

BOARD OF GOVERNORS
RESOURCES COMMITTEE

Minutes of the meeting held on 14 October 2019

Present

Graeme Collinge	Independent member	Committee Chair
Helen Smallbone		Clerk to the Board
John Cater	Vice-Chancellor	
Clive Edwards	Independent member	Chair of the Board
Fin McNicol	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

Apologies

Julian Bucknall	Independent member
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RE.19.002 Declarations of Interest

There were no Declarations of Interest.

RE.19.003 Chair's Announcements

.01 Annual Accountability Return

The Chair advised members that the Office for Students had not yet published requirements for the Annual Accountability Return (AAR), which was due for submission in December, and is ordinarily considered by the Resources Committee in October. Given the circumstances and timescales, the AAR will instead be considered by the full Board in November.

.02 Standing Orders

The Chair drew members' attention to the Board's revised Standing Orders which had been approved earlier in the year for implementation in September 2019. He noted the updated guidance would mean that the introduction of papers should be limited to two minutes so that members can swiftly focus on debating key issues. He recognised however that some substantial items, such as the Financial Statements, would require a longer introduction and advised speakers to adopt a proportionate approach to implementing the guidelines.

RE.19.004 Chair's Action

There was no Chair's Action to report.

RE.19.005 Minutes of the previous meeting

Received: Document RE/001/19

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 Operating Budget 2019/20 (RE.18.051)

Pointing to the extensive discussion on the budget proposal, which had resulted in a request for a summary paper to be prepared for the Board to draw together the main themes and assumptions underlying the 2019/20 budget proposal, the Chair noted that the Operating Budget 2019/20 had been approved by the Board in July. Members were reminded that this budget presented a higher level of challenge, both in terms of income projections and expenditure control, and noted that careful monitoring and cautiousness would be required in 2019/20.

.02 Capital Projects Update (RE.18.034)

In response to a question about whether a tour of the refurbished residential rooms was offered, the Deputy Vice-Chancellor confirmed that the opportunity to view a show room was provided to governors in July 2019. Noting that the work was now complete, it was agreed that a further **opportunity would be made available for governors to view the refurbished accommodation, along with the offer of a tour of the new**

Clinical Skills and Simulation Centre. This will be arranged for July 2020 when the student accommodation will be vacant for the summer.

Action: Clerk

With reference to the Committee's request for information on the split of the tender between new capital works and refurbishment works to be included in reports to the Board of Governors, the Chair requested an update. The Deputy Vice-Chancellor advised that **future reports would include this information**, and confirmed that this had been a helpful recommendation and would aid transparency during the monitoring process.

**Action: Director of Capital
Projects**

The Director of Human Resources highlighted that the action for RE.18.052 should refer to the Gender Pay Gap report, not the Human Resources Report.

Noting these areas of discussion and one point of accuracy, the minutes of the meeting held on 17 June 2019 were agreed and signed by the Chair as a correct record.

RE.19.006 Action Log

Received: Document RE/002/19

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

RE.19.007 Matters Arising

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

SECTION A ITEMS

RE.19.008 Committee Effectiveness Evaluation

Received: Document RE/003/19

The Clerk introduced this item which brought together information on the operation of the Committee over the previous year. A detailed review of business conducted confirmed that this had been in line with the Committee's Terms of Reference and that the Committee had diligently fulfilled its stewardship role, with the backdrop of a challenging economic environment. Noting that the Governance Working Party (GWP) was reviewing the Board's committee structure, the Chair asked the **Clerk to refer several points from the Review of Business (in particular points 7-13) to the GWP in order to support their understanding of the Resources Committee's significant role.**

Action: Clerk

It was noted that attendance levels had been mixed and that the Committee had felt the effect of losing two longstanding members. Both newer members were present and explained that prior commitments and unforeseen circumstances had affected their ability to attend in their first year. Both members explained that, while they were unable to attend some meetings, they remained engaged with the Committee's business and had submitted comments where appropriate.

The Chair indicated that he felt the effect when any one member was absent and enquired about how the Committee's membership compared with the Audit Committee. The Clerk confirmed that Audit Committee included one more Independent governor than Resources. **The Clerk agreed to raise the Resources Committee's constitution as part of the next membership review.**

Action: Clerk

In view of all the information, the Committee agreed with the report's conclusions and confirmed the Committee's effectiveness in 2018/19.

RE.19.009 Human Resources Annual Report

Received: Document RE/004/19

The Director of Human Resources provided a summary of the report drawing attention to the following points and taking questions throughout:

- .01 A decrease in the number of **establishment staff**, reflecting reductions in Associate Tutors and Senior Management posts.

The Chair pointed to the Financial Statements, which would be considered later in the meeting, and queried how the numbers in each report reconciled given the differences. The Deputy Vice-Chancellor indicated that the Financial Statements reflected the average FTE for the whole financial period, whereas the HR report provides a snapshot of data on the date the report was downloaded (31 July 2019). The information is therefore not directly comparable. The Deputy Vice-Chancellor advised that both reports included details of staff that had now left the University but were on the payroll at 31 July 2019. He gave an assurance that staffing levels were being tightly controlled and that the workforce profile was closely aligned to student numbers and business needs, with resources following areas of demand and disinvestment made where appropriate;

- .02 **Contract types** are generally in line with sector averages, though there has been a reduction in the use of Associate Tutors (Fixed Term contracts), with Edge Hill now 6% below the sector average. This reflects the University's aim to ensure that Fixed Term contracts are only adopted where absolutely necessary;
- .03 An upward trajectory in terms of the employment of people from Disability and BAME groups, with Edge Hill above the sector average for the percentage of disabled employees as a proportion of the total staff population. Noting that the University is below the benchmark for the proportion of BAME employees, members discussed the challenges associated with the University's geographical location, where the demographic is predominantly White British. It was however recognised that the University's position had improved, which was attributed to the positive action taken by Human Resources. Noting that there was still work to do, members welcomed the improvements and were encouraged by

the role of the new **Equality, Diversity and Inclusion** Manager. In respect of gender, members noted that the gender balance remained identical to the previous year, with 64% of the workforce identifying as female. Encouragingly, there had been a notable increase in female Professors (+6%), and female Academics (+1%) which reflects the impact of Athena Swan initiatives and adapted recruitment practices;

- .04 A generally healthy turnover rate, although the **involuntary turnover** rate had increased which, in part, reflects the necessary actions taken to resize some areas;
- .05 There was a good rate of **progression** through grades with similar overall levels to the previous year, reflecting a minor increase for academic staff and a small decrease for non-academic staff. Recognising that a high proportion of staff were at the top of their pay grade, a member observed that maintaining productivity could be an issue. The Director of Human Resources indicated that, in addition to performance management processes, there was an aim to ensure that motivators other than pay were in place so that staff feel valued and rewarded for their contribution. This would continue to be a priority for HR in the coming year;
- .06 The completion rate for **performance review** had decreased, from 72% to 69%. Members noted that this was likely to be a record keeping issue rather than a reduction in activity and that an online system for processing performance reviews had recently been launched which should address this. Noting that completion rates should increase next year, members observed that the University should be aiming for participation rates close to 100%;
- .07 Engagement with **training and development** opportunities was high in comparison with the sector average. Improvements, to boost participation, were made in 2018/19 which had seen participation in the core programme rise from 35% to 77% against a target of 50%;
- .08 **Sickness absence** rates had increased slightly, by 0.1%, and were 0.5% above the sector average. In line with the national picture, mental health issues were reported as a significant cause of absence, standing at 26.7% of reasons for sickness absence. This does however reflect an improved position for Edge Hill, and a reduction of 1.5% from the previous year. The improvement in this area was attributed to an increased emphasis on providing

mental health support at the earliest opportunity and better awareness raising of the support available. Supporting staff wellbeing and increasing resilience will continue to be a strategic focus over the next twelve months, with work being integrated with Student Services where there is a similar focus on student mental health.

In response to a member's question, it was noted that planned initiatives include a 'Feel-Good February' campaign along with numerous other initiatives delivered through the 'Wellbeing for All' programme. The Absence Policy is also due to be relaunched, and it is expected that an enhanced policy will have a positive impact on future absence levels.

Concluding the presentation, the Director of Human Resources drew attention to the University's People Strategy which is currently under review and indicated that this would be presented to Resources Committee for endorsement in 2020.

The HR Annual Report was received.

RE.19.010 2019 Financial Statements (Draft)

Received: Document RE/005/19

The Director of Finance introduced the Statements highlighting a Core Operating Surplus of £12.4 million for the year which, while lower than the previous year, was ahead of the budget projection and reflected a strong operating performance. Members noted that the Core Operating Surplus is the University's key measure of financial performance internally as it excludes non-cash items which are outside of the University's control, for example actuarial loss related to pension schemes.

Turning to the Statement of Comprehensive Income and Expenditure 'SOCl' surplus, it was highlighted that the surplus had reduced significantly when compared with the previous year, down from £14m in 2018 to £1m in 2019. The Director of Finance indicated that there were several items which did not relate to operating performance which had affected the SOCl surplus. Significant areas to note included pension adjustments at -£7.5m, which had been discussed in detail by the Committee during the year, and -£1.7m for the refurbishment of student accommodation which reflects that work undertaken in the East Wing of the Main Building was a refurbishment rather than a new asset

meaning, unlike previous years, the spend was recorded as revenue not capital. Other charges include clawback from the Office for Students -£0.4m and an impairment charge of -£0.6m related to the University's user rights for property located at the Woodlands site in Chorley.

In terms of the cash position, this remained very strong despite the use of funds to complete the most recent campus development programme. Cash generated from operations stood at £18.5m with a year-end cash balance of £48.3m, resulting in a record net cash position of £17.5m when investments less long-term loans are taken into account. All banking covenants have been complied with, which secures the positive terms of banking arrangements, and the liability for long term loan repayments continues to decrease with debt being paid down at the rate of c.£2 million per annum.

In discussion the following points were noted:

- *Actuarial Loss.* The deficit recorded against total comprehensive income in the consolidated accounts was largely a result of actuarial pension adjustments, which were volatile having recorded a gain last year of £19.921m and a loss this year of £15.583m. Importantly, these do not reflect cash movements;
- *Budget Management.* The University has a rigorous approach to budget management, with all budget holders required to attend quarterly meetings with the Director of Finance who scrutinises spend and holds all budget managers to account. This is evident in the strong operating performance and underlying detail which supports the observation that the University's budget control is excellent, with overspends either resulting from planned investments approved in-year or costs outside of the University's control, such as pension contributions;
- *Income and Expenditure.* Noting the reduction in income, which was mainly due to reduced student numbers, the Chair drew attention to the increase in expenditure driven by rising staff costs, which exerted a continuing pressure. The Deputy Vice-Chancellor highlighted that managing staff costs was recognised as a key issue and indicated that, while some costs (such as national pay awards and increases in pension contributions) were outside of the University's control, staffing levels were very

carefully monitored. He gave a firm assurance that the workforce profile was closely aligned to student numbers and business needs, with disinvestment made where appropriate. Members noted that management of the disinvestment process had actively occurred where appropriate through the disestablishment of posts when they fell vacant or, where necessary, through redundancy;

With respect to income, the Vice-Chancellor indicated that despite the national demographic affecting applications, the University had recruited in line with last year. This is the result of excellent conversion rates, which have been achieved without adopting questionable practices such as making widespread unconditional offers;

- *Cost Additions.* With reference to the addition of £11.867m for buildings under construction, the Deputy Vice-Chancellor clarified that this mainly related to the balance of spend on Catalyst, which had straddled financial years;
- *Disposals.* The Deputy Vice-Chancellor confirmed that the 'equipment disposals' recorded generally related to old kit that had depreciated in worth to the extent it would have zero cash value;
- *Borrowing and Liquidity.* Borrowing levels are low when compared with the University's total assets. The University is comfortable with the interest rates payable which relate primarily to long term loans. Debt liability continues to decrease annually and the University has no intention in the medium term to service more debt. In terms of liquidity, the University is in a very strong position, which may provide important resilience as we continue to navigate the increasingly volatile external environment;
- *Strategic Report.* On the Chair's recommendation it was agreed to clarify in the Board of Governors section that the reference to 'eight years ago' concerns 2012 which was significant as it is the year the £9,000 tuition fee was introduced.

Action: Director of Finance

The Deputy Vice-Chancellor referred members to the Independent Effectiveness Review held in 2018 and advised that all actions relating to the Financial Statements had now been completed. Notably the Strategic Report had been introduced in place of the 'Vice-Chancellor's Report' and the unsubstantiated reference to compliance with the Financial Reporting Council's Corporate Governance Code had been removed.

In bringing the discussion to a close, the Chair pointed to the strong year-end position for 2015/16 and highlighted the significant reduction in total income and surplus evident in the accounts for 2018/19. While the Committee was fully apprised of the underlying reasons, which include matters outside the University's control, the Chair underlined the need to exercise prudence and tight control in 2019/20.

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, noting that there was minimal work now required to complete the report.

The 2019 Financial Statements were recommended to the Board for approval.

Action: Chair/Deputy Vice-Chancellor

RE.19.011 Draft Auditor's Letter of Representation

Received: Document RE/006/19

The Director of Finance introduced the Letter of Representation, noting that this followed a specified template format. While recognising that the letter was not insignificant in length, it was highlighted that the report is a standard one with no unusual activity to note. Members were pleased to note assurances that the Financial Statements have been properly prepared, and that they present a fair and accurate view.

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

RE.19.012 KPMG External Audit 2018/19 and Management Letter July 2019

Received: Document RE/007/19

The Director of Finance introduced the Highlights Memorandum and Management Letter highlighting that external audit work was largely complete.

Members noted that the most significant item outstanding related to reviewing and assessing actuarial judgements on pension liabilities. Following a question from the Chair, the Deputy Vice-Chancellor indicated that this was a complex area to deal with and relies on the judgement of specialist actuaries who will inevitably differ in their assessments to some degree. Ultimately however, it is for KPMG to report on whether the University's assessments are balanced and within an acceptable range, which the Deputy Vice-Chancellor believes will be the case given the rigour and quality of the process that underpins the University forming its assumptions.

With reference to the report's risk ratings, the Vice-Chancellor queried the summative assessment given to the Pension Increase Rate ('outside normally acceptable range'), when the commentary confirmed that the University's assessment was, while considered to be cautious, in the acceptable range. Members agreed this seemed erroneous and asked **the Director of Finance to raise this with KPMG.**

Action: Director of Finance

Noting that KPMG had confirmed that an unqualified report was expected to be submitted, and that detailed discussion of this item was scheduled for the next Audit Committee, the External Audit 2018/19 and Management Letter July 2019 was received.

RE.19.013 Going Concern Statement

Received: Document RE/008/19

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.

Members noted that in previous years there had been a requirement for this statement to be submitted to HEFCE/OfS, though this was no longer necessary. It was however agreed that the report provided useful information for internal analysis and that **the Committee should continue to consider the Going Concern Statement on an annual basis.**

Action: Clerk

In discussion it was noted that:

- While applications to the University had fallen, excellent conversion rates in 2019 had meant that recruitment was stable;
- The apparent decline in the percentage of non-residential estate with functional suitability at grade 1 or 2 was the result of a change in definitions and not a reflection of an actual decline;
- The last staff survey, undertaken in 2018, showed a small decline in staff rating Edge Hill as a Good or Excellent employer (from 93% down to 91%). While noting that Edge Hill's performance is well above the sector average, members recognised that the University had been required to undertake action such as restructuring and this will have impacted on the satisfaction levels of staff in some areas during the period.

The Going Concern Statement was received.

RE.19.014 Employment Issues

The Deputy Vice-Chancellor reported that there were four cases ongoing through Tribunal and gave a detailed update on the circumstances.

The report on Employment Issues was received.

SECTION B ITEMS

RE.19.015 Capital Projects Update

(Discussion taken earlier in the meeting)

Received: Document RE/009/19

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

.01 Clinical Skills and Simulation Centre

The Clinical Skills and Simulation Centre had been substantially completed by the contract completion date of 20 September. The project was achieved in 16 weeks, which was to be commended given the next best bid in the tender was 24 weeks. Costs will be finalised later in the month and will reflect a reduction to the order of £575K in overall costs as a result of work to review and rationalise equipment costs throughout the project.

.02 Main Building Residential Refurbishment

Despite significant challenges associated with discovering asbestos, the project was substantially completed to time and handed over for occupancy as planned. Costs will be finalised later in the month and are expected to be in line with the budget.

In discussion the following points were noted:

- While the Centre was necessary to support the delivery of medical education, it is a multi-professional learning space which will support in the region of 3500 students;
- The residential refurbishment in the East Wing has provided an excellent blueprint for any similar project. Noting that a similar refurbishment may be undertaken in the West Wing if budget approval is given, members observed that lessons learned would bring efficiencies, in particular around the sequencing of work to limit disruption to users of the building;
- Student demand is for accommodation with en-suite facilities and this is not an insignificant issue for students. Students placed in accommodation with shared bathroom facilities are more likely to

request a transfer or leave accommodation, which may have a detrimental impact on their experience and increase the likelihood that they will withdraw from the University.

The Chair commended the Director of Capital Projects for the remarkable achievement of bringing both projects together in parallel, particularly given the challenges associated with discovering asbestos during the refurbishment work. The Director of Capital Projects indicated that, while these had been challenging projects, he was very pleased with the outcomes.

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

RE.19.016 Review of HR Policies and Procedures: Outline Timetable
(Discussion taken earlier in the meeting)

Received: Document RE/010/19

The Director of Human Resources drew attention to the HR policy framework, indicating that all HR policies remain in date.

A timetable for review work in 2019/20 was presented, and members noted that in-depth reviews were scheduled for the following areas:

- Absence
- Equality and Diversity
- Family Policies
- Flexible Working

Consultation with Unison and UCU would be undertaken as appropriate before presenting the policies to Resources Committee for ratification.

Following a suggestion from a member, it was agreed that consideration would be given to consolidating policies where possible to ensure that the policy framework was accessible for staff. It was also agreed that flowcharts would be included to assist users' understanding where appropriate.

Action: Director of HR

Following a question from a member, it was noted that specific policies do not form part of staff contracts.

The Timetable for the Review of HR Policies and Procedures was received.

RE.19.017 Treasury Management Update

Received: Document RE/011/19

The Director of Finance introduced the report noting a decrease in the weighted average return from 1.02% to 0.92% for the quarter from April 2019 to July 2019, largely driven by the level of cash balances held in the sweep account which fluctuated in line with SLC payments. Noting that this was usual for this period, he highlighted that the weighted average return compared favourably with the equivalent figure for the previous year, which was 0.69%. This reflects improved interest rates flowing from increases to the Bank of England base rate during the period.

In response to a question from the Chair, the Director of Finance noted that there was £25m in the sweep account which was slightly higher than normal, but not concerning. He highlighted that there was now £17m in long term investments which represented an increase of £1m when compared with the same point in 2018. Total cash had also increased, standing at c.£2m more than the equivalent point in 2018.

With reference to the minimum requirement of £30 million to be available as cash at any one time in order to cover operating expenses, the Director of Finance reported that there was a rolling monitoring programme to identify any likely issues and pointed members to the rolling cash forecast, which projected cash balances on a monthly basis over the year based on budget assumptions.

The Treasury Management update report was received.

RE.19.018 Investment Proposal

Exempt from publication – commercial sensitivity.

RE.19.019 Any Other Business

There was no other business.

SECTION C ITEMS

RE.19.020 Date and Time of next Meeting

The next meeting is scheduled for 10 February 2020.

RE.19.021 Minutes of the Teaching Staff Consultative and Negotiating Committee dated 25 June 2019

Received: Document RE/012/19

The minutes were received.

RE.19.022 Minutes of the Support Staff Consultative and Negotiation Committee dated 12 June 2019

Received: Document RE/013/19

The minutes were received.

RE.19.023 Minutes of the Health, Safety and Environment Committee dated 18 July 2019

Received: Document RE/014/19

The minutes were received.