

GOLDSMITHS
University of London

COUNCIL

FINANCE AND RESOURCES COMMITTEE

6 March 2012

Present: Dr Rupert Evenett (in the Chair), Mr James Haywood, Mr Dan Lambeth, Mr Patrick Loughrey, Ms Mary Stacey.

In attendance: Dr Philip Broadhead, Professor Simon McVeigh, Professor Jane Powell, Ms Sally Townsend, Mr John Sharp, Mr Andrew Lantry, Mr Hugh Jones (Secretary).

OPEN BUSINESS

1 MINUTES

Resolved:

that the Minutes of the meeting held on 7 November 2011 be approved, subject to the addition of Mary Stacey's apologies for absence having been received.

2 MATTERS ARISING FROM THE MINUTES

Noted:

That in relation to minute 9, Summary Management Accounts, the issue of "hidden course costs" had been referred to the Value for Money Sub-Committee, which was articulating a policy position. This work involved consultation with Heads of Departments; the VfM Sub-Committee included representation from the Students' Union.

3 EFFECTIVENESS REVIEW OF THE COMMITTEE

A discussion was introduced by the Chair, covering the following points:

- (i) In respect of the Committee's role, there was a scrutiny and approval element and also a strategic element, in which the Committee played the role of critical friend to the College.
- (ii) The agenda for each meeting of the Committee should include an item of strategic significance, to which the Committee could contribute. This device would help to ensure that the Committee's strategic role was not forgotten. On the current agenda, the discussion of cashflow addressed this need. For forthcoming meetings, a discussion of the financial strategy – at an early stage in its shaping – would be

welcome, enabling the final strategy to be presented in the autumn term to FRC and Council for approval.

- (iii) The Committee needed to maintain a balance of complementary strengths amongst the independent members. Current membership included strategic financial management and legal/general expertise. It would be useful to consider the benefits of adding to the Committee a person with financial management responsibilities in a similar organisation.
- (iv) As well as the three points above, the Committee would consider strategically first the cashflow outlook of Goldsmiths (its short and long term forecastability, its drivers and sensitivities and the investment resources implied by a prudent assessment of forecastable free cash flow) as a logical starting point for a discussion of a financial strategy, and then questions, moving towards consideration of a revised financial strategy aligned with and supporting the overall new strategy of Goldsmiths, relating to investment (its scaling, timing and criteria, as a natural core of any financial strategy).

Resolved:

that the need to consider a Committee member with financial management responsibilities in an organisation similar to the College be flagged to Nominations Committee.

The terms of reference and composition of the Committee for 2011-12 were recirculated with the agenda for ease of reference: 11-30R).

4 SUMMARY MANAGEMENT ACCOUNTS

Received:

the Management Accounts for the period to December 2011, including the forecast outturn for the full year (12-80).

In discussion the following points were noted:

- (i) The process discrepancy, between the Fees Office in Student Services and the Finance Department, had caused a significant perturbation in the final accounts for 2010-11: not all fee transactions had been logged on the finance system, contrary to agreed procedures. Consideration had been given to structural means to improve communication within the College and avoid such problems happening again; in the immediate term process changes had been agreed which sought to ensure that student fee issues were fully logged on student and finance record systems before each month end. The Committee stated its view that such failures were completely unacceptable, and must not happen again.
- (ii) The high levels of debt were noted. Much of this related to fees paid via the Student Loans Company; this debt was substantially secure and would be received in due course. Levels were also high in relation to self-paying students. It was noted that all debt older than one year was fully provided for in the accounts. Various steps were being taken to address student debt, including consideration of substantial

pre-entry deposits; and better management of student expectations and relationships. Debt collection agencies were used by the College; consideration had been given to factoring the debt, but this was not being taken forward for the time being. It was not clear that without substantial work to segment the debt, any effective transfer of risk would take place.

- (iii) Following the second quarter reforecast, an operating surplus of £1.9million was forecast. Given the particular circumstances of 2012-13 year – that is, the more uncertain financial regime and the need to demonstrate value for money – this was welcome. The College was seeking to identify some areas where additional investment could be made now, or planned 2012-13 spend brought forward.

The Committee thanked the Head of Management Accounts and colleagues for the effort involved in the re-forecasting and on the improved forecast outturn.

Resolved:

to communicate to the Heads of the Departments concerned (Finance, Student Services) the Committee's views (in Noted (i) above) in relation to the significance of ensuring that the finance system was kept up-to-date with respect to fee transactions.

5 CASHFLOW

Received:

a paper from the Director of Finance providing an analysis of the cashflow projections for the College and the sensitivities to fluctuations in the external environment (12-81) to initiate a strategic discussion by the Committee on cashflow.

This set out the results of modelling cashflow over the past three years, with a view to anticipating any changes to financial strategy and policy and the College's business model arising from changes to the systems for state funding of higher education. The modelling showed some seasonality, consistent with the profile of payments from the Student Loan Company (SLC). It also indicated a steady improvement in the College's cash position.

Sensitivity modelling had revealed that achievement of the target student numbers in September 2012 would, other things being equal, lead to a strong financial position, and ongoing investment in infrastructure and academic development. However, falling below this number could impact significantly upon the College's cash position.

In discussion the following points were noted:

- (i) Three immediate conclusions could be drawn from the analysis. Firstly, that the College needed more working capital than it had previously planned for. Secondly, that although short term systems for managing cash worked well, the College needed to adapt to longer term thinking about cash and investment. This was at least as much an issue or organisational culture as it was about financial practices. Thirdly, the College did have some ability to invest in development: what was important was to invest well with the resources the College had, rather than seeking

some *deus ex machina* solution to capital investment: capital investment from our own funds would be the norm.

- (ii) The College's recent change in policy in relation to capital investment illustrated this. Until recently, underlying capital investment in the estate had been of the order of £1m per annum; in the current year and last year it had been closer to £5m per annum. This level of investment was genuinely transformational: it exceeded depreciation and would help to catch up with backlog maintenance. In turn, a new framework for investment would be required, to help prioritise and re-prioritise in accordance with the College's needs and capacity.
- (iii) A failure of cashflow was catastrophic for any organisation. This emphasised the importance of undertaking sensitivity analysis and identifying worst-case scenarios. These could be particularly helpful in thinking about priorities for investment. One immediate consequence was that the 40 days cash target in the previous financial strategy should be reviewed upwards: 55 days seemed more sensible, given the SLC's past track record of making payments to universities.
- (iv) A revised financial strategy would be needed to address this and other issues. Council should be made aware in March of the Committee's thinking about this, to help steer subsequent more detailed discussions about the College's financial strategy.

6 APPROACH TO BUDGET-SETTING

Noted:

a report by the Director of Finance on the process to be undertaken in the preparation of the 2012-13 budget (12-82).

In discussion the Committee noted that the new funding regime brought with it some significant challenges about the future shape of the College and its departments. Achieving recruitment targets for 2012 would enable the College to make the transition to the future market demands in a planned and reasonable way, but it seemed inevitable that a transition would be necessary. There were no current plans for a College-wide programme of staff cost savings, but it was understood within the College that failure to meet targets would require cost reduction.

7 SALE OF PERIPHERAL PROPERTIES IN THE COLLEGE ESTATE

Received:

a report from the Registrar and Secretary concerning the proposed sale of properties to the College Estate and work to be undertaken to develop options for 302-314 New Cross Road (12-83).

In respect of 302-314 New Cross Road the Committee endorsed the development of an options appraisal. Whilst it was clear that the College's interests must be protected, consideration could be given to involving other organisations, perhaps commercial, to manage the properties. The wider community interests should also be considered,

perhaps through the development of an appropriate deed of covenant on the properties were they to be disposed of.

Resolved:

that 38 and 80 St Donatt's Road be placed on the market.

8 TRAC RETURN

Resolved:

to approve, for formal report to HEFCE, the TRAC return already submitted by the College by the 31 January 2012 deadline (12-84).

9 ANNUAL REPORT ON COLLEGE COMPANIES

Noted:

That there was no significant alteration in the position on College companies since the last report received (paper 10-259, 8 June 2010), and that a substantive report would be made in the Spring term 2013 if there had in the interim been significant developments.

10 DATES OF MEETINGS

Noted:

that the final meeting of the academic year would be held on:

31 May 2012 at 2.00pm