

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Minutes of the meeting held on 15 October 2018

Present

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

Officers in attendance

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

In attendance (for presentation of Students' Union Accounts)

Joe Bradford	President of the Students' Union
Paul Malone	Students' Union General Manager

Observers

George Talbot	Staff representative (Academic Board nominee)
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Apologies

Julian Bucknall	Independent member
Fin McNicol	Independent member
Tony Rankin	Independent member

RE.18.001 Declarations of Interest

There were no Declarations of Interest.

RE.18.002 Chair's Announcements

There were no announcements.

RE.18.003 Chair's Action

There was no Chair's Action to report.

RE.18.004 Minutes of the previous meeting

Received: Document RE/001/18

The Chair reminded members of the key points from the last meeting which were relevant to the consideration of papers for this meeting highlighting in particular:

.01 Treasury Management (RE.17.056)

The fluctuations in cash available for investment given the SLC payment profile and the need to consider the position over the whole year to appreciate investment decisions taken;

.02 Late Mid-Year Reforecast (RE.17.057)

- Lower income from catering services in part reflecting increased competition and decreased take-up of the catered package. It was noted that, whilst some institutions had moved to outsourced provision, the maintenance of an in-house facility had been endorsed at the last meeting in recognition of the benefits derived from the increased focus on customer service accruing from the direct employment of frontline staff. Nevertheless, the Deputy Vice-Chancellor confirmed that some market testing would be conducted during 2018/19 to ensure value for money. He also confirmed that future reports would show separate lines for residences and catering;
- Increases in staff costs against a backdrop of lower student numbers which was acknowledged in the end of year accounts and other reports. The impact of this in terms of the likely future size and shape of the University had been agreed at previous Board meetings with quality placed above quantity as the driver for recruitment. This was reflected in the anticipated reduction in income and overall surplus for 2018/19 although this remained healthy. *[Clerk's note: initial indications suggest*

2018 enrolments have been largely maintained at 2017 levels].
The Deputy Vice-Chancellor indicated that the cost base was being carefully managed.

- The need/Chair's request for the regular financial reports received by the committee to show three year figures in order to better understand trends. The Deputy Vice-Chancellor re-confirmed these would be incorporated in future reports.

Noting these areas of discussion, the minutes of the meeting held on 18 June 2018 were agreed and signed by the Chair as a correct record.

RE.18.005 Action Log

Received: Document RE/002/18

The Action Log for the year was received noting all items as complete or in progress.

RE.18.006 Matters Arising

There were no matters arising that were not included elsewhere on the agenda.

SECTION A ITEMS

RE.18.007 Students' Union Financial Statements to 31 July 2018

(Clerk's Note: This item was notified after agenda preparation but was agreed for inclusion at this meeting and the document circulated with main papers)

Received: Document RE/000/18

The Chair welcomed the presentation of the accounts and particularly commended the accompanying report which outlined the success of the wide range of important services and initiatives offered and sponsored by the Students' Union such as the Advice Centre, the increased number of Societies and involvement with academic representation activities. Whilst noting that these were signed accounts which could not be modified, he indicated that, in his view, the narrative to the financial section of the report should have provided

a much more detailed analysis of the difficulties clearly faced by the Union given the significant deficit (£114.5k deficit on £1.72m turnover) reported in the accounts, and what steps were now being taken to ensure that this outcome was not repeated in the year ahead. He invited representatives to respond to this in their report to the meeting.

The General Manager of the Students' Union indicated that the accounts had been prepared on an early timescale and he thanked members for taking the presentation at this meeting. He indicated that the accompanying report had been prepared in a new format to promote better communication with a wide group of stakeholders. He further noted that the accounts would be submitted to the Union's Board of Trustees on 29 October.

Noting that, in many respects, this had been a successful year for the Students' Union, the General Manager acknowledged that 2017/18 had been a disappointing year financially due largely to additional staff costs and the poor performance of some commercial activities, in particular, the operation of bar food which had been specifically affected by the new *Subway* facility (which, although profitable, had itself involved significant set-up costs). In terms of staff costs, a review had been undertaken to better align posts to the optimal size and shape of the organisation and a small number of redundancies had subsequently been agreed. The General Manager would now be directly responsible for the Union's various strands of activity. In addition, it had been agreed to withdraw the bar food facility in recognition of changing student demand and to install some microwaves in the bar area which would supplement the *Subway* facility. It was noted that these actions had been agreed by the Board of Trustees and that a revised budget incorporating all the changes was also to be presented to the meeting on 29 October.

In discussion, members raised a number of questions:

- .01 *The impact on student facing services such as the Advice Centre:* The General Manager confirmed that these were protected and would continue to run as normal;
- .02 *The expertise available on the Board of Trustees to advise the Union:* The General Manager confirmed that the membership incorporated a wide range of experience;
- .03 *Anticipated performance on the basis of the revised budget:* The General Manager confirmed that this was set to produce a profit

for the coming financial year and that the first month's figures were ahead of the budget.

Noting the Board of Trustees responsibilities for the financial and strategic oversight of the Students' Union, members nevertheless sought some further assurance of the position given the deficit reports for the last two years. **It was therefore agreed that the next meeting should receive a copy of the revised budget approved by the Board of Trustees and confirmation from the Board that sufficient controls were in place to address the issues identified whilst supporting delivery of the Students' Union's key functions.**

Action: Students' Union General Manager

The EHSU Financial Statements to 31 July 2018 were received.

RE.18.008 UCU Recognition Agreement

Received: Document RE/003/18

The Deputy Vice-Chancellor introduced the agreement which recognised the Universities and Colleges Union (UCU) as the sole bargaining agent at the University for academic staff on the nationally negotiated pay spine. He noted that this was a voluntary arrangement on the part of the University as the proportion of eligible staff in membership of the Union was not high enough to require a statutory agreement but it represented good practice and was useful in terms of promoting staff engagement. The agreement had been endorsed by UCU and the scope had not altered from previous iterations.

In response to a query from the Chair, it was noted that reference to *redundancy avoidance* was standard in agreements of this nature and it was an accepted principle to be considered in the first instance when a redundancy situation was likely.

It was RESOLVED to approve the local recognition agreement between the University and the University and College Union.

Action: Deputy Vice-Chancellor

RE.18.009 Treasury Management Update

Received: Document RE/004/18

The Director of Finance introduced the report noting a decrease in the weighted average return from 0.75% to 0.69% for the period April to July 2018, largely driven by the level of cash balances held in the sweep account which fluctuated in line with SLC payments. He also noted an increase in the interest rate on the sweep account from 0.1% to 0.35% with a further rise to 0.6% anticipated following a further increase in the Bank of England base rate. Interest rates remained at historically low levels however. It was noted that the decision to give notice to withdraw £7.95 million from the Close Bros account had been a prudent step to ensure sufficient cash availability for University operations but it was unlikely this would need to be actioned.

The Chair noted that the University had set a minimum requirement of £30 million to be available as cash at any one time in order to cover operating expenses and he sought clarification as to how this was managed and the level of forward planning for investment. The Director of Finance indicated that the major impacts on cash arose from the fluctuations in SLC payments and the amount needed to for capital project payments. He reported that there was a rolling monitoring programme to identify any likely issues. The Deputy Vice-Chancellor indicated that forward planning was evidenced in the management accounts which projected cash balances on a monthly basis over the year based on budget assumptions. Noting a member's observation, it was confirmed that no new fixed rate investments had been agreed beyond May 2019. **The Chair indicated that he felt it would be useful for Treasury Management reports to project the University's cash position two quarters forward and asked the Director of Finance to consider this.**

To note: Director of Finance

With respect to the structural reform requirements on all banks, the Director of Finance indicated that the approach taken by Barclays, the University's bankers, had been to create two separate banks with one for clients with a turnover of more than £6.5 million (Barclays Bank PLC [BBPLC]) and one for retail and smaller banking activities (Barclays Bank UK PLC [BBUKPLC]). The University had initially had some concerns that BBPLC represented a riskier venture but a recent legal case had highlighted that there were risks attributable to each bank and whilst they were different, they were not necessarily greater.

The Treasury Management update report was received.

SECTION B ITEMS

RE.18.010 Committee Effectiveness Evaluation

Received: Document RE/005/18

The Clerk introduced this item which brought together information on the operation of the committee over the previous year. It was noted that attendance levels had been generally high with a stable membership. A review of business conducted confirmed that this had been in line with the committee's Terms of Reference which had been subject to minor amendment as part of the major review of all committee Terms of Reference carried out earlier in the year. In terms of challenge, the committee's deep dive into the tendering process was highlighted. The Chair suggested that the review of business could have better reflected the level of scrutiny given to financial matters and the links made with other areas reporting to the committee.

With respect to **membership**, it was noted that the committee would be **losing two experienced members** who would be completing Board membership at the end of November and it was felt that **priorities for expertise in the next recruitment round should reflect experience in finance and/or property**. It was further noted that this might also be addressed through the transfer members between committees or through the potential to co-opt and **the Clerk agreed to raise the issue through the Governance and Nominations Committee**.

Action: Clerk

RE.18.011 HR Annual Report

Received: Document RE/006/18

The Director of Human Resources gave a detailed presentation of the report drawing attention to the following points:

- .01 An increase in the number of **establishment staff** (+93). The Chair pointed to the number of reports identifying the increasing pressure that there had been on staffing costs and queried the increase in establishment numbers. The Deputy Vice-Chancellor

responded that further growth was not anticipated and that strong control measures were in place for the approval of advertised vacancies. There had also been an increase in the number of **casual staff** employed which, whilst not a cause for concern, merited some further investigation;

- .02 An upward trajectory in terms of the employment of **disabled staff** which was now above sector norms and **BME staff** where there was still work to do;
- .03 A generally healthy turnover rate although the **voluntary turnover** rate was above the sector average and seemed inconsistent with other findings. It was surmised that this could be due to the inclusion of Graduate Teaching Assistants (GTAs) who were employed on limited term contracts and **it was suggested that the figures should be re-worked with GTAs stripped out.**

Action: Director of Human Resources

- .04 There was a good rate of **progression** through grades from amongst those staff who applied but there was some indication that more work was needed to ensure academic staff in particular were aware of the progression process and, especially at grade 10, the potential to apply for posts as Reader or Senior Fellow. Noting that a high proportion of staff were at the top of their pay grades, a member observed that maintaining productivity could be an issue and/or reflect lack of ambition. The Director of Human Resources indicated that, in addition to performance management processes, there was a need to ensure motivators other than pay were in place so that staff contribution could be appropriately recognised and rewarded;
- .05 The participation rate for **performance review** had increased and the scheme was due to be relaunched in 18/19 with an emphasis on the quality of the conversation between employees and their line manager. Members observed that, whilst an improvement in participation was welcome (and it was noted that there were specific reasons for non-participation in some instances (eg maternity leave), the University should be looking at participation close to 100%.
- .06 Engagement with **training and development** opportunities in general was high in comparison with the sector average although attendance rates on the core in-house programme were a little

disappointing. Improvements were being implemented to boost participation;

- .07 **Sickness absence** rates had increased and were ahead of the sector average although it was noted that the comparative data for this indicator lagged by two years. Long term absence was a particular issue and this was being proactively addressed through Occupational Health and HR. In line with the national picture, mental health issues were reported as a significant cause of absence and increasing staff resilience would be a strategic focus over the next twelve months with work being integrated with Student Services where there was a similar focus on student mental health. In response to a question from the Chair concerning the nature of absence monitoring, it was noted that absence rates were being flagged to managers at an earlier stage and that the introduction of the data tool *Tableau* would provide more immediate dashboard information whilst highlighting any 'hotspot' areas for investigation;
- .08 The latest **staff survey** data showed staff satisfaction levels well above sector norms and in line with the 2014 results although dipping slightly from previous highs in 2015 and 2016. Information from the survey would feed into the current review of the People Strategy and inform Faculty and Departmental Action Plans.

Concluding her presentation, the Director of Human Resources drew attention to the recent benchmarked **HR Service review** which had resulted in cost neutral proposals to restructure the service to a less centralised model with more use of technology and an increase in support roles.

Referring to the importance of **staff well-being** in general, a member suggested that achieving parity of esteem between mental and physical health was key. She also noted that good physical health could make a valuable contribution to the prevention of mental health issues with excellent examples of linked programmes available in NHS Trusts.

For note: Director of HR

The Chair suggested that it would be useful to look at 'hotspots' across a range of indicators to identify if there were any patterns across particular areas of the University.

For note: Director of HR

Concluding discussion members welcomed the report and the inclusion of comprehensive benchmarking data as had been requested following the previous year's report.

The HR Annual Report was received.

RE.18.012 Review of HR Policies and Procedures: Outline timetable

Received: Document RE/007/18

The Director of Human Resources drew attention to the work of the HR Policy Review group and noted the policies identified for review this year.

In receiving the document, **it was agreed that it would be helpful to have a full list of policies with associated review dates for information.**

Action: Director of HR

RE.18.013 2018 Financial Statements

Received: Document RE/008/18

The Director of Finance introduced the Statements highlighting a surplus for the year of £16.837 million which, whilst lower than the previous year, was ahead of the budget projection. The surplus shown in the accounts was higher due to the impact of actuarial pension adjustments but this was noted as a non-cash movement. The liability for long term loan repayments continued to decrease with debt being paid down at the rate of £2 million per annum. Noting the slight reduction in income, he drew attention to the increase in expenditure which was largely driven by rising staff costs which exerted a continuing pressure – a matter already noted by members. Non staff costs had been tightly controlled to reduce expenditure with a number of significant one-off savings but he noted that this position could not be replicated year on year.

The Deputy Vice-Chancellor indicated that the close-down meeting had been delayed this year with some late clarifications in relation to the OfS Accounts Direction (see below). In terms of the cash position, he noted that this remained strong despite the significant call on funds to complete the major build programme which was entirely financed through cash generated from University activities.

In further discussion, the following points were noted:

- .01 Attention was drawn to the new OfS disclosure requirement in relation to the **Vice-Chancellor's remuneration** which required the publication of pay ratios. It was noted that the methodology used for this had been the subject of much discussion between the sector and OfS with queries still being made in early October. The Accounts Direction published in June required two pay ratios to be disclosed in terms of basic salary and total remuneration. In both cases, the Vice-Chancellor's salary was to be shown against the median for all staff including atypical and agency staff. Very late in the day, OfS had recognised that accessing this information was not straightforward and had agreed that the ratios could be published on a comply or explain basis allowing those unable to access all the necessary information to exclude atypical and agency staff from the calculations with a note to this effect in the accounts. Accurate comparisons between institutions was therefore unlikely to be possible. Considering the position at Edge Hill, the required pay ratios were compliant with the OfS direction and it had also been agreed to disclose a further, and arguably more meaningful, ratio shown as a multiple of the average University salary;
- .02 New disclosures on **Trade Union facilities** had also been incorporated;
- .03 Attention was drawn to the broader statement of objectives included against **Edge Hill Maintenance Services** as a linked charity noting that this addressed an observation in the HAR report;
- .04 At the request of the Chair of the Board, the Deputy Vice-Chancellor provided an oral update on the current position with respect to **pensions** given the likely increases in contribution rates and the potential impact on operating costs. He indicated that the University participated in three main pension schemes. The majority of academic staff were enrolled in the Teachers

Pension Scheme (TPS) which was an unfunded, statutory defined benefit scheme. The current employer contribution rate for this scheme was 16.4%. Based on an actuarial assessment, there was a significant deficit and increased contributions in the future were likely in order to address this.

Support staff were enrolled in the Local Government Pension Scheme (LGPS) which was a funded defined benefit scheme. The employer contribution rate for this scheme was 14.3% but an annual charge was also made based on an assessment of the University's share of the deficit in the scheme. Last year this amounted to £788,000.

In addition to TPS and LGPS, the University also participated in the Universities Superannuation Scheme (USS) which was offered as the main scheme in older universities. Staff appointed from these universities to Edge Hill were supported to maintain their membership and represented a small, but growing, number of staff. USS is a private sector defined benefit scheme where all the risk is held by participating members. The current employer contribution rate for this scheme was 18%. Based on an actuarial assessment, the scheme had a significant deficit and proposals were made last year to address this which would have increased contribution rates but reduced the benefits available on member retirement.

A dispute concerning the proposals had led to strike action last year in the main member institutions following which agreement was reached to undertake a further actuarial assessment and it was noted that the report from the Joint Expert Panel (JEP) had recently been released. The conclusions of the report suggested a downgrading of the previous actuarial assessment but also recommended an increased employer contribution rate and the acceptance of a higher level of risk by employers in order to maintain current benefits. The JEP recommendations were currently out for consultation with employers and UCU. Further reports would be made to the Board as necessary. Members thanked the Deputy Vice-Chancellor for the update.

Concluding discussion, the Chair noted a missing figure in the leading KPI report.

The Deputy Vice-Chancellor and the Chair recorded their thanks to the Director of Finance and the finance team in bringing together the accounts in good order within a short timeframe.

The 2018 Financial Statements were recommended to the Board for approval.

Action: Chair/Deputy Vice-Chancellor

RE.18.014 Draft Auditor's Letter of Representation

Received: Document RE/009/18

The Director of Finance introduced the Letter of Representation which followed a specified template format. He drew attention to the final section concerning the statements on the valuation and carrying value in the balance sheet of the Woodlands campus and the additional staff disclosures required by OfS.

The Auditor's Letter of representation was received noting that detailed discussion would be undertaken at Audit Committee.

RE.18.015 KPMG External Audit 2017/18 and Management Letter July 2018

Received: Document RE/010/18

The Highlights Memorandum and Management Letter were received noting that detailed discussion of this item was scheduled for the next Audit Committee.

Attention was drawn to the work outstanding and the Deputy Vice-Chancellor noted that the audit of tuition fee income had been undertaken by KPMG using a new electronic process which had required the transfer of personal data. This had raised some challenging issues in terms of data protection and had significantly increased the time taken to complete the activity. In response to a member's question, he indicated that the exercise carried out by KPMG had matched every single tuition fee payment and, with the final queries now resolved, had found no errors. Other outstanding work was of a technical nature and would be updated in the report to the Board of Governors in November.

In relation to the comment relating to the increase in staff expenditure for the year reported by KPMG (+£3.9m), the Deputy Vice-Chancellor

highlighted and that there was a necessary lag in the disestablishment of posts from areas of reduced activity in order to secure the student experience.

RE.18.016 Going Concern Statement (ASSUR)

Received: Document RE/011/18

The Deputy Vice-Chancellor introduced the statement which provided information on institutional sustainability through a series of organisational KPIs covering both financial and non-financial aspects of the business. He noted that, whilst application rates to the University had fallen, the conversion rate had remained stable.

The committee recommended the statement to the Board for submission to OfS.

Action: Deputy Vice-Chancellor

RE.18.017 2018 Annual Accountability Return

Received: Document RE/012/18

The return was received noting that the final format was still to be confirmed by OfS and that full discussion would be undertaken at the next Board meeting.

RE.18.018 Capital Projects Update

(Discussion taken earlier in the meeting)

Received: Document RE/013/18

The Director of Capital Projects introduced his report highlighting the following points in relation to individual projects:

.01 Catalyst Building

This flagship building which accommodated the Library, Student Services and Careers had been completed to time and under budget. It was noted that an interior design company had been used for the first time in connection with the fit-out and, whilst this had not been without challenge, it was felt that the benefits outweighed any disadvantages. The quality of the build was high and overall feedback was very positive. It was noted that this

project would be subject to a post-implementation review to identify any learning points.

In response to a member's question, the Vice-Chancellor confirmed that provision for gender neutral toilets had been made on the ground floor of the building and that similar provision would be considered for future new facilities.

.02 Public Realm External Works

This work had been completed within budget in very short time prior to Welcome Sunday. Members acknowledged the high standard achieved.

.03 Phase 13 Residences

Whilst following a well tested model, this project had proved particularly challenging for a number of reasons. The project had been subject to delays and pauses to accommodate examination periods and these had proved particularly challenging for the contractor in terms of maintaining staff availability. In addition, new requirements in relation to the basement heating and the provision of an adapted suite had been agreed fairly late into the work. As a result, whilst delivery had been made in time for student arrivals, the quality of completion had not been to the usual standard and there had been a number of snagging issues. The Director of Capital Projects indicated that these were now largely resolved and he confirmed that the project was within budget.

In response to a member's question as to the general level of provision for adapted accommodation, the Vice-Chancellor confirmed that this was determined in relation to the total number of bed-spaces available. Final confirmation of acceptance of a place was often not made until late summer however leaving little time to address particular individual needs.

.04 Old Library Refurbishment

This project provided for the refurbishment of the old Library building to better accommodate the expanding needs of the departments of Psychology and Law and Criminology. It was noted that the initial timescale for the project had always been extremely ambitious and it was reported that it had not been

possible to achieve handover in time for the start of term. Good progress had been made however and completion was expected in the next few days. This later completion would have minimal impact on the University as the staff concerned were already operating on campus. It was anticipated that moves would take place in November during Reading Week. The Deputy Vice-Chancellor noted that care would be taken in relation to any timetable changes for students once the building was occupied in order to ensure there was no confusion.

The Director of Capital Projects indicated that feedback on the external face of the building had been very positive. He reported that this project was likely to overspend but that this would be covered by underspends elsewhere.

.05 Other work

The Director of Capital Projects drew attention to ongoing works to refurbish the Student Information Centre which would now house Student Recruitment, Academic Registry and Admissions, refurbishment of the old Psychology building to accommodate staff from the Faculty of Education who were currently disparately located and work on the old swimming pool which was being converted to provide a dance studio for the Performing Arts department. Completion of these works would allow work to commence on the provision of a Crime Scene house to support forensics work and the conversion of the LINC building to accommodate the Medical School.

.06 Budget

Whilst some overspend had been noted in relation to the Old Library refurbishment, it was expected that this would be offset by underspends elsewhere with the combined budgets achieving an overall underspend between £200,000 to £300,000.

In response to a member's question in relation to contingency planning within budgets, it was noted that this was included in every project and did allow for some flexibility but that, from time to time, hard decisions had to be taken in terms of what could be accommodated. The Deputy Vice-Chancellor indicated that, within reasonable margins, small overspends could be justified in order to maintain a high quality delivery.

The Chair sought clarification as to whether running several projects through a single contractor had exacerbated some of the challenges identified but it was noted that the major issue relating to the availability of sufficient qualified staff would have been an issue even if a variety of firms had been used given the current particularly competitive labour market. Nevertheless, there were lessons to be learned from the difficulties experienced meeting delivery timescales on multiple concurrent projects.

In receiving the Update, members thanked the Director of Capital Projects for his report and commended the outcomes achieved.

In relation to other capital works matters, the Vice-Chancellor reported on two further projects:

.01 Refurbishment of student bedrooms in the Main Building

It was noted that a proposal would be brought to the next meeting for the refurbishment of the student bedrooms, including the provision of en-suite facilities, on the top floor of the main building with costs being covered through increased rents. The refurbishment would also include some structural updating.

.02 Wrightington Hospital Collaboration

The Vice-Chancellor updated members on progress with the proposed collaboration with Wrightington Hospital to deliver a new Research and Education Centre. Whilst there was still considerable enthusiasm for this development, NHS funding routes were proving challenging. It was noted that discussions were ongoing with a view to finding alternative ways to source the necessary finance which could involve the University taking a bigger stake. The matter currently rested with Wrightington to make a further proposal which would be reported to the Board.

RE.18.019 Employment Issues

The Deputy Vice-Chancellor reported that there was one case ongoing through Tribunal.

The report on Employment Issues was received.

RE.18.020 Any Other Business

There was no other business.

SECTION C ITEMS

RE.18.021 Date and Time of next Meeting

The next meeting is scheduled for 11 February 2019.

RE.18.022 Minutes of the Teaching Staff Consultative and Negotiating Committee dated 26 June 2018

Received: Document RE/014/18

The minutes were received.

RE.18.023 Minutes of the Support Staff Consultative and Negotiation Committee dated 10 July 2018

Received: Document RE/015/18

The minutes were received.

RE.18.024 Minutes of the Health, Safety and Environment Committee dated 12 June 2018

Received: Document RE/016/18

The minutes were received.