BIRKBECK
University of London

MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE

25 July 2014

Present
Mr Hugh Ferrand (Chair), Professor David Latchman, Professor Philip Dewe, Dr Ruth Thompson, Mrs Gillian Broadley, Mr Charles Michael-Berry, Mr Peter Zinkin, Mr Robert Allison

In attendance
Mr Keith Harrison, Mrs Katharine Bock, Mr Keith Willett, Mr Mike Devereux, Mr Bob Westaway, Ms Megan Reeves, Ms Naina Patel, Ms Rachael Boyle

Apologies for absence
Mr Harvey McGrath, Professor John Kelly, Professor Julian Swann, Professor Matthew Innes

31 DECLARATION OF INTERESTS
Noted
31.1 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.

32 MINUTES
Confirmed
32.1 The minutes of the meeting of 6 March 2014

33 REPORT
Noted
33.1 Governor’s receipt of the Report of the Committee following its last meeting. (F 2013 27)

34 MATTERS ARISING
Noted
34.1 F&GPC welcomed new member Gillian Broadley and the College’s new Finance Director Keith Willet.

34.2 Paul Shelton had stood down from his Governor appointment and Hugh Ferrand had taken on the role of Chair of F&GPC. Members wished Mr Shelton a swift recovery.

34.3 The Committee also thanked Professor Philip Dewe, who was retiring from ex office Governor and Vice Master roles, for his contributions to the committee’s work.

HEFCE Grant 2014-15
34.4 The HEFCE Grant 2014-15, as noted in the report of the Strategic Planning committee, was approximately £2M higher than original estimates.

Student Union Financial Statements 2012-13
34.4 College management confirmed receipt of the audited Students’ Union Financial Statements for 2012-13.

35 **FORECAST BUDGET OUTTURN**

Received

35.1 The Forecast budget outturn for 2013-14 (F 2013 28)

Noted

35.2 A revised forecast surplus of £5.2M was reported, compared with £2.2M reported in March. The change was due to a number of factors as noted below.

35.3 HEFCE confirmed in the March 2014 funding letter that, based on the most recent student number return, the College would get more teaching funding than previously predicted. This led to a £1.7 increase in HEFCE income, offset in the estimates by the £1.1M fine for over-recruitment against the Student Number Control (SNC) which had been moved from the contingency line into the HEFCE income estimate.

35.4 The tuition fee income prediction was £435K lower than the March estimate, reflecting a rate of fee adjustments that was higher than the previous year’s rate, on which the March predictions had been based.

35.5 Better than predicted income from room lettings, donations and contracted services all contributed to the improved position, as did lower than predicted teaching and scholarship staff costs and School non staff costs. While £500K of contingency pay provision was released, there would be a similar unbudgeted charge on staff restructuring. The £500K provision for a new strategic development fund was not required in 2013-14, although F&GPC heard that the criteria and processes for the College Innovation Fund have been agreed and provision made in the 2014-15 budget.

35.6 The College continued to work on improving the accuracy of in-year income and expenditure forecasting, aiming to give management and Governors a better indication of the likely financial position at the year end. For most Schools, the in-year forecasts of staff costs were consistently higher than the outcome because staff budgets have been based on an assumption that all posts were filled for the full year, whereas in practice with staff turnover this was often not the case. Further work on refining staff cost forecasts and assumptions was planned for 2014-15.

35.7 Members asked how these numbers compared with the 2012-13 outcome and heard that a surplus of £6.7M had been posted.

Received

35.8 The updated aged debt report (F 2013 28A)

Noted

35.9 F&GPC reviewed the position on student debt. The total level of debt was approximately £10.4M, including debts relating to the current academic year, with a higher likelihood of being settled. The College’s historic debt provision plus the provision in the 2013-14 budget was some £7M, enough to cover all debt older than four months and up to 40% of more recent debt.
Most of the debt came from students paying their own fees who had fallen behind, students who had not secured loans, students sponsored by other parties and students from the old system who applied for part time fee grants. Very little of the debt was from international students. While noting that the absolute level of debt was increasing because the tuition fees had increased, F&GPC confirmed its view that the bad debt provision was sufficient and that, subject to further work at the year-end, it may not be necessary to add all of the £2M 2013-14 provision currently budgeted for.

College management planned to ensure student withdrawals and loan reminders were being processed promptly, to support the efficient management of tuition fee income. The Committee endorsed this approach. It noted that in certain student groups and subject areas there were disproportionately high levels of student debt, and supported the College’s plan to further analyse and address this issue.

It was confirmed that there were fee policies in place to ensure that students in arrears could not re-enrol for the next year of study and so continue to accumulate debt, as well as hardship provision for genuine cases of changed circumstances.

The College budget monitoring report as at May 2014 (F 2013 28B)

F&GPC received and approved the College budget monitoring report as at May 2014, noting that the relatively small amount of £20K of student debt had been written off.

Recommended to Governors

Approval of the forecast budget outturn for 2013-14

The proposed budget estimates for 2014-15 (F 2013 29)

Strategic Planning Committee had forwarded the Income Distribution Model (IDM) budget for 2014-15, incorporating the results of the School’s detailed student numbers planning, together with School and Professional Services spending estimates, and predicting a year end surplus or deficit for each School.

The aims of the 2014-15 planning round were to balance growth and development with the need to address areas still in deficit; to respond to changes in demand from the student body; to achieve maximum benefit from the student number control of 1,100 while preparing for the challenge of unregulated recruitment in 2015-16; and to build on the improved financial position achieved in 2013-14. College management reported that the budget setting round has run well, as processes had matured, forecasts were becoming more realistic and the imbalance in financial performance between the different Schools was diminishing. As in previous years, the process was led by the Vice Master Designate working with senior teams in the Schools and Professional Services.

A moderated surplus of £3.3M was predicted. There was £2.4M of contingency provision and £0.5M set aside for the College Innovation Fund.

Student number planning for 2014-15 is complex. For the three year undergraduate programmes subject to student number control, the College intended to meet the number
as accurately as possible, to be in a competitive position in advance of 2015-16 while not attracting an over-recruitment fine. The Schools predicting deficit, Arts and Science, would have an opportunity to expand their three year programmes to their full potential to help address financial issues. The student intake was expected to be diverse, with younger students applying earlier in the recruitment cycle and older students applying later and with higher rates of conversion for application to enrolment. Precisely meeting the student number control would be a delicate balancing act to achieve.

36.6 Schools and Professional Services had produced staffing plans aiming to strike a balance between supporting expansion where student numbers were increasing and rationalisation where numbers were decreasing. Overall, staff costs had increased by 4%. F&GPC noted the ongoing need to control and monitor staff costs given its impact on overall College spending.

36.7 The estimates included the student financial support package agreed in spring 2013, with an enhanced bursary scheme targeted at middle income part time students: the group for which enrolments declined the most in 2012-13. The College also planned to spend an additional £468K on the National Scholarship Programme following the Government’s cut to NSP funds after the scheme had been advertised. For postgraduate research students, the College would invest £397K to initiate the Birkbeck Anniversary Studentships.

36.8 Members asked about the impact of the deficit in the Universities Superannuation Scheme (USS). College management reported that most HE institutions expected to start making increased contributions to offset the deficit from 2015-16. The College’s long term financial forecasts had an assumption of 2% increases in staff costs built in. The Committee heard that the composition of the USS Board, equally balanced between management and trade union members, made it unlikely that a decision would be reached any earlier than HE institutions were currently planning for.

Recommended to Governors

36.8 Approval of the 2014-15 budget estimates.

37 FINANCIAL FORECASTS

Considered

37.1 Proposed financial forecasts to 2016-17, to be forwarded to the Governors and submitted to HEFCE (F 2013 30)

Noted

37.2 HEFCE’s principal current concern was institutional financial sustainability. It had signalled the end of large streams of capital funding and the need for universities to generate 5-7% of surplus from their incomes to fund capital developments.

37.3 The forecasts projected that over the period covered 70% of income will come from tuition fees and associated HEFCE teaching grant, making tuition fee income a key area of risk requiring active management. It was also noted that an objective has been set in relation to staff costs, in that they should not exceed 60% of turnover.

37.4 The financial forecasts responded to HEFCE’s increased expectations for surplus generation, with predicted surpluses of 5% of turnover during the forecast period as the increased pension costs are accommodated. F&GPC heard that there is a longer term aim to rise to a surplus of 7% of turnover in future iterations of the forecasts.
The Committee also heard that the College’s current rate of cash generation from operating activities is slightly below average for HE institutions. This is in large part due to the lower than average depreciation charge that the College needs to budget for due to the fact that it does not own most of its buildings or have student accommodation. The College’s ability to fund future capital projects will depend on its ability to generate cash.

The forecasts include a calculation of earnings before interest, tax and depreciation (EBITDA), which forms part of the new institutional sustainability return and which HEFCE will use to indicate how much money an institution is permitted to borrow without its special permission. F&GPC heard that the College had no plans during the forecast period to arrange external financing.

Agreed

To recommend that Governors approve the proposed financial forecasts to 2016-17 to be submitted to HEFCE.

INVESTMENT COMMITTEE

Received

The report of the Investment Committee (F 2013 31)

Noted

The College’s strategy continued to focus on conservative financial investment, given the current financial environment. The College’s cash holding continued to build and currently stands at £36.5M.

STRATEGIC PLANNING COMMITTEE

Received

The report of the Strategic Planning Committee (F 2013 32)

Noted

HE Funding and Policy

SPC reported the successful outcome of the appeal to HEFCE for a higher Student Number Control (SNC) of 1,100 in 2014-15 and confirmed that the College should not over-recruit in 2014-15. Student recruitment must be monitored closely, aiming to meet the SNC precisely and within the tolerance bands.

As part-time education is unlikely to become a national policy priority, the College released its own communications briefing (Birkbeck Briefing) covering its successful response to the 2012 fee and funding regime and the impact of the lack of policy support for part-time students. Members were informed that while the popularity of the traditional part-time 4 year degree programmes was falling, the College would not be abandoning them. Lobbying for the cause of part-time education would continue.

The College was having discussions with the Director of the HE Policy Institute on the potential to make a case to increase national resources for part time provision.

It was also reported that the Government planned to cut the Disabled Students Allowance and stop funding for laptop computers for disabled students. Birkbeck had a higher than average proportion of disabled students. Mature first-time disabled students who did not proceed to university straight from school would be at a greater disadvantage, without a background of access to support and equipment. The College would make a case for reconsideration, highlighting the negative consequences of these cuts.
Another impact of recent policy changes would be the likelihood of Birkbeck appearing more regularly in university league tables. Some league tables included entry tariff as a marker, and Birkbeck’s relatively open policy towards entry qualifications could have an impact on ranking. SPC was overseeing work to better understand the machinery of the league tables and to identify what strategies would help the College appear in the best possible position. The significant “value added” aspect of Birkbeck degrees, contributing to social mobility and professional development for many, should be emphasised.

**Student Recruitment**

SPC reported that, compared with this point in 2013-14, application rates were down 25% for undergraduate part time, reflecting the ongoing trend. However applications were 63% up for UCAS recruited degrees, with an expanded range of subjects on offer for 2014-15. Applications for part time Masters degrees were up 1% and for full time Masters degrees up 5%. Offer rates were up for all course groups except part time undergraduate.

Recruitment via UCAS to the Student Number Control (SNC) would be a complex exercise, taking into account the different behaviours of different types of student. Younger students tend to apply early in the recruitment cycle and have lower application to enrolment conversion rates. Older students apply later and are more likely to enrol. The College was monitoring and analysing application and conversion rates in the various different student groups throughout the cycle and using this information to manage recruitment.

Members asked how the conversion rates from offer to enrolment were being predicted given the short data history available. The committee heard that conservative estimates were being made based on existing detailed knowledge of conversion rates at different points during the recruitment cycle.

Members asked if the increase in offer rates represented a decline in the quality of the student intake. It heard that applicants to university in the post 2012 system were serious about university study, as demonstrated by their preparedness to pay higher fees. There was also evidence that the College was making offers more quickly, following the introduction of more efficient processes and better management information. This improvement would lead to increased levels of offers earlier in the cycle.

Members asked how many student transfers were expected from the 4 year degree programmes to the 3 year programmes, as these would count towards the Student Number Control. The committee was informed that it was predicted that between 20 and 30 students might request such a transfer and that they would be placed on a waiting list until it was clear whether they could be accommodated alongside new students within the SNC.

F&GPC agreed that the College must maintain momentum and effort in student recruitment, as the College needs to generate a substantial surplus year on year in order to fund development of the estate and the College’s facilities.

**Student Financial Support 2015-16**

SPC agreed the student financial support offer in the College’s 2015-16 Access Agreement. The main scheme is a cash bursary available for all years of study for students on low incomes. A fixed sum has been earmarked to increase the income threshold for part time
undergraduates in mature and middle income groups who cannot access other forms of student finance and where recruitment has fallen off most since 2012

**College Policy**

**Student Debtors**

39.14 The Office for Fair Trading has been paying attention to the HE sector and has signalled its view that universities should not withhold degree results from students with library, accommodation or other non-tuition fee debts. SPC therefore agreed amendments to the student debtor policy restricting academic sanctions to those with tuition fee debts.

**Access to College Services**

39.15 SPC also agreed policy on access to College services for students who have not enrolled, either because of an agreed break in studies, because they are in debt to the College or because they have not re-enrolled.

**Strategic Planning**

**School and Professional Services Plans**

39.16 Having noted the outcomes from the SPC and Governors’ Strategic Horizons meetings (attached as Appendix B), SPC endorsed the Schools and Professional Services’ strategic plans for 2014-15. The full plans are available from [this link](#).

**Research Grant and Contract Income**

39.17 SPC considered School strategies to promote research grant and contract income, noting the longstanding variability in grant income between different academic departments. It agreed that more attention needs to be paid to KPIs and management information for research and research students and will give this matter this further consideration.

**Risk Management**

39.18 SPC considered and was satisfied with a report on the management of risk in 2013-14 and the updated risk register for 2014-15, noting that these documents were also reviewed and reported to Governors by the Audit Committee.

**New Developments**

**Catalyst Programme**

39.19 HEFCE had confirmed its funding for the Catalyst programme to enhance and support intensive flexible study, including three year undergraduate degrees and one year Masters programmes. The programme had started, with five strands: academic portfolio innovation, linking work and study, student recruitment and engagement, student retention and success and research on student circumstances and motivations. All the project groups were established. Early highlights included lecture recording and attendance monitoring projects, with infrastructure being installed in some classrooms over the summer for trials in 2014-15. Work was also progressing on defining how elements of programmes could be taught online, supporting development of blended learning models. Roles for taking forward mentoring, employability, employment, careers and social media elements in the Linking Work and Study strand had been defined. Projects to improve the student recruitment website, to improve learning support, to increase opportunities for students to engage outside term time and to further improve student retention had also been defined.

**Flexible Study**

39.20 SPC continued to oversee implementation of the Flexible Study project for online module selection and enrolment, supporting increased convenience for students as well as the
potential to develop more flexibly structured programmes of study. In 2014-15 a pilot would offer online module selection on 20 postgraduate taught degrees in preparation for a larger trial in 2015-16 and ultimate roll out to all programmes.

**College Innovation Fund**

39.21 SPC approved policy for the operation of the College Innovation Fund. From 2014-15 a proportion of the anticipated surplus, to be agreed each year as part of the planning process, will be set aside to support new projects tied to the expansion of the college’s academic activities, covering start up and project costs for new activities. Bids will come via Deans, Pro Vice Masters and Directors and decisions made by a panel led by the Master. Termly reports on projects will be made to SPC and reported to F&GPC and Governors.

2023

39.22 SPC discussed the ideas put forward by the Strategic Futures Group (SFG), which had been asked to consider long term opportunities from outside the senior management team’s perspective, looking forward to the College’s 200th anniversary in 2023. The Master would convene a group of members of the SFG and SPC to take these discussions forward.

40 **REMUNERATION COMMITTEE**

Received 40.1 Remuneration Committee’s report on the financial implications of its decisions. There were no significant financial implications to report. (F 2013 33)

41 **ESTATES COMMITTEE**

Received 41.1 The report of the Estates Committee (F 2013 34)

Noted

**Masterplan/Toddler Lab**

41.2 Estates Committee reported on progress in the project to construct a ‘Toddler Lab’ research centre. The University of London Trustees agreed in principle to the scheme, subject to the Warburg Institute’s acceptance of the development. A revised plan would be submitted for the Warburg’s Board to consider. The University and the Warburg had been involved in a separate legal dispute which was prolonging the estate negotiations, but which was almost resolved. The College had commissioned a valuation of the site in preparation for the lease negotiations. Members agreed that the project should stay within its original budget.

41.3 Discussions with UCL on a potential joint Science building continued. Camden Council indicated that it would not support a building design spanning the north end of Torrington Square, so alternative options were being discussed with the academic and planning teams involved.

41.4 F&GPC also heard that the College was considering the long term strategy to replace the 1950s extension building, where many Science facilities were based. Members discussed the possibility of using the new joint science building as decant space during a rebuilding programme. The committee was assured that any student facilities impacted by a transition period would be replicated elsewhere. There were many options to consider.

41.5 SOAS’s Senate House North Block project continued. The build was expected to include 35 rooms. Under the agreement made with SOAS, Birkbeck would have use of the space in
the evenings, with digital signage displaying Birkbeck’s branding at this time. The College was negotiating to ensure access for Birkbeck students to social spaces in the evening.

41.6 The College had considered and rejected an offer from tenants Amity University to purchase 7 Bedford Square. It would give Amity notice of its intention to exercise the break clause in the lease and proceed with internal discussions on use of the space.

**Bloomsbury Central Heat and Power (CHP) consortium**

41.7 Birkbeck is a member of the Bloomsbury CHP along with SOAS, the Institute of Education, UCL and Senate House. The CHP is operated under a long term contract due to expire in 2020. The infrastructure has reached the end of its life and there is a risk of failure, especially of the electrical systems. Birkbeck draws heat but not electricity from the CHP. The CHP Board, made up of representatives of the member institutions, has rejected a proposal to terminate the current contract early and is now reviewing options for the future. Birkbeck has received and will act on advice from independent Governor Peter Zinkin to assess feasibility and cost effectiveness, from the College’s perspective, of all options, before proceeding with any decisions.

**Facilities Management cost sharing group**

41.8 Estates Committee reported that the College will not be proceeding further in the project, with the University and SOAS, exploring the potential to set up a Cost Sharing Group for the delivery of Facilities Management services. Assessment of cost savings showed little potential financial benefit to Birkbeck or to the terms and conditions of the staff that would have been involved. Instead consideration will be given to alternative models of outsourcing facilities services, with the objective of generating long term benefits.

**Estates Projects**

41.9 Estates Committee received and was satisfied with a report on the agreement and costing of the 2014 works programme. The current cost estimate is £1.575M. The work includes improvements to the reception area and lecture theatre in the Clore building, the exteriors of the School of Arts at Gordon Square and the School of Social Sciences History and Philosophy at Russell Square, and to the signage in all buildings. Discussions continue on the provision of laboratory facilities for Earth Sciences and Biological Sciences.

**Long Term Maintenance**

41.10 Estates Committee was pleased to note the success of works carried out over the Easter break to improve the resilience of the electrical infrastructure in the extension building, which was developing a serious risk of failure. The Committee also agreed a proposal to refurbish the extension building toilet facilities, noting that while the ambition to rebuild this part of the estate in the long term makes it important to avoid unnecessary spending, the current state of the facilities merit their replacement now.

**Energy and Environmental Management**

41.11 Estates Committee received an update on energy and environmental planning initiatives. A new Carbon Management Plan has been drafted and is being consulted on. The Committee will formally consider it in October.

42 **HUMAN RESOURCES STRATEGY AND POLICY COMMITTEE**

Received

42.1 The report of the HR Strategy and Policy committee *(F 2013 35)*

Noted
People Strategy

42.2 HRSPC noted its consideration of a report on achievements in 2013/14 and agreed key objectives for 2014/15.

Recommended for approval by the Governors

42.3 The following policies, on which the trade unions have been consulted.

42.3.1 Adverse Weather Conditions and Travel Disruption
This new set of guidelines recommends action for employees and line managers in the event of adverse weather conditions or travel disruption.

42.3.2 Sickness Absence
This policy has been revised in line with staff feedback and revised HMRC guidelines.

42.3.3 Disability in Employment
The code of practice has been revised and now includes a set of core principles and further clarification on the provision of reasonable adjustments.

42.3.4 Flexible Working
The policy has been revised in line with new regulations to extend the right to request flexible working to all employees.

Noted

42.4 Members asked about the facilities for staff to work from home during travel disruption and heard that access was possible through a Virtual Private Network and a virtual desktop facility.

43 STUDENTS UNION FINANCIAL MEMORANDUM

Noted

43.1 College management and Students' Union officers were discussing updates to the financial memorandum between the College and the Student's Union. The document would be circulated to members for approval once finalised.

44 COMMITTEES OF F&GPC 2014-15

Noted and agreed

44.1 The Terms of Reference and Schemes of Membership of the Committees reporting to F&GPC in 2014-15 (F 2013 36)
- Estates Committee
- Human Resources Policy and Strategy Committee
- Strategic Planning Committee
- Investment Committee
- Safety Committee

45 DATES OF MEETINGS IN 2014-15

Noted

45.1 The dates of F&GPC meetings in 2014-15:
- Wednesday 19 November 2014, at 4.30pm
- Wednesday 12 March 2015, at 4.30pm
- Wednesday 10 June 2015, at 4.30pm