

FINANCE AND EMPLOYMENT COMMITTEE

Minutes of the meeting held on 22 May 2019

Present: Mr N MacDonald (Chair)
 Prof Sir C Husbands
 Lord Kerslake
 Ms M Munn
 Prof J Patnick
 Dr S Timothy
 Mr M Conway (University Secretary and Clerk to the Board)

In Attendance: Mr R Calvert, Chief Operating Officer
 Ms Kelly Cookson, HR Manager, Strategic Projects (for agenda item 8.1)
 Ms D Harry, Chief Finance and Planning Officer
 Mr D Ladbury Director of Estates (for agenda items 6.1-6.6)
 Ms Clair Marlow, Deputy Head of Governance Services
 Ms Lisa Stevenson, Head of Rewards and Benefits (for agenda item 8.3)
 Mr M Swales, Director of Estates and Facilities (for agenda items 6.1-6.6)
 Ms S Swales, Deputy Director of Human Resources (for agenda items 8.1-8.3)
 Mr P Sweeney, Governance Services (Minute Secretary)

Apologies for absence: Mr D Bradley

	FEC/19/17	Opening Comments
	17.1	The Chair welcomed Clair Marlow to her first meeting of the Committee. The Chair thanked Martin Conway for his service the University, the Board and its committees and wished him well in his new role in the sector.
	FEC/19/18	Declaration of Interests
	18.1	There were no declarations of interest
FEC/1/19/M	FEC/19/19	Minutes of the meeting held on 20 February 2019
	19.1	The minutes were <u>confirmed</u> as a correct record.
FEC/1/19/ action	FEC/19/20	Matters Arising/Action Tracker
	20.1	The Committee noted the following updates to the actions reported on the tracker: <ol style="list-style-type: none"> I. 19/08.1 (Campus Masterplan) This action had now been completed; II. 18/83 (PSOM) The summary of the financial benefits of PSOM would be presented to the meeting on 10 July 2019;

		III. 19/07 (PSOM): A report on pension and pay issues would be presented to the Committee at its meeting on 10 July 2019.
	FEC/19/21 21.1	Other Urgent Business The Clerk to the Board reported that a paper had been uploaded the governors extranet which set out the University's preparations for the Research Excellence Framework Institutional Code of Practice. This was being provided for information because of the employment element and contractual implications. No action was required of the Committee.
FEC/2/19/6.1	FEC/19/22	Estates Development Update
	22.1	The Director of Estates and Facilities tabled a paper that gave an overview of the tender process to appoint the three delivery partners that would form the Hallam Alliance. There would be a single Multi-disciplinary Design and Services Consultancy partner, a single Main Contractor partner and a single Hard Facilities Management partner. The Committee noted that a Chair's Action would be requested prior to its next meeting in order to proceed with issuing letters of notice to preferred and unsuccessful parties. At the request of members, a document setting out the Contractual Operating Model for the Hallam Alliance would be circulated following the meeting. Action: Director of Estates and Facilities
	22.2	The Committee received the Capital Plan update overview and Campus Masterplan progress report. Members noted the key capital programme risks and commented that it would be useful to have these ranked. The report should also include a glossary of terms. Action: Director of Estates and Facilities
FEC/2/19/6.2 Confidential	FEC/19/23	Atrium Roof and Refurbishment: Impact and Mitigations
	23.1	The Atrium refurbishment project was one of the most complex projects the University would undertake and would set the tone for the Campus Masterplan as a whole. The Atrium, in the middle of five key operational buildings, provided access to these buildings and services including student support, lecture theatres, teaching, catering and work facilities. The report set out the identified impact and mitigations associated with the project following the Committee's request to review these in advance of RIBA 4 workstage approval.
	23.2	The Committee noted the report and the following comments were made in discussion:

		<ul style="list-style-type: none"> I. Communication to students about the project messages needed to be clear about short-term impact whilst highlighting the investment in the future; II. The site hoardings offered a good opportunity for promotion of inclusive images that reflected the University as a whole; III. The outline critical path should be a part of the update given to each meeting. Action: Director of Estates and Facilities
FEC/2/19/6.3 Confidential	FEC/19/24	Furnival Works
	24.1	The refurbishment of Furnival Works was a key enabling project for the Campus Masterplan. The report tabled at the meeting recommended to the Committee the contract award for the refurbishment and summarised the works, details of the procurement process and bidders, including the bidders' final scores.
	24.2	The Committee <u>approved</u> the contract award to the first placed bidder, and in the event that the required amendments could not be agreed to the satisfaction of the University, that approval be granted to award the contract to the second placed bidder.
	FEC/19/25	Health Innovation Park
	25.1	The Chief Finance and Planning Officer reported that the University was no longer a member of and funding Legacy Park Limited, the company charged with the long-term delivery of the Olympic Legacy Park. The Committee questioned the extent to which the University could influence and shape what happened on the site and stressed the importance of remaining engaged with developments.
FEC/2/19/6.5 Confidential	FEC/19/26	26 Victoria Road Sale of Freehold
	26.1	The Committee <u>agreed</u> to recommend to the Board of Governors the sale of the freehold.
FEC/2/19/6.6 Confidential	FEC/19/27	Aspect Court Acquisition
	27.1	The Committee <u>noted</u> action taken by the Chair of the Finance and Employment Committee and Chair of the Board of Governors to approve the acquisition.
FEC/2/19/7.1 Confidential	FEC/19/28	OfS Budget 2019/20 and Forecast to 2023/24: Underpinning Assumptions
	28.1	The OfS Budget 2019/20 and Forecast to 2023/24 would be presented to the Committee at its meeting on 10 July 2019. Ahead of this, the Committee received a report setting out the

		assumptions that would underpin the budget and forecasts. Some of these assumptions - relating in particular to student numbers, the continuing freeze in home undergraduate fees and increasing staff costs (including the previously unforecast increase in pension costs) - would have a significant impact, and could present a challenge to the University's financial sustainability.
	28.2	In discussion, the expected growth in home undergraduate students later in the five year forecast period relating to demographics and the impact of the Campus Masterplan was noted. Concern was expressed however that underlying staff cost issues (including pension costs) could offset the benefit of this. The Finance and Employment Committee recognised the work to date on the Professional Services Operating model, and encouraged the University Executive to continue to develop, propose and deliver further initiatives to address staff cost issues, to ensure the University's future sustainability.
FEC/2/19/7.2	FEC/19/29	Financial Performance Report: Period 9
	29.1	Underlying operating performance of the core business (before strategic projects) was expected to exceed budget by £3.5m. This was driven in particular by an increase in home undergraduate student income, additional funding council grants and higher than budgeted public sector income. The operating deficit forecast was forecast to be £2.9m, which was £6.1m favourable to budget. This was the combined impact of the underlying operational performance, the latest update for strategic investments and a reduction in forecast borrowing costs. The reported deficit for the year, taking into account non-operating items was £15.2m, which was £4.9m favourable to budget.
	29.2	The Committee <u>noted</u> the report and commented on the positive overall performance.
FEC/2/19/7.3 Confidential	FEC/19/30	Students' Union Financial Monitoring: Period 9
	30.1	The year-to-date surplus currently stood at £73k which was £58k more than budgeted. Much of this was due to timing issues with the year-end figure expected to be closer to budget. The Chief Finance and Planning Officer reported that the Students' Union recognised the challenges it faced going forward and that the Union and the University had jointly commissioned an External Independent Review into its performance and prospects. This would report to both parties before the end of the 2018/19 academic year.
	30.2	In discussion, the impact on student satisfaction of the net underspend on student facing services was noted.

FEC/2/19/7.4 Confidential	FEC/19/30	Office for Students: Letter of Financial Sustainability
	30.1	The OfS letter to Chairs of Governing Bodies voiced concerns about the credibility of providers' student number forecasts and asked that this be discussed with the governing body at each institution. The Chair reported that the Committee would conduct this discussion on behalf of the Board.
	30.2	The briefing paper provided to the Committee set out: the process undertaken to forecast UK and EU Full-time undergraduate student numbers submitted in September 2018, actual performance in terms of the September 2018 intake, forecasts for international students in comparison with those submitted by the sector as a whole, and the forecasts used as a basis for University financing.
	30.3	On the basis of the information provided in the report and the discussion at the meeting, the Committee endorsed the conclusions reached in the briefing paper, namely that the University's student number forecasts: <ul style="list-style-type: none"> • did take into consideration the expected demographic changes; • did distinguish between internal targets and OfS/funder forecasts; • had been independently reviewed and tested by third parties and considered robust for financing purposes; • were demonstrably prudent in respect to the first year of intake; • were therefore considered credible.
FEC/2/19/7.5	FEC/19/31	Orders/Contracts above Approval Threshold Level
	31.1	The Committee <u>noted</u> that a tender was being developed for the University's standard office chair. The tender was being brought to the Committee's attention as its 11-year value would take it above the threshold for informing the Committee, and may need to be awarded before the meeting of the Committee on 10 July 2019.
FEC/2/19/7.6	FEC/19/32	Ethical Investment Policy
	32.1	The report confirmed that the University's investments over the past 12 months had complied with the Ethical Investment Policy. During this period, the only investments the University had held, other than in its own subsidiaries, were in cash deposits and in a joint venture company. The cash deposits had been held by banks on the counterparties list in accordance with the University's Treasury Management Policy. The investment in the joint venture company (STEM Learning Ltd which operated the National Science Learning Centre) complied

		with the Ethical Investment Policy as its activities were consistent with the objectives and values of the University,
	32.2	The Committee noted the report and <u>approved</u> the Ethical Investment Policy for a further 12 months.
FEC/2/19/7.7 Confidential	FEC/19/33	Investment Summary
	33.1	The Committee <u>noted</u> the report.
FEC/2/19/8.1	FEC/19/34	Staff Engagement Survey: University Level Report
	34.1	The Assistant Director of Human Resources gave a presentation on the headline results from the Staff Engagement Survey. The overall response rate was 57% (which dropped to 49% when taking account of the associate lecturer population). The overall average score was 6.2 (out of 10). The highest scoring items related to the ease with which respondents could work effectively with other people in their team, managers encouraging open two-way conversations and respondents feeling trusted to achieve what was expected of them. The lowest scoring items related to communication of the Transforming Lives strategy, trust in the University Leadership Team to do what was right for the University and new systems and processes having a positive impact on how staff work.
	34.2	The University Leadership Team had identified five areas for cross-University follow up. These were: bullying and harassment, trust in the University Leadership Team, systems and process, Performance Development Review and teamwork. An update on the action taken, and how the results have been received across the University, would be reported to the Committee at its meeting on 10 July 2019.
	FEC/19/35	Hallam Deal Update
	35.1	The Hallam Deal was one of the ten immediate priorities of the Transforming Lives strategy. It was launched in November 2017 and covered five areas: 'where you work', 'working together', 'the job you do', 'how you get rewarded' and 'the opportunity'. The Assistant Director of Human Resources gave a presentation setting out the key achievements to date across each area. These included: running the first employee engagement survey since 2014, achieving 113 th place in Stonewall's Workplace Equality Index 2019, launching the Employee Assistance programme, offering the defined contribution pension scheme and introducing Performance and Development Review.
	35.2	In terms of future focus, the equality, diversity and inclusivity agenda was significant and should not be underestimated. The University had some way to go to increase awareness and

		change some of the metrics that were a key indicator of progress. Further energy, drive and commitment were needed from everyone although a good start had been made and there were signs of progress.
FEC/2/19/8.3 Confidential	FEC/19/36	Pensions Update
		<p>The Board of Governors had received an update on pensions at the Strategy and Development Event in January 2019. Since then had been a number of developments in relation to all three of the University's main pension schemes. The report to the Committee highlighted that:</p> <ol style="list-style-type: none"> I. Sector lobbying against increases in employer contribution rates to the Teachers Pension Scheme (from 16.48% to 23.68%) had been unsuccessful. UUK intended to continue lobbying but the University would need to pay the increase from September 2019 and assume that contributions would continue at the increased level for the foreseeable future; II. The Government had launched a consultation which proposed to remove the requirement for HEIs in England to offer new employees access to the Local Government Pension Scheme. The University was currently considering its response. Recommendations resulting from any change in policy would be brought to the Committee for recommendation to the Board; III. Consultation was taking place around options for finalising the March 2018 valuation of the University Superannuation Scheme.
	FEC/19/37 37.1	Governance Arrangements for Subsidiary Companies The University Secretary and Clerk to the Board reported that work was on-going to develop protocols around the management of governance arrangements for subsidiary companies. This work had already recognised the need to revise the constitution of some of the companies.
	FEC/19/38 38.1	Revised Governance Arrangements for Capital Expenditure The University Secretary and Clerk to the Board reported that, following review, no revisions were required.
	FEC/19/39 39.1	SHU Law Limited The Chief Finance and Planning Officer updated the Committee on progress: <ul style="list-style-type: none"> • The Compliance Officers for Legal Practice and for Finance and Administration were now in place; • An Employment Law solicitor and receptionist had been

		<p>appointed with further appointments planned subject to budget;</p> <ul style="list-style-type: none"> • It was intended to start trading from 1 June 2019 subject to resolution of issues raised by the Compliance Offices in relation to insurance; • Work had begun. This had involved students working with three low risk clients. The first successful outcome had been achieved in relation to a criminal injuries case; • Costs were in line with forecast; • Grant Thornton UK LLP were advising on accounting treatment.
FEC/2/19/10	FEC/19/40 40.1	<p>Forward Programme</p> <p>The Committee <u>noted</u> the forward programme</p>
	FEC/19/41 41.1	<p>Next Meeting</p> <p>10 July 2019</p>