MINUTES OF THE FINANCE AND GENERAL PURPOSES COMMITTEE

12 March 2015

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

In Attendance
Mrs Katharine Bock, Ms Jan Davies, Mr Fraser Keir, Mr Keith Harrison, Ms Megan Reeves, Mr Keith Willett

Apologies
Dr Rebecca Gumbrell-McCormick, Professor Matthew Innes, Mr Harvey McGrath

16 FORMER CHAIR OF F&GPC
Noted
16.1 With sadness, members noted the death of Paul Shelton, former Deputy Chair of the Governors and Chair of F&GPC, who died on 11 December 2014. Paul joined as a co-opted Committee member in 2007 and took a keen interest in many aspects of the College until he had to stand down on health grounds in 2014.

17 DECLARATION OF INTERESTS
Noted
17.1 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.

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

18 MINUTES
Confirmed
18.1 The minutes of the meeting of 19 November 2014.

19 REPORT TO GOVERNORS
Noted
19.1 Governors’ receipt of the Report of the Committee following its meeting on 19 November 2014.

20 BIRKBECK STATISTICS BOOK
Noted
20.1 Members noted the availability of the Birkbeck Statistics Book, which presented information on student and staff numbers. This would replace similar information which had previously been presented at the beginning of the Financial Statements.

21 2014-15 BUDGET AND MID YEAR REVIEW
Noted
21.1 The current budget reports, updated following the mid year review of income and expenditure in the Schools and Professional Services (F 2014 13).

Noted

21.2 The moderated forecast surplus was £5.5M, an improvement of £2.2M since the first prediction in June 2014. This was a transitional year; in future the income and expenditure budget would be a target set at the outset with performance against it monitored during the year, and there would not be successive reforecasts as the College was now in a position to take a longer term approach to planning and target setting. The new approach to management accounts, allowing forecasts to be reviewed on a monthly basis by the Finance department in conjunction with Schools and Services, was also now in place. This allowed performance to be regularly compared with the budget and action taken at an early stage.

21.3 F&GPC noted that overall student enrolments were 9,035 FTE against a target of 9,379 FTE, 96% of target, and that this had generated 99% of the target budgeted income. The forecast net reduction from student withdrawals and interruptions was £0.6M over the coming months. Management reported that this was probably the most significant current risk to the revenue budget. Improvements and review of student records may increase the number of credit notes above the forecasts. There was £1.8M contingency in the budget which should be sufficient to cover any tuition income reductions or other unexpected expenditure items. If the contingency was not all used, the surplus would be higher than forecast. Members noted that, although the College was in a good financial position, it was vital to keep staff costs and new staff recruitment under control.

21.4 F&GPC heard that the College’s cash holding at end of January 2015 stood at £49.4 million, which was £3.1 better than the original forecast. The forecast monthly cash balances for the period to July 2019 indicated that the College would remain solvent for the foreseeable future and that the cash balance would steadily increase. F&GPC heard that the forecasts were based on a number of assumptions such as predictable annual surplus, spend on capital equipment, the impact of the existing estates strategy, and receipt of capital grants and donations. It was confirmed that this included the known impact of the Toddlerlab project.

21.5 The long term cash flow forecast would allow the College to consider the affordability of estates and other capital projects. Members asked for the cash forecasts to be updated to include the impact of increased employer costs (pensions and National Insurance), the Schools’ plans, and the impact of the future estates strategy, with an indication of target and best and worst case cash forecasts. Members also noted that there were other possible factors, such as changes to tuition fees and EU membership, which would depend on the outcome of the General Election and were therefore not included in the current forecasts.

21.6 F&GPC also noted the College balance sheet, which brought together the cash flow and revenue budget and highlighted the cumulative state of the College finances at a particular date, and a Month End Cash Balances sheet which compared the audited position at 31 July 2014 with the forecast position at 31 July 2015. The reserves were higher than previously reported to F&GPC as a result of the improved revenue surplus/cash position.

Approved

21.7 The revised £5.5M surplus forecast.
21.8 That Governors should be advised that the College is solvent.

22 DEBT MANAGEMENT
Received
22.1 An update on tuition fee debt management (F 2014 14)

Noted
22.2 Members noted that this was a helpful and interesting paper. The current net debt position was £32.8 million compared with £30.2 million at the same time last year. Total income due from tuition fees was £64.7 million this year compared with £57.8 million last year. Debt from student enrolled in previous years had reduced from £5.5 million to £4.1 million since 31 July 2014.

22.3 Most of the debt related to the Student Loans Company, which paid in three termly instalments, and to self funding students paying through termly and monthly direct debits. The forecast of irrecoverable debt was £1M for 2014-15 and it was anticipated that the annual charge to the revenue budget would be between £0.5 and £1M going forward. Members noted the current debt from 2013-14 student enrolment is £1.8M; and that the forecast charge to the revenue budget would need to be increased if this figure cannot be reduced to £1M as planned.

22.4 Members asked whether the direct debit arrangements could be used as an incentive for students, and heard that the College did not charge interest to direct debit payers, unlike some other institutions; and that direct debit also helped to improve debt management. The College did not currently offer students an incentive to pay their full fees up front: it was noted that this would penalise students who were not well off.

22.5 Tuition fee debt would always be a challenge to the College. Management reported its intention to improve processes in order to have more clarity about debt earlier in the year and reduce the risks of bad debt occurring. Measures included an audit of student attendance; changes to the enrolment process requiring sponsored students to confirm proof of sponsorship earlier; production of a Fees Policy covering all aspects of fee charging, payment, withdrawal, refunds and implications of non-payment; and improved debt collection processes.

22.6 Members asked about the recent Office of Fair Trade ruling on student debtors being allowed to graduate. It was confirmed that the OFT had concluded that students with library/accommodation or other non tuition fee debt should be allowed to graduate, but students with tuition fee debt should not.

23 REPORT OF THE STRATEGIC PLANNING COMMITTEE
Received
23.1 The Report of the Strategic Planning Committee (F 2014 15)

Noted
23.2 SPC had concluded its review of the 2013-14 financial year and reviewed the IDM, noting an improved position for all the Schools. It also discussed the implementation of the new approach to management accounting and monthly reports, which would put the College in a position to shape its future financial plans to meet its business needs, and considered postgraduate taught student finance, Birkbeck’s participation in the interim
Postgraduate Support scheme for 2015-16, and the College's revised strategic planning process.

23.3 F&GPC noted the College’s lobbying, joined by the OU, against the age restriction on the Government's proposed postgraduate student loan which was intended to be in place from 2016-17. The restriction would have an impact on access for ethnic minorities and disabled students, as both groups have more mature postgraduates. SPC would also consider the whole postgraduate financial incentive offer for 2016-17 onwards, including state-backed postgraduate loans, the existing fee instalment payment plan and other potential incentives, including working with third parties. F&GPC heard that there were considerable possibilities for the College to recruit new students, enabling them to start careers while still pursuing their studies.

23.4 Following SPC's Awayday and Governors’ strategic horizons meeting in January and February, Schools and Professional Services were preparing to plan for the next five years, The School and Professional Services plans would be drawn together in a centrally convened process to assess overall impact and ensure that the strategies collectively constitute an academically and financially viable College, also taking into account the impact of possible policy changes. A five year College level strategic plan would also be drafted and the five year financial forecasts updated.

23.5 The College plan would be accompanied by objectives, measured by Key Performance Indicators (KPIs). F&GPC noted that in addition to the KPIs discussed and forwarded by SPC, indicators on equality and diversity had been suggested at the Governors’ strategic horizons meeting. A further KPI on progression from Further Education would also be added, and F&GPC suggested that an indicator around staff career progression be included. Academic career progression was considered as part of the Research Excellence Framework assessment. The outcome of the strategic horizons meeting would be further discussed at the upcoming Governors meeting.

23.6 The Committee discussed the need to plan for research excellence and for the next research assessment exercise. While some departments had performed very well in the 2014 Research Excellence Framework, others had not. It was reported that a review of the worst performing areas was being convened, and that planning for the next round of research assessment was already under way. F&GPS asked SPC to continue to report on these matters.

*Item 23.7 is reserved as it is commercially sensitive.*

23.7 SPC had agreed that the College should tender for replacement payroll, HR and Finance IT systems. The current systems were outdated and the supplier of the HR system would stop supporting it soon. Work would be overseen by a programme board with representation from Schools and the Directors of the services involved. F&GPC heard that, as a first step, appropriately qualified and experienced staff needed to be in place. College management was currently working on identifying and securing that resource, and if necessary would extend the project timings. F&GPC members noted the large risks that would arise if the project was not well managed; and agreed that securing high calibre staff resources was essential.

24 RESEARCH GRANTS AND CONTRACTS

24.1 The annual report from the Research Grants and Contracts Office on research income for the financial year 2013-14 (F 2014 16)
Noted

24.2 Birkbeck’s research income increased by 20% to £11.050m, its highest ever level. The largest source of research income continued to be through the Research Councils and related bodies, at 46% of total income. As competition for, and level of, RCUK funding would be increasingly difficult to sustain, F&GPC was pleased to note Birkbeck’s successes in attracting increased EU funding and a significant amount of charity funding.

24.3 Members noted that the income in the Schools of Arts and Business, Economics and Informatics has declined over last five years and asked if this was a cause for concern. It was reported that increasing and maintaining student numbers had been the immediate priority over those years, but that all of the Schools were now reviewing the balance between teaching and research as they produced their five year plans.

25 INVESTMENT COMMITTEE
Received
25.1 The draft report of the Investment Committee (F 2014 17)

Noted

25.2 The overall performance of the Newton Investment Fund from 1 August 2014 to 31 January 2014 had met its target of cash (1 month GBP LIBOR) +4%, achieving +4.25%. Newton’s management of the fund was successfully smoothing out variations from market fluctuations but could not respond to market changes as quickly as higher risk options. Newton had asked not to take on any additional investment from the College.

25.3 The Investment Committee was developing an Investment Strategy which would include an outline of the College’s investment risk appetite, time periods for investing, and possible benchmarking scenarios, as well as an ethical investment policy. It would also consider the appropriate level of cash holding as a buffer against unseen eventualities.

25.4 F&GPC also noted a report on treasury management forwarded by the Audit Committee. The College’s internal auditor had reviewed this area as part of the annual audit programme. The report noted the development of investment strategy and made recommendations on reporting and update of regulations. Audit Committee also suggested that the College consider whether any of its alumni working in fund management would be in a position to advise on strategy.

26 BARCLAYS WEALTH
Approved
26.1 A proposal for the College to use the Liquidity Management Service offered by Barclays Wealth (a subsidiary of Barclays Bank PLC) (F 2014 18), subject to a change in the proposed College signatories to ensure that one was from outside of the Finance Department.

26.2 The College had exhausted its current options for investing money and needed to assess new options. Barclays Wealth offered advice on investments generally as well as their own products; and would assist with investing in other providers’ products, at a fee. Members emphasised the need to assess the balance of risk and reward when considering future investment proposals and fees.

27 INSTITUTIONAL FINANCIAL COMPARISON
Received
27.1 A report highlighting the sound financial position of Birkbeck compared with comparable institutions. (F 2014 20)

27.2 The College’s surplus as a percentage of turnover was 6.4% in 2013-14, compared with an average of 3.9% in the comparator institutions. The net cash flow as a percentage of income was in line with the sector average of 7.5%. The College’s staff costs as a percentage of income were high, and F&GPC confirmed that the College needed to continue to pay attention to this indicator, although it was noted that one reason for the high percentage was that the College did not have any student residences. The four institutions with higher staff costs as a percentage of income in 2013-14 than Birkbeck all reported an operating deficit for the year.

28 STUDENTS UNION FINANCIAL STATEMENTS

Noted

28.1 The Students’ Union Financial Statements for 2013-14 were currently undergoing external audit and would be circulated to the Committee once the audit was completed and the Students’ Union had held its Annual General Meeting. The audit was almost complete, the College had confirmed ongoing support for the Students’ Union and a small surplus was forecast.

Minute 29 is reserved as it is commercially sensitive.

29 ESTATES COMMITTEE

Received

29.1 The Report of the Estates Committee (F 2014 21)

Noted

29.2 Good progress was reported in completing the 2013-14 project programme, and in promoting sustainability and environmental matters. Birkbeck had risen 8 places in the People and Planet Green League performance table in 2015. However, the College needed to intensify its efforts to reduce carbon emissions because the fee per unit of CO2 emission payable to the CRC Energy Efficiency Scheme had increased. Estates Committee also discussed the Estates Strategy Overview that Governors saw at their strategic horizons meeting, endorsing a desired outcome for the estate involving the best possible facilities and environment for teaching, research, students and staff, informed by broad consultation among staff and students. Estates Committee noted the opportunities to link the estates strategy with the 200th anniversary, and the development of a strategic vision of what the College should become by 2023.

29.3 F&GPC received updates on work on the Toddlerlab and 7 Bedford Square. On the Toddlerlab, it heard that in principle agreement had been reached with the University of London for a price of £437,500 for a 99 year lease of the land adjacent to 32 Torrington Square, on which the facility would be built. Although the College had been disappointed that the University had not fully taken into account the value that would be added to the site by the proposed construction, the College’s valuation advisers had confirmed that this was a good price. The next stages of the project would involve further work on building design, planning permission and procurement and delivery of the building project. The earliest projected date for completion of the facility was summer 2017.

Recommended
29.4 That Governors approve acquisition of a 99 year lease for the development site adjacent to 32 Torrington Square, for a capital payment of £437,500 and a peppercorn rent.

29.5 On 7 Bedford Square, the Committee heard that the current tenant, Amity University, had not moved out as requested, but had agreed to pay additional rent, provide an additional deposit and to vacate in June when its new premises were expected to be available. Once the house was vacant the College planned to refurbish it, potentially as a base for the development of a new MBA. Estates Committee noted the risk that Amity would not move out on time, potentially delaying the refurbishment.

29.6 The College had discussed with the British Museum, from whom the house was leased, the option of changing the planning category of the building to non-residential educational use, which would give maximum flexibility in using it to teach international students. The Museum had expressed reservations, as this could have an impact on the long term use of the building after the College’s lease expired. The College would consider proposing a capital payment to extend the lease, which could address the Museum’s reservations. F&GPC also heard that the College has asked its property agents to look for local properties suitable for teaching, and that if a suitable property did appear there would be a possibility of selling the lease on 7 Bedford Square to partly cover the costs of a different property.

30 HR STRATEGY AND POLICY COMMITTEE

30.1 The Report of the HR Strategy and Policy Committee (F 2014 22)

30.2 HRSPC reported its consideration of policies for Grading Review for Teaching & Scholarship Staff and for Family Leave. F&GPC heard that the Trade Unions were providing positive feedback on the Grading Review policy and, following discussion of this feedback, the policy would be brought forward for approval.

30.3 On Family Leave, the discussion had focused on recent legislative changes, chiefly relating to the introduction of shared parental leave. The College currently had enhanced rates for maternity leave and wished to extend this into the new shared scheme. It was noted that other HE institutions were also working with enhanced rates. While it was difficult to model the precise cost implications, College Management believed that the enhanced rate could be maintained without significant negative financial impact, by monitoring and managing the implementation of the scheme and the arrangements for covering staff absence which can also have a significant financial impact.

30.4 HRSPC also noted plans for the Equality Challenge Unit’s Athena Swan charter programme to be extended to all academic departments from November 2015. The College currently had a Bronze institutional award, in the Science subject areas.

31 PHILANTHROPIC GIFTS ACCEPTANCE POLICY

31.1 Confirmation that the College Philanthropic Gift Acceptance Policy (F 2014 23), which had been reconfirmed last year as part of the approval of the Anti-Bribery and Corruption Policy, had been implemented via the College’s Internal Development Group.
32 DATE OF NEXT MEETING
Noted
32.1 The date of the Summer term meeting:
  • Wednesday 10 June 2015 at 4.30pm