MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE

10 June 2015

Present
Mr Hugh Ferrand (Chair), Mr Richard Abbott, Mr Robert Allison, Mrs Gillian Broadley, Professor Matthew Innes, Professor David Latchman, Mr Harvey McGrath, Professor Julian Swann, Dr Ruth Thompson, Mr Peter Zinkin

In Attendance
Mrs Katharine Bock, Mr Simon Dennis (KPMG, for item 39), Mr Keith Harrison, Mr Nick Head, Mr John Kempton, Ms Roisin Lynch, Ms Megan Reeves, Mr Keith Willett

Apologies
Mr Charles-Michael Berry, Dr Rebecca Gumbrell-McCormick, Mr Fraser Keir

33 DECLARATION OF INTERESTS
Noted
33.1 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.

33.2 No substantive conflicts were identified. Mr Robert Allison noted a consultancy agreement with KPMG, the College’s external auditor.

34 MINUTES
Confirmed
34.1 The minutes of the meeting of 12 March 2015.

35 REPORT TO GOVERNORS
Noted
35.1 Governors’ receipt of the Report of the Committee following its meeting on 12 March 2015 (F 2014 24).

36 MATTERS ARISING
Noted
Research Excellence Framework
36.1 Unit of Assessment leaders have now been appointed for each of the subject areas the College is planning to submit to. The role description has been defined and agreed by Strategic Planning Committee.

HR, Payroll and Finance Systems Replacement Project
36.2 The Project Board have met and work has begun to define the user requirements. The next step will be to initiate the procurement process. The formal decision for budgetary approval will be made in the Autumn term.

Students Union Financial Statements 2013-14

36.3 These had been finalised and circulated to members for information.

37 **BUDGET REPORT**

- **Received**

An updated report on the budget and financial forecasts *(F 2014 25).*

- **Noted**

**Revenue forecasts 2014-15**

37.1 The Committee was pleased to note that current forecasts indicate a surplus of £6.4M, an improvement on the budgeted surplus of £5.5M. Schools and Professional Services had contributed to this improvement by being prudent with their non-staff expenditure budgets.

37.2 The tuition fee income of £64,266 is under the target of £66,108. Overall recruitment is above the target (9,563 against 9,379), but this represents more returning students and fewer new students than planned. New students bring in a higher level fee per student because they are all from the post 2012 high fee system. The Committee heard that the model used to predict student numbers and fee income has been adjusted taking this year’s numbers into account. Improved record keeping has also had an impact on tuition fee income levels this year because more student withdrawals have been accounted for during the year rather than retrospectively. The full tuition fee contingency has been released to cover the difference between actual and target income.

37.3 Members noted the recent announcement by the Chancellor that there would be significant in-year cuts to the budget of the Department of Business, Innovation and Skills. The funding council has not yet issued any information on what impact these cuts would have on individual HE institutions.

**Action**

37.5 *(College management)* Continue to monitor the funding situation and report back to F&GPC.

**Financial Forecasts**

37.6 The Committee received five year forecasts to July 2019. Three potential scenarios had been modelled: a base case which achieves an annual surplus of 5% of income, a scenario based on an annual reduction of 5% of the base case tuition income, and a reduction of 10%. All scenarios assume that a further £12M will be spent in capital
development over the next 18 months and that the construction of a new building at 33 Torrington Square will not go ahead in the timeframe under review. Assuming that the long term investment held by the fund manager Newton, which represents 60 cash days of funds, is the College’s sustainability buffer, Birkbeck remains solvent under each of the scenarios modelled.

Confirmed

37.7 The Committee's opinion that Birkbeck College remains solvent.

Budget Estimates 2015-16

37.8 F&GPC considered the proposed budget for 2015-16. A target surplus of £5.5M has been set again, approximately 5% of total income. The income budget reflects the continuing reduction in HEFCE funding as it is replaced by direct tuition fee income, and challenging but realistic student recruitment targets.

37.9 Members discussed student number forecasts. The Director of Planning attended for this item. The forecasts had been set based on detailed course-level planning undertaken for 2015-16. The forecast increases in 2015-16 were in undergraduate full time degrees (+13%) and in Masters degrees (+9% across full-time and part-time). For undergraduate full time degrees this was a reasonably cautious approach given the current application and offer numbers, which were 21% higher than at the same point last year. A prudent forecast is appropriate because of the uncertainty of the impact of the removal of the Student Number Control on student and competitor behaviour. A continuing decline in part-time undergraduate intake was forecast in line with recent trends. The College would continue to refine its student number modelling.

37.10 Members heard that the College is not expecting to see significant increases in applications due to the Postgraduate Student Support Scheme, under which the College is able to offer £10K to 108 students to study a postgraduate master’s degree. The scheme is part funded by the Government and part by the College. Few Birkbeck applicants are likely to be eligible for the scheme, as it is only open to students who studied their undergraduate degrees under the post-2012 fees and most Birkbeck postgraduates do not take their Masters degree immediately after their undergraduate degree. If postgraduate loans are introduced in the future this will represent another uncertain influence on behaviour in the sector.

38 DEBT MANAGEMENT

Received

38.1 An update on tuition fee debt management (F 2014 26).

Noted
38.2 Forecasts suggest that the revenue contribution to the bad debt provision this year will be within the budget of £1.0 million. The total net debt outstanding at 31 May 2015 was £8.5M, and the Committee heard that since the report this had reduced to £7M due to direct debit payments from students. Prior year debt has reduced from £5.5 million to £2.8 million since 31 July 2014; the £2.7 million change is made up of £1.0 million in prior year adjustments, £0.6 million in bad debt write-off and £1.1 million in receipts or rescheduled payment plans. Funds continue to be received from company sponsors and the SLC.

38.3 F&GPC will continue to receive reports on the debt position including a more detailed breakdown by School.

39 NEW HE ACCOUNTING STANDARD
Received
39.1 A paper on the impact of the new HE accounting standard FRS102 and the Statement of Recommended Practice (F 2014 27).

Noted
39.2 The College’s external auditors KPMG gave a presentation on the new HE accounting standard and SORP. The new standard will be effective for the financial year 2015-16, however information on the current year 2014-15 will need to be restated in the new format for comparison in the 2015-16 financial statements.

39.3 The new SORP allows a choice of policy with regard to government grants, either the accruals method or the performance method. The accruals method allows grants to be recognised on a systematic basis to match against costs or useful economic life for assets such as buildings. Deferred Capital Grants would no longer be shown on the reserves side of the balance sheet. This has the effect of increasing liabilities and reducing net assets. The performance method allows recognition of the grant when performance related conditions are met. Adopting this policy would allow for the transfer of £44.7M of deferred capital grants to general reserves, but there would be no future release of deferred income. The performance method would reduce future surpluses and increase volatility in income as grants are not matched against future expenditure. Under current policy, annual depreciation net of release of deferred capital grant is £1.5M; under the accruals method depreciation net of deferred income is £2.1M and under the performance method, net depreciation is £4.8M.

Approved
39.4 The adoption of the accruals method for both revenue and capital grants.

39.5 The SORP allows for one-off revaluations of land and buildings. The proportion of freehold Fixed Assets held by the College is relatively small (£14M of £60M), and
although revaluation would boost net assets on the balance sheet, the estimate of net depreciation would increase with the impact of reducing further surpluses.

**Agreed**

39.6 That buildings should not be revalued for balance sheet purposes.

39.7 Members noted two potential key areas of risk. A provision must be made on the Balance Sheet for the liabilities of pension schemes such as USS and SAUL. The recent USS revaluation had increased the scheme’s deficit, and this will impact on institutions’ balance sheets. The standard also requires that unused staff annual leave at year end must be provided for as a creditor. The current estimated provision for this is £2.4M.

39.8 Members discussed the impact that these changes to the balance sheet are likely to have on the ability of HE institutions to take out loans, and noted KPMG’s advice that institutions should have early conversations with their banking account managers and with the central banks, who are aware of these changes.

39.9 College Management would continue to report to F&GPC on progress with the new accounting standard. It was likely that future years’ financial statements would contain greater volatility due to the new standard, which would be reported and discussed by F&GPC.

**40 INVESTMENT COMMITTEE**

Received

40.1 The Report of the Investment Committee *(F 2014 28)*.

Noted

40.2 The committee had considered 5 year cash flow forecasts showing a cash balance of £42.1m in July 2014 and £44.7m in July 2019. The forecast scenario models a 5% reduction in tuition fees, and includes the likelihood of a significant capital purchase. The Investment Committee was considering investment policies including a Treasury Management Policy and an Ethical Investment Policy, and would bring drafts to the Autumn meeting of F&GPC for approval.

40.3 There was currently a vacancy on the Investment Committee. F&GPC members were invited to send any suggestions for potential members to the Chair. A member with expertise in real estate might be particularly useful.

**41 STRATEGIC PLANNING COMMITTEE**

Received

41.1 The Report of the Strategic Planning Committee *(F 2014 29)*
Noted

International student visa requirements

41.2 F&GPC noted that work continues to ensure the College’s compliance with international student visa requirements, particularly in respect of the two highest risk areas: an expectation for checks on all overseas students, not just those that the College sponsored; and the addition of all premises where Tier 4 students are taught to the College’s sponsor licence. SPC has endorsed the introduction of mandatory visa guidance sessions for all in-country Tier 4 visa applications, as well as the introduction of online advice sessions for out-of-country applicants to reduce the risk of refusals. The International Group is considering the implementation of a Deposit Scheme for Tier 4 applicants to filter out non serious applications.

Equalities

41.3 Birkbeck has submitted its application for renewal of its Equality Challenge Unit Athena SWAN charter bronze award. However from November 2015 the Athena SWAN charter will be merged with a broader equality charter mark for Higher Education, and further applications will have to include data on professional and support staff and Teaching and Scholarship staff, meaning that applications to this expanded scheme will require more resource to prepare than the already significant amount required under the current scheme.

41.4 Consideration of the future of Birkbeck’s membership of the Athena SWAN scheme will be brought together with the current institutional discussion about equalities. F&GPC heard that the Equalities Committee needed to be more embedded in the governance and management structures of the College, which could be achieved by a reporting line to a College management committee such as HR Strategy and Policy Committee or SPC. Linked to the work on equalities, the Vice Master will lead on the development of a formal process for the nomination and selection of colleagues to fill senior roles as part of a broader review of the College’s governance and management structures.

200th Anniversary

41.5 The 200th Anniversary group has continued its discussion of plans for 2023, with a presentation from a colleague at King’s College on their recent successful fundraising campaign. A Birkbeck fundraising campaign should remain true to the College’s mission and ethos, and the core concern should be the student experience across the College. The Executive Deans will encourage their Schools to discuss their aspirations for the fundraising campaign, and the Pro Vice Masters will hold similar meetings to encourage discussion in their portfolio areas. F&GPC noted their approval of a cross-College campaign focusing on the College’s mission.

42 ESTATES COMMITTEE

Received
42.1  The Report of the Estates Committee (F 2014 30)

Noted

Projects

42.2 Estates Committee reported satisfactory progress in Estates development projects for 2014/15. The total revenue spend for 2014/15 was estimated at £684k, within the £700K allocation agreed earlier this year. Significant Estates development projects include a new rolling programme of signage projects; one-to-one Meeting Pods to be trialled initially in the Malet Street building; and refurbishment of the Library Office. Progress was also noted in Estates maintenance projects for 2014/15. A £500K allocation was proposed for 2015-16.

42.3 Estates Committee had considered Long Term Maintenance (LTM) proposals for 2015/16. The overall proposed LTM budget was £721,325. This was higher than 2014/15 due to the transfer of costs for two lift refurbishments from the previous year’s budget. The LTM proposals included Environmental projects designed to enable the College to meet its Carbon Management Plan targets, and projects designed to maintain and improve the condition rating of the College’s buildings.

Approved

42.4 A revenue project budget of £500K for 2015/16, and a Long Term Maintenance budget of £721,325 for 2015/16.

Estates Development

42.5 Estates Committee reported the view among University of London Colleges that the University of London’s estates strategy was becoming increasingly commercial and aimed at realising the value of the estate without delivering benefit to the Colleges. F&GPC noted that Birkbeck and the other Bloomsbury Colleges would continue to emphasise that the University should deal with the estate in a way that benefited the Colleges.

42.6 A successful offer has been made on Cambridge House, on the Euston Road, as approved at the recent Extraordinary Meeting of the Governors and the purchase was being formally concluded. Authority to approve due diligence processes was delegated to a sub-committee consisting of Peter Zinkin, the Governor member of Estates Committee, the Chair of the Governors, the Deputy Chair, and the Chair of the Finance Committee. F&GPC noted the additional benefit to the College that Cambridge House is a freehold property, whereas most of Birkbeck’s estate is leasehold from the University of London. Estates Committee and F&GPC would continue to receive reports on the strategy for the use of the building and the space that it would release elsewhere.
42.7 The next steps in the long-term development of the estate would be to consider what the College’s estate should consist of in order to ensure a top quality student experience and research environment, and how this could be achieved this using funding, borrowing, and reserves.

43 **HUMAN RESOURCES STRATEGY AND POLICY COMMITTEE**

Received

43.1 The report of the HR Strategy and Policy Committee *(F 2014 31)*.

Noted

43.2 HRSPC noted achievements in 2014/15 and agreed key objectives for 2015/16. These included the pilot of a new Academic Review Scheme to replace academic Progress and Development Review. F&GPC noted their strong support for the implementation of this new scheme, in which participation will be a pre-requisite for promotion and contribution related pay applications.

43.3 F&GPC noted ongoing discussions with the trade unions on an increase in London Weighting.

43.4 As noted in minute 41.4, the College is embarking on a review of its approach to supporting equality, including the reporting structure of the Equalities Committee and the appointment process for senior roles.

**Recommended for approval by Governors**

43.5 The Grading Review Procedure for Teaching and Scholarship (T&S) Staff

44 **SAFETY COMMITTEE**

Received

44.1 The annual Report of the Safety Committee *(F 2014 32)*.

45 **COMMITTEES OF F&GPC 2015-16**

Noted

45.1 The Terms of Reference and Schemes of Membership of the Committees reporting to F&GPC next session *(F 2014 33)*.

- Estates Committee
- Human Resources Strategy and Policy Committee
- Strategic Planning Committee
- Investment Committee
- Safety Committee

46 **DATES OF MEETINGS IN 2015-16**

Noted

46.1 The following dates of meetings in 2015-16:
- Monday 2 November 2015 at 4.30pm
- Wednesday 2 March 2016 at 4.30pm
- Wednesday 15 June 2016 at 4.30pm