BOARD OF GOVERNORS

RESOURCES COMMITTEE

Edge Hill University

Minutes of the meeting held on 18 June 2018

Present

Graeme Collinge	Independent member	Committee Chair
Lesley Munro	Clerk to the Board	
Martin Ainscough	Independent member	
Julian Bucknall	Independent member	
John Cater	Vice-Chancellor	
Clive Edwards	Independent member	Chair of the Board
Rob Green	Independent member	

Officers in attendance

Sonya Clarkson	Director of Human Resources
Carl Gibson	Director of Finance
Bill Hancox	Director of Facilities Management
Steve Igoe	Deputy Vice-Chancellor
David Oldham	Director of Capital Projects

Observers

Joe Bradford	Students' Union President elect
Paul Malone	Students' Union General Manager
George Talbot	Academic Board nominee
Tom Wilcock	Head of Service Development & Assurance, Facilities Mgt

Apologies

Tony Rankin	Independent member

The Chair welcomed the new Students' Union President elect, Joe Bradford, and Tom Wilcock from Facilities Management as observers.

RE.17.050 Declarations of Interest

There were no Declarations of Interest.

RE.17.051 Chair's Announcements

There were no announcements.

RE.17.052 Chair's Action

There was no Chair's Action to report.

RE.17.053 Minutes of the previous meeting

Received: Document RE/033/17

The minutes of the meetings held on 19 February and 23 April 2018 were agreed and signed by the Chair as a correct record.

The Chair summarised the main discussion points from the previous meetings noting:

.01 Treasury Management (RE.17.033)

A cash balance of £50.93 million had been reported at the February meeting. This was in contrast to the current position noted in the Treasury Management paper in April. *(As noted later in the meeting, this reflects the anticipated reduction in cash immediately prior to the receipt of the final tranche of SLC funding due in the first week in May and the planned capital spend on the Catalyst building).*

.02 Students' Union Audited Accounts (RE.17.034)

A significant deficit had been noted and would be relevant to later discussion on the Students' Union budget.

.03 Learning Services Report (RE.17.035)

A full report had been received from the Director of Learning Services covering arrangements for the move to the new Catalyst building.

.04 December Management Accounts (RE.17.036)

A projected surplus of £16.717 million had been reported.

.05 Capital Projects Update (RE.17.037)

Some weather-related delay on the Catalyst building work had been noted. The Vice-Chancellor reported that good progress was now being made and it had been possible to allow recent Open Day visitors to view the facility with excellent feedback.

.06 Estates Strategy (RE.17.038)

This had been a useful discussion giving context to future developments.

.07 Capital Bid: LRC Refurbishment (RE 17.047) [April meeting]

There had been a good discussion on this proposal. The May Board meeting had approved a £6.5 million budget for the project.

RE.17.054 Action Log

Received: Document RE/034/17

The Action Log for the year was received noting all items as complete or in progress. The Clerk noted the omission of Board approval for the LRC project from the Log.

RE.17.055 Matters Arising

There were no matters arising.

SECTION A ITEMS

RE.17.056 Treasury Management Update

Received: Document RE/035/17

The Director of Finance introduced the report for the quarter ending 30 April 2018 noting the increase in the weighted average return from

0.70% to 0.75% which was a result of anticipated lower cash balances. He reported that, as a prudent measure, Close Bros had been placed on notice that the University would withdraw £7.95 million of the £8 million held on a 12 month notice account with them, retaining a nominal sum in order to keep the account open. Should this money not be required, it would be available for re-investment.

In response to a member's question, it was noted that the changing cash position was a result of the SLC payment profile and the increased rate of spend on the capital programme, both of which had been anticipated.

The Treasury Management Update was received.

RE.17.057 Late mid-year reforecast (April Management Accounts)

Received: *Document RE/036/17*

The Director of Finance introduced the accounts noting a marginal increase in the projected outturn at £17.073 million due to some small improvement in the income position and the continued impact of gap savings on expenditure although this was narrowing. He highlighted the increase in other operating costs which was largely due to one-off compliance requirements which would not recur. He indicated that, whilst the position became more certain as the year progressed, there was always the potential for further change before year end.

In discussion, the Chair and members raised a number of issues:

.01 *A lower than expected position with respect to Residences and Catering Fee income:* It was noted that this was largely due to the catering operation which had faced a number of challenges this year. As well as reduced overall student numbers, the Deputy Vice-Chancellor reported that the 'catered package' available to some students was proving unpopular and there was increased competition from other outlets available on campus. As an in-house service, Catering operated as a business but was not expected to be profit-making. Staff costs were relatively high however with many other institutions in the sector choosing to make savings in this area by outsourcing provision. Whilst this held some attractions, there were many intangible benefits in maintaining a committed in-house workforce which operated on the front line of service to students. The position was being

closely monitored and it had been agreed to undertake some market testing.

A member observed that it would be helpful to see the Residences and Catering line split out in future in order to gain a clearer picture of the position.

Action: Director of Finance

.02 *The impact of reduced student numbers on the local letting market:* A member sought more detail on the impact of reducing student numbers on local landlords and whether they would reduce prices to compete more effectively with University provision. The Deputy Vice-Chancellor observed that private providers were still very active although it was likely that some smaller investors would seek to return property to the standard residential market. The Vice-Chancellor indicated that checks against the electoral roll confirmed that this was the case. He also reported that, whilst University accommodation was generally taken up by first-year students, the smaller intake had allowed accommodation to be offered to second and third years. This had proved very popular with over 700 applications received on the first day this option was made available. For most, University accommodation remained the best value for money option in terms of price and the provision of facilities. The Director of Facilities Management suggested that the effect on the local market would impact most heavily on those offering the poorest and least competitive provision and it would be those offering a better service that remained viable.

.03 *The impact of reduced student numbers on staff costs:* The Chair queried whether reducing student numbers was impacting on staff costs given this was a critical cost area for the University and noting a 6% rise over the last two years. The Deputy Vice-Chancellor indicated that established posts were removed from areas where demand was falling as they became vacant or, in some cases, as a result of redundancy. This was accounted for in the budget. Equally, however, he stressed the need to continue to invest in areas of growth with the University re-structuring and re-sizing as necessary.

.04 *The reason for the increase in one-off ‘compliance’ costs:* The Deputy Vice-Chancellor indicated that this was related to expenditure in response to fire risk assessments which had highlighted some potential issues. As a health and safety matter, this was approved for immediate remedial action but these would not be recurring costs. The Chair asked whether comparative costs for Facilities Management (FM) services could be obtained and the Director of FM indicated that these were included in his annual report.

Discussion concluded and the Late Mid-year Reforecast was received.

RE.17.058 Higher Education Financial Statements Benchmarking 2016/17

Received: *Document RE/037/17*

The Deputy Vice-Chancellor introduced this benchmarking paper prepared by KPMG from 16/17 client audited accounts. The paper had been discussed at Audit Committee where the distinction between pre and post 92 universities had been queried in terms of its continued relevance. He drew attention to the following areas:

.01 *Operating surplus/deficit as % of total income:* This indicator showed Edge Hill to be the best performing University in the sector. Whilst noting that surpluses were always re-invested in enhancing provision for students, it was observed that being shown as an outlier carried some risk in relation to the current government emphasis on value for money;

.02 *Non-EU tuition fees as % of tuition fees and education contract income:* The Deputy Vice-Chancellor noted that the University's exposure on this indicator was low in comparison to the sector as a whole and that, whilst this had a benefit in terms of not being reliant on income from this source, it also highlighted an opportunity for some limited, planned expansion. The Vice-Chancellor noted that the Government's stance on student visas had been problematic but that the decision to lift restrictions on employment visas would be useful to the University in respect of its PG medical programmes;

.03 *Staff costs as a % of total income:* Whilst the University sat squarely on the average cost line on this indicator, the generally higher level of staff costs in the post 92 sector was interesting. The Vice-Chancellor reported that the University was in the bottom third for expenditure on administrative staff costs indicating that investment was targeted at the teaching and learning experience;

.04 *Average staff cost per employee:* In response to a question from the Chair as to why individual staff costs were comparatively high at Edge Hill and whether there was anything that could be learned from this, it was noted that results varied significantly across the sector. The Vice-Chancellor indicated that some of this was down to the size of institutions and the number of staff covered by national pay bargaining arrangements but he also pointed to the particular circumstances affecting Edge Hill with two professional faculties where staff with experience in practice were required which was necessarily reflected through higher salary levels;

.05 *Operating cash flow as % of total income:* The Deputy Vice-Chancellor highlighted the University's strong position in generating cash flow and he highlighted that, whilst surpluses would reduce in the coming years, the strong performance in terms of cash flow would be maintained;

.06 *Cash and short-term investments:* It was noted that this data was heavily skewed to certain institutions which benefited significantly from donations and bequests;

.07 *External borrowing as a % of total income:* The Deputy Vice-Chancellor indicated that, whilst the University showed as slightly above average on this indicator, this was related to borrowings taken out some years ago which had been necessary to kick-start the development of the campus. The position was improving year on year as these were paid down at the rate of £2 million per year.

The Higher Education Financial Statements Benchmarking report for 2016/17 was received.

RE.17.059 Financial Health of the Higher Education Sector: 2016/17 Financial Results

Received: *Document RE/038/17*

The Deputy Vice-Chancellor introduced this report which presented a view of the financial health of the sector from the (then) regulator (HEFCE) and was based on the five year figures submitted as part of the annual returns process. He noted the variation in performance across the sector but with more institutions now showing a deficit position. Whilst borrowing and capital investment were both higher than the previous year, it was noted that capital investment expenditure was less than forecast suggesting a slowing down in this area.

The costs associated with the Universities Superannuation Scheme (USS) were extremely challenging and, whilst this mainly affected pre 92 institutions, Edge Hill's exposure could increase as staff moved more freely between pre and post 92 institutions. In response to a member's question, it was noted that staff already enrolled in the USS scheme had the option to maintain their membership if they were appointed here but could also choose to move to the Teachers' Pension Scheme (TPS) which was the scheme offered to new starters in universities which had previously been under local authority control. As things stood at the moment, TPS offered better terms than USS. The Vice-Chancellor noted that there was another emerging issue with respect to pensions in terms of an increasing number of staff considering opting out of pension schemes altogether, especially where they had reached the Lifetime Allowance limit, and how the University should respond to this.

Turning to the University's performance against specific indicators, the Deputy Vice-Chancellor noted that these confirmed the University's financial strength although he highlighted that the net liquidity position would fall as expenditure on the Catalyst building fed through.

In response to a member's question as to whether there was a minimum liquidity position set by the regulator, it was noted that HEFCE had maintained a watching brief on institutions that reported a very weak position and would intervene if necessary to put in a recovery plan. Whilst OfS was not operating as a buffer for institutions in the same way as HEFCE, and there was much talk of institutions being allowed to fail, it was moot whether this would be allowed to happen given the impact on the reputation of UK higher education and, more importantly, on individual students. Nevertheless, it was noted that all institutions had been required to draw up Student Protection Plans to cover just such an occurrence. It was further noted that there could also be a negative impact on the sector's ability to borrow if there was a loss of confidence in the stability of institutions.

In response to a further question, it was noted that, whilst many staff from HEFCE had transferred to OfS, the culture was now geared to arm's length regulation rather than the development of supportive relationships. OfS would continue to provide sectoral reports such as this however which provided valuable benchmarking data.

The Vice-Chancellor noted that OfS had indicated a light touch oversight in general with attention focused on institutions reporting either a quality, a market or financial failure.

The HEFCE report on the Financial Health of the HE sector 2016/17 was received.

RE.17.060 Revised Financial Regulations

Received: Document RE/039/17

The Director of Finance introduced the revised regulations noting that they had been developed through wide consultation within the University and benchmarked against best practice. Overall, the regulations represented a less bureaucratic and more pragmatic approach, which had been well received, whilst still ensuring a strong level of central control. He indicated that, once approved, he would be taking the regulations out to budget holders and senior administrative staff to raise awareness. Key changes were outlined in the introductory paper. It was noted that the revised regulations had been discussed at Audit Committee but that final approval lay with Resources Committee.

The Chair queried the reason for the revisions and whether this was linked to the recent fraud case. The Director of Finance indicated that, whilst this formed part of the context, the regulations were due for a periodic quinquennial review in any event.

In response to a further question as to whether the requirement for Vice-Chancellor approval in many areas was excessive, the Director of Finance responded that the revised regulations represented a relaxation in this respect with more powers devolved to primary budget holders and himself as Director of Finance. Another member commented on the length of the document but it was noted that this was more concise than previous versions including hyperlinks to associated policies and procedures. The Director of Capital Projects confirmed that the revised regulations were both workable and helpful in terms of the guidance provided.

Responding to a member's question in terms of the most challenging aspect of financial regulation, the Director of Finance pointed to the procurement process and the need to ensure procedural transparency in this complex area. As an example, he highlighted the recent introduction of a formal tender waiver process incorporating approval of the necessary derogation from the regulations, for use where the number of suppliers was limited or continuity of supplier was essential.

Concluding discussion, **the Committee RESOLVED to approve the revised Financial Regulations.**

Action: Director of Finance

SECTION B ITEMS

RE.17.061 Edge Hill University and its subsidiaries: Operating Budget 2018/19

Received: *Document RE/040/17*

The Deputy Vice-Chancellor introduced the proposed budget for 2018/19. He drew attention to the series of meetings with primary budget holders which underpinned the preparation process noting that all meetings had been prefaced with an outline of the known challenges facing the University in 18/19 and 19/20. He emphasised the institutional effort reflected in the final paperwork and expressed his thanks to the finance team, and all those who had contributed, for their positive engagement.

Considering the key challenges for 18/19, the Deputy Vice-Chancellor highlighted the impact of reduced student intake numbers on fee income and the consequent need to maintain rigorous control of staff costs. Specifically, he underlined the following points in terms of income and expenditure assumptions:

.01 Income (reduction of £5 million from 17/18 budget)

- Reduced tuition fee income but set to reflect the high collection levels achieved in previous years;
- Reduced grant income from OfS reflecting known shifts in policy;
- Removal of NCTL funding in relation to Early Years Teacher Status (EYTS) provision;
- Reduced activity in other areas in the Faculty of Education such as Every Child Counts (ECC) provision;
- Increases in residential fees reflecting additional provision of on-site accommodation places.

.02 Expenditure (£1 million higher than 17/18 budget)

- Inclusion of anticipated pay award agreement;
- Full funding for all established posts;
- The disestablishment of posts in areas of reduced activity;
- Investment in new posts for areas of growth;
- Significant reductions in other operating expenses such as travel and other areas related to the reduction in the scale of activity in the Faculty of Education.

The budget included all approved capital spending and, as requested by governors last year, a breakdown of the contribution by Faculty was provided.

In terms of cash flow, an increase of £4 million was projected taking the final position to £40 million. It was noted that a minimum closing cash balance of £30 million was required to cover the fluctuations in SLC payments through the year.

Overall surplus was projected at £10 million although the sensitivity analysis indicated a higher level of risk associated with fee income and staff cost assumptions than in previous years.

In concluding, the Deputy Vice-Chancellor emphasised that, whilst challenging, the budget represented a realistic picture with a strong outturn given the current uncertainties.

In discussion, **members noted that, in future years, it would be helpful to have sight of at least three years data to provide more clarity in terms of trends over time**. The Deputy Vice-Chancellor indicated that the meeting would normally have had the five year forecast available alongside the budget but this had been delayed awaiting guidelines from OfS which had only just been released. The Vice-Chancellor indicated that overall surpluses were expected to fall to a low of around £3.5 million over a five year period but that the University would remain cash generative. It was hoped that the demographic upturn would then start to impact positively from 2022.

Action: Deputy Vice-Chancellor

The Chair summarised the position in terms of a shrinking surplus with revenue down against a background of rising costs. The squeeze on operational expenditure provided some relief but could not be expected to continue to deliver year on year. The biggest risk therefore lay in ensuring staff costs were controlled and both the Vice-Chancellor and Deputy Vice-Chancellor provided assurances in this respect noting the close monitoring of all staff vacancies and the review of established posts in areas of reduced activity.

Noting the more challenging environment and consequent risks**, the Committee RESOLVED to recommend the budget for approval by the Board.**

Action: Chair/Deputy Vice-Chancellor

RE.17.062 Gender Pay Report

Received: Document RE/041/17

The Director of Human Resources introduced the report which was prepared to comply with new legislation requiring organisations with more than 250 employees to publish specific information relating to their gender pay gap. She explained that the gender pay gap, as outlined in the legislation, was the difference between the average earnings of men and women, expressed relative to men's earnings. The figures, based on a snapshot date of 31 March 2017, had been compiled using the methodologies set out in the regulations and with reference to ACAS guidelines.

It was noted that the mean gender pay gap for the University was 7.5% which compared well with the rest of the sector but indicated there was still work to do. In response to a member's question, the Director of Human Resources highlighted that the gender pay gap was not related to 'equal pay' and she emphasised that the University had no issues in this respect with male and female employees paid the same for work of equal value. She explained that a major contributing factor to the gender pay gap was the disproportionately high number of female staff employed in lower paid jobs within campus services. The Vice-Chancellor highlighted that, in contrast, postholders on the management scale were also predominantly female.

In terms of tackling the issues raised in the report, the Director of Human Resources reported that the University was represented on the national group established to share best practice and was actively involved in the Athena Swan programme. It had been agreed to promote flexible working options at all levels and scenario testing was being undertaken in relation to specific aspects such as casual staff pay to ascertain how this affected the position. She also noted that a full-time post had been identified in a revised structure for the Service which would focus on equality issues.

The committee noted and received the Gender Pay Gap report.

RE.17.063 Facilities Management Annual Report

Received: *Document RE/042/17*

The Director of Facilities Management introduced his report which encompassed the highlights from each of the different departments of this large and complex Service. He drew attention to recent activity which was having a major impact on the Service and its mode of operation in relating to students in particular:

- *Introduction of the new Computer Aided Facilities Management (CAFM) system:* It was noted that this system was due to go live in September 2018 and marked a step change in the provision of a mobile, digitally enabled customer interface with FM services whilst the asset database would provide for more effective management of the estate in terms of compliance and more generally. Commissioning the system represented a significant investment by the University and careful planning had been employed to ensure maximum advantage was derived. For example, staff and students would be able to download the app to their mobile phones and report faults in real time enhancing the 24/7 vision for the Service.

  In response to a member's question as to how this would impact on the Service's capacity to respond, the Director of Facilities Management indicated that whilst no increase in demand was anticipated, the system would provide a more effective and speedy means to log issues so they could be scheduled and dealt with in a more timely manner.

- *Building safety:* The Grenfell Tower tragedy had sharpened the focus on building safety with a full review of policies and procedures as well as visual inspections. The Director of Facilities Management reported that he could confirm the University estate was fully compliant with statutory legislation.

- *Value for Money:* Attention was drawn to the ongoing work in relation to achieving value for money with a particular focus on getting the best from the supply chain through the procurement process. It was noted that, whilst the Service appeared to have an overspend, a number of projects had been approved post budget and a consistent cost per student full-time equivalent had been maintained.

- *Property maintenance:* Whilst the condition of the majority of buildings within the current estate was generally at the highest grade, reflecting the extensive new build development programme, it would be necessary to ensure an appropriate transfer of budget from capital spend to maintenance over time in order that this quality was preserved.

Concluding his remarks, the Director of Facilities Management noted the important role played by frontline FM staff in directly supporting students and highlighted the excellent profile and reputation of the Service within the sector. He stressed the importance of the development of a positive, customer-facing culture and the high levels of staff engagement that contributed to the Service's success.

In discussion, members raised a number of queries:

- *Top risks:* In response to a member's question in relation to the top risks faced by the Service, the Director of Facilities Management noted these were identified in the report but he highlighted issues around car-parking which remained challenging and could create a difficult customer interface, Fleet management and the recruitment of key technical staff.

- *The approach to energy sustainability and the use of solar power:* It was noted that this was incorporated within new-build design and that any additional energy generated was used to provide power to proximate buildings.

- *The reasons for the high level of housekeeping vacancies:* It was noted that this was a particular challenge in relation to this type of work with a high turnover of staff. The figures were in line with expected norms.

Bringing discussion to a close, members thanked the Director of Facilities Management for his report and the insight provided.

The Deputy Vice-Chancellor reported that the Director of Facilities Management would be leaving the University to take up a post elsewhere. Members recorded their thanks for his service over many years and wished him well in his new appointment.

RE.17.064 Capital projects Update

Received: *Document RE/042/17*

The Director of Capital Projects introduced the update noting progress on current projects:

.01 *Catalyst Building*: Work on the Catalyst building was nearing completion with staff expected to transfer over in the next week. Initial feedback had been very positive. He indicated that he anticipated a £200,000 saving in terms of the overall budget without any compromise on quality in addition to the transfer of £350,000 to the Phase13 residences budget to support external landscaping and the costs associated with the shared plant room to be located in the residential build.

.02 *Phase 13 Residential:* It was noted that despite some delays in order to minimise noise disruption for students in the run up to exams, completion was still expected to meet the September deadline for the start of the new academic year. The Director of Capital Projects reported that the design had been amended to include an adapted suite for a disabled student and their carer and he also noted the incorporation of a basement plant room which would accommodate plant serving Phases 10, 11,12 and 13 as well as Forest Court and the Catalyst building.

.03 *LRC Refurbishment:* It was reported that the initial design proposals had been amended following a tender process which indicated the original proposal could not be completed within the budget envelope. Following a further competitive tender process, J Turner had been appointed as the main contractor. The programme was challenging in terms of timescales but completion was anticipated for mid-September.

.04 *SIC and Psychology Refurbishment:* work on these two smaller projects would commence once appropriate staff relocations had been effected.

In response to a member's question concerning the nature of the construction contracts used, it was noted that a Design and Build arrangement would not have been suitable for the Catalyst building where tight control of costs was essential. This had therefore been awarded on a Guaranteed Maximum Price basis whereas the Phase 13 residential project, which followed a known and tested design model, had been awarded on a Design and Build contract which also allowed for VAT savings on consultant's fees.

Noting the importance of the public realm external works in relation to the overall look and feel of the campus, a member suggested some attention be given to the temporary car park facility and that additional signage be considered to better advise members of the public as to the accessibility of the campus.

The Capital Projects Update was received.

RE.17.065 Students' Union Budget 2018/19
(Discussion taken earlier in the meeting)

Received: Document RE/044/17

The General Manager of the Students' Union introduced the 2018/19 budget which was presented for information. Noting the fall in the University's projected income, he highlighted the corresponding reduction in the Union block grant which was calculated as a percentage of University income. The Union was nevertheless projecting a small surplus.

In reviewing the previous year's performance, the General Manager acknowledged there had been major challenges around the Union's commercial activities especially as these related to the operation of the bar and catering provision. The new structure introduced to manage these aspects had not proved successful and a further review had been necessary to remove some staff costs and ensure tighter central control which was reflected in the budget. Given a more competitive environment for student spend both on and off campus, a view would need to be taken as to the long term future of commercial activities that were not profitable. It was noted however that the Subway franchise had proved very popular and a move towards sub-letting might offer an alternative model for certain types of commercial activity although this itself presented some difficulties given the uncertainty created through the likelihood of the future redevelopment of the current site for Students' Union facilities.

The cost of running Student Sport had also proved problematic since being transferred to the Union and the General Manager thanked the University for agreeing to transfer this activity back to Edge Hill Sport for a five year period. The transfer was on the basis of an agreed Strategic Plan and would ensure the necessary co-ordination between departments where there were competing interests.

Despite the challenges faced during 2016/17, the General Manager reported that the Union had continued to offer a range of important support services to students covering Advice, Representation, Societies and Marketing and it was reported that these areas would be protected through a stronger alignment with the block grant allocation.

In response to a member's question concerning the purpose of the Union's commercial activities, the General Manager indicated that these were geared to providing more choice and developing a strong relationship between students and their Union.

It was noted that the budget was due to be presented to the Union's Board of Trustees for approval.

RE.17.066 Employment Issues

01. The Deputy Vice-Chancellor reported that there were two Employment Tribunal cases which the University was defending.

02. It was noted that the current recognition agreement with UCU was due for renewal and would be subject to renegotiation.

The report on Employment Issues was received.

RE.17.067 Any Other Business

There was no other business.

SECTION C ITEMS

RE.17.068 Date and Time of next Meeting

The next meeting is provisionally scheduled for 15 October 2018.

RE.17.069 Minutes of the Health, Safety and Environment Committee dated 7 February 2018

Received: *Document RE/045/17*

The minutes were received.