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.

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

2 TERMS OF REFERENCE AND MEMBERSHIP
Approved
2.1 The Terms of Reference, Scheme of Membership and Members for 2014-15 (F 2014 01)

Agreed
2.2 Consideration should be given to filling the Independent Governor vacancy.

3 MINUTES
Confirmed
3.1 The minutes of the meeting of 25 June 2014

4 REPORT TO THE GOVERNORS
Noted
4.1 Governors’ receipt of the Report of the Committee following its meeting on 25 June 2014 (F 2014 02)

5 FINANCIAL STATEMENTS AND BUDGET OUTTURN 2013-14
Received
5.1 The draft Financial Statements for the year ended 31 July 2014 (F 2014 03)

Noted
5.2 The external audit was substantially complete and the auditor expected to issue an unqualified opinion. The Audit Committee had agreed that the accounts were a true and
fair representation of the state of the College’s affairs and had approved them to be forwarded to the Governors. The overall position was a £6.6M surplus compared with the £5.3M un-moderated forecast reported in July. This was a solid financial performance reflecting the hard work of Schools and Professional Services to generate income and manage costs and was well above the sector average according to a recent HEFCE report.

5.3 The College had generated surpluses of 6.5M or more for four consecutive years, demonstrating a sound financial basis on which it could plan and build for the future, moving on from the uncertainty of recent years. The surpluses had resulted in an increase in cash and current asset investments of £22.2 million since 2009-10.

5.4 A focus on strong financial management had kept costs in line with budget, with staff costs as a percentage of total income falling from 68.3% in 2009-10 to a more sustainable 58.7% in 2013-14. Staff costs were likely to rise in future due to increased employer contributions to pension schemes. The College contributed just over £5.5 million (5.5% of total income) to pension schemes by way of employer contributions in 2013-14. Triennial valuations from the two main pension schemes, SAUL and USS, had indicated that both funds had deficits and although negotiations were ongoing with the scheme trustees it was certain that employer contributions would rise.

5.5 While the challenge of recruiting students in an extremely competitive market remained considerable, and despite the pension situation, the Committee endorsed the current financial strategy based on annual surpluses of at least 5% of total income. This would enable investment in teaching and research and also provide cash to invest in capital assets including the estate.

5.6 F&GPC also considered the year-end position in the Income Distribution Model. All the Schools had increased their income and reduced or maintained staff costs as a percentage of income. Four Schools were in surplus and the School of Arts was steadily reducing its deficit. In the past the IDM had focused on the surplus or deficit position for Schools. The Committee heard that additional KPIs were now being discussed: for example, the financial contribution that each School made to the College through its income and the costs which it managed directly. A revised suite of monthly financial management reports were being introduced in 2014-15 to enhance the ability of Schools, Professional Services and the College to manage direct costs and achieve their objectives.

5.7 Members asked about the position of the School of Science which had shown steadily decreasing surpluses over the last five years. They heard that the Science teaching portfolio had a higher proportion of undergraduate degrees than the other Schools, which had meant that the School had been particularly affected by the changes to undergraduate student fees in 2012. The School also had a larger proportion of funded research, which was valuable to the College but generated less income than teaching. Furthermore, the School had been a relatively late entrant to UCAS. However, the School had recently introduced a BSc in Biomedicine which was expected to boost recruitment, and the trend of falling surpluses was not projected to continue.

5.9 F&GPC had previously reported on measures to manage debt and set aside contingency provision for unrecoverable debt. It heard that Audit Committee had endorsed a revised approach to calculating the provision. The approach was also benchmarked by the external auditor and found to be in line with other universities. Rather than calculate the debt age from the date of invoice, the revised method tracked which academic year the debt related to. Debt relating to the current academic year was more likely to be recovered than debt from a previous academic year. The current contingency covered all
5.10 During 2013-14 more cash was generated compared with previous years, although the overall surpluses were similar. The Committee heard that this was due to the change in the approach to calculating tuition fee contingency noted in 5.9 and that the rate of cash generation was expected to return to the previous pattern in 2014-15 and remain relatively stable.

5.11 The Financial Statements had in previous years included a summary of student numbers and trends. This would be superseded by a general student, staff and financial statistics summary made widely available to staff, students and stakeholders. Members noted the need for further analysis of the available data on the new students that were being recruited through UCAS. The students who were enrolling through UCAS were still largely older students; although students in the 18-21 age bracket were applying the conversion rate for these students was low and the reasons for this needed to be explored. It was suggested that the College’s approach to entry tariffs and the fact that it was not yet included in league tables might be contributing factors, as these were thought to be important to this age group when considering universities. Staff were engaging with league table compilers to discuss Birkbeck’s probable position once the College reached the inclusion thresholds for the tables, which were based on the volume of full time undergraduate students.

5.12 Members asked about the write-off of 3,394K of equipment and furniture spend to the Income and Expenditure account, as recorded in the Financial Statements, and heard that this was largely due to Estates projects spend that had been classified as revenue rather than capital at the financial year-end. See Minute 12 for the Committee’s consideration of a proposal to plan this type of expenditure in advance.

**Recommended to Governors**

5.16 Approval of the financial statements for the year ending 31 July 2014.

6 **STUDENT RECRUITMENT**

Received

6.1 A report on student recruitment and tuition fee income for 2014-15 (F 2014 04)

Noted

6.2 The overall position was positive; there had been a further increase (29%) in recruitment to three year full time undergraduate degrees. The College would recruit close to its Student Number Control (SNC) of 1,100, plus additional international students and students with ABB or better A level grades who were exempt from the SNC. This was a good position which contributed to the positive financial projections for next year.

6.3 Overall, as was the case last year, undergraduate numbers had grown but the balance between part time and full time was shifting. In 2010-11 93% of the undergraduate recruits were part time. In 2014-15 39% were part time. F&GPC noted the need to monitor age trends in the undergraduate student body.

6.4 Whilst the College was recruiting a wider age range of students through UCAS, there was also a notable trend of mature students opting to take the three year full time course over
the four year part time course, possibly due to the fact that this would make them eligible for student loans.

6.5 Work to identify strategy for league tables and tariffs – and to identify the College’s ambitions for make-up of its future student body – would continue, overseen by the Strategic Planning Committee (SPC).

6.6 Part time Masters recruitment was encouragingly 8% higher than last year and full time Masters recruitment was level, against a general decline in the sector. The Schools had planned for an expansion in full time Masters recruitment following increased numbers last year, so recruitment in this area would not reach target.

6.7 The Committee heard about opportunities to promote CertHEs as an accessible gateway for students wanting a low risk entry route to university, rather than as a leisure learning qualification. The Higher Education Introductory Studies, programme, aimed specifically at students without traditional academic entry qualifications, was recruiting well. Recruitment of FE College leavers had also increased thanks to the work of the Pro Vice Master for Academic Links and Community Partnerships, and members noted that the College would continue to develop links with these institutions.

6.8 The current prediction, based on modelling previous years’ student withdrawal patterns, was that the College would secure 99% of its target tuition fee income. However, F&GPC agreed that the College must not become complacent about student recruitment or finances. Birkbeck needed large numbers of students to survive. The further decrease (16%) in recruitment to four year part time degrees indicated that the post 2012 change to part time uptake had not stabilised, while the removal of the SNC in 2015-16 was both an opportunity to do even better in recruiting full time students and a challenge to compete with mainstream universities.

6.9 Members asked about the full time students’ academic performance. SPC has started to develop data to monitor this. Early indications were that full time students were less likely to drop out and more likely to complete compared with part time, although as full time numbers had increased from 127 recruits in 2010-11 to more than 1000 this year, success rates had become closer to the part time rates.

6.10 College management reported that postgraduate students were attracted by the flexibility of Birkbeck’s offer, including evening study and the flexible monthly instalment payment plan, which other universities did not offer. This would be marketed more prominently in the next recruitment round and should stand up well against any postgraduate student loans that emerged from the Government or privately.

7 FINANCIAL POSITION 2014-15

Received

7.1 Reports on the current financial position (F 2014 05)

- Income and expenditure budget 2014-15
- Balance Sheet
- Long term cashflow

Noted

7.2 The Director of Finance was working with the Executive Deans and Directors to bring into use the revised suite of budget reports, which showed actual spending at individual budget holder level against profiled month by month predictions. The report was also available at College level, replacing the previous approach of re-forecasting the end of year out-turn at
the mid-year point. This should allow for much earlier identification of potential variations from the agreed budget and agreement on action to be taken in response. More information would be available both to individual budget managers and to College management.

7.3 Members saw the College level report, identifying each area of budget ownership, together with a report setting out the same information in a similar format to the Financial Statements. The Committee noted the current positive position. F&GPC heard that investment income might be lower than budget, HEFCE income higher than budget, contribution to the bad debt provision lower than budget and that a new revenue budget for non-capital Estates work was proposed (see minute 12), but that the expected year-end position was similar to the budgets approved by Governors in July. Members asked why there was HEFCE clawback listed in the adjustment column and heard that it was being held centrally until the College was certain of the level of HEFCE funding.

7.5 The reports on the projected long term cash flow and year-end balance sheet, indicated that the College would remain solvent for the foreseeable future, and would be in a position to generate cash to be used, for example, to fund new estates developments. Regular review of these reports would give an indication of the College’s financial health and sustainability.

7.6 Members asked whether contingency provisions could be shown separately and heard that the reports would be further developed to reflect this. The Committee would also review a version of the report showing variance against the planned budget month by month. Members noted that the exercise of month by month profiling would inevitably need adjusting and refining in the light of experience.

7.7 Members welcomed the new approach to budget reporting, noting the importance of budget holders engaging with local and College wide financial outcomes. Feedback from Schools had also been positive with Executive Deans and Department Directors engaging with the proposed new model.

7.8 As the budgets for this year were set on an assumption of review and reforecast, the mid year review will go ahead in 2014-15 and budgets will be revised if appropriate. Going forward, the Income Distribution Model will be used as now to provide feedback on financial performance, but will not be used to reforecast the budget.

8 SUSTAINABILITY KPIs

Received

8.1 A report detailing the current key performance indicators (F 2014 06)

Noted

8.2 The current draft Institutional Sustainability KPIs were being discussed by various College Committees. They were designed to bring together objectives and success measurements in relation to the College’s financial health and the delivery of its mission.

8.3 These were being produced in preparation for a future requirement for Governors to take a view, annually, on the sustainability of the institution and its achievement of its mission. The College was renewing its institution strategy this year and would take the opportunity to develop a set of indicators that were meaningful and measurable, and aligned with College strategy. These would be a tool for management which could be reported up through the governance structure.
8.4 F&GPC would see the document again at its Summer term meeting, at which point it would be brought together as a complete document with the College strategic aims, which would be developed at upcoming SPC and Governor awaydays.

**Action**
8.5 *(F&GPC members)* Email KB with any thoughts on potential KPIs or measurements.

### 9 INVESTMENT COMMITTEE

**Received**

9.1 The draft report of the Investment Committee *(F 2014 07)*

9.2 The Investment Committee had agreed to consider an investment strategy. The College had significant cash holdings (currently £46.5 million and expected to grow) and needed to decide how to make better use of them. The College had also exhausted the investment limits at the available High Street institutions. The investment strategy was likely to be linked to the estates strategy and would need to articulate the College’s investment risk appetite and expectations for return on investment in future.

9.3 The current investment fund, with Newton Investment Management (NIM), has achieved a return equivalent to 4.8% per annum, just meeting the aims originally set for it. Investment Committee were exploring the possibility of using Barclays Wealth Treasury Services in the future to manage its short term cash investments.

9.4 F&GPC discussed whether the College should consider investments other than cash. It was noted that future estates strategy might involve the purchase of buildings to use as decanting space to allow complete remodelling of the Malet Street extension building. This should not present a risk in terms of the overall wealth of the College, but would impact liquidity, and this should be taken into account when considering the strategy for the current cash holdings.

9.5 It was agreed that members of F&GPC with investment expertise should be consulted on the list of requirements and objectives for potential firms if a decision was taken to use different providers.

9.6 Members asked to receive clarification at future meetings on whether the investments managed by NIM were actually meeting the performance benchmark of LIBOR+4%p.a. It was confirmed that they currently were. Members also noted the investment objective of lower volatility, and asked for clarification of what comparator was being used to measure volatility.

### 10 BANK MANDATE

**Approved**

10.1 A proposal to amend the bank mandate *(F 2014 08)*

**Noted**

10.2 Following staff changes, F&GPC agreed to change the College’s bank mandate identifying which staff can authorise banking transactions.

### 11 STRATEGIC PLANNING COMMITTEE

**Received**

11.1 Report of the Strategic Planning Committee *(F 2014 09)*

**Noted**
SPC had also continued to have oversight of international student visa compliance. The College was implementing recommendations from a recent internal audit and a “dry run” Home Office inspection delivered by a specialist consultant. Areas requiring compliance included checking the visa status of all overseas students, making sure international students were taught in premises with explicit educational use planning permission, and keeping the refusal rate for visa applications under 10%. The first two issues were a special challenge for Birkbeck given the open enrolment courses and the use of externally hired teaching premises. The third needed careful monitoring and could be addressed by providing support for students completing their visa forms.

SPC also reported its work on initiatives to improve student experience, engagement and success. As well as student retention and success data, pilot E registers and lecture capture initiatives had been launched as part of the Catalyst programme and a termly exercise was being planned to identify and contact non-attending students, to improve record keeping.

The Fees, Bursaries and Scholarships Committee reported that the part time and full time versions of all tuition fees would be pro rata in terms of academic credit from 2015-16; with the exception of Masters degrees in one School where pro rata equivalence was planned for 2016-17. This would enable a simpler more transparent message about fees for students, as well as the further development of flexible academic provision. Members noted that any development of modular charging would require pro rata fees to be in place.

The Guardian space development was continuing and the formal agreement should soon be ready for Governors’ approval.

The College had been taking a moderate line on the action short of a strike called by the Universities and Colleges Union in response to the pensions dispute. Unlike some other universities, the College had not currently stopped pay but instead was working with the local branch of UCU to minimise the impact on students and staff, for instance, by providing formative feedback for students. F&GPC heard that

Secretary’s note: After the meeting it was confirmed that UCU had suspended the action until mid-January.

SPC forwarded the Anti Bribery and Corruption policy, the New Code of Practice on the Receipt of Gifts, and the Revised Philanthropic Gift Acceptance Policy.

The Anti Bribery and Corruption Policy brought the College in line with the Bribery Act 2010, which expected organisations to actively prevent bribery. Members asked for an amendment on the paragraph on facilitation payments and staff safety to acknowledge that staff could find themselves in extremely difficult positions and make it clear that under all circumstances, the safety of individual members of staff must take top priority.

F&GPC asked the College to confirm full implementation of the Philanthropic Gifts Acceptance Policy, by ensuring that a mechanism for reporting gifts over £100,000 to the Chair of Governors was in place.

Approved

The Anti-Bribery and Corruption Policy, subject to amendments.

The New Code of Practice on the Receipt of Gifts
11.12 The Revised Philanthropic Gift Acceptance Policy

12 ESTATES COMMITTEE

Received

12.1 The Report of the Estates Committee (F 2014 10)

Noted

12.2 A proposal to create revenue and capital budgets for estates work in advance rather than, as now, write the spending into the accounts retrospectively.

12.3 The proposal aimed to support advance planning and budgeting for the intensive summer building and renovation programme. It would involve setting aside £1M against which Estates Committee would consider and agree large, usually capital, projects, costing more than £200K. Projects estimated to cost over £1M or taking the overall budget over £1M would go to Governors to approval. Estates Committee would also oversee a revenue budget of £700K for non capital projects normally of smaller value. Members heard that given reductions in other estimates (see 7.3), setting this budget up would not have an adverse impact on the 2014-15 accounts.

12.4 Members noted the Scheme of Delegation reserved decisions on investment in major estates projects to the Board of Governors but did not define what was meant by a major project. It was also noted that responsibility for smaller projects had always been with the Estates Committee and it was good to confirm this responsibility and accountability. This formalisation of the process was therefore welcomed.

12.6 Members noted the need to separate the management of projects from monitoring and review. The Audit Committee had the remit to monitor major projects, which would encompass those estates projects with a budget of over £1,000,000. The Committee asked to receive a report on the effectiveness of the process after a year of operation.

12.7 Recommended for approval by Governors:
- A revenue project budget for 2014-15 of £700,000;
- A capital project budget of £1,000,000 to facilitate major estates projects
- All estates projects anticipated to cost in excess of £1,000,000 to require specific approval from the F&GPC and Governors in advance;
- The Governors’ Statement of Primary Responsibilities, the terms of reference for Estates Committee and F&GPC and the Financial Regulations to be updated to accommodate these changes.

12.8 SOAS’s building project at Senate House North Block was continuing and that the space was expected to be ready for use in September 2016. SOAS’s success in securing the space from the University was due to a partnership agreement in which Birkbeck would use the space in the evenings, so Birkbeck was asking SOAS to add the Birkbeck logo to the building site hoardings. The partnership was an important example of Birkbeck’s proposed future strategy on sharing space with institutions that teach in the day.

12.9 Further progress towards building the Toddlerlab had been made. The neighbouring Warburg Institute had agreed to Birkbeck’s building design proposal and negotiations had now started on acquiring a land lease from the University of London. The College had pointed out to the University the limited commercial value of the lease, given its location.
12.10 The College hired part of the space at 18-20 Gower Street from the University to accommodate staff from the School of Law. The University had now offered a three year lease replacing the previous one year deal. The College would make a longer term bid if the entire space became available.

12.11 A design proposal for a potential joint building with University College London (UCL) to house a joint Institute for Molecular Machines (IM³) had been produced but was not supported by the Camden Council planning office. Discussions with UCL were therefore now moving on to a broader proposal which would house joint teaching space as well as the IM³. One possible option would involve replacing the Malet Street extension building. Members were assured that Birkbeck would retain its independence from UCL. Fundraising opportunities were likely to be much more significant for a joint project, both from donors and external funding; and the University of London was more likely to give approval to a joint project.

13 HR STRATEGY AND POLICY COMMITTEE

Received:
13.1 The Report of the HR Strategy and Policy Committee (F 2014 11)

Noted
13.2 The contribution related pay policy for Teaching and Scholarship staff had received extensive consultation and was a step towards harmonisation of terms and conditions for this staff group.

Recommended for approval by Governors:
13.3 The contribution related pay policy for Teaching and Scholarship Staff.

13.4 HRSPC also reported its discussion of Progress and Development Review (staff appraisal) for academic staff. The current procedures are not linked with line management and there is uneven uptake.

13.5 Members heard that the College needed to have effective staff appraisal in place and comprehensively implemented, to meet the expectations of schemes such as Athena Swan (a national scheme to advance women’s careers in science, technology, engineering, maths and medicine.) They also heard that without fully implemented staff appraisal some universities were having difficulty demonstrating the quality of their research environments, which was needed for a good performance in the Research Excellence Framework.

13.6 HRSPC would review the current process, aiming to replace it with a light touch but formal process more meaningfully connected with the reality of academic life, and complementing the research mentoring that was part of the new College Research Strategy. Members noted their support of this approach.

13.7 The Committee noted that this was the last meeting for Director of Human Resources Naina Patel and Interim Academic Registrar Bob Westaway. Members wished them well and thanked them for their contributions to the Committee.

14 ACCESS TO COMMITTEE PAPERS

Noted
14.1 College committees were being asked to consider the access that non-members should have to papers. It was noted that most F&GPC papers were not confidential, although some were brought forward in a draft state and were not intended for publication until they had been approved. In those cases, as was the case with other College committees,
practice had been to reserve these papers to members only. Members heard that draft versions of papers intended for future publication would not be subject to public disclosure under the Freedom of Information Act.

14.2 Some papers, such as those of the Remuneration Committee, were reserved to members. The Audit Committee had discussed the issue and considered that to ensure free and frank discussion their papers should be reserved to members, although minutes and reports should made available after meetings had taken place.

14.3 Members noted that as a general rule most councils and public bodies did make their papers widely available, subject to particular constraints such as salary information and personal data, and some members felt that this should be the case for all College committee papers. Others felt that although it might not be appropriate for all papers to be available to the public, the Governors should have access to papers of all of the Governors’ committees, with personal data retracted, in advance of the meetings. Governors should then have opportunities to make representation to the Chair of the committees on the subjects under discussion. It was argued that the purpose of committees was to help the Governors act more efficiently, but they were nevertheless acting on behalf of all the Governors and all should therefore have access. It was noted that Governors were in any case subject to a general duty of confidentiality.

14.4 The committees of the Governors would continue to discuss the issue.

15 DATE OF THE NEXT MEETINGS
Noted
15.1 Members noted the dates of the next meetings:
  • Thursday 12 March, at 4.30pm
  • Wednesday 10 June, at 4.30pm