

FINANCE AND INVESTMENT COMMITTEE
27 September 2016

CONFIRMED MINUTES

Present:

Simon Linnett (Chairman)
Luke Savage

Professor Simon Gaskell
Ted Webster

David Russell
John Yard

In attendance:

Alison Anderson
Laura Gibbs
Rachel Soper

Eleanor Crossan
Joanne Jones

Dean Curtis
Jonathan Morgan

Apologies:

Dr Veronique Bouchet

Part 1: Preliminary Items

**Minutes, Confidential Minutes and Executive Summary of Meeting on 07 June 2016
[FIC16/01]**

2016.001 The Committee **received** the non-confidential minutes, confidential minutes and executive summary of the meeting on 07 June 2016. Given the late circulation of the minutes, members were asked to send any corrections to the Secretary over the next week and agreed to delegate authority to confirm the final versions to the Chairman.

Action Members of the Committee; Council Secretariat

**Minutes, Confidential Minutes and Executive Summary of Meeting on 14 July 2016
[FIC16/02]**

2016.002 The Committee **received** the non-confidential minutes, confidential minutes and executive summary of the meeting on 07 June 2016. Given the late circulation of the minutes, members were asked to send any corrections to the Secretary over the next week and agreed to delegate authority to confirm the final versions to the Chairman.

Action Members of the Committee; Council Secretariat

Matters arising [FIC16/03]

2016.003 The Committee received the matters arising from the minutes of the previous meeting. The following matters were covered:

Development activities

- [a] The Committee **agreed** to schedule a discussion at the November or December meeting and to send any suggestions for topics to the Chairman and Secretary.

Depreciation

[b] *Minute 2016.003[b] is confidential*

[c] *Minute 2016.003[c] is confidential*

[d] *Minute 2016.003[d] is confidential*

[e] *Minute 2016.003[e] is confidential*

[f] *Minute 2016.003[f] is confidential*

Alumno

[g] *Minute 2016.003[g] is confidential*

[h] *Minute 2016.003[h] is confidential*

Part 2: Treasury Management and Investment

Investment Managers sub-group report [FIC16/04]

2016.004 *Minute 2016.004 is confidential*

Part 3: Financial Performance

First draft outturn for 2015-16 (pre FRS102 format) in management accounts [FIC16/05]

2016.005 *Minute 2016.005 is confidential*

2016.006 *Minute 2016.006 is confidential*

Financial capital report [FIC16/06]

2016.007 *Minute 2016.007 is confidential*

Update on the external audit of FRS102 restated opening balance sheet at 31st July 2015 and restated 14-15 financial statements [oral report]

2016.007 The Committee **received** an oral update from the Finance Director on the external audit of the FRS102 restated opening balance sheet at 31st July 2015 and restated 14-15 financial performance. The following points were noted:

- [a] The external audit of these figures was in the process of being finalised and would be reported in the 2015/16 external audit report

[b] The only issue notified to the Finance Director to date concerned pensions adjustments and assumptions.

[c] The audit report would be considered by Audit and Risk Committee at its meeting in November.

Transnational education activities[FIC16/07]

2016.008 The Committee **received** a report of the financial performance of transnational education (TNE). The following points were noted:

[a] The Full Economic Costs (FEC) approach was utilised to demonstrate the broad impact on performance of allocating central costs across the Joint Programmes (JP) in the People's Republic of China. The highest charging rate identified from that exercise was applied.

[b] Taking the 2014-15 performance, the programmes collectively moved into surplus utilising this high overhead recovery charge. It was confirmed that the management, faculty and central costs were all included within the Central Services and Estates Charge (which should read 26%), to which was added the Return for Financing and Investment charge.

[c] The exercise had been repeated for each programme. Using this methodology, the BUPT JP returned a surplus and the Nanchang JP a deficit. However, it was noted that the BUPT JP was already operating in a steady state whereas Nanchang was a relatively new venture and still building up a full complement of students. Consequently there were significant differences between the programmes relating to income, activity and maturity levels.

[d] The Nanchang JP was expected to move to a surplus position once target student numbers were achieved. It was noted that an increased price for 2016-17 had been negotiated, but there would be some additional costs, as the Chinese Ministry of Education had set some more stringent KPIs requiring an increased academic contribution from QMUL.

Foreign exchange strategy [Oral report]

2016.009 *Minute 2016.009 is confidential.*

Student recruitment update [oral report]

2016.010 *Minute 2016.010 is confidential*

Part 4: Financial Strategy and Policy

Accounting for pension liabilities [FIC2016/08]

2016.011 *Minute 2016.011 is confidential*

Review of long-term cash target [FIC16/09]

2016.012 *Minute 2016.012 is confidential*

Monitoring the underlying operating financial performance post FRS102

2016.013 *Minute 2016.013 is confidential*

Borrowing strategy [FIC16/11]

2016.014 *Minute 2016.014 is confidential*

Overview of the PAR process [FIC16/12]

2016.015 *Minute 2016.015 is confidential*

A new approach to reviewing Faculty financial performance [Presentation]

2016.016 The Committee **received** a presentation from the Head of Strategic Planning describing the process that would take place to set the targets for each faculty. The following points were noted:

- [a] Targets had previously been set based on operating margins, but this was now considered an imperfect measure. As an example, the Vice Principal (Science and Engineering) was tasked to increase research activity within his faculty; if successful, the cash generated would increase but the operating margin would decrease.
- [b] A number of datasets would be utilised to examine and benchmark the costs of teaching and research to help inform faculty targets and margins. The datasets would include HESA data, TRAC data, staff-student ratios for teaching and REF performance, research grants and contract income, and overheads recovery for research. It was stressed that the benchmarking analysis would be used to inform discussions, rather than being used as a blunt decision-making tool. The objective was to take a holistic view of the performance of each faculty, recognising strengths and setting targets accordingly.
- [c] Targets would be set at faculty level. It would then be for each faculty to determine how it would assign targets at school and institute level.
- [d] At its residential meeting in early October, QMSE would be reviewing the first cut of the data. It was **agreed** to consider the benchmarking analysis and review the targets at the Committee's meeting in December.

Tuition fee regulations 2017-18 [FIC16/13]

2016.017 The Committee **received** a paper outlining the changes to be applied to the tuition fee regulations for 2017-18. The following points were noted:

- [a] The Chairman had discussed the proposals with the Chairman of Audit and Risk Committee and the Chairman of Council. There were reservations about the proposal to apply a fee increase to continuing undergraduate Home/EU students in 2017-18, as well as new students starting their studies in September 2017, and how this might impact on the relationship with students, NSS results and student retention.
- [b] The Academic Registrar and Council Secretary informed the Committee that the potential fee increases had been flagged to students appropriately in advance. It was also noted that the student loan would increase in line with the fee increases.
- [c] The Committee requested an explanation for the different charges being proposed for when students miss payment deadlines.
- [d] The Committee asked that QMSE respond to the questions being raised, with a view to a decision being made by circulation of the Committee after the meeting.

Action: Academic Registrar and Council Secretary [c, d]

Part 5: Capital Projects and Estates

Life Sciences update [Oral report]

2016.017 *Minute 2016.017 is confidential.*

Estates Strategy Board

2016.018 The Committee **received** the Chair's summary report of the Estates Strategy Board meetings of 26 May, 30 June and 28 July 2016, and **approved** the proposed terms of reference and chairing arrangements for project boards of major capital projects. It was noted that Philip Ogden would chair the Maths Building Project Board, with Ted Webster as Deputy Chair.

Part 6: Other Matters for Report

Annual summary 2015-16: bad debt write-offs [FIC16/15]

2016.019 The Committee **noted** the summary of bad debt write offs for 2015-16.

Draft agenda for next meeting [FIC16/16]

2016.020 The Committee **received** the draft agenda for the next meeting on 08 November 2016.

Meetings in 2016–17

- Tuesday 06 December 2016 at 1530 hours, Robert Tong Room (Date to be confirmed)
- Tuesday 02 February 2017 at 1530 hours, Robert Tong Room
- Tuesday 20 April 2017 at 1530 hours, Robert Tong Room

➤ Tuesday 06 June 2017 at 1530 hours, Robert Tong Room