BIRKBECK
University of London

FINANCE AND GENERAL PURPOSES COMMITTEE

7 November 2016

Present
Mr Hugh Ferrand (Chair), Sir Harvey McGrath, Professor David Latchman, Professor Matthew Innes, Mrs Gillian Broadley, Mr Peter Zinkin, Mr Robert Allison, Dr Joanne Leal, Dr Jennifer Fraser

In attendance
Mrs Katharine Bock, Mr Keith Harrison, Ms Megan Reeves, Mr John Kempton, Mr Fraser Keir, Mr Keith Willett, Ms Roisin Lynch

1 DR RUTH THOMPSON

1.1 The Committee noted with sadness the death of Dr Ruth Thompson, member of F&GPC and Deputy Chair of Governors. The Chair of Governors spoke in tribute. Dr Thompson was a valued member of Finance and General Purposes Committee and her death is a real loss to the College.

1.2 The Chair of Governors noted her sense of purpose and commitment both to Birkbeck in particular and Higher Education as a whole, and how resilient she was throughout her illness, continuing to attend meetings and contribute to the College through the last days of her life. Dr Thompson has left Birkbeck a legacy in her will.

2 DECLARATION OF INTERESTS

Noted

2.1 Members of the Committee were asked to disclose in advance any actual or potential conflicts of interest in relation to the matters on the meeting agenda. No substantive conflicts were identified.

3 TERMS OF REFERENCE AND MEMBERSHIP

Received

3.1 Terms of Reference, Scheme of Membership and Members for 2016-17 (F 2016 01)

Approved

3.2 Updates to the terms of reference aimed at bringing the Committee in line with current practice at Birkbeck and other institutions’ finance committees, subject to the separation of the Committee’s duty to advise Governors on new borrowings into its own point.
3.3 Noted
This was Dr Jennifer Fraser’s last meeting, and the Chair thanked her for her contributions as a member.

4 MINUTES
Confirmed
4.1 The Minutes of the meeting of 15 June 2016.

5 REPORT TO THE GOVERNORS
Noted
5.1 Governors’ receipt of the Report of the Committee following its meeting on 30 June 2016 (F 2016 02).

6 FINANCIAL OUTTURN 2015-16
Received
6.1 A report on the financial out-turn for 2015-16 and the draft Financial Statements for the year ended 31 July 2016 (F 2016 03)

Noted
6.2 The total Comprehensive Income (surplus) for the year was £14m.

6.3 The financial statements have been prepared under the new Statement of Recommended Practice (SORP), based on the new FRS 102 accounting standard. Members noted that the new regulations are likely to introduce increased volatility into annual financial performance. Under the old SORP, the total cash amount paid to the pension schemes was recorded as expenditure. Under the new SORP, the element associated with changes to the pension liability in the balance sheet will have a direct impact on the surplus. It is expected that the USS pension scheme will be revalued in the next few years, which will have a further impact on the surplus. The treatment of investments and of endowments under the new SORP have also introduced volatility.

6.4 Members discussed the advantages and disadvantages of the new SORP, noting that it brings the sector into line with international accounting standards and prevents institutions from artificially smoothing out their annual financial performance. However, it arguably introduces volatility, some of which might not reflect the actual state of institutions’ finances.

6.5 The Committee heard that, while the pensions provision represented a liability to the College which would need to be considered further in the future, the change to show capital grants under creditors on the balance sheet should not be considered as representing a ‘real’ liability, due to the unlikelihood of the circumstances in which these grants could be reclaimed.
6.6 Members noted the need for the College to consider whether the previous financial performance target of a surplus of 5% of turnover should be retained given the volatility of total comprehensive income under the new SORP. The College is generating consistent levels of cash from operating activities of around 10% of total income. Members agreed that a metric that focused on cash might therefore be more appropriate to monitor performance at College level in the future, though it might be necessary to retain a focus on the surplus for management of budgets. Members also noted the importance of liquidity days as a metric for the College’s financial performance. The College is currently above the sector average for liquidity days because it has substantial reserves.

6.7 The original forecast surplus for the year was £5.5m. The increase was due to £3.2m profit on the sale of Bedford Square, £2.4m of increases caused by FRS 102 adjustments, including on investments and endowments, and a £2.9m positive budget variance. Members heard that some in-year budget cuts had been made due to lower than target student recruitment figures, but that at the end of the year there had been underspends in staff costs and non-staff expenditure, which could have been used to invest in other activities if they had been known about during the year.

6.8 The staff Governor noted that mid-year cuts can have an impact on the morale of staff and students, particularly if the year-end surplus is then larger than expected. Members noted however that spending would always need to be driven by student numbers, an area in which there had been a significant amount of unpredictability over the last few years, and in-year changes might be unavoidable in the future.

6.9 The College is reviewing and improving the ways in which budgets are set to ensure that future opportunities are not missed due to funds being unavailable.

Received
6.10 A paper on the financial position for 2016-17 (F 2016 04)

Noted
6.11 The current forecast surplus is £4.2m, compared to a budgeted surplus of £0.5m, assuming that the contingency is not utilised. This increase is due to higher than target enrolments and tuition fee income.

6.12 The Committee were asked to consider to what extent the contingency should be utilised to invest in extra activity rather than as a contribution to the reserves. Members felt that, while spending the contingency should be approached conservatively, there should be some reward for the College’s strong recruitment performance particularly at postgraduate level. It was suggested that College management explore reintroducing a version of the development fund targeted towards Masters programmes.
6.13 Members noted three scenarios on the College’s solvency position: a base case assuming that the revenue contingency for 2016-17 will be utilised in full; a scenario in which the College has reduced cash from operating activities plus increased capital spend; and a scenario in which additional spend on estates projects is needed. These scenarios indicated that existing planned capital projects (Cambridge House, the Toddlerlab, and the refurbishment of existing space in Malet Street for teaching) could be funded without recourse to loan funding. The undertaking of further estates projects will move towards the College towards the minimum liquidity days holding of 60 days set by Governors, and the College would have to consider other funding options.

Confirmed

6.14 The Committee's opinion that the College remains solvent for the foreseeable future.

7 STUDENT RECRUITMENT

Received

7.1 A report on student recruitment for 2016-17 (F 2016 05)

Noted

7.2 There has been a significant increase in recruitment to Masters programmes, and undergraduate degree enrolments have remained broadly level with last year. Fee income for the year is expected to be £2m above target for new student enrolments, and £1.3m above target for all students (new and continuing).

7.3 It is thought that the increase in postgraduate recruitment has been impacted by the introduction of the new postgraduate loans. Members noted the hard work of the College's marketing team who publicised the availability of both the loans and the College's own payment scheme when the loans were not widely promoted by the Government. The College's successful lobbying efforts to have the loans made available to those under 60 rather than only those under 30 have been significant, as the College has seen a high percentage increase in enrolments on full time Masters courses in the 30-60 age group.

7.4 It is important to be cautious about the sustainability of the increased postgraduate recruitment. Some of the increase could reflect latent demand, with those who have always wanted to study coming forward in response to the new availability of loans, and might not be replicable in future years.

7.5 Members asked about the impacts of the change in balance between undergraduate and postgraduate recruitment. As full time postgraduate students only study for one year the impact is lessened, unless this becomes a long term trend, but as
postgraduate students are taught in smaller groups there will be some impact in terms of demand on the estate.

7.6 Members heard that undergraduate recruitment processes and marketing have also been improved. It is expected that the introduction of part time undergraduate maintenance loans in 2018-19 will not only be positive for recruitment, but could also improve students’ academic experience, as students would be able to choose the length of study that worked best for them rather than having to study full time to be eligible for a loan.

8 INVESTMENT
Received
8.1 The Report of the Investment Committee (F 2016 06)
Noted
8.2 The Investment Committee had agreed to look at options for investing some of the College’s £54.5m cash investments for a longer period to earn a better rate. Consideration of this would take into account the likely cash requirements of the estates strategy over the next few years, and the commitment of the Committee to considering the ethical dimensions of investing.

8.3 The options under consideration are investing in a multi asset fund, and investing in an Environmental, Social and Governance (ESG) fund. The Committee had received a presentation from the investment managers on these options, and had asked for more information on the performance of these funds compared with the College’s current Real Return Fund.

8.4 F&GPC members noted that ethical investment was an extremely complex issue, not fully addressed by an approach based on the categories of business invested in rather than individual company behaviour. Investment Committee would ask the investment manager to comment specifically on this issue.

8.5 Members also noted concerns over the volatility risk of investing too much of the College’s assets in equities, and the need to ensure that the assets had sufficient liquidity to be accessible when needed.

9 MRI SCANNER
Received
9.1 A budget request for the purchase of an MRI scanner jointly with UCL (F 2016 07)
Noted
9.2 The current scanner is reaching the end of its useful life. The scanner is a vital part of the work of the Psychology department, and necessary for the success of its REF submission.

9.3 It was proposed that the scanner, purchase and installation of which has been budgeted at £2.5 million, should be funded as follows:
- Around 1.3m of income received from research grants for work undertaken using the original scanner. Around £120k of this sits within Birkbeck’s reserves.
- A contribution of an additional £350k from Birkbeck, subject to this being matched by UCL.
- It is hoped that the balance of £500k will be found from donors. If donor funding is not found the split between Birkbeck and UCL will need to be agreed.

9.4 Members noted that there are several areas of the proposed arrangement where Birkbeck still needed to carry out due diligence.

Agreed

9.5 That the final approval for purchase of the scanner can be signed off by the Master and the Chair of F&GPC, subject to due diligence having been carried out in these final areas.

10 SPC REPORT
Received

10.1 The Report of the Strategic Planning Committee (F 2016 08)

Noted

10.2 Members heard about good outcomes from the recent reviews of the Department of Economics, Mathematics and Statistics (EMS). EMS had reported to SPC that all the recommendations and actions required by the report have now been addressed, and many other changes have been introduced to support and build on those recommendations. Members noted the benefit to EMS of the review, which had also been the case for the Department of Cultures and Languages when they had been reviewed in 2014.

10.3 As previously reported the College has initiated a review of the School of Law, and the report has now been circulated to members of the School. A series of meetings in the School would be arranged to take the recommendations forward. It was noted that colleagues in the School had responded to the review with professionalism and positive engagement.

10.4 SPC reported on new developments aimed at improving recruitment in the College. Colleagues have been working on three apprenticeship programmes for employers to enable their staff to enrol onto an apprenticeship in line with the new initiative
launched by the Government. The employer levy providing funding for apprenticeships will be introduced in April 2017: from this date Birkbeck will have to pay 0.5% of the annual pay bill. The Committee heard that the College had been lobbying the Government on the decision to apply the levy funding only to new starters on apprenticeship programmes, putting programmes of more than a year at a disadvantage.

10.5 Ten pathways for a Degree with Foundation Year have also been developed, to provide integrated access level provision for students who are not considered to be ready to start the first year of a three year degree. These four year programmes will recruit for 2017-18, with an initial target for recruitment of 50 students. F&GPC noted that this is a very important development for the College’s recruitment and retention strategies, which also supports its widening access mission.

10.6 Members noted discussions on the College’s performance in two areas of the National Student Survey (NSS) which were of particular concern: assessment and feedback, and academic support. The College needs to improve performance, which is currently in the bottom quartile compared with other HE institutions, in order to improve its rating in the Teaching Excellence Framework (TEF). The Academic Registrar is leading a programme of work to support improvement in these areas. It was confirmed that the category ‘academic support’ covers not just access to academics but support from academics and administrators across the College.

10.7 SPC also reported on implementation of the HR, Payroll and Finance system replacement, its monitoring of the progress of the HE and Research Bill through Parliament, the impact of Brexit, and preparations for year 2 of the TEF. TEF will involve a set of standard metrics and a 15 page statement from each institution setting them in context. Birkbeck’s performance in the metrics is mixed so the wording of the statement, due in January, will be critical, as will the work to improve the NSS scores noted above. SPC also reported on the Fees Bursaries and Scholarships Committee’s work including the decision to raise new undergraduate fees to £9,250 in 2017-18 in line with Government regulations and the need for compliance with the Competition and Markets Authority’s requirements for students to be fully informed in advance about the fees they will pay throughout their courses.

11 ESTATES COMMITTEE
Received
11.1 The Report of the Estates Committee (F 2016 09)
Noted
Estates Strategy Update
11.2 The Committee noted the estates strategy options paper, which brings together the various strands of strategic thinking in relation to the Birkbeck estate. Members noted that the approaching 200th anniversary, the College’s substantial reserves, and the increasing need to transform Birkbeck’s estate to improve the student experience meant that this is a good time to significantly invest in the College estate.

11.3 F&GPC supported the development of option 3 in the paper, which focuses on redevelopment of the extension building, Cambridge House and construction of extra space in the infill between the Council Room area and Malet Street. Members noted that Governors had already approved the broad direction of travel of significant investment in the estate, including improvement of the extension building, purchase and development of Cambridge House and provision of more teaching space on the main campuses. Members noted that whatever option was selected, more choices about final specifications and funding sources may need to be made as the project progresses, but it was important to select an option and begin the process. It was suggested that this should be the focus of the upcoming Governors’ Strategic Horizons Awayday on 8 February 2017.

11.4 It was confirmed that the further development of the College’s estate in Bloomsbury was not intended to replace the College’s work in Stratford and Haringey, which was a key part of its mission.

**Torrington Square**

11.5 Estates Committee reported that the College has reached an agreement with the University subject to contract for a figure for the premiums of a 99 year lease for 32 and 33 Torrington Square: £1.28M for 32 Torrington Square and £437K for 33 Torrington Square. Tender exercises for the design team have been completed. The scope of the work will include both the refurbishment of number 32 and the new build elements of the vacant 33 site.

**Approved**

11.6 A budget of £450K to produce and approved plan for 32 and 33 Torrington Square. The previously agreed £350K refurbishment budget for house 32 will be cancelled.

12 **HUMAN RESOURCES STRATEGY AND POLICY COMMITTEE**

Received

12.1 The Report of the HR Strategy and Policy Committee, including a draft of the People Strategy 2017-2023 (F 2016 10).

**Noted**

12.2 The Committee commended the HR team on the development of the strategy.
Endorsed

12.2 The People Strategy 2017-2023 for approval by the Governors.

12.3 HRSPC also reported on the Strategic Equalities Review, which had recommended the development of an Assistant Dean (equalities) role for each School. The initial focus of the role would be gender equality, supporting the College’s work on the Athena Swan charter.

12.4 HRSPC considered a report on take-up of Academic Teaching Qualifications (ATQs) in the College. These are below the threshold level set by HEFCE, despite a high attendance rate at internal workshops. ATQ levels will be introduced as a feature of the TEF in future, so below-threshold ATQs could have a negative impact on Birkbeck’s performance. Members noted the need to address this matter urgently.

Action

12.5 (HRSPC) Develop an action plan to help staff to complete the qualification.

13 STUDENTS’ UNION

Received

13.1 A report on progress in the Students’ Union Turnaround project (F 2016 11)

Noted

13.2 A Turnaround Board of College staff and SU Trustees has been set up and has agreed key SU activities: providing advice to students, offering representation and providing clubs and societies to enhance the student experience. Work is ongoing to support a viable student representative network, research on student needs and expectations for the SU, and a strategy for the SU’s future.

13.3 Members noted the importance of the representative function of the SU as a way for the student voice to be heard, and the likelihood that the effectiveness of the SU will feature in the NSS and TEF in future.

13.3 The Committee thanked the Academic Registrar, the Deputy College Secretary (Governance) and the Director of Finance for their work with the Students’ Union, which has led to significant progress being made.

14 DATES OF NEXT MEETINGS

Noted

14.1 The dates of the meetings for the rest of the session:
- Tuesday 7 March 2017 at 4.30pm
- Tuesday 20 June 2017 at 4.30pm