

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Edge Hill
University

Minutes of the meeting held on 17 June 2019

Present

Graeme Collinge	Independent member	Committee Chair
Lesley Munro		Clerk to the Board
Julian Bucknall	Independent member	
John Cater	Ex-officio	Vice-Chancellor
Clive Edwards	Independent member	Chair of the Board
Fin McNicol	Independent member	

Officers in attendance

Carl Gibson	Director of Finance
Steve Igoe	Deputy Vice-Chancellor
Paul Malone	Students' Union General Manager
David Oldham	Director of Capital Projects

Observers

George Talbot	Staff governor	Academic Board nominee
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Apologies

Margaret Williams	Independent member
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RE.18.045 Declarations of Interest

There were no Declarations of Interest.

RE.18.046 Chair's Announcements

There were no announcements.

RE.18.047 Chair's Action

There was no Chair's Action to report.

RE.18.048 Minutes of the previous meeting

Received: Document RE/017/18

The Chair reminded members of the key points from the last meeting which had included an excellent report from the Director of Facilities Management. He also noted:

.01 Management Accounts (RE18.033)

In terms of expenditure, the underspend on staffing (largely related to gap savings) was matched by an approved overspend on repairs and maintenance;

.02 Capital Projects (RE.18.034)

Following the detailed discussion of the proposals at the last meeting, and at the request of the committee, some changes had been made to the documentation in order to recognise the strategic nature of the investment sought. With the amended paperwork, the proposals had been subsequently approved at the May Board meeting;

.03 Students' Union Budget (RE.18.035)

The revised Students' Union budget presented at the last meeting at the request of the committee had addressed the deficits from previous years and had been reported to the May Board meeting for information.

Noting these areas of discussion, the minutes of the meeting held on 11 February 2019 were agreed and signed by the Chair as a correct record.

RE.18.049 Action Log

Received: Document RE/031/18

The Action Log was received noting all items from the last meeting as complete or in progress. The Clerk drew attention to the request for 3

years of data to be included in budget documentation which was an outstanding action from 17/18 and the Deputy Vice-Chancellor noted this as an action for document preparation for the Board.

RE.18.050 Matters Arising

.01 HR Policies (RE18.040/042)

It was noted that consultation was still ongoing in relation to the review of a number of **HR policies** scheduled for consideration at this meeting. These **would now be brought for approval in the Autumn Term.**

Action: Director of Human Resources

SECTION A ITEMS

RE.18.051 Edge Hill University and its subsidiaries: Operating Budget 2019/20

Received: Document RE/032/18

The Deputy Vice-Chancellor introduced the budget noting the underpinning challenge process involving meetings with all spending Heads of Department and a requirement for all expenditure to be justified against evidenced activity. In terms of the national context, he drew attention to the financial challenges facing a growing number of institutions in the sector which contrasted with Edge Hill's current position with a strong anticipated outturn for 2018/19 and a robust cash flow position. He noted the new reporting format and the increased importance of the Adjusted Cashflow from Operations (ACFFO) figures as the most reliable indicator of financial performance. In terms of the detail, he highlighted the following points:

.01 Income

Growth in income of £2.2 million (largely tuition fees) was projected despite the exit of a large cohort of students. The projection was supported by:

- Evidenced higher conversion rates from a reduced applicant base leading to increased first year intake numbers;

- Strong indicators of improved retention rates (especially in Arts & Sciences);
- Increases in apprenticeship places (especially in Nursing);
- Strong recruitment to the Fasttrack programme.

.02 Expenditure

An overall increase of £5.6 million in expenditure largely based on rising staff costs and the need to increase spending on long term maintenance. The following elements were included in the projection:

- Increased pension costs across all schemes but especially aggressive in relation to the Teachers Pension Scheme (TPS) (+£1.9 million). It was noted that the government was underwriting the TPS increases for schools and colleges but not for higher education institutions;
- An allowance of 2.5% for the national pay award (negotiations ongoing) plus a further 0.8% to cover incremental drift;
- An increase of £4.6 million in other operating expenses with £3.3 million against long term maintenance, £0.5 million for utilities, £0.4 million against student educational visits and £0.3 million for the increasing costs of compliance.

In mitigating £3 million of the increased staff costs, the budget proposal recognised £1.2 million in gap savings and included divestment assumptions in relation to the changing nature of student demand. It was further noted that no new posts had been approved as part of the budget process and any in-year approvals would be subject to individual scrutiny and approval by the Vice-Chancellor.

.03 Cash Balances and Surplus

Cash balances were forecast to increase from £43.5 million to £47.4 million whilst the surplus was projected at £6.7 million reflecting a strong position in the face of a challenging environment.

Opening discussion, the Chair challenged whether the assumptions in relation to the savings from disinvestment in staff posts were realistic but these were robustly defended by management. Whilst acknowledging the challenge outlined in the budget, it was noted that

the University had been successfully operating on this basis for some time in response to the varying flows of student demand and changes in government policy (as demonstrated in the Faculty of Education). Investment in areas of growth would still be necessary but rightsizing to reflect the changing size and shape of the University was important and, whilst no specific programme was proposed, some staff reductions were to be expected throughout the year following confirmation of September 2019 enrolments. It was further noted that scrutiny would be applied to both academic and administrative areas.

The Chair further highlighted the inclusion of gap savings (£1.2 million) within the budget, marking a change of practice from previous years which had been based on provision for a full staffing establishment and provided something of a 'comfort blanket' in meeting any unexpected costs. Whilst this was acknowledged by management, it was noted that some gap savings should still be anticipated but that this better reflected the true position and provided a clearer monitoring basis.

In general discussion of staff costs, members indicated that the associated table at Appendix 2 was somewhat opaque and it was agreed that the change in the treatment of gap savings and the impact of staff rationalisation needed to be more clearly articulated.

Considering the increase in other operating costs, the Deputy Vice-Chancellor indicated that much of this related to expenditure on individual projects and that, whilst some of this could not be avoided, there were areas of flexibility which could be delayed if necessary. It was suggested that the areas and level of flexibility could be usefully fleshed out for Board members.

Turning to the sensitivity analysis, a member noted that, whilst this suggested a surplus even under the worst case scenario, this could easily be affected by a single incident (catastrophe or reputational). The Deputy Vice-Chancellor drew attention to the strength of the University's reserves at £44 million which would buy time in the event of such an occurrence.

In response to other comments and queries from members, the following points were also noted:

- The estimated increase of 440 FTE first year students was based on sound evidence of the significantly improved conversion rates;

- Potential investments in collaborative arrangements with the Health sector were accounted for;
- The reference to reduced entry requirements reflected a move to show these as a range rather than a specific score and did not indicate any loss of relative quality **(to be amended in final documentation)**;
- Managing the increases in utility costs was challenging but these were regularly reviewed to ensure they provided maximum value for money;
- There was a high level of staff engagement with, and understanding of, the budgeting process;
- Student numbers for the medical school programme (which attracted higher fees) were capped but were likely to rise in the future;
- The increase in funding for student visits related to support for activities that were advertised as essential aspects of course provision.

In more general discussion, it was noted that student demand and the University's portfolio was shifting towards more STEM provision which should ameliorate the Augar Review recommendations on lower tuition fees although there was no guarantee of a government top-up.

Concluding discussion, members noted that the 2019/20 budget proposal was one of significant challenge both in terms of income projections and expenditure control and therefore represented a higher level of risk than in previous years (a matter specifically raised by a member unable to attend the meeting). On the basis of the lengthy and detailed examination of assumptions however, **it was RESOLVED to recommend the 2019/20 operating budget to the Board for approval subject to the following amendments to the documentation in the form of a new summary/table covering:**

- 1. Recognition of the level of challenge and the higher level of risk;**
- 2. A clearer articulation of the change in the treatment of gap savings and the rationale for this;**
- 3. A clearer articulation of the staff costs analysis and the impact of staff rationalisation;**
- 4. Articulation of the areas of Board flexibility in relation to expenditure.**

Action: Deputy Vice-Chancellor

RE.18.052 Gender Pay Report

Received: Document RE/033/18

The Deputy Vice-Chancellor introduced the report highlighting an improvement in the median pay gap for establishment staff (19.9% - 12.5%) and a mean pay gap (9.8%) significantly below the national average (14.3%). It was noted that the gender pay gap indicated the difference in the average earnings between men and women. It was not related to pay equity (equal pay for work of equal value), a principle which was fully embraced by the University. Given that the University did not outsource major services such as catering and cleaning, the required report format created a particular challenge since most of the staff employed in these services, which attracted lower pay rates, were women. Whilst noting the improvement from the previous year, the University continued to take action to further improve gender equality with a commitment to the Athena Swan programme, the delivery of unconscious bias training to key staff and mandatory equality and diversity training for all staff.

In receiving the report, members commented on the **lack of comparative data** which made it difficult to get a sense of the progress made and **it was noted that this would be included in more detail in the Human Resources Annual Report.**

Action: Director of Human Resources

RE.18.053 Treasury Management Policy

Received: Document RE/034/18

The Director of Finance presented the policy which had been reviewed in line with the policy review schedule. He drew attention to the risk management approach to investment with a minimum credit rating required for suppliers. Performance reporting was undertaken on a quarterly basis against specified criteria.

In response to members' questions it was noted that Resources Committee received the latest quarterly report for consideration and that, whilst the minimum credit rating requirement for suppliers was high, this represented a slight relaxation from past rates.

The Treasury Management Policy was approved.

Action: Director of Finance

RE.18.034 Capital Projects Update

(Discussion taken earlier in the meeting)

Received: Document RE/035/18

The Director of Capital Projects introduced the report which provided an update on progress in relation current projects:

1. *Refurbishment of LINC Building for the Medical School*

This project was due to complete in September 2019 and enabling works had commenced in May. No Budget issues were anticipated. It was noted that it would not be possible to install a lift large enough to carry beds due to the constraints of the building and that some beds would therefore need to be permanently located on the top floor. Following a tender process, the appointment of Red Tree Contractors Ltd was recommended as the Principal Contractor.

2. *Main Building Accommodation Refurbishment Works*

This project was due to complete in September 2019 with work commencing 24 June when hall accommodation fell vacant for the summer. No budget issues were anticipated. Following a tender process, the appointment of OEP Building Services was recommended as the Principal Contractor.

In discussion, members raised the following points:

- *The need for Derogations from Financial Regulations*

A member observed that, in both cases, the low number of tenders received required a derogation from the financial regulations for the process to proceed (note: both signed off by the Chair of the Board) and it was queried whether the lack of valid tenders received might reflect the tight timescales involved. It was noted that a number of contractors had shown initial interest but had not gone on to submit a tender. The Director of Capital Projects indicated that restricting major works of this type to the summer period was necessary to minimise disruption to the University and, whilst challenging, the timescales were not impossible. He confirmed his confidence that the recommended contractors would be able to meet the University's deadlines although it was acknowledged that unforeseen issues within the buildings could emerge during the construction phase which could affect delivery times. The Deputy Vice-Chancellor pointed out that extended timescales tended to increase constructors' costs. It was noted that the main criterion in appointing contractors was value for money.

- *Budget*

Members observed that it was not always easy to marry the prices in the tender documents to the budget figures and that **some more detailed analysis would be helpful in terms of splitting out the nature of the contract and separately identifying items such as equipment.**

In relation to the main building refurbishment, the Chair also asked that more detail be provided in the Report that goes to Board on the split of the tender between new capital works (approved budget £3m) and refurbishment works (approved budget £2m). This will be important for budgeting the next phase of refurbishment works to the main building.

Action: Director of Capital Projects

It was noted that £2 million had been allocated to equipment for the Medical School project but that this was likely to reduce following negotiated discounts. The Vice-Chancellor further noted that the recently agreed relocation of the Institute of Radiology training facility to the top floor of the Medical School would generate rental income.

Noting the proposed design of the **refurbished residential rooms in the main building**, a member expressed an interest in viewing the show room which was now available and **it was agreed that a tour should be offered to all members prior to the next Board meeting.**

Action: Clerk

In response to a query from the Chair, the Director of Capital Projects confirmed that, whilst the proposed contractors were new to the University, they were known to professional services and both brought considerable experience.

Concluding discussion, the report was received with agreement to the appointment of Red Tree Contractors Ltd and OEP Building Services as the Principal Contractors for the works.

RE.18.055 Students' Union Operating Budget 2019/20

(Discussion taken earlier in the meeting)

Received: Document RE/036/18

The General Manager of the Students' Union introduced the 2019/20 budget noting that this was projecting a surplus and had been approved by the Board of Trustees. He indicated that the budget was built on a firm foundation with a good outturn anticipated for 2018/19. The focus of the budget was in the delivery of front-line services. In terms of the key points, he highlighted:

- A reduction in the Block Grant based on the calculation algorithm;
- The appointment of a new Student Advisor and a new Bar Supervisor;
- The requirement to tender for Audit services in 2020;
- The move to a risk-based approach with respect to the Reserves Policy with £80k ring fenced for Capital, Staffing and Staff Wellbeing expenditure;
- The incorporation of a Sensitivity Analysis.

The Deputy Vice-Chancellor indicated that the reduction in the Block Grant was affected by student enrolments and could increase again in the future.

In response to members' questions, it was reported that the main budget was built from departmental budgets prepared by spending Heads who had access both to training and historic data. These were then subject to challenge by the General Manager. It was noted however that in some areas, such as the bar, income projections encompassed a number of new events where there was no track record to rely on and there was therefore greater uncertainty. The General Manager indicated that he would be directly involved in budget monitoring to mitigate this.

With respect to the change in approach towards the Reserves Policy, the General Manager noted that, unlike most charities, the Union had a guaranteed source of income through the Block Grant which provided a lower risk environment allowing the commitment of additional monies to support front-line services.

The Students' Union Operating Budget 2019/20 was received.

RE.18.056 Employment Issues

The Deputy Vice-Chancellor reported that the University was currently negotiating with UCU with respect to proposed revisions to the Pay and Progression Policy and that he was due to meet with the regional representative in this regard. A number of appeals against redundancy were also in the process of being heard.

The verbal report on employment issues was received.

SECTION B ITEMS

RE.18.057 Treasury Management Update

Received: Document RE/037/18

The Director of Finance introduced the report noting a rise in the weighted average return from 1.01% to 1.02%, despite an increase in the amount of funds held in the sweep account to cover the variability of SLC payments. This was driven largely by the reinvestment of £4 million with Santander at a much higher rate of interest (0.85% to 1.35%). A further £8 million had been reinvested with Close Bros on a 12 month notice account.

The Treasury Management Update report was received.

RE.18.058 April 2019 Management Accounts: Late mid-year reforecast

Received: Document RE/038/18

The Director of Finance introduced the accounts noting a strong position with improved income projections and a significant underspend on staff costs which was related to gap savings. The level of prudence applied against staff costs during the budget setting process provided a buffer against increased costs.

In response to members' questions, it was noted that:

- The underspend against awards, grants and donations was largely attributable to a lower spend on student bursaries and scholarships with this money redirected to the Student Opportunity Fund. This reflected the decision to provide more on-course support to students as outlined in the Access and Participation Plan;

- The increase in consultancy fees was largely due to increasing compliance requirements. These were generally one-off costs.

The April 2019 Management Accounts were received.

RE.18.059 Higher Education Financial Statements: Benchmarking 2017/18

Received: Document RE/039/18

The Deputy Vice-Chancellor introduced this report from KPMG which had been compiled from their client base and provided useful benchmarking data. He highlighted the University's strong performance across a wide range of measures.

The HE Financial Statements Benchmarking report was received.

RESERVED ITEM

RE.18.060 Investment Proposal: Wrightington, Wigan and Leigh (WWL) NHS Foundation Trust

Received: Document RE/040/18

The Vice-Chancellor spoke to this item which related to the development of a Research and Education Centre at Wrightington hospital. A proposal for this project had been discussed previously but WWL had been unable to secure all of the necessary funding and it had therefore not been pursued. A new proposal from WWL had now emerged based on a three-way investment of £4 million per partner between WWL, EHU and Johnson and Johnson Medical with the initial outlay to be repaid on commercial terms over a ten year period at an attractive rate of interest. As in the previous proposal, the University would have the use of dedicated facilities at the Centre and would expect to secure additional student placements as part of the agreement.

It was noted that Wrightington hospital was an important University partner in the delivery of the MCh and other programmes and there was growing collaborative research activity. An extension of the partnership would also support the development of the Medical School.

Having regard to the potential benefits outlined, the Committee endorsed an indication of interest from the University and further engagement on the detail of the proposal. The Vice-Chancellor confirmed he would keep the Board informed of developments and bring a full proposal for approval at the appropriate time.

Action: Vice-Chancellor

RE.18.061 Any Other Business

There was no other business.

SECTION C ITEMS

RE.18.062 Date and Time of next Meeting

The next meeting is scheduled for 14 October 2019.

RE.18.063 Minutes of the Health, Safety and Environment Committee dated 16 May 2019

Received: Document RE/041/18

The minutes were received.