Royal Holloway
University of London

FINANCE COMMITTEE

The Minutes of the Meeting of the Finance Committee held on
Thursday 26 January 2012 at 2pm in the Huntersdale Boardroom

Present: Mr Jeremy McIlroy (Chairman), Registrar and Director of Operations
Mr Simon Higman, Dr Jackie Hunter (by telephone for item 7),
Professor Rob Kemp, Principal Professor Paul Layzell, Director of
Finance Mr Graeme Robinson, Mr Iain Ross.

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

In attendance: Mr Stephen Bland, Mr John Carroll, Mr Daniel Cooper (President
Students’ Union from item 8), Mr Tony Greenwood (for item 7) Mr
Martin Stokes (for item 8), Mr Sean O’Donnell (for item 8), Professor
Geoff Ward.

Apologies: Mr Paul Blagbrough, Mr Gurpreet Dehal

1 MEMBERSHIP

There were no changes to the membership of the Finance Committee FC/12/1

2 APOLOGIES

Apologies were received from Mr Paul Blagbrough and Mr Gurpreet
Dehal. Dr Jackie Hunter would join the meeting by conference telephone
for item 7.

3 MINUTES

CONFIRMED and signed the Minutes of the meeting held on 27 October
2011. FC/12/3

4 MATTERS ARISING

NOTED that there were no matters arising from the Minutes not covered
elsewhere. FC/12/4
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/12/5

IDENTIFICATION OF ITEMS FROM THE AGENDA TO BE UN-STARRED

No items from the agenda were unstarred for discussion during the meeting. FC/12/6

ENTERPRISE SUB-COMMITTEE

Comments from Dr Jackie Hunter, submitted by email, were circulated to the Committee. FC/12/7

Mr Tony Greenwood joined the meeting. Dr Jackie Hunter joined the meeting by conference telephone. FC/12/8

The key points from the report presented were that Royal Holloway was underperforming in comparison with other institutions, for example Knowledge Exchange (KE) income and Consultancy. It was noted that there were areas where work from the last two years was resulting in additional income, for example, Intellectual Property (IP) income which was now around £90k with some substantial projects on the horizon. Other income was satisfactory for an institution of the size and subject mix of College. FC/12/9

The Enterprise Sub-Committee (ESC) had charged the Research and Enterprise unit (R&E) to review potential barriers to consultancy, such as the 30% commission charged by College (which was in line with other institutions), workload issues and other incentives. FC/12/10

Industrial funding of research at Royal Holloway was based on a very narrow base of operations; 50% of industrial research income stemmed from two Academics in the Earth Sciences department. However the departments were aware of the vulnerability in this area and were taking action. FC/12/11

In the longer term, R&E were engendering a more entrepreneurial culture in the organisation, encouraging Academics to spot opportunities and pursue them with the limited resources available. A three day seminar was held for early career researchers in the summer and recently a residential seminar was held with King’s College London and University College London to increase networking skills and spot opportunities. FC/12/12

There was a need to diversify income and the impetus needed to come from Academics. However it was noted that there were competing pressures on Academics including the Research Excellence Framework (REF) requirement for high quality research, although 20% of the REF was based on economic impact. FC/12/13

College offered incentives for entrepreneurship by a 50:50 split of income
for licencing and spin-out companies between the Academic and College, which was a standard split for the sector.

It was recognised that short term targets should not be set without understanding the consequences. Consultancy payments in addition to salary should be structured to ensure they were not double counted and there was a need to factor consultancy into promotion criteria. It was necessary not to incentivise wrong behaviour and a high level strategy was required with the correct incentives and to add value.

It was agreed that metrics did not need to be solely financial. Strategic partnerships would increase networks which would lead to income in the future.

It was noted that the new Vice Principal for Research who would start on 1 April was a capable researcher but also had experience of IP and spin out companies. Additionally the Deputy Principal and the new head of the Strategic Development Unit were developing the academic strategy and this would take account of the relationships between research, enterprise and impact.

It was noted that the data provided was subject to changes depending on changes in definition and categorisation of income. The ESC had requested that the data is examined more closely, especially in regard to the discipline mix and formulate an aspiration for College. It was understood that consultancy was underperforming and the base must be widened.

Jackie Hunter ended the conference call and Tony Greenwood left the meeting.

8 STUDENTS’ UNION

Daniel Cooper, Sean O’Donnell and Martin Stokes joined the meeting.

RECEIVED the Students’ Union Management Accounts for the period to 30 November 2011.

It was NOTED that there had been a reduction in commercial revenue. The refurbishment over the summer had had an operational impact, the ATM had been removed, there were delays in reopening the Cafe area and signing in fees had been abolished. However there were some signs of recent improvement.

There had been an increase in expenditure for sound equipment, refurbishment, telephone costs and student staffing costs. Going forward the entertainment income had increased and the Cafe was open. The new U-let initiative for letting and property maintenance service was promising. There had been a modest increase in bar income and day time trade was developing. The Union was now beginning to capitalise on the refurbishment.
The annual budget showed a modest deficit. There was additional expenditure in staffing costs for the letting venture in addition to the budgeted £23k deficit. However it was difficult to estimate the final out-turn this early in the year.

It was requested that the year-to-date budgets were included in future reports to assist understanding of results.

The students were very price sensitive and it had not been possible to pass on the entire VAT increase.

The Students’ Union’s Accounts were no longer consolidated in the College’s Financial Statements. College made a grant of approximately £700k per annum which would be included as a cost in the College’s Financial Statement whereas previously the Students’ Union’s turnover was included net of the grant.

Sean O’Donnell and Martin Stokes left the meeting.

9 PROCUREMENT REPORT

The report from the Assistant Director (Procurement) was presented. It was noted that it was considered to be good practice to prepare an annual Procurement Report to demonstrate Value for Money (VFM). Procurement in College had been rather fragmented but had now been reorganised into a new central unit with a new senior post leading a team of procurement professionals.

Priority areas included data and systems, including establishing a contracts database. It was noted that there were many consortia procurement arrangements in the sector, including the London University Procurement Committee (LUPC) which provided pre-tendered contracts and framework agreements.

The LUPC had a new Chief Executive and was looking more at service frameworks such as legal services. The Procurement section was adopting major service framework contracts for estates with fewer main contractors to improve process and management. This would reduce the cost of provision and also reduce EU procurement requirements.

In future years it was expected that the procurement report would report on what improvements had been achieved through procurement actions.

10 FINANCIAL MONITORING

10.1 RECEIVED and NOTED the Financial Results for the period ended 31 December

The forecast presented was that presented to Council in November.
It was NOTED that the estimated surplus was £7.4m. Tuition fees were £3.9m over budget and an additional contingency of £0.5m against a potential shortfall in fees had also been released. The positive variances from 2010-2011, notably interest income and bad debts, had been carried forward into 2011-2012. There was a favourable reduction in forecast staff costs of £800k partially due to an actual pay award of £150 per person compared to 1% increase included in the budget.

Regarding the accuracy of the forecast going forward, it was anticipated that the restructuring cost of £1.1m in the estimate (£2m in the original budget) would not be utilised in the current year but could be required in 2012-2013. The actual redundancy costs in 2011-2012 could be in the range of £0.5m to £1.5m but the figure would not be known for some time. Provision of £1m had been made in the budget against a cut in HEFCE funding for the period April to July and it was not yet clear whether this would be required.

In addition the £1m income to the Founder’s Endowment Fund from the change in treatment of the managers’ fees approved at the previous Finance Committee would not necessarily be offset by additional expenditure during the financial year. This was because it would not be possible to schedule all the works prior to 31 July 2012.

RCS showed a favourable variance of £600k through lower staff costs, additional £100k income from functions and a £200k favourable variance on interest charges and depreciation.

Student numbers were now definite following the December census. There would be less certainty in 2012-2013.

Third stream income was £5.4m although it was noted that much of this was related to teaching, for example Clinical Psychology funded by the NHS and Social Work funded by Local Authorities and HEFCE. Third stream income was included in the Management Accounts as contribution to overheads. Such income was ring-fenced to be able to monitor its continuing viability and was monitored by the Collaborative Provision Committee.

The format of the Management Accounts was under review after examining those produced by Manchester and Birmingham.

10.2 RECEIVED a report on current financial risks. The headline position on student applications for 2012-13 was positive, however it was noted that there was a lot of uncertainty with different risks affecting different departments.

Applications had been promising but the key applications figure was that of students who would achieve AAB equivalent or above (AAB+). The Post Graduate Taught applications were encouraging but the overseas target in Management had been set well below the current year’s numbers.

The planning round had provided a target by department for AAB+ students and a target for those who would not achieve these results and so would be
included in the capped control numbers. College would be fined heavily for students recruited above the control number. During the period after ‘A’ level results were known and numbers finalised, it would be necessary to reallocate students amongst departments to maximise the College position.

Open Days were being held for those applicants who had been made an offer to maximise confirmed selection, preferably with Royal Holloway as first choice.

It was noted that USS had a funding level of 92% at the latest (2011) valuation and had consulted on a Recovery Plan for presentation to the Pensions Regulator, with emphasis on the effect of the reformed benefits and expectation that income would outperform the level assumed in the valuation. This plan would be reviewed after the next valuation in March 2014. There was a potential risk from more stringent valuation assumptions being considered by the European Commission which the Government was fighting. SAUL was showing a 95% funding level and was consulting on benefit changes.

10.3 RECEIVED a report on the Financial Forecast

Given the uncertainty, HEFCE had delayed the requirement for the full financial forecast until June 2012. It was proposed to submit the forecast to the May Finance Committee, comprising current year, prior year and three years forward. The procedure for Council approval would be agreed at the next Council meeting as the forecast would be submitted to HEFCE before the July Council meeting.

The forecast would be based on the student number targets from the planning round, £9k fees, the OFFA agreement and the latest HEFCE funding.

Appendix B showed the impact of year on year reduction in the control numbers and the possibility of reduction in AAB+ students attracted to Royal Holloway. There were very large potential shortfalls and the modelling of the expenditure of the extra fee income held some level of contingency against this.

It was noted that the current forecast assumed that the reduction of student control numbers of 9% would be offset by the recruitment of additional AAB+ numbers. It was noted that this was an ambitious target.

It was anticipated that there would be several years of uncertainty with the Home/EU student numbers.

11 MAJOR PROJECTS

RECEIVED a report on major capital projects

It was noted that the College was in dialogue with Runnymede Council about the development of the master plan and this was tied to the progress of...
THE LOCAL PLAN

The extension to the Moore building had been well accepted and was completed under budget.

The new theatre at Sutherland House was a difficult project. It was confirmed that the architect had now been novated and that the project board was satisfied with his recent presentation. Based on current estimates the budget showed an underspend against total budget of only £79k and therefore the contingency was very limited. The opening date was now scheduled as 3 December 2012 rather than the original August date due to delays with planning permission.

The Student Union refurbishment was now completed. The final project sum had yet to be agreed although it was anticipated it would be just under budget.

The Boiler House renovation was included in the forecast at £3m and International Study Centre at £1m although the projects had not been approved. These projects would be cash funded. It was agreed that the five year capital plan would be updated and included in the forecast.

12 TREASURY MANAGEMENT OUTSOURCING

It was noted that advisers were being engaged to review the strategy and policies and the Chairs of the Finance and Audit & Compliance Committees would be invited to attend their presentation.

13 RESIDENCE FEES

An increase of 4% in residence fees had been proposed in light of the current RPI, and increases in staff and utility costs. It was noted that surpluses on residences were used for cyclical maintenance to retain a high standard of accommodation and to repay the loans. The recommendation had been accepted by the Students’ Union and the Planning and Resource Committee.

The increase of 4% in residence fees was APPROVED.

14 STUDENT DEBT

The write off of one student debt totalling £8,670 was APPROVED.

The provision against student debt was noted as 100% against prior year debt and 75% against current year debt.

15 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

NOTED the reports on General Debtors and Student Fees Debtors and that four debts under £5,000 totalling £2,050 have been written off since 28 October 2011.
16 BENEFACIONS AND DONATIONS

NOTED that since 28 October 2011 there had been no benefactions or donations, fundraising income since that date totalled £63,157. FC/12/65

17 FINANCIAL REGULATIONS

NOTED that there had been no cases where, for good reason, the normal process for obtaining competitive tenders had not been followed. FC/12/66

18 FOUNDER’S ENDOWMENT FUND

NOTED that the value of the Founder’s Endowment Fund on 16 January 2012 was £30,762 (£29,964k reported on 13 October 2011) compared to the protected value of £34,433k. FC/12/67

19 PUBLICATION

19.1 AGREED that none of the agenda items required broad dissemination around the College. FC/12/68

19.2 CONFIRMED that the papers were correctly designated for Freedom of Information Act purposes. FC/12/69

20 DATE OF THE NEXT MEETING

NOTED that the date of the next meeting was Thursday 10 May 2012 at 2pm in the Huntersdale Boardroom. FC/12/70

J Febry
Assistant Director of Finance
6 March 2012