BUDGET 2011 – 20102 AND FINANCIAL FORECASTS

RECEIVED a report on the Financial Plan.

Appendix 1 and Appendix 2 of the report were discussed as Reserved Area Business in the presence of the Members of the Finance Committee and officers required to provide explanations and take minutes.
The Financial Plan was being considered prior to the review of the budget due to the need to take a medium-term view given the implementation period of the new fee and funding arrangements. It was noted that the Financial Plan was derived from the strategic plan and the budget was the first future year of the plan.

There were external factors that remained unresolved; including how the Government would recover the additional cost of student support due to the concentration of fees towards £9k, and how the composition of the sector would change. The White Paper was due to be published in June 2011.

A key assumption in the paper was that student intakes would be maintained with a £9k fee. The College was at the premium end of the market and there was strong demand with 80% of students obtaining minimum A level grades of at least ABB. Although Home/EU student numbers were capped there was the possibility of transferring numbers between departments. Overseas student numbers were too dependant on markets in Asia and a small number of departments, therefore there were various initiatives underway with third party providers to widen the geographic and programme spread of overseas students.

Future postgraduate numbers were subject to various factors; the impact of higher fees on post graduate numbers could not yet be determined. Vocational postgraduate courses were already provided by Health & Social Care and their experience and knowledge in this area could be utilised by other departments.

College was confident that student demand would withstand the new fee regime and the financial plan contained contingencies and expenditure in key areas to mitigate the risk.

The Committee recognised the risk but accepted the strength of the College and the direction set out in the Principal’s Manifesto.

A best case versus worst case scenario was requested detailing pinch points and the likely timing of impacts and consequences. The value of a Royal Holloway degree would be highlighted as a mitigation to risk, for example, employability of graduates.

It was noted that the balance sheet was robust.

It was noted that an agreement with the Kaplan Institute to teach the second and third year of Management in Singapore was well advanced with the intention to commence the course in March 2012. The student forecast did not yet include any growth in student numbers from diversifying further into online and distance learning programmes and the development of overseas delivery.

Capital expenditure was planned to be met from cash balances built up
from previous years’ surpluses and the ongoing generation of cash for investment each year. Sector average liquidity was 80 days and Royal Holloway had 150 days’ liquidity at the end of 2010. The planned Student Centre, estimated at £16m cost, could be met from this above average balance and would provide a flagship investment.

Funding options for additional student residences needed to be explored, but it was thought that conventional borrowing could be secured for at least a 500 bed residence, if necessary.

A summary was requested for an overview of the plan with a five year cash flow projection for Council.

Subject to the high level presentation, the Financial Plan was RECOMMENDED to Council for approval.

8.2 RECEIVED the Budget Summary for review. This showed a consolidated deficit of £1,319k after a restructuring provision of £2m. The fall in operating surplus to £681k was due to the reduction in grant funding being introduced before the receipt of increased fees.

It was NOTED that the capital allocation of £8.4m included cyclical renewals and refurbishment, IT and Academic equipment but excluded major projects which were agreed on a project by project basis.

8.3 RECEIVED and NOTED the Main Account Revenue Budget 2011-2012, which showed a deficit, but was expected to move back into surplus from 2012-13.

8.4 RECEIVED and NOTED the 2011-2012 Residence and Catering Services Budget Presentation.

It was noted that the increase in surplus to £1.8m was driven mainly by the impact of letting accommodation for the Olympics.

It was noted that a major refurbishment of Founder’s bedrooms was scheduled for the summer of 2012 as they would not be occupied.

8.5 RECEIVED and NOTED the Capital Budget for 2011-2012.

It was noted that Section A – Major Projects was a draft outline with specific agreement required for each scheme as it was developed, for example the Student Centre.

It was agreed that the outline level of expenditure was satisfactory although the details could change, for example work on the boiler house could be delayed.

AGREED to recommend the draft revenue and capital budgets to Council for approval.
9 TREASURY MANAGEMENT

9.1 NOTED the Internal Audit review of College Strategy and Practices for Treasury Management which had previously been presented to the Audit and Compliance Committee.

The major points concerned the reduction of segregation of duties following the voluntary severance of a member of staff with subsequent concentration of duties with the Exchequer Accountant and the inconsistencies concerning the implementation of changes to investment criteria in the rapidly changing market.

It was noted that practices had been implemented to mitigate the concentration of duties and to clarify the adoption of agreed investment criteria.

9.2 RECEIVED a proposal for the Outsourcing of Treasury Management.

The risk of in house management with constrained resources was discussed and the sector experience of Royal London Cash Management was noted.

It was AGREED that the proposal to use only Long Term and Short Term criteria for investment decisions should be RECOMMENDED to Council for approval.

It was AGREED that the geographic limitations of the current treasury management policy should be amended to reflect those counterparties recommended by the Treasury Management Specialists.

The relative fee levels and return of Royal London Cash Management (RLCM) and Royal Bank of Scotland Agency Treasury Service were discussed.

There was agreement over the principle of outsourcing. However it was noted that the pricing proposals did not appear to be based on a consistent approach and it was agreed that both parties would be approached in order to obtain prices based on similar assumptions. It was noted that RBS did not prepare a control report and further consideration of this matter would be made before agreeing a recommendation for Council.

It was agreed that the additional information would be circulated by email prior to submitting the proposal to Council for agreement.

9.3 RECEIVED a proposal to accept the use of Deutsche Asset Management Money Mark Fund following the receipt of an acceptable SA570 Control Report.

It was AGREED that funds could be placed with the Money Market Fund in accordance with the Treasury Management Policy.
10 FINANCIAL REGULATIONS AND TERMS OF REFERENCE

10.1 RECEIVED a proposal that Finance Committee accept the responsibility for amendments to Financial Regulations with an annual report to Council.

Noted that the Financial Regulations were not strategic but technical regulations regarding financial procedures.

It was AGREED that Finance Committee would accept the responsibility for amendments to the Financial Regulations if devolved by Council.

10.2 RECEIVED the revised Gifts and Hospitality Policy.

The policy was RECOMMENDED to Council for APPROVAL.

10.3 NOTED the changes to Schedule of Delegation as recommended by the Audit and Compliance Committee.

11 CAPITAL PROJECTS

11.1 NOTED a report on Major Project Governance.

11.2 NOTED a report on Major Capital Projects.

11.3 RECEIVED a report on the Funding Options for the Students’ Union Reconfiguration.

It was AGREED that the Director of Finance would summarise the proposed plan and agree by email circulation with Mr Jeremy McIlroy before adoption. The Students’ Union Trustee Board would be consulted and involved as required.

12 BAD DEBTS OVER £5,000

12.1 APPROVED the write off of three student debts totalling £21,390 which had previously been fully provided against. NOTED that the debt detailed in FC/11/35a was due to the University of London in Paris, where the College acted as a collecting agent for the University of London, and was outside the remit of this committee.

12.2 NOTED a report on the uncertain position of debt with Fugro Robertson Limited.

13 INVESTMENT SUB-COMMITTEE

NOTED a report from the Investment Sub-Committee.

14 ENTERPRISE SUB COMMITTEE

RECEIVED a report from the Enterprise Sub Committee.
NOTED that Royal Holloway Entrepreneurs had won the NACUE Venture Creation Award for 2011.

The Committee congratulated Research and Enterprise for this success and it was noted that the Vice Principal for Research and Enterprise would provide strategic leadership when appointed.

15 TRADING SUB COMMITTEE

NOTED a report from the Trading Sub Committee.

16 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

NOTED the reports on General Debtors and Student Fees Debtors and that three debts under £5,000 totalling £1,186 have been written off since 19 January 2011.

17 BENEFACIONS AND DONATIONS

NOTED that there have been no benefactions or donations made to College since 19 January 2011, other than fundraising income totalling £74,746.

18 FINANCIAL REGULATIONS

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

19 FOUNDER'S ENDOVEMENT FUND

NOTED that the value of the Founder’s Endowment Fund on 6 May 2011 was £32,008k compared to the protected value of £33,567k.

20 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.

21 DATE OF THE NEXT MEETING

NOTED that the date of the next meeting was Thursday 27 October 2011 at 3pm in the Huntersdale Boardroom.

J Febry, Assistant Director of Finance
Assistant Director of Finance
9 June 2011