

FINANCE AND EMPLOYMENT COMMITTEE

Minutes of the meeting held on Thursday 8 June 2017

Present: Mr N MacDonald (Chair)
Mr D Bradley
Prof C Husbands
Ms M Munn
Mr M Conway (University Secretary and Clerk to the Board)

In Attendance: Mr R Calvert, Chief Operating Officer
Ms D Harry, Chief Finance and Planning Officer
Ms K Brewin, Senior Management Accountant (item 11)
Ms T Goodwill, Governance Services (Minute Secretary)

Apologies for absence: Lord Kerslake and Dr S Timothy

Paper reference	Minute reference	
	FEC/17/18	Declaration of Interests
	18.1	Meg Munn declared an interest as a non-executive director of the ESH Group which submitted a bid for the construction of the Advanced Wellbeing Research Centre. Agenda items 9 and 10 refer).
FEC/1/17/M FEC/1/17/MC	FEC/17/19	Minutes of the meeting held on 8 March 2017
	19.1	The minutes and the confidential minutes were each approved as a correct record.
FEC/1/17/action	FEC/17/20	Matters Arising/Action Tracker
	20.1	The Committee <u>noted</u> the action tracker.
	FEC/17/21	Other Urgent Business
	21.1	There was no other urgent business.
FEC/2/17/6 Confidential	FEC/17/22	Review of the University Financial Plan
	22.1	The University Financial Plan (UFP) was one of a suite of plans which supported the implementation and delivery of the University Strategy which had been approved by the Board of Governors at its meeting in February 2017.
	22.2	The Committee <u>received</u> the progress report on the review of the UFP which included a summary of the four developing workstreams; operations, investment, financing and internal economy.
	22.3	The Chief Finance and Planning Officer tabled a comparison of the scenarios being explored in the long term financial model and a draft summary of potential financial benefits of revenue investments. The scenarios were presented from year 1 (actual 2015/16) to year 9 (2025/26) and included a do

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nothing option. The Committee discussed the scenarios and commented on the:

- i) variations between the likely outputs of the scenarios which included deficits. The reasons for the differences were explained including the assumptions made, the sensitivity of the Plan to changes in them and the University's prudent approach to financial planning. The assumptions covered student number growth/decline, changes to income including research income, inflation, targets to deliver savings, and returns on capital investment;
- ii) ambition in the scenarios and the likely quantitative and qualitative benefits. The emphasis on potential financial and other indirect benefits rather than simply the accounting bottom line was highlighted;
- iii) short term investment projects and the significance of the assumptions relating to them in particular the timescales for their completion in the delivery of the overall financial plan;
- iv) approach to borrowing including the requirements of the loan arrangement with the bank;
- v) University's approach to design, communicate and implement a single, integrated model for professional and support services so that its investment produced high-value and highly valued outputs. The development of the model was one of the ten immediate priorities of the University Strategy implementation plan. Governors shared their knowledge of the response by staff affected by similar strategic change in other institutions and commented on the extent to which those institutions had addressed issues raised by staff and successfully managed improvements in efficiency. It was reported that recognising and embracing existing quality within the University community was essential;
- vi) submission of financial forecast to HEFCE. The Funding Council's requirements were outlined.

22.4

At the conclusion of the discussion the Committee confirmed that it was comfortable with the assumptions being explored, the direction of travel indicated by the preferred scenarios and the likely outputs. The next steps were:

- i) a Financial Plan to implement the University Strategy would be discussed by the Committee and then the Board of Governors in July 2017;
- ii) To recommend the University's 2017/18 budget to the Board and the financial forecasts required by HEFCE, which would be submitted to the Funding Council following approval by the Board at its meeting in July 2017;
- iii) following agreement of the HEFCE forecasts and Financial Plan a more informed exploration of borrowing options would take place over summer 2017;
- iv) the Board would receive a report on key performance indicators which would allow progress in the delivery of the University Strategy to be measured at its meeting in July 2017;
- v) an internal economy model to support and incentivise

the delivery of the University Strategy would be piloted in the 2017/18 academic year.

Action: Chief Finance and Planning Officer

FEC/2/17/7	FEC/17/23	Financial Regulations
	23.1	The Chief Finance and Planning Officer introduced the report which described the review of the Financial Regulations and the proposed changes to ensure they remained fit for purpose. In response to comments the membership of the Infrastructure and New Venture Committee (INVIC) was reported.
	23.2	The Committee <u>resolved to recommend</u> the updated Regulations to the July 2017 meeting of the Board of Governors for approval. Action: Chief Finance and Planning Officer
FEC/2/17/8 Confidential	FEC/17/24	Financial Monitoring: University Performance Finance Dashboard and Commentary (data at end of April 2017)
	24.1	The Committee <u>received</u> the period 9 finance dashboard and commentary which included a note of the emerging risks and challenges for 2016/17 and beyond. The Chief Finance and Planning Officer reported: <ul style="list-style-type: none">i) that there were no major differences in the period 9 report compared with the previous report received by the Committee;ii) on the key movements since the period 6 report including a reduction in the forecast research and knowledge transfer income;iii) on the forecast staff costs which were expected to be in line with budget;iv) on the forecast restructuring costs which were higher than budget, based on actual restructuring costs at the time of the report and ongoing restructures;v) that the cash cycle in the higher education sector reached a low point in April.
	24.2	In response to comments from governors the variances to budget illustrated in the average staff full time equivalent dashboard were explained.
	24.3	The Chief Finance and Planning Officer tabled the following which would be issued to the absent members: <ul style="list-style-type: none">i) the University's investment summary at 7 June 2017;ii) Higher Education Financial Statements benchmarking 2015/16 by KPMG.
FEC/2/17/9 Confidential	FEC/17/25	Olympic Legacy Park: Next Steps
	25.1	The Committee <u>received</u> the report. A minute confidential to the Committee was recorded.

25.2 At the conclusion of the discussion the Committee confirmed its support for the University's approach. Further reports for consideration would be made to the Committee at its meetings in July and September 2017.

Action: Chief Finance and Planning Officer

FEC/2/17/10
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FEC/17/26

Estate Developments

26.1 The Committee received the summary of estates major projects showing overall risk status (appendix 1) and the estate capital plan schedule (appendix 2). The Chief Operating Officer reported that the:

- i) migration of the data centre from Hallamshire Business Park to Charles Street was complete;
- ii) overall risk status of the National Centre of Excellence in Food Engineering project was a consequence of the delay arising from the change of location to the Olympic Legacy Park;
- iii) Science, Technology, Engineering and Mathematics (STEM) project was complete.

26.2 A presentation on the developing estate plan had been made to governors on 10 May 2017. In the context of the developing Financial Plan (minute FEC/17/22 refers) the Committee received a brief report which outlined the estate proposals being considered for the Collegiate campus and the buildings at City campus including the Hallam Union building. There was a need to ensure flexibility of the use of buildings' spaces. The Committee would receive a progress report on the developing estate masterplan at its meeting in September 2017.

Action: Director of Estates and Facilities

FEC/2/17/11
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FEC/17/27

Students' Union Financial Monitoring and future grant

27.1 The Committee received the report on the monitoring of the Students' Union's performance against its budget at the end of April 2017 (period 9) and the Students' Union's grant proposal for 2017/18 and future years.

27.2 **Monitoring Students' Union performance against budget**

The Chief Finance and Planning Officer explained the reasons for a reduced surplus at period 9 which related to the pension scheme liability, the timing differences on student related projects, societies' funding and grants and savings on staff costs.

27.3 **Grant proposal for 2017/18 and future years**

In setting the Students' Union's grant for 2016/17, two actions were required to determine the grant for 2017/18 (minute FEC/16/55 refers):

- (i) a review of the effectiveness of the initiatives funded;
- (ii)** an exercise to understand the reasons why the grant

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appeared to benchmark highly when measured against grants given to other unions.

- 27.4 In response to questions from governors the Senior Management Accountant summarised the outcomes of the benchmarking work which compared the Students' Union with competitor and comparator institutions in terms of the number of students, block grant, other union income and National Student Survey (NSS) 2014/15 satisfaction. With reference to the graphs in appendix B the inconsistencies between institutions' data and the approach adopted to provide meaningful comparisons to understand the reasons why the grant appeared to benchmark highly, were explained.
- 27.5 The Chief Finance and Planning Officer explained the work of the joint working party whose members included representatives of the Students' Union and the two members of the Committee's task group. The grant recommendations including the performance measures had been agreed by the working party. The performance measures would be NSS question 26, the target for which would be set in August 2017, and engagement in volunteering, the definition of which would be mutually agreed. A failure to meet these performance targets would result in a reduction of grant from current levels and by exceeding the targets the Students' Union would receive additional grant.
- 27.6 The Committee had previously discussed how the grant spend aligned with the Students' Union's strategic objectives. Governors again reflected on the operation of the Union, its needs in terms of the expertise required to ensure ongoing success and its joint working with the University. With reference to the Board of Governors' previous discussions about the NSS and the Students' Union's performance (minute BG/15/103.1iii and 104 refer) members of the Committee expressed their support for the NSS as a performance measure but queried whether the use of a new NSS question, and its relatively high weighting given the Students' Union's performance in previous NSS, was the most appropriate measure. The Committee discussed the use of the NSS question alongside other performance measures. At the conclusion of the discussion the Committee resolved to approve in principle the basis of grant subject to further consideration being given to the mix and weighting of the performance measures.
- 27.7 The Committee would receive a recommendation for the 2017/18 Students' Union grant and for future years at its meeting in July 2017. A recommendation for approval of the grant would be made to the Board of Governors at its meeting in July 2017.

Action: Chief Finance and Planning Officer

FEC/2/17/12
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FEC/17/28

Orders/Contracts above Approval Threshold Level

28.1

The Committee noted that:

- (i) there were no contract awards which required approval;
- (ii) there had been no submissions for Chair's approval since the last meeting on 8 March 2017;
- (iii) the dyslexia referral service contract award as specified in the paper would be submitted to the Vice-Chancellor for approval.

FEC/2/17/13

FEC/17/29

Schedule of Meetings and Forward Planning Programme

29.1

The Committee received the forward planning programme