FINANCE COMMITTEE

The Minutes of the Meeting of the Finance Committee held on Thursday 6 February 2014 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 (from item 7.2), Deputy Principal Professor Rob Kemp, Principal Professor Paul Layzell, Director of Finance Mr Graeme Robinson

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

In attendance: Mr John Carroll (to item 9.3), Professor Paul Hogg and Mr Tony Greenwood (for item 8.2 to item 9.3), Mr Martin McDonald (for item 9.4)

Apologies: Mr Iain Ross, Mrs Margaret Jack

1 MEMBERSHIP

There were no changes to the membership. FC/14/01

2 APOLOGIES

Apologies were received from Mr Iain Ross and Mrs Margaret Jack. FC/14/02

3 MINUTES

CONFIRMED and signed the Minutes of the meeting held on 25 October 2013. FC/14/03

4 MATTERS ARISING

NOTED that the Board of Directors had APPROVED AND SIGNED the Financial Statements of Royal Holloway Enterprise Limited. FC/14/04

NOTED that Council had APPROVED and SIGNED the Consolidated Financial Statements of Royal Holloway, University of London. FC/14/05

NOTED an analysis of the trends in Staff:Student Ratios; the request for which had arisen from a query at the last Council meeting. FC/14/06
DECISIONS AGREED BY CHAIR’S ACTIONS AND BY CIRCULATION SINCE THE LAST MEETING

NOTED that the fees for the following programmes had been agreed by Chair’s Action.

Postgraduate research:

- HEU One band only: £3,996
  http://www.rcuk.ac.uk/researchcareers/postgrad/Pages/home.aspx
- The fees for PhD by prior publication only (for RHUL staff only) are 50% of the HEU fee. An additional application fee of £250 applies.

Postgraduate taught

<table>
<thead>
<tr>
<th>Course</th>
<th>Mode</th>
<th>Fee</th>
<th>Mode</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSc Computational Finance</td>
<td>C</td>
<td>7,700</td>
<td>C</td>
<td>15,100</td>
</tr>
<tr>
<td>MA Contemporary and Practice</td>
<td>A</td>
<td>5,200</td>
<td>B</td>
<td>13,600</td>
</tr>
<tr>
<td>MA Philosophy (all strands)</td>
<td>B</td>
<td>6,200</td>
<td>B</td>
<td>13,600</td>
</tr>
</tbody>
</table>

Employer structure (CPD) programmes

<table>
<thead>
<tr>
<th>Programme</th>
<th>Fee</th>
</tr>
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<tbody>
<tr>
<td>MSc top up to PGDip Cognitive Behavioural Psychotherapies - IATP programme</td>
<td>£1,330</td>
</tr>
<tr>
<td>PGDip Applied Petroleum Geoscience</td>
<td>£8,515</td>
</tr>
<tr>
<td>MSc in Applied Petroleum Exploration Geoscience</td>
<td>£11,350 (validation pending)</td>
</tr>
<tr>
<td>PGDip in Applied Petroleum Exploration Geoscience</td>
<td>£8,515 (validation pending)</td>
</tr>
</tbody>
</table>

Year Abroad Students – outgoing and Year in Industry

PGT students on a Year in Industry are charged 20% of the programme fee.
PGT students on a Year in Industry in Computer Science programmes are charged 20% of the HEU programme fee.

IDENTIFICATION OF ITEMS FROM THE AGENDA TO BE UNSTARRED

No items from the agenda were unstarred for discussion during the meeting but a verbal update from the Chair of the Investment Sub Committee would be presented.

FINANCIAL MONITORING

7.1 RECEIVED and NOTED the Management Accounts for the period ending 31 December 2013

The forecast surplus was £6m against a budget of £6.1m, with the Main Account £346k below budget and RCS £269k above budget.

The main account shortfall was due to below budget student intake and
subsequent reduction in tuition fee income against budget in Home/EU UG fees of £0.8m and Home/EU PGT of £0.6m. The shortfall was partially offset by overseas students’ fee income of £0.7m above budget.

The fees income shortfall was offset by indirect cost contribution on research contracts of £0.3m above budget. There had been a fall in contribution from Research Council grants in recent years but this was beginning to recover with an increase in volume of Research Council grants awarded in the previous year.

Variance against budgeted expenditure included OFFA bursaries and scholarships of £300k lower than budget which reflected the lower Home/EU UG intake but also the difficulty in predicting the household income of future students. It was noted that the total OFFA cost was £3.2m.

Noted the increase of the non-staff academic services budget compared to the previous year’s spend. There were increased allocations due to high periodicals inflationary costs as well as a volume increase in library books and periodicals.

It was noted that Research Income shown in Appendix B for the period beyond July 2015 was for current awards and took no account of anticipated grant awards.

RCS profit was £0.3m over budget from better margins on food and drink due to lower cost of sales. Staff costs £0.3m were less than budget, but they were offset by higher utility and maintenance costs.

It was noted that there were a large number of small items set against contingency. These were items which had not been identified in the approved budget and enabled additional expenditure to be prioritised centrally.

7.2 RECEIVED a report on key financial risks.

A target entry of 1,903 Home EU UG students for 2014-15 had been set taking account of the expected increase in the Student Number Control. Applications were up 14.4% compared to the previous year, against a national average increase of 4%. It was recognised that applications had to be converted to admissions and a number of strategies had been developed including targeted bursaries for STEM subjects and modern languages, the promotion of College as an aspirational choice for students rather than a reserve choice and the advance of job opportunities for prospective students.

The allocation of increased places within the Student Number Cap had not yet been announced by the Government but if the places were allocated prorate, then College anticipate an additional 100 places for those students with ABB- results.

Overseas UG applications had also slightly increased from the previous year.
A number of programmes had been developed which were appealing to Overseas PG students including Project Management and Computer Science programmes and the target for these students had been increased.

Home EU PGT student targets were a result of detailed analysis but remained the greatest risk. The current year’s student intake had been affected by procedural problems and delays in the application process which should not recur.

There had been a focus on improving the application process for students with the formation of a Recruitment and Admissions Directorate.

The next valuation of the USS pension scheme would be in March 2014 and in preparation for this USS had issued a financial management plan for consultation. Revised assumptions were proposed including an increase in life expectancy assumptions and a process of reducing investment risk (and therefore the level and volatility of investment returns) to bring the funds more in line with pension fund norms. As a result of these factors, the forecast deficit was much higher at £13bn. The position would be reviewed at the May Finance Committee meeting.

The 2013 pay increase had been made and implemented but the UCU and UNITE had not accepted it and were conducting a programme of industrial action.

It was noted that the pension and pay issues must be considered as a whole.

8 CAPITAL PROJECTS

8.1 RECEIVED a verbal report on major capital projects. The boiler house project had been concluded with some changes to its scope. A further phase may be considered in future.

The library project had completed its second stage (delivery options) and a gateway review would take place shortly. After this point, a final proposal for the project and funding would be developed for consideration by Finance Committee and Council. The opening date would probably be no sooner than January 2017.

The first stages of a project were underway for a residential development of in the region of 600 beds to the north of A30. The potential use of the depository site for residences was not proceeding as no agreement on the lease surrender could be made with the University of London. Accommodation for first year students in particular was an essential tool for converting applications and attracting good quality students during clearing.

The Director of Estates was preparing a long term development plan following the submission of the Masterplan to Runnymede Borough Council.

8.2 RECEIVED a report on Financial Forecasts and Capital Funding.
The funding options for new residences were discussed. A private placement could provide long term fixed rate funds and had been used by a number of Universities. The financing for non-residential capital projects was also discussed as funding the library entirely from cash balances would reduce the ability to fund other capital projects. More detailed proposals would be brought to Finance Committee when the residences project had been defined and funding proposals could be sought.

9

REPORTS

9.1 RECEIVED a report on Treasury Management. The current Treasury Management Policy allowed for deposits of £36m with UK banks, with the remaining cash balances held on demand with Money Market Funds. The return from bank deposits was about twice the rate for MMFs.

Options were considered to increase the level of funds that could be deposited with banks. These were to use overseas domiciled banks or to increase the limits with UK banks and include Santander UK in the list of counterparties.

It was AGREED that the option of increasing the placement limits for approved UK banks and the inclusion of Santander UK in the list of approved banks should be recommended to Council for APPROVAL.

9.2 RECEIVED a report on the new Finance System. The system was bedding down and the implementation of the fixed asset and web expenses modules was underway.

9.3 RECEIVED the annual report from the Enterprise Sub-Committee.

The income from Intellectual Property licensing had increased substantially in the year to July 2013 primarily due the receipt of an option fee on Exxon Skipping patents. Consultancy income had also increased and the Computer Science department had recently secured a £100k contract to advise on ‘Big Data’.

Commercialisation projects were progressing well notably in Biological Sciences and were attracting European grant income for the companies, and also bringing opportunities to the College.

The successes had arisen from long term projects supported by the Research and Enterprise department, and it was noted that awareness of the potential for commercial exploitation of research was growing in College and in particular in the School of Biological Sciences.

9.4 RECEIVED the annual report from the Assistant Director, Procurement.

It was noted that there had been successes through the year including a new waste contract which incorporated all waste streams into a single contract with zero landfill from day 1. This had been achieved using the EU
competitive dialogue process for the first time at the College.

A training programme had been launched for staff in departments dealing with procurement and a programme to undertake mid-term contract reviews would be implemented to identify savings and improvements for existing contracts.

10 **STUDENT FEES**

RECEIVED a proposal for Residence Fees for 2014-2015. It was noted that the Students’ Union supported the proposed fees.

The proposed fees were APPROVED.

11 **INVESTMENT SUB-COMMITTEE**

RECEIVED a verbal report of a presentation from Newton Investment Managers regarding their company-wide change in investment arrangements for smaller funds, including the part of the Founder’s Endowment Fund managed for the College. Under the change they would no longer provide a discretionary fund management service but the funds would be transferred into a pooled charities fund. The potential funds were similar in asset allocation and benchmark to the existing portfolio. Further clarification would be sought and the Investment Sub-Committee would then determine whether to recommend agreeing to a transfer or to seek to appoint an alternative manager.

12 **STUDENTS’ UNION ACCOUNTS**

NOTED the Students’ Union management accounts to 31 December 2013.

13 **DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000.**

13.1 NOTED a report on the General Debtors Position.

13.2 NOTED a report on the Student Debtors Position.

14 **BENEFACTIONS AND DONATIONS**

NOTED that since October 2013 there had been no benefactions, donations or funds received from fundraising.

15 **FINANCIAL REGULATIONS**

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

16 **FOUNDER’S ENDOWMENT FUND**

NOTED that the value of the Founder’s Endowment Fund on 22 January
2014 was £34,759k (£33,756k reported on 25 October 2013), compared with the protected value of £36,396k.

17 PUBLICATION

17.1 AGREED that none of the agenda items required broad dissemination around the College with the exception of the agreed Residence Fees for 2014-15. FC/14/57

17.2 CONFIRMED that the papers were correctly designated for Freedom of Information Act purposes. FC/14/58

18 DATE OF THE NEXT MEETING

NOTED that the date of the next meeting was Thursday 8 May 2014 at 2 pm in the Huntersdale Boardroom. FC/14/59

J Febry
Deputy Director of Finance
24 February 2014