**MEETING OF THE FINANCE COMMITTEE**

**MINUTES (UNRESERVED)**

**2.00pm on Monday, 25 November 2019**
**Latimer Room, Clare College**

**Present (Reserved)**: Anthony, Lord Grabiner QC (Chair); Professor Phil Allmendinger; Professor Jonathan Goodman; Professor Neil Greenham; Dr Heike Laman; Dr Jacqueline Tasioulas (Senior Tutor); Dr Flavio Toxvaerd; and Mr Paul Warren (Bursar).

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

**In Attendance**: Miss Emma Easterbrook (Secretary).

1. **Apologies**

Dr David Chambers; and Dr Hendrik van Veen.

2. **Declarations of Interest**

None.

3. **UNRESERVED MATTERS**

(i) **Minutes of 21 October 2019**

Approved.

(ii) **Matters Arising**

a. ***Item 3(vii): Clare College Limited***: The annual meeting was on 20 November 2019. Professor Phil Allmendinger was appointed as a Director. The Bursar and Ms Deborah Hoy, Estates Director, are the other two Directors. The Assistant Financial Bursar is the Company Secretary. The Board approved the accounts together with a Deed of Covenant.

b. ***Item 3(viii): Clare College Conferences Limited***: The annual meeting was on 20 November 2019. Professor Phil Allmendinger resigned as a Director and the Senior Tutor was appointed to replace him as a Director. The Bursar and Mrs Sally Johnston, the Conference

and Events Manager, are the other two Directors. The Assistant Financial Bursar is the Company Secretary. The Board approved the accounts together with a Deed of Covenant.

(iii) **Trust Funds Report**

The Bursar circulated the annual Trust Funds Report to the Finance Committee. The Dr Gerlis Fund and the Hong Kong Bursary Fund had been reclassified, the former from restricted expendable to permanently endowed and the latter from permanently endowed to restricted expendable. This followed requests from the fund donors. Three funds had been merged: Brazier Creagh Fund (merged with Hepple Fund); History of Art Graduate Studentship (merged with Tony Badger Fund); the Wellner, Wang & Li Book Fund's balance of £245.00 had been transferred to the Old Court fund. Three funds had zero assets and were being closed: Alumni Council Tony Badger Fund; Athena Global Leadership Institute Fund; and Naismith-British Academy Fund. Three funds were already in deficit: Maurice Biriotti Bursary; Clifford Chance Bursary; and Jon Watts Bursaries. There will be no expenditure from these three funds until the deficit had been eradicated.

(iv) **Annual Accounts of the UCS and the MCR**

The Bursar circulated the Annual Accounts of the UCS and the MCR. The Bursar noted that there was nothing in particular to note regarding the MCR. However, he noted that the UCS Account was in deficit of just under £6,000 and the Student Bar deficit was just under £11,500. The prices in the Student Bar had been raised and it was anticipated that the deficit would be reduced in the current year. Questions were raised about the increase in UCS expenditure on clubs and societies from £17,323 to £22,739. The Bursar was asked to investigate why there was such a large increase.

***Post-meeting note****: Following the meeting the Bursar contacted the Financial Tutor, who confirmed that the annual budget for Clubs and Societies had been set at £17,000 in line with the 2017-18 budget. However, the accounting period was changed from an academic year to a calendar year basis and as a result the expenditure covered four terms instead of three for this transitional year. In the current year the expenditure is forecast to decline to £13,000. The Bursar also investigated the OIS subscription expenditure and revised numbers will be presented at the next meeting.*

(v) **Management Accounts for the period to 30 September 2019**

The Bursar circulated the Management Accounts for the year ended 30 June 2019. The Management Accounts had been prepared on a consistent basis with the statutory financial accounts for the year to 30 June 2019 and records the income and expenditure across College departments. The Management Accounts show that the College reported an operating deficit of £823,393 in the year to 30 June 2019. The deficit was £619,077 less than the original budget for 2018-19 and £93,607 less than the deficit

reported the previous year. Total income increased by 7.9% to £15,161,200 and total expenditure increased by 6.8% to £15,984,593. The deficit and levels of income and expenditure reported on the Management Accounts are consistent with those reported in the RCCA Financial Statements.

Academic fee income increased by 1.2% compared to the prior year: undergraduate fee income increased by 4.8% and graduate fee income decreased by 11.4%. Conference accommodation income increased by 0.8% year-on-year but conference catering income grew by 7.5% to £2,250,542. Student accommodation income decreased by 2.7% compared to the previous year as graduate accommodation income declined by 8.6% owing to the start on the St Regis redevelopment project. The largest contributor to the overall growth in income was the endowment drawdown, which increased by 23.6% as a result of continued strong endowment performance and changes to the way in which restricted drawdown is allocated (this boosted unrestricted endowment drawdown by 41%). General unrestricted donation income also recovered during the year. Having declined by 29.6% in the prior year, general unrestricted donation income increased by 22.3% to £532,614 in the year to 30 June 2019.

Tuition expenditure declined by 3.1% year-on-year to £2,046,747 as a result of efforts to charge more tuition expenditure to restricted funds. Notably, Library expenditure declined by 7.6% in the year to 30 June 2019. As a result of this policy, academic support expenditure increased by 8.5% to £1,366,593. Fellows' related expenditure increased by 33.9% and was 1.8% greater than budget, partly due to the increase in USS contributions. Student accommodation expenditure increased by 4.3% in the year to 30 June 2019, with undergraduate accommodation expenditure increasing by only 1% and graduate accommodation expenditure increasing by 20% owing to the start of the St Regis project and the need to sublet accommodation at North West Cambridge. Administration expenditure increased by 10.6% to £4,357,311 and was 4.1% higher than budget during the 2018-19 year. £123,878 of the £161,492 increase in Bursary expenditure was attributable to the cost of historic insurance premiums from 2016-17. In addition, personnel expenditure in the Bursar increased owing to long term staff sickness issues and professional fees increased owing to the start of the Old Court project. Finally, Development Office expenditure increased by 13.5% to £612,337 as a result of increases in Campaign and travel related expenditure.

The Fellows' wine account and building maintenance expenditure both reported substantial declines in expenditure. Fellows' wine related expenditure declined by 36% compared to the prior year and

this decrease was due to the efforts of the Catering Manager, Mr Lee Corke, to improve purchasing and reduce 'wastage' levels in the Cellar. Building maintenance expenditure also declined by 26.5% to £969,246 but expenditure was £70,920 over budget. The decline in 2018-19 was partly due to the reduction in small planned works following the start of the St Regis and Old Court projects but the comparison is flattered by the fact that buildings related expenditure increased by 73% in the prior year.

The Finance Committee formally approved the Management Accounts for the year ended 30 June 2019.

(vi) **Annual Report on Conferences**

The Bursar circulated the Annual Report on Conferences to the Finance Committee. He noted that income had increased more than forecast. For the financial year ending 30 June 2019, income rose by £198,000 to £3,974,000. The College had an exceptionally busy summer between the end of June and the end of September, nearly all the meeting rooms were occupied together with most of the bedrooms. The Gillespie Centre continued to be booked by regular clients, both in and out of term-time. In addition, the ARM Annual Partners Meeting's overall invoice rose from £664,000 in 2018 to just over £683,000 this year and they intend to return again next summer. The Summer School business also continued to thrive with the EF language school generating income of £1,142,000; an increase of over £142,000 on the previous year. Other Summer Schools including Oxford Royale Academy also showed good growth in income. It was noted that Oxford Royale had requested to cange the location of their marquee from Thirkill Court to Memorial Court Lawns, and to increase the size of the marquee in 2020.

The impact of the Old Court project on the level of income is difficult to forecast. However, for the year ending in June 2020 it is anticipated that income will remain unchanged due to the increase in Summer School bookings and the expansion of the ARM Annual Partners Meeting. From 2021 it is forecast that the Old Court project will have a greater adverse effect with an estimated £500,000 to £1 million reduction in income for each year that the project is in progress.

Meanwhile, 'Meet Cambridge', which is the central enquiry point for conferences and meetings in Cambridge, had put forward a proposal to change their funding model. In the past, the amount that the colleges contributed to 'Meet Cambridge' was dependent on the size of the college and the amount of conference income they generated. Meet Cambridge wish to introduce a fixed fee plus a

commission charge for each event booked. Consequently, the College's subscription payment would increase significantly. The College had renegotiated this proposal and had agreed a fee 6.5% but it was agreed that if the total cost of the fee increases to more than £25,000 per annum, other marketing expenditure will be reduced in the Conference budget to absorb this cost.

(vii) **Reserves Policy**

The Bursar circulated a proposal for a Reserves Policy. The College had unrestricted funds as at 30 June 2019 of £190 million, of which £137 million is fixed assets used in operational activities, leaving £53 million of free reserves for general purpose use. In addition, there is £93 million of restricted reserves. The College had taken into account the guidance offered by the Charity Commission in its publication '*Charity reserves: building resilience (CC19)*'. In essence, much of this guidance is about ensuring a charity had a suitable level of reserves, enough to see the charity flourish in the future, but not so much that reserves are needlessly sitting idle.

The Bursar invited the Finance Committee to consider whether £53 million is a suitable level of reserves. There are three main purposes of these unrestricted reserves namely to fund specific capital projects, core activities, and protection against the risks to exisiting spending plans. Quantifying the amounts above is very difficult but the Financial Framework report that considers the College finances for the coming five years indicates that the current level of reserves is reasonable. The Financial Framework anticipates a cumulative operating deficit over the next five years of £4.8 million. In addition, the expenditure on the restoration of Old Court will require a drawdown of approximately £15 million from free reserves (above the anticipated donations).

In 2010-11, the free reserves of the College were £21m and over the last eight years there had been a substantial increase in reserves. In inflation adjusted terms, the £21m in 2011 is equivalent to £27 million now, thus in real terms the reserves had doubled. Over this time world stock markets and the College endowment had performed exceptionally well. As equity markets are mean reverting, it would be reasonable to expect significantly lower returns over the next 10 years. It would therefore be appropriate for the College to hold free reserves of more than £40 million and ideally a target should be established to grow free reserves to more than £60 million to provide permanent income in perpetuity.

The Finance Committee approved of the recommendation that the free reserves should be grown to more than £60 million to provide permanent income in perpetuity.

(viii) **Revised Cambridge Bursary Scheme**

The Bursar circulated Paper B(19)67 from the Bursars' Committee of 24 October 2019 to the Finance Committee. The Cambridge Bursary Scheme was in the process of being reviewed. There were three proposals:

- Model A had been established as the baseline model – it assumes we adapt the current Cambridge Bursary Scheme by adding in the current PTUBS profile – and introduce an Educational Premium of £1,000 for all students eligible for Free School Meals. It also assumes current students remain on the current Cambridge Bursary Scheme.
- Model C illustrates a more modest scheme, designed to only increase overall costs by ~£1.5 million – achieved by setting the maximum household income eligibility at £50,000.
- Model E illustrates a more generous version of Model A by providing a larger Educational Premium of £2,100 and setting the maximum household income eligibility at £62,215

The colleges were being asked to vote on one of the Models above at the next meeting of the Colleges' Committee on 30 November 2019. The Finance Committee considered the financial implications of all of the Models together with the value of the data on Free School Meals. The Finance Committee approved of Model C.

[*Mr Henri van Soest (MCR representative) left*.]

(ix) **Development Report**

The Development Director circulated two papers to the Finance Committee. At the end of the financial year donation income received totalled over £4.4 million compared to £6.4 million the previous year. The variation should be considered in the context of the £4.3 million pledge payment from a single donor in 2017-18. New gifts and pledges for the financial year totalled nearly £5.6 million, 11% higher than the previous year. Unrestricted donations were +£200,000 over the previous year and alumni participation had risen for the third consecutive year to just under 19%, which puts Clare back amongst the top colleges in Cambridge.

At the end of the 1st quarter, donation income totalled over £1.5 million, an increase of £866,000 compared to the same time last year. New gifts and pledges for the quarter total over £2.4 million, an increase of £900,000 compared to the same period last year. This is due to the confirmation that the College can expect at least £1 million from Dr Roger Schofield's Estate. Council will be asked to

consider allocating this donation for the re-development of St Regis, which will, in turn help with Old Court.

Gifts and pledges to Old Court now exceed £15 million with £13 million already paid. It is anticipated that a further £1-2 million in pledges will be confirmed in the coming quarter leaving a further £8-9 million to secure over the next two years to achieve the £25 million fundraising objective. This will need to be supported by sufficient personal engagement with the donors from the Master, Bursar, and the Development Office to encourage large donations.

Unfortunately, the Harding Gift Challenge will be of no direct benefit to College fundraising and provides a merely indirect incentive for first-time donors to make a gift for student support, which is not the foremost priority. The Finance Committee may wish to revert to allocating general student support donations between Student Support A and Student Support B.

(x) **Minutes of College Committees**

a. ***Estates Committee (DRAFT): 31 October 2019***: The Finance Committee approved of the Parking Policy and agreed to keep it under review. Regarding the Old Court project, the Estates Director was currently re-investigating disabled access into H staircase.

b. ***Catering Committee: 9 May 2019***: for note only.

(x) **Any Other Business**

None.

4. **RESERVED MATTERS**

5. **Date of Next Meeting**:

2.00pm on Monday, 27 January 2020

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**

**9 December 2019**