

JOINT MEETING OF THE FINANCE COMMITTEE AND COUNCIL

MINUTES (UNRESERVED)

2.00pm on Monday, 23 November 2020

By Zoom

Present (Reserved Finance): Anthony, Lord Grabiner QC (Chair); Professor Phil Allmendinger; Professor Jason Carroll; Dr Andrew Carter; Dr Tim Chesters; Dr Maciej Dunajski; Professor John Gibson; Professor Jonathan Goodman; Professor Neil Greenham; Professor Heike Laman; Dr Sian Lazar; The Rev'd Dr Mark Smith; Dr Jacqueline Tasioulas (Senior Tutor); Dr Hendrik van Veen; Mr Paul Warren (Bursar); Dr Julia Wolf.

Distribution (Unreserved Finance): and Mr Henri van Soest (MCR representative).

Distribution (Reserved Council): Anthony, Lord Grabiner QC (Chair); Professor Jason Carroll; Dr Andrew Carter; Dr Tim Chesters; Dr Maciej Dunajski; Professor John Gibson; Professor Jonathan Goodman; Dr Sian Lazar; The Rev'd Dr Mark Smith; Dr Jacqueline Tasioulas (Senior Tutor); and Mr Paul Warren (Bursar).

Present (Unreserved Council): Ms Ella Nevill (UCS President); and Mr Will Wood (MCR President).

In Attendance: Miss Emma Easterbrook (Secretary); Mr Stuart Newman (Member, Audit Committee); Dr Fred Parker (Financial Tutor); Mr Bill O'Hearn (Development Director); Mr Graham Ross (Director of Music); Mr Oscar Simms (Ethical and Environmental Affairs Officer, UCS); Mr Andrew Smith (Member, Audit Committee); and Mrs Rebecca Willatt (Assistant Financial Bursar).

1. **Apologies**

Dr David Chambers; Dr Oliver Shorttle; and Ms Rowan Stewart (UCS representative).

2. **Declarations of Interest**

None.

3. **UNRESERVED MATTERS**

(i) **Minutes of 19 October 2020**

Approved.

(ii) **Matters Arising**

- a. *Item 3(iv), Register of Interests 2020-21:* All trustees were reminded to return their annual Register of Interests form to the Assistant Bursar.

(iii) **Financial Statements for the year ended 30 June 2020**

- a. **Review of the Financial Statements:** The Bursar circulated the Financial Statements for the year ended 30 June 2020. The Audit Committee carried out its review on 16 October 2020 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 6-10), the Independent Auditors' Report to the Trustees of the College (pp 15-16), and the Primary Statements in the Accounts (pp 22-25). 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 inclusion of these gains and losses on fixed assets and investments, inflates the reported income and surplus, and distorts the underlying financial position of the College. In order to adjust for these distortions and provide a more accurate picture of the underlying operating performance of the College, there is a summary of operating results before other gains and losses on page 22. The Statement of Comprehensive Income and Expenditure (SOCIE) shows a surplus for the year of £1,883,000 compared to a surplus of £5,828,000 in 2019. Adjusting for the gains and losses on fixed assets and investments that were historically reported in the STRGL, the summary shows that the College reported a net operating surplus for the year of £1,345,000, compared to a deficit of £824,000 in 2019. On this 'operating before other gains and losses' basis, total unrestricted income increased by 4.0% to £14.3 million whereas total expenditure decreased by 11.1% to £13.0 million. The increase in unrestricted income and decrease in unrestricted expenditure were both distorted by 'one off' factors in 2020.

In contrast, at the SOCIE level total income increased by 7.2% to £21.7 million, total expenditure decreased by 10.4% to £15.5 million and gains on the disposal of fixed assets and investments amounted to £1.9 million (down from £5.9 million in the prior year). The decline in the total SOCIE surplus was partly due to a £2.0 million increase in the provision for potential losses associated with the mark-to-market valuation of the 2048 inflation SWAP agreement and a £2.3 million mark-to-market loss on investments.

Meanwhile academic fee income increased by 9.5% but this increase was more than offset by an 18% decline in accommodation, catering and conference income. Against the backdrop of this very difficult operating environment the 4.0% increase in unrestricted income was attributable to two one-off factors without which unrestricted income would have declined:

- i. The £1.163 million Schofield legacy was allocated as an unrestricted donation.
- ii. The College received £427,000 of Government grants from the COVID-19 furlough scheme.

Closure of the College during the April – June Quarter allowed several departments to reduce expenditure. As a result, accommodation, catering and conference expenditure declined by 4.7% and there were reductions in education expenditure (partly offset by more education expenditure being funded from Restricted funds), administration and buildings related expenditure. In addition to these reductions in operating expenditure there was also a ‘one-off’ reduction in USS pension related expenditure. In 2019 USS pension related expenditure increased to £595,000 from £168,000 in the prior year, owing to a substantial £439,000 USS pension provision. In the 2020 financial year there was a £341,000 USS pension provision write back and as a result total USS pension expenditure was recorded as minus £171,000. This significant swing in USS pension costs artificially depressed Fellowship costs and Education expenditure during the year.

The annual report from PEM to the Audit Committee includes a draft letter of representation to the Auditors, confirming the Trustees are aware of all relevant audit information and that there are no points to draw to the Auditors’ attention with regard to the Financial Statements together with the Minutes of the Audit Committee meeting of 16 October 2020.

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

formally thanked the Assistant Financial Bursar, Ms Lera Blackmore; and the Deputy Finance Manager, Mrs Rebecca Willatt, for their hard work.

- b. ***Minutes of the Audit Committee 16 October 2020***: The Council and Finance Committee noted the Minutes of the Audit Committee including the recommendations for the Risk Register.
- c. ***Annual Report from the Auditor and the letter of Representations for 2019-20***: The Council and Finance Committee noted the annual report from PEM to the Audit Committee including the draft Letter of Representations.

(iv) **Measures to reduce the structural deficit: including the Financial Forecasts for the period 2020-21 to 2025-26**

The Bursar circulated the Financial Forecast spreadsheet for the period 2020-21 to 2025-26. Due to the current financial climate a number of significant amendments had been made to the previous Financial Framework. The estimated deficit for 2020-21 is now £3.266 million as opposed to £2.8 million shown in the annual budget and Financial Framework. The forecast for 2021-22 has now increased to £1.588 million as opposed to £1.1 million. The losses are likely to be higher each year partly as the budget was too optimistic on student accommodation as St Regis, which will now be completed in December as opposed to September. It is forecast that there will be no conference income for 2021 and that it will be significantly lower than previously forecast in the following year. It is anticipated that conference income will return to the same level in 2023 but this is not certain. In the meantime the cash flow deficit has to be funded each year. This is with the background that the endowment will shrink over time and the returns from the financial assets will be lower over the next decade. For the last three years there has been a contribution of £1.5 million every year towards the Old Court project. The capital expenditure budget has been reduced but there are still building projects which need to be funded. There are limited sources of income and it will be necessary to generate alternative capital going forward and to put contingency plans in place. Given this likely financial environment it will be very important for the College to consider cost cutting and restructuring opportunities.

(v) **Financial Statements for Clare College Ltd for the year ended 30 June 2020**

The draft Financial Statements for Clare College Limited for the year ended 30 June 2020 were circulated to Council and the Finance Committee for note only. The annual meeting will be held in the near future.

(vi) **Financial Statements for Clare College Conferences Ltd for the year ended 30 June 2020**

The draft Financial Statements for Clare College Conferences Limited for the year ended 30 June 2020 were circulated to Council and the Finance Committee for note only. The annual meeting will be held in the near future.

(vii) **MCR and UCS Accounts**

The Financial Tutor circulated the Annual Accounts of the UCS and the MCR. He noted that the UCS Student Bar had greatly improved but it had been used much less as a result of COVID-19. Regarding the MCR there had been some discussion about how to make best use of the sinking fund.

(viii) **Trust Funds Report**

The Bursar circulated the Trust Funds Report. There had been a number of funds which had overspends in the current year. This was partly as a result of historic student bad debts but a new procedure will be implemented to resolve these issues. The Bursary continues to give guidance to those individuals, who have responsibility for a fund. It was recommended that there should be uniform procedure to ensure those individuals were also aware of what money is available in those funds.

(ix) **Development Report**

The Development Director circulated the Development Report. It outlined the position for the 2019-20 and Q1 2020. Donation income amounted to £6,658,391 compared to £4.4 million in the previous year. New gifts and pledges amounted to £7,174,887, which was 28% higher than in the previous year. Unrestricted donations had met their target despite the postponement of the Telethon Campaign, which has been rescheduled to December 2020. At the end of Q1 2020 donation income totalled £602,268, which was a decrease of £297,000 from last year but was similar to previous years. Regarding Old Court gifts and pledges now total £19 million with £15,711,312.91 paid to date. This leaves £6 million to be raised. Meanwhile, during the pandemic two funds were established. The first was for Fellows to support casual staff. The second was a wider appeal to support students, and Staff on furlough. Unrestricted donations in Q1 totalled £156,866.

(x) **Minutes of other Committees:**

- a. ***Investment Committee (DRAFT): 10 November 2020: including Amundi and UCS motion:*** The College had received positive press coverage as a result of investing in the Amundi Low Carbon Fund. A decision had been taken to invest 80% of the global equity allocation in the Amundi Fund and the remaining 20% will be invested in zero carbon investments as and when opportunities arise.
- b. ***OCIG: 14 October 2020:*** for note only.

(xi) **Any Other Business**

- a. **College website:** A paper will be circulated to Council and the Finance Committee in due course by the Academic Dean.
- b. **Change in working practices as a result of COVID-19 (Housekeeping and Maintenance):** Up-date e-mail to be sent to Fellows and Staff.

[Dr Heike Laman left.]

4. **RESERVED MATTERS**

5. **Date of Next Meeting:**

2.00pm on Monday, 1 February 2021

By Zoom

Distribution (Reserved Finance): Anthony, Lord Grabiner QC (Chair); Professor Phil Allmendinger; Professor Jason Carroll; Dr Andrew Carter; Dr David Chambers; Dr Tim Chesters; Dr Maciej Dunajski; Professor John Gibson; **Professor Jonathan Goodman; Professor Neil Greenham;** Professor Heike Laman; Dr Sian Lazar; Dr Oliver Shorttle; **The Rev'd Dr Mark Smith;** Dr Jacqueline Tasioulas (Senior Tutor); **Dr Hendrik van Veen; Mr Paul Warren (Bursar); Dr Julia Wolf;** and the Governing Body.

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Emma Easterbrook

8 December 2020