BIRKBECK
University of London

MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE

2 November 2015

Present
Mr Hugh Ferrand, Mr Robert Allison, Mr Richard Brinck-Johnsen (for Mr David Kirkman),
Mrs Gillian Broadley, Professor Matthew Innes, Professor David Latchman, Dr Joanne Leal,
Sir Harvey McGrath, Dr Ruth Thompson, Mr Peter Zinkin

In Attendance
Mrs Katharine Bock, Mr Fraser Keir, Mr Keith Harrison, Ms Roisin Lynch, Ms Megan
Reeves, Mr Jeremy Tanner, Mr Keith Willett

Apologies
Professor Costas Douzinas, Dr Jennifer Fraser, Mr John Kempton, Mr David Kirkman

1 DECLARATION OF INTERESTS
Noted
1.1 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.

2 TERMS OF REFERENCE AND MEMBERSHIP
Approved
2.1 The Terms of Reference, Scheme of Membership and Members for 2015-16 (F 2015
01)

Noted
2.2 The Terms of Reference had not been reviewed in several years. The Governors
were due to review their retained and delegated responsibilities at their meeting on
the 17 November, and it would be timely for F&GPC to consider and review its own
Terms of Reference after this. This would be considered at the next meeting.

3 MINUTES
Confirmed
3.1 The minutes of the meeting of 10 June 2015.

4 REPORT TO THE GOVERNORS
Noted
4.1 Governors’ receipt of the Report of the Committee following its meeting on 10 June
2015 (F 2015 02)

5 FINANCIAL OUT-TURN
Received
5.1 A paper on the financial outturn for 2014-15 and the budget for 2015-16 (F 2015
03)
5.2 The draft Financial Statements for the year ended 31 July 2015 (F 2015 04)

Noted 2014-15

5.3 The draft financial out-turn for the current year indicated a strong financial position with a surplus of £9.8M, an improvement on the budgeted surplus of £5.5M. The Committee considered this large variance, noting that while some items that contributed to it were difficult to predict and unknown until year end, such as the contribution to the bad debt provision, and factors such as funding cuts could not always be predicted, other activity was within the College’s control. The approach that had been taken to non-staff spend had traditionally been to base the budget on the previous year’s budget with an increase added; however, the actual levels of expenditure had not risen at the same rate, leading to an increasing underspend. £1.8M of non staff budget remained unspent at the year end.

5.4 Members asked about the College Innovation Fund, as no awards had been made, and heard that while some proposals for this funding had been received, none had met the criteria of being proposals that would not be better funded from elsewhere.

5.5 Members asked why lower number of students than expected had qualified for bursaries. It was reported that the bursary application process was straightforward and well embedded as part of the enrolment process. The student representative confirmed this was the case. The Committee concluded that the variance was likely to be due to over-forecasting when setting the budget rather than students being unaware of the available support.

5.6 The College’s staff costs as a percentage of total income was a critical Key Performance Indicator which HEFCE has monitored closely as a signal of the College’s ability to control costs. The measure had always been higher than sector norms because the College does not have halls of residence, and it was likely to become higher due to the increase in pension costs. F&GPC noted the importance of controlling costs, but also the need to have sufficient staff to provide a high quality student experience.

5.7 F&GPC noted that the 2014-15 Financial Statements had been endorsed by the Audit Committee for approval by the Governors as a true and fair account of the state of affairs in the College as at 31 July 2015.

2015-16

5.8 Due to lower than expected student recruitment, the College was anticipating an income shortfall of up to £5M in comparison with the current budget for 2015-16, which contains a contingency provision of £3.175M. There was a need to rebalance the budget, because there could be further cuts following the comprehensive spending review (due at the end of November), and because resource needed to be generated to deliver the College’s 10 year estates strategy.

5.9 F&GPC therefore considered the proposal that the budget for 2015-16 be rebalanced to maintain the planned operating surplus of £5.5M while also seeking to re-establish a contingency provision to cover continuing risks. This would be done
by basing non-staff budgets on prior year actuals rather than budgets and revising Other Income budgets, together with further individual actions agreed with Schools and the Professional Services. Maintaining the surplus was important to ensure the College had a strong financial position in the future and could continue to develop.

5.10 The Committee concluded that this approach did not prioritise the maintenance of the surplus over the core activities of the College, while noting the need to maintain capacity to promote new developments of benefit to the College.

Endorsed

5.11 The approach to rebalancing the budget for 2015-16 described in 5.9.

6 STUDENT RECRUITMENT 2015-16
Received

6.1 A report on student recruitment for 2015-16 (F 2015 05)

Noted

6.2 Enrolment of new students was below target and below 2014-15 levels. This was due to further falls in part-time undergraduate Certificates and part-time undergraduate degree intakes. While this had been partly offset by modest increases in full-time undergraduate and masters degree enrolments, the intake targets for these courses had not been reached.

6.3 The application trend for part time was particularly concerning, with much smaller numbers of applications received in September at a point where in previous years there had been a spike in demand. The growth targets had been set in the spring and summer, when the early stages of the recruitment cycle indicated a more promising picture. Overall enrolment, taking new and returning students into account, was at a similar level to last year, 8,500 FTE.

6.4 It was reported that there had been increased central marketing activity throughout the year, and significantly more effort to convert applications to enrolments. More work would be needed to analyse the outcome, looking at market trends, competition, student and applicant demographics, target setting and marketing, and conversion and recruitment processes, with the aim of identifying where improvements and interventions could be made.

Action

6.5 (KW) Bring more information to F&GPC on sensitivity analysis, assessing whether and to what extent reductions in student numbers would lead to reductions in costs.

7 DEBT MANAGEMENT
Received

7.1 An update on tuition fee debt management (F 2015 06)

Noted

7.2 Improvements undertaken during 2014-15 had already resulted in a reduction in the total level of debt at the year end, the size of the provision for doubtful debt and the
revenue contribution to the debt provision. The outcome for 2014-15 confirmed that the methodology for calculating the provision was reasonable.

7.3 Overdue pre 2013-14 debt had reduced from £7.1M at 31 July 2014 to £2.5M by 31 July 2015. Gross debt for the 2014-15 academic year was £3.2M, £0.6M lower than the gross debt for 2013-14 at 31 July 2014. The debt situation would continue to be closely monitored.

7.4 The good outcome was due to process improvements and the considerable efforts made by staff across the College. A Fees Policy had been introduced to confirm how fees should be calculated, charged and collected; and processes had been put into place to enable appropriate and timely record keeping.

7.5 The Committee thanked the Director of Finance and the Academic Registrar and their staff for the work in this area, which had made a major contribution to the improvement of processes and to the financial bottom line.

8 INVESTMENT COMMITTEE

8.1 The draft Report of the Investment Committee (F 2015 07)

Noted

8.2 The Investment Committee was content that the slightly lower return achieved by the fund managed by Newton Investment Management was justified by the protection offered against adverse swings in a volatile global economy. The Investment Committee had also considered the College’s 5 year cash flow forecast, and noted that various financing options would be considered for future capital estates projects.

8.3 Members asked for more information about the Total Expense Ratio (TER) of the Newton Real Return Fund, i.e. the total cost to the College as a client for investing in the Newton Real Return Fund.

Secretary’s note: it was confirmed that the TER is 0.79%. This consists principally of the fund manager’s annual charge of 0.75%, but also includes operating expenses, legal fees, auditing fees and registrar of 0.04%.

8.4 In March 2015 F&GPC had approved a proposal for the College to use the Liquidity Management Service offered by Barclays Wealth for advice on future investments. It was reported that as this service was being closed, the Investment Committee would investigate other options.

8.5 It was reported that Robert Allison would be appointed to fill the vacant place on the Investment Committee.

8.6 Investment Committee submitted a new Investment Policy for F&GPC’s approval. It noted that an ethical investment policy would be developed subsequently, and incorporated into the Investment Policy which would be taken back to F&GPC for approval. Members asked that point 12.1 in the policy be changed to “A separate
Ethical Investment Policy will be prepared and if approved will form part of this Investment Policy” to reflect the need for this approval process.

8.7 A group of students and staff had written to the Investment Committee asking about the development of an ethical investment policy. College management offered to meet to discuss the matter if this would be helpful.

Approved

8.8 The Investment Policy, subject to 8.6 above

9 ESTATES DEVELOPMENT

Received

9.1 A paper from the College Secretary setting out the framework for a ten year Estates Development Plan (F 2015 08)

Noted

9.2 The paper brought together the various strands of strategic thinking in relation to the Birkbeck Estate, in order to provide a framework for a ten year Development Plan. Members supported the College’s aspiration to concentrate teaching and student space in the main campus on Torrington Square in space owned or controlled by Birkbeck, noting that this would improve the student experience. Space around the main campus was extremely limited, so locating research and administrative facilities slightly further away, as in the rationale for Cambridge House, would provide more opportunities.

9.3 Members asked for the paper to be further refined to identify the extent of space required, the headline strategic priorities and a timeframe for the outlined development opportunities.

9.4 It was noted that the work on estates development was closely linked with the work of both the Estates Committee and the Investment Committee, and these Committees would feed into decisions about whether and how much to invest into new space.

Bedford Square

Received

9.5 A proposal from the Director of Commercial Services and Estates Development on the sale of 7 Bedford Square (F 2015 09A)

Noted

9.6 Members heard that this particular building has serious use limitations and does not meet the College’s needs. It is Grade 1 listed, the internal layout cannot be adjusted, and it requires major refurbishment. The College had received an offer from a potential purchaser and advice from its property consultants that this represented a better price than could be achieved on the open market. It was therefore proposed that the building be sold and the money invested in space that was more flexible and could be better used for the College’s purposes.

Recommended

9.7 That Governors approve the disposal of the long lease for 7 Bedford Square.
9.8 A report from the Director of Commercial Services and Estates Development on options for the development of Cambridge House (F 2015 09B)

9.9 Four key options were currently under consideration for use of the space: it could either be used for office space or research, and in each of these cases could either be demolished and rebuilt or refurbished and extended. There were some final assessments to be made on the foundations before the maximum scope for extension could be determined.

9.10 The College would continue to discuss the options with those departments that had been identified as the most obvious potential users of the space – either the Centre for Brain and Cognitive Development for research use or the School of Business, Economics and Informatics for office use – and make a further report to the next meeting of the Governors.

10 HR PAYROLL AND FINANCE

10.1 A report on the project to replace the HR, Payroll and Finance Systems, and approve the requested budget (F 2015 10)

10.2 The Committee heard that the procurement process was underway, and College management expected to be in a position make recommendations on the purchase of the systems by the end of 2015.

10.3 Members noted the significance of these systems and the processes they supported to the efficient operation of the College. This was a large-scale project with significant risks and the Committee therefore asked for the project to be discussed in further detail by the full Governing body, to allow the Governors to assure themselves that satisfactory risk analysis and scrutiny processes are in place.

Secretary’s note: at their meeting on 17 November 2015, Governors approved the College’s approach to HR/Payroll and Finance system replacement project governance, management and implementation, timescales, and assessment of the key high level risks and responses. Governors agreed to delegate authority for formal approval of the project expenditure budget to a small group, of the Chair and Deputy Chair of Governors, the Chair of F&GPC, the Chair of Audit Committee, the Master and the College Secretary, which would be convened once the preferred supplier(s) were identified. Having considered a written report and proposal, the group approved the procurement and implementation of a comprehensive, cloud-hosted, HR/Payroll/Finance solution from Unit 4, at a total capital cost of £2.25M.

11 SPC REPORT

11.1 The Report of the Strategic Planning Committee (F 2015 11)
Noted

11.2 SPC reported on two internal reviews commissioned by the Master. A review on postgraduate research student provision had concluded that while Birkbeck had outstanding provision in many areas, there was a need to improve co-ordination and communication. Implementation is being taken forward through College working groups that will report back to SPC.

11.3 A review of the Economics, Mathematics and Statistics Department in the School of Business, Economics and Informatics had been prompted by concerns about a disappointing REF outcome, and student numbers and management issues. It had made recommendations to improve leadership, management and communications, address research and student recruitment performance, and improve internal organisation and staff development. The Department was expected to make tangible and sizeable improvements within a year. F&GPC thanked Ruth Thompson for her work on leading this review.

11.4 SPC had discussed the selection processes for internal appointment to senior roles, and agreed that a new process would be trialled for the recruitment of a Pro Vice Master for Access and Community Engagement. This would involve a call to all staff for expressions of interest, shortlisting, and a presentation and interview with an internal panel. The panel would give advice to the Master who would make a formal recommendation on appointment to the Governors. SPC had noted the need to encourage staff from groups currently under-represented at management level to put themselves forward.

11.5 Members heard that SPC continued to monitor compliance with student immigration policy, as this was essential to maintain the ability to recruit international students. Attendance recording would be facilitated by the launch of the E-registers initiative, and a deposit scheme to ensure applicants were committed to studying at the College would begin in 2016-17. The College’s visa refusal rate for 2015-16 had improved, but given the small number of students sponsored, the refusal rate was volatile and compliance would be carefully monitored. The Government had introduced new restrictions, including a rule that students who had already started or completed a degree in the UK should not be sponsored for another at the same level, and more stringent measures to monitor student’s academic progression.

11.6 SPC reported its discussion of the actions that the College would need to take in response to the Counter-Terrorism and Security Act 2015, which made it compulsory for universities to comply with the duty to prevent people from being drawn into terrorism. The Committee heard that Birkbeck intended to implement the duty in a way which met the requirements while remaining in keeping with the College’s ethos and mission. There would be a briefing on the Act at the next full meeting of the Governors.

11.7 SPC had asked the Pro Vice Master Enterprise and Innovation to lead work in response to the recently announced Higher and Degree Apprenticeships, which would combine employment, learning and certifying skills ‘on the job’ with a higher education qualification. It was noted that these could be strategically important to the future of Birkbeck as they have the potential to allow the College to reach more
students in a way that is fully consistent with its mission, possibly replacing some of the lost part time student numbers.

11.8 SPC reported its consideration of a project to rapidly improve Birkbeck’s digital presence. Early priorities had been agreed, including the public facing website home page, the profile of research and development of digital student engagement. F&GPC asked to be kept updated on the progress of this work.

11.9 Members raised the issue of IT system security, due to several recent high profile incidents where the secure files of large organisations had been hacked. They heard that heard that the Audit Committee had also noted this as an area to monitor and the internal auditors would consider this area as part of the future programme.

11.10 A link to the College Risk Register, KPIs and other key strategic documents would be circulated to the co-opted members of the Committee.

Approved

11.11 Amended Terms of Reference for SPC, reflecting its strategic oversight of the activity of the College, including teaching and research.

12 ESTATES COMMITTEE

Received

12.1 The Report of the Estates Committee (F 2015 12)

Noted

12.2 The condition of the front façade of 32 Torrington Square had deteriorated rapidly due to water ingress, and the building had been stabilised and temporarily closed until repairs were completed. The occupants were temporarily being housed in 7 Bedford Square. A specification for the remedial works with a current estimated cost of £250K, with a contingency of £75K, had been created.

12.3 A price in principle for a long lease on the adjacent 33 Torrington Square site had previously been agreed. The lease arrangement for 32 Torrington Square was a longstanding rolling one year lease. Estates Committee noted the University’s new Estates Strategy, which prioritised commercial exploitation of property not covered by restrictive covenants, and therefore endorsed College management’s intention to secure concurrent long leases for both 32 and 33, allowing for the cohesive development of both sites.

Endorsed

12.4 Estates Committee’s proposed approach to 32 and 33 Torrington Square:
- Carry out tendering exercise for structural remedial works and interior refurbishment of 32 Torrington Square.
- Successfully conclude negotiations with the University for a concurrent 99 year lease for both the 33 site and the 32 building.
- Once the lease is in place, carry out works to the property, taking into account the developments planned for the 33 site.

13 HUMAN RESOURCES STRATEGY AND POLICY COMMITTEE
Received

13.1 The Report of the HR Strategy and Policy Committee (F 2015 13)

Noted

13.2 F&GPC heard that the College expected its final offer of an increase in London weighting to £3,500 to shortly be accepted by all three recognised Trade Unions. The increase would be consolidated into base pay with effect from 1 August 2015.

13.3 HRSPC reported that the College’s recent application to the Equality Challenge Unit’s Athena Swan charter, promoting gender equality in Higher Education, had not been immediately successful. This outcome lent weight to the need for an overarching strategic approach to equalities. The Vice Master was leading a Strategic Equalities Review aiming to strengthen reporting and accountability lines, promote equality and diversity, and enable consideration of equality and diversity to be better integrated in the College’s management structure.

14 FUNDRAISING AND INSTITUTIONAL DEVELOPMENT

Noted

14.1 Members heard that securing philanthropic gifts, linked to the development of a vision for the College’s 200th anniversary, was of great strategic importance to the College. A new Directorate of Development and Alumni, led by Mr Chris Murphy, had been created, building on the fundraising activity previously located in the department of External Relations.

15 DATE OF NEXT MEETING

Noted

15.1 The dates of the Spring and Summer term meetings:

- Wednesday 2 March 2016, at 4.30pm
- Wednesday 15 June 2016, at 4.30pm