

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Minutes of the meeting held on 22 June 2015

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

Officers in attendance

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

Observers

Paul Malone	Students' Union General Manager
Fay Vaudrey	Head of Resources, Students' Union

Apologies

George Talbot	Academic Board Nominee
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RE.14.049 Declarations of Interest

There were no declarations of interest specific to the meeting.

RE.14.050 Chair's Announcements

There were no announcements.

RE.14.051 Chair's Action

There was no Chair's Action to report.

RE.14.053 Minutes of the previous meeting

Received: Document RE/034/14

The minutes of the meeting held on 20 October 2014 were agreed and signed by the Chair as a correct record.

RE.14.054 Action Log

Received: Document RE/035/14

The Action Log was received noting all actions as complete.

RE.14.055 Matters Arising

There were no other matters arising.

SECTION A ITEMS

RE.14.056 Treasury Management Update

Received: Document RE/036/14

The Director of Finance introduced the report which provided information from a range of counterparties as agreed at the last meeting in order to facilitate consideration of a number of investment options. A paper from Lloyds giving an overview of risk was also received. He drew attention to the recent downgrading of Barclays to A long negative outlook/A-2 short noting this as no longer technically compliant with the University's minimum credit rating requirement. Whilst cash balances continued to fluctuate during the year reflecting the nature of tuition fee payments, the overall level was rising and was expected to reach £30 million by the end of the year. A recent decision had been taken to invest £4 million with Santander on a one year fix at 1%. Rates across the sector remained low with little differentiation.

In discussion, it was agreed that the investment of cash in residential development which provided an income stream or teaching buildings which supported recruitment represented the best return in the current

climate but that it was still important to achieve good value for money on cash investment. Whilst the Barclays downgrade was not felt to be material having regard to its position as one of the leading national banks, it was felt that some further diversification into slightly higher risk investment would be appropriate in order to maximise returns.

In conclusion, **it was agreed to relax the current credit rating requirement to allow for continued investment with Barclays and a more diversified approach to include investment with Close Bros.** The position would be subject to regular review by the Committee.

Action: Deputy Vice-Chancellor/Director of Finance

The Treasury Management Update was received.

RE.14.057 Ten Reasons to Build Resilience into the Future of Your University: A Business Guide for University Governors

Received: Document RE/037/14

The Deputy Vice-Chancellor introduced this report which had been developed by the Environmental Association for Universities and Colleges (EAUC) and sponsored by the Committee of University Chairs (CUC). It was noted that whilst sustainability had been initially associated with environmental issues, the concept now encompassed all aspects of business viability.

In discussion, it was noted that whilst Universities had a significant role to play in their local communities, the term 'civic leadership' did not best reflect the nature of community engagement.

The report from EAUC was received.

RE.14.058 Getting to Grips with Procurement: A Guide for Governors

Received: Document RE/038/14

The Deputy Vice-Chancellor introduced this report which had been developed by the Leadership Foundation for CUC. Whilst providing a useful summary, it was noted that the guide did not fully reflect the diversity of the sector and the impact of this on the various ways organisations manage areas such as Procurement. It was felt that

obtaining Value for Money and managing risk were particularly pertinent to a successful Procurement strategy.

In discussion, the ongoing debate about the status of Universities as public or private institutions was highlighted in terms of the potential impact of EU procurement directives and their place in relation to European projects such as Horizon 2020.

The Director of Finance highlighted the University's position in terms of the restricted use of corporate credit cards and the positive comments on building procurement received from the insurers.

The CUC Guide to Procurement was received.

SECTION B ITEMS

RE.14.059 Late Mid-Year Reforecast (April Management Accounts)

Received: Document RE/039/14

The Director of Finance introduced the late mid-year reforecast which provided a well-informed indicator of the end-of-year position. It was noted that the projected surplus had fallen by £637k but was still £373k ahead of the original budget. Aside from individual variations outlined in the report, the fall was largely due to the write-down of carrying the value of the Hawthornes and Slackhouse cottages which had been recently purchased with the intention of demolition. Some further upside might be generated from tuition fee income, staff costs and Education contracts with the position becoming clearer after the third quarter budget meetings which were imminent.

In response to a member's question, it was agreed that future reports would separate out accommodation fees from international student income to provide a more comprehensive picture for residences and catering.

It was noted that the early payment discount offered on accommodation fees was being reviewed with consideration being given to an all-inclusive offer incorporating the use of Sports Centre facilities.

The Late Mid-Year Reforecast was received.

**RE.14.060 Edge Hill University and its subsidiaries: Operating Budget
2015/16**

Received: Document RE/040/14

The Deputy Vice-Chancellor introduced the budget for 2015/16. He noted the involvement of the Director of Strategic Planning in the process this year and 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:

INCOME (projected static)

- *Tuition Fees*

The University's major income source was now generated through tuition fees which was in turn dependent on student recruitment. The budget assumption was for student numbers to remain relatively static for 2015/16 although some upside to recruitment might be anticipated as a result of the University of the Year award. It was reported that recruitment (excluding Department of Health and NCTL allocations) was likely to be around 2650 (budget 2600) which would represent the University's second largest intake.

- *Education*

It was noted that the variation in NCTL income was largely due to changes in the way funding was derived although the Faculty was increasingly vulnerable to changing government policy and the levels of margin on some activity was currently being scrutinised. The importance of diversification in the Faculty was noted with an imperative for the University to invest in areas of growth whilst managing reductions elsewhere.

- *Health*

The funding stream for professional Health programmes remained stable and, whilst the unit of funding was under continual pressure, some additional commissions were expected with the recognition of workforce shortages.

- *HEFCE*

Now representing only a small percentage of University income, this was noted as a vulnerable area with possible further cuts to the

Student Opportunity Fund. This was balanced to some extent by increased income for research.

- *Residences and Catering*
This was an increasingly important area of income generation with further bedspaces coming on stream for September 2015.

EXPENDITURE (projected 3% up)

- *Payroll*
This was recognised as an area of increased expenditure to cover pay awards and pensions as well as investment in growth areas. The £1 million additional contribution to the Local Government Pension Scheme (LGPS) was noted.
- *Other areas*
Overall expenditure in other areas was expected to fall with tight controls and efficiencies expected or, as in the case of education placements, reflecting reduced activity. Some increase in expenditure in Marketing was planned to take full advantage of reputation enhancing awards such as the Times Higher University of the Year

CASH FLOW

Ensuring cash balances remained sufficient throughout the year given the uneven funding profile from tuition fee income remains key but it was expected that balances would increase to around £40 million by the end of the year.

CAPITAL SPEND

Growth in cash balances would allow for continued investment in the estate with completion of the Sports building and phases 10 and 11 of the residential development programme already committed. The budget had been set to accommodate a new £7 million facility to support growth in Computing programmes. Full proposals would be brought to the Board during the year for consideration.

SURPLUS

In concluding, the Deputy Vice-Chancellor drew attention to the projected surplus of £18.5 million which, although lower than the previous year (expected £21.5 million) represented a good outturn in challenging circumstances.

In discussion, it was noted that:

- The internal student survey identified first year students as the most satisfied and this was probably linked to their accommodation on site. Proposals for the Phase 11 residential development could be brought forward to 15/16 subject to evidence of demand;
- The Estates Masterplan was currently being revised with a number of options around the central core and potential to develop on the old running track. The need for a new Library was recognised but it was felt that the first priority had to be on teaching and residential builds both of which supported increased revenue. It was noted that there would be a discussion around the development of the estate at the Board's January meeting;

Action: Clerk

- Value for Money was increasingly likely to influence student demand and survey responses;
- Ensuring the right level of cash balances was challenging given the uneven fee income profile. The lowest level in 14/15 had been £10 million but this was expected to increase to £15 million in 15/16;
- The sensitivity analysis reflected the testing environment whilst still providing a positive outcome;
- The potential for two-year degrees was limited. Previous experience nationally had shown poor demand whilst they were expensive to deliver and did not provide a good level of long-term security;
- Recent indications suggested challenges in relation to teacher training would continue with the likelihood that PGCE places in universities would be further reduced and subject to open competition in 2016/17. This increased the importance for the Faculty to diversify its offer.

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.14.061 Financial Forecasts 2014/15 to 2017/18

Received: Document RE/041/14

The Deputy Vice-Chancellor introduced the forecasts which were based on carrying through the 15/16 budget assumptions in relation to student numbers. It was noted that, in contrast to the budget, payroll costs included gap savings.

In relation to the detail, the Deputy Vice-Chancellor highlighted the small increase in student numbers expected from the University of the Year award, changes in depreciation costs, continued growth in cash balances and decreasing loan balances.

Considering the Table showing Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), it was noted with interest that the associated calculation would authorise the University to take on borrowing commitments up to £133 million. It was reported that others in the sector were borrowing (or raising through bonds) substantial amounts but that this represented a high risk strategy in the current climate.

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

Action: Chair/Deputy Vice-Chancellor

RE.14.062 Capital Projects Update

Received: Document RE/042/14

The Director of Capital Projects introduced the report which identified good progress on the Sports Centre Development although the cost of renewable technologies along with continued in-project design development and a commitment to high quality fit-out indicated expenditure £1.2 million above budget. A further £100,000 was needed for photo voltaic and solar thermal installations. It was proposed that the extra costs would be recouped through the VAT recovery scheme previously reported.

Work on the Phase 10 residential development was nearing completion and was within budget as were the final figures for Phases 8 and 9 which came on stream in September 2014.

It was noted that work to upgrade the main carpark, which had been earmarked for completion some time ago, had commenced under the Vice-Chancellor's delegated authority (Phase 1A) but that it was proposed to extend the project to cover a wider area including the laying of block paviers and appropriate landscaping (Phase 1B). Governor approval was now sought to provide for the whole project with a budget of £1.1 million and a recommendation to appoint S&J Charnley Ltd to carry out the works.

In relation to the future development of Phase 11 residential, it was noted that this would require the demolition of the Hawthornes and Slack House Cottages. The associated book write-off of £600k had been incorporated in the budget for 2014/15 and Governor approval was sought to move to the consent stage.

In discussion, members were supportive of all the proposals and, in particular, the need to ensure a high quality finish to the Sports Development. It was agreed that members would be offered a tour of the completed facilities before the Board meeting in September.

Action: Clerk/Director of Capital Projects

In conclusion, **the Committee agreed to recommend to the Board:**

- 1. An additional budget of £1.3 million to ensure high quality completion of the Sports Development including photo voltaic and solar thermal installation;**
- 2. A £1.1 million budget to complete the proposed Carpark Upgrade works and the appointment of S&J Charnley as main contractors;**
- 3. Consent to move to demolish the Hawthornes and Slack House Cottages.**

Action: Chair/Deputy Vice-Chancellor

The Vice-Chancellor reported that proposals to revert the front entrance to its original state were being sought.

The capital Projects Update was received.

RE.14.063 Students' Union Budget 2015/16

Received: Document RE/043/14

The General Manager of the Students' Union introduced this item and thanked the Union's Head of Resources for her work in preparing the documentation, noting that this had improved the integrity of the process.

The Head of Resources outlined the main aspects of the budget highlighting:

- Growth in business particularly in respect of commercial and engagement activities;
- Increased staff costs including the cost of auto-enrolment, a new post in Marketing, staff development and professional fees;
- The development of targets for commercial activity;
- The reduction in retail income allied to changes in the NUS card arrangements.

In discussion, the tensions between operating as a service provider and needing to generate profit were recognised but, given that cash balances were predicted to rise, it was suggested that consideration might be given to establishing an investment strategy.

The Vice-Chancellor congratulated the Union on the work undertaken in recent years and particularly the successful operation of the bar.

Members welcomed and received the Students' Union budget 2015/16.

RE.14.064 Employment Issues (RESERVED ITEM)

The verbal report on Employment Issues was received.

RE.14.065 Any Other Business

There was no other business.

SECTION C ITEMS

RE.14.066 Minutes of the Teaching Staff Consultative and Negotiating Committee dated 4 March 2015

Received: Document RE/044/14

The minutes were received.

RE.14.067 Minutes of the Staff Partnership Group dated 4 June 2015

Received: Document RE/045/14

The minutes were received.

RE.14.068 Minutes of the Health, Safety & Environment Committee dated 16 April 2015

Received Document RE/046/14

The minutes were received.

RE.14.069 Date and Time of next Meeting

The next meeting is scheduled for 19 October 2015.