

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Minutes of the meeting held on 23 June 2014

Present

David Owen	Independent member	Committee Chair & Deputy Chair of the Board
Lesley Munro	Clerk to the Board	
Martin Ainscough	Independent member	
John Cater	Vice-Chancellor	Ex-officio
Rob Green	Independent member	
Bernard Laverty	Independent member	Chair of the Board
Denise Walker	Independent member	

Officers in attendance

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

Observers

Gareth Dowling	Students' Union President
Paul Malone	Students' Union General Manager

Apologies

Richard Benjamin	Independent member
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RE.13.055 Declarations of Interest

There were no declarations of interest specific to the meeting.

RE.13.056 Chair's Announcements

There were no announcements.

RE.13.057 Chair's Action

There was no Chair's Action to report.

RE.13.058 Minutes of the previous meeting

Received: Document RE/042/13

The minutes of the meeting held on 24 February 2014 were agreed and signed by the Chair as a correct record.

RE.13.059 Action Log

Received: Document RE/043/13

The Deputy Vice-Chancellor reported that KPMG advice had been taken in relation to the LCC request for an additional contribution to the LGPS pension scheme. It had been agreed that the request was based on reasonable assumptions and provided a sensible long-term position given the circumstances.

RE.13.060 Matters Arising

There were no other matters arising.

SECTION A ITEMS

RE.13.061 Treasury Management Update

Received: Document RE/044/13

The Director of Finance introduced the report which indicated a reduction in the weighted average return from 0.77% to 0.44% since January with the movement of some funds to instant access which offered a lower rate of return. This reflected a need to sustain cash balances which were affected both by the impact of the new tuition fee income payments and capital expenditure requirements to support current building developments. He indicated that higher rates would be payable if funds were held in the account for a year and every effort would be made to maximise the position.

Members received the Treasury Management report noting that the position was the best that could be attained in the current environment.

RE.13.062 Financial Health of the HE Sector: 12/13 Financial Results & 13/14 Forecasts

Received: Document RE/045/13

The Deputy Vice-Chancellor introduced this report which gave an overview of the position in the sector and provided some interesting tables on financial performance. He drew attention to the reported sector average operating surplus for 12/13 at 3.9% of income, a reduction from 4.2% in 11/12, and noted that this was forecast to reduce further to 2.2% in 13/14. These figures disguised significant variations between institutions and highlighted that a number had little buffer to meet rising costs such as pensions and pay awards. Edge Hill's position at 13% for 12/13 (projected 16% for 13/14) was one of the strongest in the sector and ensured that the University was well placed to meet the challenges of the riskier future environment signalled by the removal of student recruitment restrictions alongside the maintenance of the cap on tuition fees.

In discussion, it was noted that the new HEFCE agreement in relation to institutionally determined borrowing limits based on Earnings Before Interest, Tax Depreciation and Amortisation (EBITDA), allowed a much higher level than previously. EBITDA was commonly used for setting borrowing levels in the public sector. Whilst it was generally agreed that some relaxation of the existing position had been necessary, this was a significant change with the potential for institutions to overstretch themselves in terms of long term costs. It was confirmed that borrowing costs for Edge Hill were reducing year on year and there was no intention at present to make further commitments.

In response to a member's question, it was noted that the significant sector reserves reported were mainly held by a small number of large, research intensive institutions.

The report on the Financial Health of the Sector was received.

RE.13.063 Draft Funding Agreement with Higher Education Institutions for 2014/15

Received: Document RE/046/13

The Deputy Vice-Chancellor introduced the draft agreement which set out the regulatory framework that would apply from 1 August 2014. The document reflected the major shift from HEFCE as a funder to a

regulator for the sector. It was noted that consultation was open until 27 June but significant changes were not anticipated.

Members received the draft Funding Agreement for 2014/15.

SECTION B ITEMS

RE.13.064 Late mid-year reforecast (December Management Accounts)

Received: Document RE/047/13

The Director of Finance introduced this item highlighting a revised surplus forecast of £20.009 million which was £2.162 million below the early mid-year forecast but still £1.053 million ahead of budget. The reduction was largely explained by the increase in the capitalisation threshold and the consequent addition of £1 million on revenue expenditure along with a £780k HEFCE clawback linked to a shift in the student profile to different price group course provision.

In discussion, the following points were noted:

- Expenditure was closely managed through quarterly meetings with budget holders and through the requirement for Directorate sign-off for new or replacement staff. This encouraged a reflective approach which incorporated a wider view of requirements and a fresh look at structures;
- The reduction in staffing costs reflected vacancy savings, the decline of student numbers for professional development in the Faculty of Education which impacted on staff numbers, lower costs associated with auto-enrolment and the impact of some projects either deferred or not coming to fruition;
- Increased expenditure was strongly related to further improving the student experience as indicated by the investment in a mobile catering facility in Creative Edge which was a response to student feedback. In this context, the Vice-Chancellor indicated that staff/student ratios had continued to improve despite reductions in staff costs with careful monitoring of vacancy replacements to ensure an appropriate balance of new blood and experienced staff as well as the mix of full-time, part-time and specialist roles;

- The University had developed strong systems to monitor and maximise tuition fee income ensuring that income assumptions were realistic;
- Staff recruitment was highly competitive, increasing the University's capacity to make strong appointments;
- Despite the introduction of higher fees, student complaints were low with the majority resolved locally. It was noted that the number of complaints referred to the Office of the Independent Adjudicator was small and it was agreed to circulate a copy of the report to members.

Action: Clerk

Noting the discussion, and the strong position for the University, members received the Late Mid-Year Reforecast.

RE.13.065 Edge Hill University and its Subsidiaries: Operating Budget 2014/15

Received: Document RE/048/13

The Deputy Vice-Chancellor introduced the budget for 2014/15 highlighting the bottom-up process which involved building the budget from a zero base each year in consultation with individual budget holders. He paid tribute to the Director of Finance and all staff involved in compiling the documentation within a short timescale. The following core assumptions underlying the budget were highlighted:

GENERAL

- *Student Numbers*
Essentially static. Assumptions were prudent in the light of uncertainties raised through lifting restrictions on HEFCE student numbers and the continuing challenges in Department of Education policy with respect to teacher training. Given an already acknowledged shortage of nurses, numbers were likely to rise in the future although an agreement on sustainable funding would be necessary to support this.
- *Staffing*
This was based on costing for a full staff establishment (which allowed for inbuilt savings through in-year vacancies).

- *Cash Flow*
Ensuring cash balances remained sufficient throughout the year given the uneven funding profile from tuition fee income was key. In this regard, it was noted that, in addition to the stress testing undertaken through modelling various scenarios, there was further mitigation available through the fit-out work package for the Sports Development project which the Board could choose to defer if necessary.
- *Financial Support for Students*
The Access to Learning Fund would be maintained, despite the withdrawal of government support, given the importance of this in keeping students on programme. It was further noted that additional support had already been necessary in relation to the National Scholarship Programme which had also been subject to government funding reductions (and complete withdrawal from 2015) and that future reductions were expected in relation to the Disabled Students Allowance (DSA). The shift of responsibility from government to institutions in relation to these areas suggested a comprehensive review of the University's Scholarship and Bursary scheme for 2016/17.

INCOME

- *Tuition Fees*
Increased income from the incorporation of the shift from HEFCE grant in favour of tuition fee funding covering all years.
- *Residences and Catering*
Increased income following additional bed spaces coming on stream in September 2014.

EXPENDITURE

- *Payroll*
Increased expenditure to cover pay awards and pensions as well as investment in growth areas.
- *Student Experience*
Increased expenditure to support improvement of the student experience in areas such as Careers.
- *Schools Direct*
A rebalancing of payments to partners reflecting the higher levels necessary to support this model of teacher training.

- *Social Work*
An increase in agency fees for students on Social Work programme placements following growth in recruitment.
- *Carbon Tax*
A requirement to buy carbon tax credits for the first time as part of the University's carbon reduction commitment.

In concluding, the Deputy Vice-Chancellor drew attention to the projected surplus of £21.5 million and the sensitivity and risk analyses provided which offered a significant level of comfort even if recruitment levels fell below target.

In discussion, it was noted that:

- Bad debt was not a significant issue for the University given the high level of monitoring applied to tuition fee payments. Student drop-out rates however represented a significant level of 'income foregone' and were incorporated into income assumptions. The University had made significant improvements in retaining students in recent years and, although some level of drop-out was to be expected, continued focus on this area remained both academically and financially important;
- Overseas student recruitment was expected to show a small increase with the emphasis on low-risk, high quality developments.

In concluding discussion, members welcomed the robust process underlying the budget which was recommended to the Board for approval.

Action: Chair/Deputy Vice-Chancellor

RE.13.066 Financial Forecasts 2013/14 to 2016/17

Received: Document RE/049/13

The Deputy Vice-Chancellor introduced the forecasts which were based on carrying through the 14/15 budget assumptions in relation to student numbers. Some small income growth had been incorporated in relation to the outcome of the Research Excellence Framework (REF). It was noted that, in contrast to the budget, payroll costs included gap savings.

In relation to the tables, the Deputy Vice-Chancellor highlighted the static income line (based on student number predictions) and the reducing costs related to servicing borrowings. The strong surplus predicted for 14/15 provided a solid base for a more uncertain future and a level of resilience that would not be reflected in many institutions.

Following discussion, members recommended the Financial Forecasts to the Board for submission to HEFCE.

Action: Chair/Deputy Vice-Chancellor

RE.13.067 Capital Projects Update

Received: Document RE/050/13

The Director of Capital Projects introduced his report noting a projected saving of £550k in relation to projects completed in 12/13 with no issues to report in terms of defects. He reported good progress on 13/14 projects with the phase 8 and 9 residential development expected to be delivered for handover in early/mid August as scheduled. Work on the shell for the Sports Development project had commenced and was proceeding to schedule. Referring to earlier discussion, it was noted that, as the contracts for fit-out and external works had not yet been let, any deferral would not incur penalty charges. The timing for the implementation of these packages would be for the Board to determine.

In response to a member's question, it was confirmed that the procurements for both current projects had been undertaken through OJEU compliant processes and that the University's procurement process had recently received a clean internal audit.

The Capital Projects Update report was received.

RE.13.068 Students' Union Budget 2014/15

Received: Document RE/051/13

The General Manager of the Students' Union introduced the budget drawing attention to a very successful year in 13/14 and highlighting the process agreed with the University for determining the Union's block grant which was based on a percentage (0.386%) of University income.

Looking forward to 14/15, the Students' Union budget was geared to supporting the new Strategic Plan which had been developed through consultation with the student body incorporating:

- A new organisation structure with two new senior officer appointments as Head of Student Engagement and Head of Resources;
- A new model for representation with two groups of elected students developed; a Liberations Group and a Sections Group with both aligned to NUS programmes;
- Further development of the Advice and Guidance Centre with a project to establish a team of volunteer student advisers working with academic departments;
- An increased emphasis on gaining accreditation for employability skills gained from involvement with Societies;
- Agreement to merge all sporting activity under the University run 'Edge Hill Sport' along with a corresponding financial contribution;
- Improved use of digital analytics to better target communications;
- Building on the current year's successful trading activities, especially in relation to the bar, to enhance the student experience and generate additional income.

Whilst the budget indicated a healthy surplus, it was noted that this was less reliant on the block grant and would be needed for future investment in staffing and additional improvements to facilities such as the bar.

In discussion, members commended the Students' Union for the considerable progress made in recent years and the responsibility demonstrated in developing trading activities. The success of the bar operation since the transfer a year ago was a significant achievement.

The Students' Union Budget for 2014/15 was received for information.

RE.13.069 Employment Issues

The Director of Human Resources drew attention to the following points:

- The recent withdrawal of industrial action by UCU along with the pay award settlement;
- Renewal of the IIP Gold Award following a recent external review which had particularly commended the focus on supporting the student experience. The Review Team had also been impressed by the general level of understanding of the University's Vision and the number of staff who indicated they were proud to work for the University;
- The 71% response rate to the recent staff survey which was the highest to date. Detailed feedback from the responses would be available in three weeks and would be reported to the next meeting.

It was noted that there was one claim at tribunal stage which was scheduled to be heard in October. This related to the termination of a fixed term contract.

The verbal report on Employment Issues was received.

RE.13.070 Any Other Business

.01 President of the Students' Union

The Chair expressed his thanks to the retiring President of the Students' Union for his contributions to the committee and to the University during his term of office. Members wished him well for the future.

SECTION C ITEMS

RE.13.071 Minutes of the Teaching Staff Consultative and Negotiating Committee dated 27 March 2014

Received: Document RE/052/13

The minutes were received.

RE.13.051 Minutes of the Support Staff Consultative and Negotiating Committee dated 12 March 2014

Received: Document RE/053/13

The minutes were received.

RE.13.052 Minutes of the Staff Partnership Group dated 27 February 2014

Received: Document RE/054/13

The minutes were received.

RE.13.053 Minutes of the Health, Safety & Environment Committee dated 17 April 2014

Received Document RE/055/13

The minutes were received.

RE.13.054 Date and Time of next Meeting

The next meeting is scheduled for 20 October 2014.