Minutes of the Finance Committee – Thursday 5 February 2014

Present:  
Mr Jeremy McIlroy – Chair  
Mr Gurpreet Dehal  
Mr Graeme Robinson  
Mr Paul Blagbrough  
Professor Rob Kemp  
Mr Simon Higman – from item 7.2

Apologies:  
Mr Iain Ross  
Mr Nick Perryman  
Mr Margaret Jack  
Professor Paul Layzell

Observing:  
Mr David Williams

In Attendance:  
Ms Emma Peagam  
President of the Students’ Union  
Mr John Carroll  
Assistant Director of Finance  
Mrs Jenny Febry – Secretary  
Deputy Director of Finance

1  APOLOGIES

Apologies were RECEIVED from Mr Iain Ross, Mrs Margaret Jack, Mr Nick Perryman and Professor Paul Layzell.

2  MEMBERSHIP

NOTED that Council had agreed amended Terms of Reference for the Finance Committee on 18 November 2014.

NOTED the Guidance on the role and responsibilities of Co-opted members on Council Committees.

WELCOMED Mr David Williams to the meeting as an Observer as the formalities for co-opting him as a member of the committee had not been completed.

3  MINUTES

NOTED that the minutes of the Meeting (FC/14/122-FC/14/188) held on 23 October 2014 had been approved by circulation.

4  MATTERS ARISING FROM THE MINUTES

NOTED that the Board of Directors had APPROVED and SIGNED the Financial Statements of Royal Holloway Enterprise Limited.

NOTED that Council had APPROVED and SIGNED the Consolidated Financial Statements of Royal Holloway, University of London.

NOTED that Council and the Trustees of the Founder’s Endowment Fund had APPROVED the proposals for revised investment targets for the endowment funds and the tender for an
alternative investment manager. Aberdeen Asset Management were working to the new target from 1 January 2015. The tender process was underway.

NOTED that fees for Home/EU Postgraduate Research, MSc top up to PGDip Cognitive Behavioural Psychotherapies and PGDip Applied Petroleum Geoscience had not yet been agreed. The Research Councils had yet to publish the Home/EU Postgraduate research rates and the other fees were subject to negotiation with third party commercial enterprises.

There were no other matters arising not covered elsewhere on the agenda.

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

NOTE that there had been no decisions agreed by Chair’s Action or by Circulation.

6 UNSTARRING OF ITEMS

No items were unstarred for discussion.

MAJOR ITEMS FOR DISCUSSION AND DECISION

7 FINANCIAL MONITORING

7.1 RECEIVED a report on the College’s management accounts as at 31 December 2014. The estimated surplus was £7.9m, £1.1m above budget.

Tuition fee income was forecast to be £1.3m higher than budget. Home/EU undergraduate (HEU UG) intake was 113 above target with £1.1m additional fees. Overseas post graduate taught (PGT) student intake was also above target, mostly in the School of Management with an additional £1m income. This was offset by £0.8m lower than budgeted income for HE PGT students where the intake had not matched the budgeted significant growth.

Indirect cost contribution from external courses was anticipated at £0.6m above budget from higher student numbers on University of London distance learning courses and the significant growth in the Kaplan management programme in Singapore.

There were additional staff costs in academic departments of £600k above budget to support the additional student numbers, including three permanent posts in the School of Management as well as some one year contracts.

Non staff costs in academic departments were £200k higher due to higher student numbers and utilisation of brought forward budget balances.

Non staff costs in the professional services were £200k above budget mostly due to increased overseas agents’ fees for recruitment. This was offset by £200k lower forecast depreciation charge as capital spend was delayed compared to budget.

Questions were raised regarding the phasing of income and expenditure and budgets. January half-year accounts were being prepared and phasing was being reviewed as part of this process. Some points of clarification were requested on year-to-date variances which would be circulated by email.

7.2 RECEIVED a report on student applications for 2015-16. The level of applications was 14.7% above 2013-14 comparative figures and was well above the sector average increase. The focus
was now to convert these applications to student intake. Applicants who placed College as their first or second choice would be known in May. Applications for the new programmes for law, accountancy and finance, liberal arts and digital communications were all promising, applications for software engineering were less encouraging.

The application process for post graduate taught programmes was still in the early stages. College had accepted 75 bursaries from the Government which provided £10k bursaries for post graduate taught students for 2015-16 but required half funding from College. Additional bursaries on this basis were now available. College had decided to use the bursaries for students with parental income of less than £25k per annum and for women in economics, computer science, earth science and mathematics where they were currently under represented.

7.3 RECEIVED an update on the Pension Schemes valuations.

UCU had accepted the proposed reforms of USS. If the proposed recovery plan was accepted by the Trustees and approved by the Pensions Regulator, employer pension contributions would rise from 16% to 18%. The additional £1.2m cost per annum of this rise was included in the forecast. As gilt rates had fallen very low increasing the deficit further, there was the possibility that the Regulator would require a shorter recovery period than had been assumed, increasing the cost.

USS proposed de-risking their investment portfolio over time by increasing the allocation to investment in gilts and bonds rather than equities.

SAUL had not yet made proposals to deal with their deficit, but it was expected that there would also be some increase in employer contributions at a cost of up to £250k per annum.

8 CAPITAL PROJECTS AND DEBT FUNDRAISING

8.1 RECEIVED a report on major capital projects. The master plan had been approved which gave outline planning permission although detailed planning permission was still required for each project.

The planning application for the library and student services building had been submitted on 22 January and contracts were out to tender. The anticipated cost was £43-43.5m with a completion date of May 2017.

The designs for student accommodation project were progressing fast with a challenging timescale to have the first blocks completed for 2016 start of session. There were ongoing communications with the local residents.

£5m funding had been received from HEFCE for a new science centre building which would be used for the new electronic engineering programme and also to support the existing science departments. The possibility of including a 250 seat lecture theatre in the project was under consideration.

Council had established a Project Oversight Committee to provide assurance for projects over £10m.

It was noted that the Finance Committee approved capital project expenditure up to £5m, but that it reviewed the investment case for capital projects over £5m prior to Council approval.
Due to tight timescales it was agreed that proposals could be circulated by email to the Finance Committee.

8.2 RECEIVED an investment case for the refurbishment of Bedford Square. A new 99 year lease had been negotiated on these premises with the University of London. The premises were used for various high profile post graduate courses including creative writing. The strategic plan included expansion of London based activities.

The refurbishment would make good current dilapidations and provide additional capacity and much-improved facilities for meetings, courses and alumni events. The development department had a fundraising target of £500k for the project.

The committee APPROVED expenditure of up to £2.2m, including a £0.1m additional contingency allowance for the tender pricing.

8.3 RECEIVED a report on the Private Placement.

Council had approved the raising of £80m borrowing via a private placement and had established a Debt Oversight Group which had been meeting regularly.

Barclays had been appointed as arranger, with Mills & Reeve as legal advisors and QMPF as financial advisors. Barclays had issued an outline timetable and the required documents for investors were being prepared for the Oversight Group to review on 24 February and for subsequent Council review and agreement at their meeting of 4 March.

Investors would make their bids on a Financial Circle day and Council would be asked to delegate authority for decisions to be made on offers.

KPMG had been engaged to review the financial forecast to provide assurance to Council and would report to the Oversight Group and Council. The College’s Directors and Officers Insurance policy did cover Council members during their term of office and for six years following office. Mills & Reeve had advised that the risk of any claim against an individual Council member was very low provided Council acted reasonably and as a collective body.

HEFCE consent was required for the borrowing and this had been requested. Whist they were minded to agree, they had asked for assurance regarding planning consent and additional information had been provided by College’s planning consultants, Stride Treglown, regarding the risk of specific planning permission being withheld now that the master plan had been approved.

It was anticipated that the rate for borrowing would be between 75 and 100 bps above the long-term gilt rate which had fallen to just above 2%.

9 FINANCIAL POLICIES AND PROCEDURES

9.1 CONSIDERED a report on the Treasury Management Policy. The current placement limits were insufficient for receipt of funds from the proposed private placement.

Priority should be given to capital security over yield and it was decided that the risk of repatriation of capital to overseas banks should preclude their use even if their UK branches were subject to FCA regulation.
The increase of placement limits with UK banks was approved as detailed. The maximum placement with any one approved Money Market Fund was increased to £20m.

It was agreed that up to £40m could be placed for more than one year and less than two years.

A summary of placements would be reported to each Finance Committee.

9.2 CONSIDERED the proposal for Residence Fees for 2015-16 of 2.5% in line with forecast RPI rates. It was agreed that should the costs for residences rise less than 2.5% during the year, this would be taken into consideration when proposing fees for 2016-17.

The proposed fee increases were APPROVED.

9.3 RECEIVED four students debts over £5k for write off. It was noted that the debts had been pursued rigorously and the write offs were AGREED.

The costs of pursuing overseas debts were queried and how they were recorded. It was agreed that confirmation of the costs and process would be circulated for information.

STARRED ITEMS FOR REPORT AND FORMAL APPROVAL

10*  REPORTS AND MINUTES

10.1*  NOTED the Students’ Union Finance Statements to 31 July 2014.

10.2*  RECEIVED a report on the Students’ Union Accounts to 31 December 2014.

10.3*  RECEIVED the Investment Sub-Committee minutes of 23 October 2014.

10.4*  RECEIVED the Annual Report on Enterprise Activities from the Director of Research and Enterprise.

10.5*  RECEIVED the Annual Report on procurement from the Assistant Director, Procurement.

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

RECEIVED reports on:

11.1*  The student debtors position

11.2*  The general debtors position

12*  BENEFACCTIONS AND DONATIONS

NOTED that the College has received £75k from fundraising to 31 December 2014; £28k from regular giving and £47k from single gifts.

13*  FINANCIAL REGULATIONS

NOTED that the Financial Regulations were clarified in October 2014 by stating explicitly that the tender limits in Appendices B and C (European Union Procurement Requirements and Tendering and Quotation) are exclusive of any applicable VAT.
NOTED that there have been no cases where, for good reason, the normal process for obtaining competitive tenders or quotations has not been followed.

14*  **FOUNDER’S ENDOWMENT FUND**

NOTED that the value of the Founder’s Endowment Fund on 26 January 2015 was £37,613k (£34,438k reported on 23 October 2014) compared with the protected value of £37,176k.

15  **ANY OTHER BUSINESS**

There were no items of other business not covered elsewhere on the agenda.

16  **RESERVED ITEM OF BUSINESS**

17  **PUBLICATION**

17.1 AGREED that none of the agenda items require broad dissemination around College.

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

**DATE OF THE NEXT MEETING**

Thursday 11 June 2015 at 4pm in the Huntersdale Boardroom

J Febry
Deputy Director of Finance
7February 2015