

MEETING OF THE FINANCE COMMITTEE

MINUTES (UNRESERVED)

2.00pm on Monday, 21 October 2019

Latimer Room, Clare College

Present (Reserved): Mr Paul Warren (Acting Chair and Bursar); Dr David Chambers; Professor Jonathan Goodman; Professor Neil Greenham; Dr Jacqueline Tasioulas (Senior Tutor); Dr Flavio Toxvaerd; and Dr Hendrik van Veen.

Present (Unreserved): Mr Henri van Soest (MCR representative).

In Attendance: Miss Emma Easterbrook (Secretary).

1. Apologies

Anthony, Lord Grabiner QC (Chair); Professor Phil Allmendinger; and Dr Heike Laman.

2. Declarations of Interest

None.

3. UNRESERVED MATTERS

(i) Minutes of 17 June 2019

Approved.

(ii) Matters Arising

- a. ***Item 3(iii), College Committees and Membership:*** Mr Chris Moulder (alumnus), external member of the Audit Committee had resigned from the Audit Committee. The Council recommended to the Governing Body that the vacancy should be filled by Mr Stuart Newman (alumnus).

(iii) Welcome to New Members

The Finance Committee formally welcomed the new members and thanked the outgoing members for their work.

(iv) Register of Interests 2019-20

The Register of Interests 2019-20 form had been updated and distributed to all trustees of Clare College. All trustees had also been given Charity Commission guidance on being a trustee and referred to the College's Statutes, Conflicts of Interest Policy, and Child Protection Policy.

(v) Risk Register 2019-20

The Bursar presented the up-dated Risk Register 2019-20. The Audit Committee had approved it subject to a number of recommendations. As a result of these recommendations the Bursar had incorporated a system which included a raw impact rating, a raw probability rating, and raw risk score together with a mitigated impact rating, mitigated probability rating, and mitigated risk score. The Audit Committee also recommended creating a list of the most serious risks, which will include asbestos and the financial risks associated with the Old Court project. The Finance Committee formally approved the Risk Register 2019-20.

(vi) **Financial Statements for the year ended 30 June 2019**

The Bursar circulated the Financial Statements for the year ended 30 June 2019. The Audit Committee carried out its review on 4 October 2019 and made a number of helpful suggestions to the text of the Financial Review which have been incorporated into the attached Financial Statements. The Financial Statements include an Operating and Financial Review (pp 6-9), the Independent Auditors' Report to the Trustees of the College (pp 14-15), and the Primary Statements in the Accounts (pp 20-23). The College adopted a new form of accounts in 2016 as a result of the introduction of Financial Reporting Standard (FRS)102. The new RCCA structure requires capital donations, as well as gains and losses from the revaluation of operational assets or changes in the market value of investments, to be shown in a new Statement of Comprehensive Income (SOCIE).

The Statement of Comprehensive Income and Expenditure (SOCIE) shows a surplus for the year of £5,828,000 compared to a surplus of £15,090,000 in 2018. Adjusting for the gains and losses on fixed assets and investments that were historically reported in the STRGL, the highlighted 'unrestricted' box on this page shows that the College reported a net deficit for the year of £824,000, compared to a deficit of £918,000 in 2018. On this 'operating before other gains and losses' basis, total unrestricted income increased by 7.8% to £13.8 million whereas total expenditure increased by 6.6% to £14.6 million. The increase in unrestricted expenditure was distorted by a £610,000 increase in unrestricted other expenditure.

In contrast, at the SOCIE level, total income decreased by 6.8% to £20.2 million, total expenditure increased by 7.7% to £17.3 million and gains on the disposal of fixed assets and investments amounted to £5.9 million (down from £9.5 million). The decline in the total SOCIE surplus was partly due to the establishment of a £3.0 million provision for potential losses associated with the mark-to-market valuation of the 2048 inflation SWAP agreement.

The 7.8% increase in unrestricted income was largely attributable to a 41% increase in endowment return transferred to the unrestricted I&E account. The increase in unrestricted drawdown was partly due to a change in the methodology for calculating the restricted endowment drawdown to make it consistent with that used for the total drawdown. In prior years the drawdown for restricted funds had been overly generous as it had been calculated as 3% of the start of the financial year fund valuation, rather than 3% of the 3 year average value of

the fund, the calculation used for the total endowment. Other factors that contributed to the increase in total unrestricted income included a £188,000 increase in conference catering income, a £119,000 increase in unrestricted donation income and £206,000 in other income.

The 6.6% increase in unrestricted expenditure was largely attributable to an increase in other expenditure. This 75% increase in other expenditure was the result of two extraordinary factors, a £439,000 increase in USS provisions and the inclusion of £123,000 of insurance premium expenditure, incurred in 2016-17 but not recorded until this year. If these extraordinary factors are excluded, the underlying increase in unrestricted expenditure was only 3.3%. Total staff costs increased by 10.6% to £7.2 million (due to the increase in USS provisions), education expenditure increased by 2.9% to £5.4 million, and expenditure from restricted funds by 8.6% to £1.4 million.

The Finance Committee formally approved the Financial Statements and agreed that they should be ‘signed off’ by the Master. The Finance Committee also noted the Auditors’ draft Letter of Representations and agreed that it should be ‘signed off’ by the Auditors.

- a. ***Annual Report from the Auditor and the Letter of Representations for 2017-18:*** The Finance Committee noted the annual report from PEM to the Audit Committee including the draft Letter of Representations.
- b. ***Audit Committee (DRAFT): 10 October 2018:*** The Finance Committee noted the Minutes of the Audit Committee for 10 September 2018 including the recommendations for the Risk Register.

(vii) **Financial Statements for Clare College Ltd for the year ended 30 June 2018**

The Bursar circulated the Financial Statements for Clare College Limited for the year ended 30 June 2018. The Finance Committee formally approved the Financial Statements. The Bursar recommended that the Professor Allmendinger, be appointed as a third Director. This will be considered by the Board for Clare College Ltd at its next meeting.

(viii) **Financial Statements for Clare College Conferences Ltd for the year ended 30 June 2018**

The Bursar circulated the Financial Statements for Clare College Conferences Limited for the year ended 30 June 2018. The Finance Committee formally approved the Financial Statements.

(ix) **Financial Procedures**

The Bursar circulated a paper to the Finance Committee. HMRC changed the benchmark scale rates for subsistence expenses from 6 April 2019. The HMRC accepted rates are shown below:

- £5.00 for qualifying travel of 5 hours or more;
- £10.00 for qualifying travel of 10 hours or more;

- £25.00 for qualifying travel of 15 hours or more; and, where the travel is ongoing after 8.00pm.

If these benchmark levels are exceeded then tax and NIC is due on the excess. If the employer remains within these bands then there is no need to keep receipts for the purposes of HMRC, but the Bursar recommended receipts for the College's internal financial controls should be retained.

The Finance Committee approved an increase in the College subsistence rates to the HMRC benchmark levels. The rates for overnight stays will remain the same as follows:

- £75.00 for Bed & Breakfast
- £90.00 for Bed & Breakfast (London rate)

If the actual cost is less than the above rates then only this should be claimed. In addition if the rate for bed and breakfast includes any meals then an additional claim cannot be made.

(x) **Business Continuity Plan**

The Bursar circulated the up-dated Business Continuity Plan to the Finance Committee, and gave thanks to the Assistant Bursar for her work on it. The Finance Committee formally approved the up-dated Business Continuity Plan.

(xi) **Old Court Update - appointment of Barnes Construction as contractor for phase 1b of project**

The Bursar circulated four papers including Stage 1 Tender Comparison documents, Letter of Engagement from The Barnes Group Ltd, Project Costs Report dated 7 October 2019, and Project Manager's Report for Phase 1b. Phase 1b is being carried out as a two stage tender, which will allow for an estimate of the construction costs, the profit margin, and the cost for the first stage. The Estates Director, Ms Deborah Hoy, and Henry Riley LLP agreed that The Barnes Group Limited had provided the best tender results of all of the contractors who tendered. The Finance Committee approved of the appointment of The Barnes Group Ltd in the two stage tender for Phase 1b.

Regular presentations will be circulated to the Finance Committee and Council. The Working Party (Old Court) will continue to meet but at least once per term. The Bursar will continue to meet with Henry Riley LLP each week.

(xii) **Barclays bank: Delegation of banking authority request**

The Master, the Bursar, and the Senior Tutor are the three main signatories for the College. The Bursar recommended that at least two of those signatories must sign a global banking authority. The Finance Committee approved of at least two of the three signatories must sign a global banking authority.

(xiii) **Minutes of College Committees:** none for note.

(xiv) **Any Other Business**

None.

4. **RESERVED MATTERS**

5. **Date of Next Meeting:**

2.00pm on Monday, 25 November 2019

Latimer Room, Clare College.

Distribution (Reserved): Anthony, Lord Grabiner QC (Chair); Professor Phil Allmendinger; Dr David Chambers; Professor Jonathan Goodman; Professor Neil Greenham; Dr Heike Laman; Dr Jacqueline Tasioulas (Senior Tutor); Dr Flavio Toxvaerd; Dr Hendrik van Veen; Mr Paul Warren (Bursar); and the Governing Body.

Distribution (Unreserved): Mr Conor Farrell-Foster (UCS representative); and Mr Henri van Soest (MCR representative).

In attendance: Miss Emma Easterbrook (Secretary); and Ms Valeriya Blackmore (Assistant Financial Bursar).

For information: Mr Jonathan Townson (MCR President); and Mr Dan Wright (UCS President).

Emma Easterbrook

8 November 2019