

SCHOOL OF ORIENTAL AND AFRICAN STUDIES

RESOURCES AND PLANNING COMMITTEE

DRAFT MINUTES OF MEETING

Tuesday 15 November 2016 at 2:30 pm
in Room 116, College Buildings

Mr G Dalal, Chair (Hon.Treasurer)
Baroness V Amos (Director)*
Professor R Black (Pro-Director, Research & Enterprise)
Ms P Sanderson (Registrar)
Sir M Harris (Vice-Chair of Governing Body)
Ms M Staunton (Chair of Governing Body)
Professor D Johnston (Pro-Director, Learning & Teaching)
Mr J Feeney
Ms A Darko*
Mr D Skinner*
Mr N Uddin*

In attendance: Mr G Appleby (Director of Finance and Planning)
Professor C Bramall (Dean of Faculty of Law & Social Sciences)
Ms S Clucas (Secretary)
Dr C Ince (Head of Secretariat)
Professor L Marten (Dean of Faculty of Languages and Cultures)
Professor G Singh (Dean of Faculty of Arts & Humanities)
Ms A Perez de Vera (Minutes)

* Those persons marked with an asterisk were unable to be present.

1. Membership and Terms of Reference

The committee noted the terms of reference and procedures for conduct of meetings.

2. Minutes

The minutes of Resources & Planning Committee meeting held on Tuesday 9 June 2015 were approved with the following correction:

Minute 32, paragraph 5 should read:

It was noted that staff savings still required £4.36m to meet target, with savings to date mostly being through early staff departures as well as through voluntary severance.

3. Action Taken

No action was taken.

4. Matters arising/for report

There were no matters arising.

5. Director's Report

The Committee received the Director's Report at Appendix B.

The Pro-Director (Research) provided an update on the academic restructuring. The working group has been recruiting more widely and has identified four key areas of contention for which it is providing resolution or alternative solutions. The group is also using existing department data to better visualise what new structures might look like. In

the short-term, a decision by Board of Trustees is expected in April, with a timetable of what needs to happen established for summer 2017, and a full implementation anticipated by 2018.

The Pro-Directory (Learning and Teaching) provided an update on the Teaching Excellence Framework (TEF). The Committee noted that all the implications of a Bronze rating in TEF was not yet clear. There was no immediate financial impact, and 2017/18 fees would be set at £9,250. But in subsequent years the School would not be able to raise its fees as easily with this rating level. However, the bigger issue is around the possible impact on student visa sponsorships for Tier 2 (staff) and Tier 4 (student) visas. This would have a highly negative impact on the School. There are other London HEIs in a similar position and we are likely to find allies in rallying against the Bronze status-visa restrictions automatic link.

The final awards will be attributed in May, 2017, but it is unclear whether 2017/18 will count as the first or second year of the framework. Given the Home Office is writing the legislation, it could be delivered with an earlier impact than anticipated. The committee noted that to turn the bronze rating to a silver within a year would be difficult as much of the data lags more than a year, and a five-year window is more likely to deliver changes in the results.

6. Financial Reporting 2015/16

A report was received from the Director of Finance and Planning at Appendix C.

The Committee noted that while the report shows a surplus for the year of £5.3m, compared to an anticipated deficit of (£1.2m), the difference is largely due to a change in accounting standards (the adoption of FRS102). Affecting the difference are capital donations (now recognised in the year of receipt as income – when previously matched against expense when this occurred). Other changes to the balance sheet involve the inclusion of investment gains from the previous year, as well as showing liabilities such as pension commitments. When these changes are adjusted, the School's position shows as a near-break even result of (£31k).

Given the lack of continuity the new figures provide for management decisions, it was noted that the new standard of reporting would be used for external, year-end reports, and that other internal reports would continue to use above-the-line (adjusted) figures.

7. Financial Statements 2016

A draft report was received from the Director of Finance and Planning at Appendix D.

The Committee received an oral report on the outcomes of the Audit Committee meeting on the Financial Statements, this committee having only met on the 10th of November, prior to release of RPC agenda and papers. There was a recommendation to tighten the opening paragraph of the report, making it clearer that the change in surplus reflects changes in accounting practices and not an improved financial position for the school. Otherwise there were no other recommended changes, other than stylistic suggestions. Likewise, the external auditors expressed admiration for SOAS finance staff in the efficient and effective manner in which they have implemented the changes to the financial statements as a consequence of adopting the new FRS102 accounting standard.

The committee requested that in future years, it would be better to improve the committee timing so that a tabled report could be used to assess the Audit Committee's response to the Financial Statements.

The committee recommended the content of the 2016 Financial Statements for approval by the Board of Trustees.

8. Budget Validation 2016/17

A report was received from the Director of Finance and Planning at Appendix E.

The School's budget has shown an improvement from an anticipated deficit position (pre restructuring and pre-FRS102) of (£1.57m) to a deficit of (£0.23m). This improvement of £1.3m has been based on better than budgeted student enrolments for 2016/17.

Contributing to this was the prudent action last year of flat-lining Postgraduate targets, due to poor performance in the market the previous year. It was noted that while Home/EU enrolments were higher than budgeted, the overseas enrolments at undergraduate and research levels fell short of target.

Likewise, IFCELS enrolments fell short of target largely due to ambitious targets previously being set in anticipation of increased enrolments due to changes in English language requirements, which did not eventuate. These targets are now being reviewed in light of market demand. Overall, improved enrolment results have meant the ability to release the contingency amount (£850k) which has contributed to the surplus.

While salary costs were lower (1.1%) than against budget (2%), this was offset by increased enterprise staffing costs. Further increased operating costs included changes to the centennial budget, an increase in rates, and missed overhead costs in research grants. There was also added expense around accommodation voids arising from lower than anticipated IFCELS enrolments.

The Committee noted that of the general £500k contingency to offset unexpected increases in costs, £200k had been set aside to support the SOAS sustainability programme, and £200k to cover potential accommodation voids. It was noted that the School is currently investigating the factors that have resulted in voids in accommodation halls where SOAS held places, while students have ended up staying in adjacent halls, creating additional expense for the School and students failing to gain the advantage of reduced rates.

The committee recommended the revisions to the 2016/17 Budget for approval by the Board of Trustees.

9. Proposed Planning Process

A report was received from the Head of Planning at Appendix F.

The committee noted that there has been a change in the planning process as a result of the sustainability programme. This has involved a two-step process; firstly setting of 2017/18 student targets, and secondly addressing academic and financial sustainability to 2019/20.

For the former, members of Finance, Planning, Admissions, Marketing, and Student Recruitment teams established principles for initial top-down targets. These were then shared with Deans for discussion with departments. These have been stressed as minimum, prudent financial targets, and with a few minor adjustments, have been accepted by Departments and Faculties. It was noted that Departments and Faculties are currently working to agree "optimum" recruitment targets that are both aspirational in terms of student enrolment and feasible in terms of available teaching resources and space.

The second stage, in parallel, sees faculties and departments continuing to identify levers to achieve savings as part of the ongoing financial sustainability work, and to identify potential areas for growth, improvement or withdrawal. Following finalisation of the School's restructuring, further work on departmental sustainability plans will occur and be presented to relevant committees around June, 2017.

10. Financial Forecasts 2016/17-2019/20

A report was received from the Director of Finance and Planning at Appendix G.

As a result of adjusted student recruitment targets, the financial forecast shows a deterioration in projected financial performance, with a shortfall of £4.5m from the target of 5% surplus of income. Furthermore to achieve the target KPI on staff costs as a percentage of income, this would suggest staff cost savings of £1.6m to meet the shortfall.

The committee suggested that a method of incentivising departments to achieve optimum targets (rather than the minimum targets underpinning the financial forecasts) should be employed.. Some consideration was given to the target surplus of 5% and whether this was still appropriate. It was noted that the target was based on the need to generate sufficient cash inflow to support future investment plans. No decision was made to revise this target at present. The role of cross-subsidisation between the faculties was raised and the recent Senate discussion of this matter with overwhelming staff support, was mentioned. The issue, however, will be considered within the restructure time-frame.

The committee recommended the 2016/17 Financial Forecasts for approval by the Board of Trustees.

11. Key Performance Indicators

The Director of Finance and Planning presented a paper at Appendix H containing the three KPIs within the scope of the Committee's purview.

It was noted that the first KPI, surplus as a percentage of total income, could be measured in a variety of ways (eg some HEIs use EBITDA) and due to the recent implementation of accounting standard FRS 102, there were substantial variances between the old and new standard of reporting surplus/deficit for SOAS. In order to provide some continuity in KPI targets and performance it would be necessary to provide some reconciliation to pre-FRS 102 practices. The committee agreed to maintain this adjusted measure for the KPI and to retain the 5% target.

The Committee noted that there were performance issues around the second KPI, Adjusted Operating Cashflow, particularly within the next eighteen months. The decision not to dispose of Vernon Square immediately following the opening of the Paul Webley Wing, Senate House is one factor behind this projected cash low. The committee was instructed that post May elections, negotiations with Islington Council had been renewed and a better idea of possible outcomes would be available within the next few months. It was agreed that an update on the financial status and impact of Vernon Square will be included for the next meeting.

The question of an appropriate definition of how to report on non-contract staff was raised with regard to the third KPI on staff costs as a percentage of total income. The KPI as reported excluded the costs of temporary agency staff in accordance with the HESA definition of staff costs. It was agreed that this measure be supplemented with a version to include such agency costs to better reflect total expenditure on staffing. No changes to the targets were suggested for this third KPI on staff costs.

12. Proposed Revisions to SOAS Expenses Policy and Financial Authorities

The committee received the revised policy and updated Financial Authorities levels at Appendix I.

The Committee approved the amendments to the SOAS Expenses Policy and the Financial Authority Approval levels.

13. Minutes of the SOAS Investment Advisory Panel (IAP)

The committee noted the minutes from the meeting of June 7 at Appendix J. It also received a verbal report from the Chair on the IAP's plans to explore discussions with other companies beyond Newtons in seeking strategies to mitigate the current uncertain financial environment resulting from recent political outcomes.

14. Sub Committee Reports

The committee noted the Estates and Infrastructure and Human Resources summary reports at Appendices K and L respectively.

15. Cash Position

The Committee received the reports on Cash flow, and the Capital and Debt Statement, at Appendix M.

16. Date of meetings in Next Session

The Resources & Planning Committee meetings are scheduled for:

Tuesday 14 March 2017

Tuesday 13 June 2017

All at 2.30 p.m. in room 116 in the College Buildings, Russell Square.

RESERVED ITEMS

There was no reserved business conducted at this meeting.

Action Points
Resources and Planning Committee
2.30pm Tuesday 10 November 2015

Minute	Item	Action	Deadline	By
5	Academic Restructure	Update on restructuring	14 March	Pro-Director (Research)
11	KPIs (cashflow)	Report on status of Vernon Square	14 March	Director Finance and Planning