

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Minutes of the meeting held on 24 June 2013

Present

Bernard Laverty	Independent member	Committee Chair
Lesley Munro	PVC (University Secretary)	Clerk
Martin Ainscough	Independent member	
John Cater	Vice-Chancellor	Ex-officio
Rob Green	Independent member	
John Maxwell	Independent member	
Michael Pinfold	Independent member	Chair of the Board

Officers in attendance

Carl Gibson	Director of Finance
Steve Igoe	Deputy Vice-Chancellor (Resources)
David Oldham	Director of Capital Projects

Observers

Elliott Hodgeon	Students' Union President
Paul Malone	Chief Executive, Students' Union

Apologies

Ann Collins	Director of Human Resources
Lynnette Turner	Elected academic staff representative

The Chair welcomed members to the meeting.

RE.12.046 Declarations of Interest

There were no declarations of interest specific to the meeting.

RE.12.047 Chair's Announcements

There were no announcements.

RE.12.048 Chair's Action

There was no Chair's Action to report.

RE.12.049 Minutes of the previous meeting

Received: Document RE/034/12

The Chair recorded the thanks of the Committee to Sara Ainscow for stepping in to take the minutes of the last meeting.

The minutes of the meeting held on 25 February 2013 were agreed and signed by the Chair as a correct record.

RE.12.050 Action Log

Received: Document RE/035/12

Members received the Action Log, noting all as complete with the exception of one action due for report at the September 2013 Board meeting.

RE.12.051 Matters Arising

There were no matters arising.

SECTION A ITEMS

RE.12.052 Dissolution of Group Companies

The Director of Finance reported that matters were now well advanced in relation to the dissolution of redundant University companies (LRC, Science and Western Campus) and final approval for strike-off was expected shortly. This would result in a small saving in relation to associated Audit fees.

The oral report was received.

RE.12.053 Treasury Management Update

Received: Document RE/036/12

The Director of Finance introduced the report and highlighted a number of key points for consideration. He drew attention to the impact of the capital expansion programme in requiring the University to hold higher levels of cash balances coupled with the effect of the new fees regime on cash flow which would now be subject to significant in-year dips. Overall, this environment would reduce the University's ability to take advantage of long-term investments. Short-term options would be pursued but would attract lower return rates. He emphasised that year-end cash balances would not fall below £20 million.

The early repayment of two loans was noted, ensuring the University would not breach covenant arrangements with Barclays and that the required ratio of debt servicing costs to total income would remain below 4%.

The Deputy Vice-Chancellor (Resources) reported that the University would end the year with cash balances in excess of £30 million pointing out that a number of other Universities would not be in this position and would have to resort to loans in order to meet their commitments. Nevertheless, the volatility introduced by the fee payment arrangements through the Student Loans Company, coupled with an expectation of further cuts to the sector, would require careful consideration of the timing of the next stage of the University's build programme with the possibility of a fallow year in 14/15 to allow cash balances to be built back up.

The report was received.

RE.12.054 Financial Health of the HE Sector: 11/12 Financial Results and 12/13 Forecasts

Received: Document RE/037/12

The Deputy Vice-Chancellor (Resources) introduced the report from HEFCE emphasising its reliance on historic data. The report identified a general level of current financial resilience (with some specific exceptions) and a continued trend towards capital spend programmes whilst noting that this picture was unlikely to be maintained going forward.

It was noted that the report was based on the annual statements and five year forecasts produced by institutions and that the forecasts would provide a more realistic picture if they were undertaken in September when recruitment outcomes were known. Last year's submissions had been delayed to account for this but the earlier submission date had been re-introduced this year and would impact on the usefulness of the report.

In relation to the headline data provided, the University's strong comparative position was noted as follows:

Key Financial Indicator	Actual				Forecast	
	2010		2011/12		2012/13	
	EHU	Sector	EHU	Sector	EHU	Sector
Operating surplus as % of total income	13%	4.6%	12.7%	4.2%	12.7%	1.6%
Historical cost surplus as % of total income	13.5%	5.7%	13.1%	4.9%	14.2%	2.6%
Cash flow from operating activities as % of total income	21.1%	9.2%	16.3%	8.1%	25%	5%
Net liquidity as number of days' expenditure	171	109	174	118	143	101
External borrowings as % of total income*	36.1%	21.9%	42.1%	23.6%	41.7%	25.8%
Discretionary reserves excluding FRS17 as % of total income	70.6%	51%	88.1%	56%	97.7%	57.5%

*In relation to external borrowing, it was noted that the EHU rate drops to 36.7% for 14/15.

The convergence of fee levels towards £9,000 was highlighted along with application and recruitment trends. It was noted that 8 institutions have liquidity of less than 20 days.

The Deputy Vice-Chancellor (Resources) indicated that sector performance would not be as strong in future years with increased costs such as pensions adding to the level of volatility. He drew attention to Government policy in continuing to create additional small and vulnerable Universities set against a recent report from PA Consulting suggesting financial pressures would force a number of closures/mergers.

The report was received.

SECTION B ITEMS

RE.12.055 Late Mid-Year Reforecast (April Management Accounts)

Received: Document RE/038/12

The Director of Finance introduced the Late Mid-Year Reforecast Report. He highlighted a further anticipated rise in the end of year surplus largely attributable to lower student withdrawal rates and a good tuition fee return alongside tightly controlled staff costs. Income targets in the Faculty of Education remained challenging reflecting changes in the market whilst additional in-year IT costs had been agreed to allow early installation of high specification equipment in Creative Edge.

The Late Mid-Year Reforecast report was received.

RE.12.056 Edge Hill University and its subsidiaries: Operating Budget 2013/14

Received: Document RE/039/12

The Deputy Vice-Chancellor (Resources) introduced the proposed budget for 2013/14 and thanked the Director of Finance and his team for the work involved in bringing this together. As context to the discussion, he drew attention to the impact of the second year of fee income transition and highlighted the continuing challenges around recruitment, student numbers and government policy in relation to Education in particular.

In terms of core HEFCE numbers, the budget assumed recruitment of 2,300 students which was within maximum and minimum permissible levels and took a realistic view based on the number achieved in 2012/13 (2,142) which was less than originally planned. Recruitment up to 2,500 was possible and would provide a positive variance. HEFCE grant income projections incorporated fee transition arrangements with only final year students supported through this mechanism and anticipated a further fall in Student Opportunity funding reflecting the changing profile of students. Project income from the Training Agency had been reduced in line with government strategy although the Faculty of Education had been successful in obtaining new project funding from other sources which was shown under 'other income'.

Health income remained stable whilst anticipated income from Residences and Catering showed a significant increase related to the increased bed spaces coming on stream in September.

In terms of expenditure, staff costs showed a 3% rise reflecting an expected pay settlement increase of 1%, the additional costs anticipated in implementing auto-enrolment for pensions and some staff movement from part-time to full-time provision. Reductions in expenditure were noted in relation to school-based payments following the loss of project funding whilst costs for utilities and the maintenance budget had increased.

In relation to capital spend, most expenditure related to projects already approved and underway in the current year where some costs accrued into the next year. Provision had been made for commencement of the Phase 3 Sports Development but this would be subject to separate Board approval.

The cash flow position over the year demonstrated the impact of fee transition payment arrangements with cash balances falling as low as £5.748 million in January but ending the year at £21.957 million.

The projected surplus of £18.9 million represented 16% of total income. The associated sensitivity analysis showed a pessimistic outturn of £14.5 million and optimistic at £22 million. It was noted that the final outcome would be largely dependent on recruitment and retention.

In discussion, the following points were raised:

- The University made considerable efforts to reduce energy costs with local energy solutions incorporated into new build and significant use of HEFCE's Revolving Green Fund to initiate major projects;
- Inflation increases were applied to residential places although prices remained (deliberately) low on a sector-based comparison;
- International student income was projected to rise by £500,000 although this was balanced by increased costs;
- The loss of income against the Hollies reflected the use of the accommodation for Graduate Teaching Assistants;

- A loss of national funding for the Arts Centre would require a re-focusing of activity towards a new business model geared to the student experience;
- Equivalency and Skills tests were being offered at no cost to applicants for University provision;
- The capitalisation level was deliberately low to allow easier asset tracking but this was being reviewed;
- The sensitivity analysis incorporated auto-enrolment costs and vacancy gap savings;
- In a worst-case scenario, all costs were centrally controlled and could be managed to meet changing circumstances.

In concluding discussion, members welcomed the frank appraisal of issues incorporated in the budget assumptions adding confidence in the projections.

The Committee recommended the Operating Budget for 2013/14 to the Board for approval.

Action: Chair

RE.12.057 Financial Forecasts 2012/13 to 2015/16

Received: Document RE/040/12

The Deputy Vice-Chancellor (Resources) introduced the forecast referring to the change in timing for submission to HEFCE mentioned earlier in the meeting. The forecast reflected the final stage of the transition of tuition fee funding and assumed similar intake numbers over the period resulting in a flattening of income. Projected staff costs were represented at full establishment with no provision for gap savings explaining the increase in staff costs from 13/14 onwards shown in Table 1. Cash flow showed a build-up of cash balances in 14/15.

In relation to Table 7 which referred to the annualised servicing costs of long term borrowing, it was noted that the highlighted area related to a technicality and was not problematic.

The Committee recommended to 5 year forecast to the Board for submission to HEFCE.

Action: Chair

RE.12.058 Capital Projects Update

Received: Document RE/041/12

The Director of Capital Projects introduced the report drawing attention to the saving of £550,000 achieved on 2012 projects, all of which had now submitted final accounts. In relation to 2013 projects (Creative Edge, Bio-Sciences, Sports Development Phase 2 and Residential Accommodation Phases 6/7) good progress was noted with all expected to complete on time and within the overall budget envelope.

In response to a member's question, it was noted that staff from different contract firms worked well together and that this was supported through joint social events.

Whilst it was noted that a new running track was under construction, the future of the existing running track had not yet been determined with the possibility of retaining it as a feature in some form still under consideration.

Members welcomed the report and the progress to date.

RE.12.059 Students' Union Budget 2013/14

Received: Document RE/042/12

The President of the Students' Union introduced the report highlighting the relationship to the Strategic Plan which was informed by research undertaken to identify activities valued by students as part of the Students' Union offer. In terms of activities, these were covered under Advice and Guidance, Commercial and Marketing and Communications. The success of the new Advice Centre was highlighted along with the major new commercial opportunity in taking over bar facilities on campus.

It was noted that the block grant from the University was based on an agreed percentage of University income (0.386%).

The General Manager of the Students' Union emphasised the need for increased diversification of income in order to allow the development of services and welcomed the opportunity to support this through bar and food outlets. He indicated that help and advice in running these activities was available through the NUS and that the NUS Services Limited supply chain would ensure good value for money.

In discussion, members advised caution with respect to profit margins and emphasised the need for excellent systems to protect the integrity of a 'cash' business. It was agreed that the importance of engaging with the student community at the start of the academic year was vital in establishing 'habits' that would provide a good, long-term income stream.

In response to a member's question, the General Manager indicated that any surplus in excess of £100,000 was likely to be invested in staff for the delivery of new services although it was noted that staff expenditure already represented a high percentage of income and care would need to be exercised to ensure sustainability.

A request was made for the removal of the term 'parent institution' in the budget narrative as this had an explicit meaning in accounting terms which did not reflect the reality of the relationship between the University and the Students' Union as separate entities.

Action: SU General Manager

Members congratulated the Students' Union on a successful year and received the Union budget for 2013/14.

RE.12.060 Trades Union Recognition Agreements

Received: Document RE/043/12

The Deputy Vice-Chancellor (Resources) introduced the proposed recognition agreements with the University and College Union (UCU) and UNISON which were being considered for re-approval following three years in operation. He indicated that neither Union attracted sufficient membership in the University to require recognition under law but the University had always found it useful to offer recognition on a voluntary basis. There were no substantial changes proposed through the update.

In discussion, it was noted that, in the event of a national strike, the University operated a non-confrontational approach with staff required to self-report any associated absence for the deduction of pay.

The Committee approved the Recognition Agreements with UCU and UNISON for a further three year term.

Action: Director of Human Resources

RE.12.061 Auto-enrolment: Update

The Director of Finance reported that work towards the implementation of auto-enrolment for pensions was progressing with a staging date of 1 July. Significant effort had been expended on data cleansing to ensure accuracy. It was noted that all staff were covered by the requirements for auto-enrolment but there were particular complexities around those who held multiple posts and/or were currently 'opted out' with a requirement for them to re-confirm their position. A full test cycle had been carried out and communication with staff currently away from the University was being undertaken.

Members received the verbal report.

RE.12.062 Employment Issues

Restricted Item

The Deputy Vice-Chancellor (Resources) advised that there were a range of issues being considered under disciplinary and other procedures but currently one on-going grievance which could have the potential to be taken to employment tribunal. The initial grievance had not been upheld and an appeal had also been rejected. Legal advice had been taken and, whilst it was hoped a settlement could be reached, the issue had been notified to the University's insurers.

The report was received.

RE.12.063 Any Other Business

There was no other business.

SECTION C ITEMS

RE.12.064 Minutes of the Teaching Staff Consultative and Negotiating Committee dated 17 April 2013

Received: Document RE/044/12

The minutes were received.

RE.12.065 Minutes of the Support Staff Consultative and Negotiating Committee dated 10 April 2013

Received: Document RE/045/12

The minutes were received.

RE.12.066 Minutes of the Staff Partnership Group dated 21 February 2013

Received: Document RE/046/12

The minutes were received.

RE.12.067 Minutes of the Health, Safety & Environment Committee dated 19 April 2013

Received Document RE/047/12

The minutes were received.

RE.12.068 Date and Time of next Meeting

The next meeting is scheduled for 28 October 2013