The Minutes of the Meeting of the Finance Committee held on Thursday 7 February 2013 at 2pm in the Huntersdale Boardroom

Present: Mr Jeremy McIlroy (Chairman), Mr Iain Ross, Mr Paul Blagbrough, Mr Gurpreet Dehal (from item 6), Registrar and Director of Operations Mr Simon Higman (from item 6), Deputy Principal Professor Rob Kemp, Principal Professor Paul Layzell (from item 6.2), Director of Finance Mr Graeme Robinson.

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

In attendance: Mr John Carroll, Mr Doug German (President Students’ Union), Mr Martin Stokes (left after item 6.1), Mr Sean O’Donnell (left after item 6.1), Professor Paul Hogg (left after item 6.2), Mr Tony Greenwood, (left after item 6.2) Mr Martin McDonald (for item 6.3).

Apologies: Dr Jackie Hunter, Mrs Margaret Jack

1 MEMBERSHIP

It was announced that Mr Bob Potts had died at the weekend; his tremendous contribution to Council and to the Finance Committee, which he chaired for many years, was noted. FC/13/1

2 MINUTES

CONFIRMED and signed the Minutes of the meeting held on 25 October 2012. FC/13/02

3 MATTERS ARISING

TO NOTE that the Board of Directors APPROVED AND SIGNED the Financial Statements of Royal Holloway Enterprise Limited. FC/13/03

TO NOTE that Council APPROVED and SIGNED the Consolidated Financial Statements of Royal Holloway, University of London and APPROVED the revised Treasury Management Policy. FC/13/04
4 DECISIONS AGREED BY CHAIR’S ACTIONS AND BY CIRCULATION SINCE THE LAST MEETING

TO NOTE that the following fees for 2013-14 were approved by Chair’s Action:

- MSc Quaternary Science £6,100 (HEU), £14,700 (OS)
- MSc Environmental Diagnosis and Management £7,500 (HEU), £14,700 (OS)
- PGDip Applied Petroleum Geoscience (with Fugro Robertson) £8,350
- International Study Group ELPP (1 term) - £4,255
- International Study Group International Foundation Programme - £12,765

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

No items from the agenda were unstarred for discussion during the meeting.

6 REPORTS

6.1 RECEIVED the Students’ Union Financial Statements for the period to 31 December 2012.

It was NOTED that the results were positive with an increase in the net surplus compared to budget and last year’s actual. Income was 28% higher than last year and 6% more than budget and this was partially due to a wider variety of entertainments provided, the previous investment in training and development showing results, a review of pricing structures and greater use of social media to publicise events. There was an increase in society membership of more than 20% compared to the previous year.

Expenditure was less than budget due to vacant staff positions and lower printing costs. The letting initiative U-Let had exceeded expectations with income to date of £10k against a full year budget of £10k with an additional £16k of potential income in the year.

It was requested that future reports show the gross margin for each trading activity. It was noted that the increase in income was split 60% for an increase in the block grant from College to support staffing and building expenditure and 40% increase in trading.

It was noted that this was the last meeting for Mr Martin Stokes. He was thanked on behalf of the Finance Committee for his contribution over the last eight years.

6.2 RECEIVED a report from the Enterprise Sub-Committee from the Vice Principal (Research & Enterprise) and the Director of Research &
Enterprise.

It was noted that a comparison of consultancy data against other Universities as presented to the Finance Committee in January last year was not available as the data would not be published until March.

Holloway Immunology Limited had been formed and had received £300k investment from an Indian company. The vaccine technology had been further developed through research funded by EU grants amongst others, but was still at an early stage. It was noted that the Research & Enterprise team (R&E) assisted academics in identifying early stage incubator funds but it was becoming increasingly difficult to find such funding.

Noted that an option fee of £300k for two years had been secured for intellectual property for the treatment of Duchenne Muscular Dystrophy. This was the largest such deal completed by College and Dr Joanna Cox (from R&E) was instrumental in securing this. The results of the clinical trials over the next three years would be crucial in the future of the project.

GroupSeer was an innovative use of pattern finding from the School of Biological Sciences, supported by R&E, which, after development, would be potentially interesting for the social media sector. A leading UK IT company was investing in the technology.

Consultancy activity within College remained low despite apparently generous terms for academics. It was mooted that the basis for allocating consultancy income should be amended, with a greater share allocated to the department to encourage departments to develop this activity. Such consultancy would be considered as part of the normal workload and taken into consideration for promotion.

Consultancy resulted in better links to industry and business and could result in additional research income. The proposals to amend the consultancy policy were in the early stages and would be presented to the Academic Board for review.

It was noted that the Student Enterprise Society was based in the R&E building and was the largest society on campus with approximately 1,200 members. Liz Wilkinson from the Careers Service had fostered the society and contributed to its success.

6.3 RECEIVED an annual report on procurement from the Assistant Director, Procurement.

The move from devolved to centralised procurement was still a work in progress. The focus in the second year would be to continue to assist with contracts and deploy templates and tools throughout College to promote efficiency of buying.

It was noted that the costs of the central procurement team would continue to be monitored against the efficiencies and savings made in an annual
As part of the professional services review, procurement savings by department would be reported. This would be extended to academic departments.

It was also noted that procurement savings on externally funded grants would lead to added research value but not necessarily cash savings for College.

The procurement team were involved in all contracts throughout College which required a tender, the level of involvement depended on the experience of the department involved. A lot of contracts were awarded as part of framework agreements under various Consortium Agreements.

7 FINANCIAL MONITORING

7.1 RECEIVED and CONSIDERED the College’s Management Accounts for the period to 31 December 2012.

The forecast surplus of £5.7m was against an original budget of £7.6m. There was a shortfall of budgeted fee income of £3.6m, of which £2.7m related to Home/EU Undergraduates. The student fee income figures had not changed significantly since the October Finance Committee.

Forecast expenditure was less than budget due to £600k reduction in forecast expenditure on Founder’s maintenance, part of which was deferred to 2013-14 and some of which arose because the amount provided for a project was not needed following investigation. Forecast contribution from research was £200k more than budget and income from external courses £100k more than budget, mostly from the University of London Distance Learning programmes.

Contribution from RCS was forecast as £0.2m more than budget. Although forecast income was slightly down, this was more than offset by expenditure savings, notably on staff costs.

The contingency was difficult to forecast although £800k of the £1.2m general contingency had already been allocated. The pay contingency remained unallocated as the Professorial pay review would not be completed until the end of the financial year but would be backdated to the start of the year.

Generally forecasting had been tightened up and the assumptions of the original budget were challenged during preparation. Therefore there was an expectation that most account lines would be close to forecast at year end. A review of older research balances was underway which could lead to a release of income during the year but this had yet to be quantified.

The less than budget student number intake for 2012 undergraduates would feed through into future budgets. Departments had been asked to review options for additional income generation in addition to control on expenditure.
7.2 RECEIVED a report on the level of monthly cash balances throughout the year. It was noted that the year end cash balances were the low point and that the capacity to deposit funds provided by the Treasury Management Policy was adequate. 

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

It was noted that applications for 2013-14 intake had picked up since December and were now slightly higher than the previous year, although there were different experiences amongst the departments. The whole College was concentrating on converting applications into admissions. Some departments were constrained by space from increasing their intake. 

It was noted that the sector remained highly competitive although the change to ABB+ was felt to benefit certain departments within College. The student number targets for departments had been informed by the experience of 2012 intake and were felt to be realistic. 

It was noted that proposed changes to the State Pension would lead to an increase in staff costs of approximately 2% from increased National Insurance contributions from April 2017 onwards. 

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8 CAPITAL PROGRAMME AND FINANCIAL FORECAST

8.1 RECEIVED and CONSIDERED a report on the emerging Estates Development Strategy which presented a programme of capital work to complete a coherent academic estate for the future. There were a number of dependencies due to the space constraints of campus; existing activities would have to be relocated to enable new building. 

The priority of completion was broadly in line with the order of the paper. Phase 1 would need to be completed prior to commencement on Phase II. 

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8.2 RECEIVED the updated Financial Forecast. The next forecast submission to HEFCE would be the end of June 2013. This modelled the impact of the full capital programme. 

The Home/EU UG fee of £9k was not expected to rise in the foreseeable future and therefore student fee income would flatten after the increased fees fed through by 2015. There would be cost pressures from staff incremental pay rises. Additionally it was a requirement to invest in infrastructure, in particular a 250 seat theatre to increase teaching capacity and new library facilities to contribute to student experience and thus the National Student Survey score. 

Appendix C summarised potential income growth and expenditure reduction scenarios and noted that a potential requirement for an additional 1,500 students and significant cost savings to make up the forecast shortfall. A more realistic target would be 750-1,000 students by 2019/20, including new programmes such as a Masters programme in Project Management and 

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initiatives with Study Group.

A major fundraising drive was being launched to raise £25m over a 5-6 year period for estates purposes, funding academic chairs and other initiatives.

The capital costs in Appendix A could increase once the full requirement for refurbishment and repurposing costs of existing buildings was taken into account. It was requested that cash flow figures were included in the forecast.

The possibility of funding from the European Investment Bank (EIB) had been investigated, which would require matched funding from College. The minimum standalone loan would be £50m over a maximum period of 20 years. It would be possible to borrow a smaller sum if a number of University applications were considered together, and fixed rates were available.

8.3 RECEIVED a report on Major Capital Projects.

Sutherland House Theatre was progressing with delayed completion now anticipated in April.

The proposed new Library was progressing through the governance process and would be undergoing an independent review shortly. The next step would be detailed design and full financial feasibility study with a view to site clearance by Christmas 2013.

The refurbishment of Founder’s residences would be completed by the summer of 2013 but some expenditure would fall into the 2013/14 financial year.

8.4 RECEIVED a report on the New Finance System. The project was proceeding as planned with a decision date to confirm the planned go live at the May board meeting. Integrations with other College systems was a risk factor but these were being prioritised.

9 STUDENT FEES 2013-2014

RECEIVED a report on recommended Student Residence Fees for 2013-14. The broad principle was to match overall increases to RPI but flex the fees against individual residences. Premium rooms in Founder’s would attract a higher fee for the first time and Founder’s fees in general would reflect the refurbishment.

The recommended fee increases were APPROVED.

10 BAD DEBTS OVER £5,000

The writing off of two student debts over £5k, totalling £13,817 was APPROVED.
11 HEFCE REPORT


12 INVESTMENT SUB COMMITTEE

RECEIVED a report from the Investment Sub Committee of 25 October 2012.  

13 DEBT COLLECTION AND IRRECOVERABLE DEBT UNDER £5,000

NOTED the reports on General Debtors and Student Fees Debtors and that no debts under £5,000 had been written off since October 2012.  

14 BENEFACIONS AND DONATIONS

NOTED that since October 2012 there had been a donation of £720,614 for the direct support of students and fundraising income totalling £15,720.  

15 FINANCIAL REGULATIONS

NOTED a report on the case 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 25 January 2013 was £32,788k (£31,564k reported on 25 October 2012) compared to the protected value of £35,631k.  

17 PUBLICATION

AGREED that none of the agenda items required broad dissemination around the College with the exception of the agreed Residence Fees for 2013-14.  

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

18 DATE OF THE NEXT MEETING

NOTED that the date of the next meeting was Thursday 9 May 2013 at 2pm in the Huntersdale Boardroom.  

J Febry  
Deputy Director of Finance  
14 February 2013