

SHEFFIELD HALLAM UNIVERSITY

FEC/3/17/M

FINANCE AND EMPLOYMENT COMMITTEE

Minutes of the meeting held on Tuesday 4 July 2017

Present: Mr N MacDonald (Chair)
 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
 Mr M Swales, Director of Estates and Facilities (items 9 and 10)
 Ms E Scoffield, Interim Assistant Director (items 6 and 7)
 Ms T Goodwill, Governance Services (Minute Secretary)

Apologies for absence: Mr D Bradley, Lord Kerslake and Dr S Timothy

Paper reference	Minute reference	
	FEC/17/30	Declaration of Interests
	30.1	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/2/17/M FEC/2/17/MC	FEC/17/331	Minutes of the meeting held on 8 June 2017
	31.1	The minutes and the confidential minutes were each <u>approved</u> as a correct record.
FEC/2/17/action	FEC/17/32	Matters Arising/Action Tracker
	32.1	The Committee <u>noted</u> the action tracker.
	FEC/17/33	Other Urgent Business
	33.1	There was no other urgent business.
FEC/3/17/6 Confidential	FEC/17/34	University Financial Plan
	34.1	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.
	34.2	The Committee <u>received</u> the progress report on the developing UFP including the scenarios being explored in the long term financial model, the assumptions underlying the scenarios and a summary of potential financial benefits of revenue investments. The Chief Finance and Planning Officer explained the scenarios. These were based on the budget and financial forecasts for the next three years extrapolated through a combination of assumptions. The scenarios were

presented from year 1 (actual 2015/16) to year 10 (2026/27) and included a do nothing option (appendix 1). Scenario 4 was the basis for the proposed 2017/18 budget and financial forecasts (minute FEC/17/35 refers).

34.3

The Committee discussed the:

- i) proposed revenue investments (appendix 2) in 2017/18 and 2018/19 which would result in a short term accounting deficit in these years. Due to its financial performance over the past few years the University had sufficient cash balances and income and expenditure reserves to fund the deficits in the short term. The covenants with the bank permitted accounting losses for a maximum of two years;
- ii) delivery of the UFP beyond year two. This was dependent on the benefits of the revenue investments being realised to provide a sustainable financial foundation for whichever scenario, including an estate capital plan, was implemented. Comments were made about the implications for income levels from a decline in the 18 year old demographic. The benefits of the proposed revenue investments were explained, some of which would be direct savings and others the avoidance of income decline;
- iii) content and presentation of future reports to the Committee including how best to present the costs, benefits and other components of each scenario to allow the monitoring of financial performance and future sustainability;
- iv) internal governance arrangements including the next steps which included the development of a business case for each of the revenue investments;
- v) loan arrangement with the bank, the additional borrowing proposed in some of the scenarios and the requirements of the University's Memorandum of Assurance and Accountability with HEFCE;
- vi) work in progress to explore financing options for borrowing. Decisions about options would be made once the costs, timing and prioritisation of the estate masterplan were confirmed. (Minute FEC/17/38 refers);
- vii) significance of scenario 6, which was aspirational and reflected progress towards becoming a UK top 50 University.

34.4

Further detailed work was required on the UFP to inform decisions about strategic priorities. The next steps were:

- i) discussion at the July 2017 Board meeting of the UFP;
- ii) further exploration of borrowing options;
- iii) that the Board would receive a report on key performance indicators which would allow progress in the delivery of the University Strategy to be assessed at its meeting in October 2017;
- iv) that an internal economic model to support and incentivise the delivery of the University Strategy would be piloted in 2017/18;

- v) briefings on the UFP for governors would be held in advance of the Board's strategic discussion in July 2017.

Action: Chief Finance and Planning Officer

FEC/3/17/7
Confidential

FEC/17/35

Budget 2017/18 and HEFCE Forecast

- 35.1 The Committee received the report which contained the 2017/18 revenue budget and forecasts for 2017/18, 2018/19 and 2019/20. These would be submitted to HEFCE by the July 2017 deadline following approval by the Board of Governors. The Chief Finance and Planning Officer tabled a revised appendix 5 on the key risks to the University and significant areas of growth, change and assumptions. Given the financial planning scenarios being considered by the University (minute FEC/17/34 refers), the forecasts were interim and would be reviewed and updated as the University made decisions on its capital plan and financing.
- 35.2 As discussed by the Committee scenario 4 was the basis for the proposed 2017/18 budget and forecasts (minute FEC/17/34 refers). In response to comments from governors the total of the additional strategic investments was clarified.
- 35.3 The Committee resolved to recommend that the Board of Governors:
 - i) approve the revenue budget for 2017/18 (appendix 1) and note the financial projections for 2018/19 and 2019/20 arising and budget commentary (appendix 3);
 - ii) approve the capital equipment budget for 2017/18 (appendix 2) and note that individual projects were subject to separate authorisation, as set out in the Financial Regulations;
 - iii) note the indicative estates plan including long term estates maintenance and faculty and directorate emerging issues (appendix 2). Work to ascertain the capital programme was ongoing and an updated capital plan would be brought to a future meeting of the Committee; and
 - iv) approve the submission of the HEFCE forecasts (appendix 4) and HEFCE forecast commentary (revised tabled appendix 5).

Action: Chief Finance and Planning Officer

- 35.4 The Committee noted the University's investment summary at 3 July 2017 which was tabled.

FEC/3/17/8
Confidential

FEC/17/36

Students' Union Grant 2017-18

- 36.1 The Chief Finance and Planning Officer introduced the report which proposed the basis of the Students' Union grant for 2017/18 and future years following the Committee's feedback

in June 2017 (minute FEC/17/27 refers). The joint working party had reviewed the mix and weighting of the performance measures and five measures, all equally weighted, were proposed. The Committee supported the use of engagement in volunteering and the four questions from the National Student Survey (paragraph 19) as performance measures and, in order to give the Students' Union time to implement its strategy to 2020, the approach to the grant as recommended to the Board of Governors.

- 36.2 The Committee resolved to recommend to the Board of Governors that the:
- i) grant for the year 2017/18 and the year 2018/19 be maintained at £2,458,407;
 - ii) model for the grant from 2019/20 be approved, in principle (see v);
 - iii) NSS targets are agreed following publication of the results in 2017. By 2019/20, the target will be to be at least equivalent to the sector average; and
 - iv) basis of grant to be reviewed if any of the underlying assumptions, principles and policies change materially, as outlined in the report;
 - v) basis of the grant in 2019/20 to be reviewed by the Finance and Employment Committee prior to recommendations being made to the Board of Governors.

Action: Chief Finance and Planning Officer

FEC/3/17/9
Confidential

FEC/17/37

Olympic Legacy Park: Next Steps

37.1

The Committee received the report which summarised the University's work since the report to the June 2017 meeting (FEC/17/25 refers). A minute confidential to the Committee was recorded. The Committee resolved to recommend the next steps (paragraph 10) to the Board of Governors.

FEC/3/17/10
Confidential

FEC/17/38

Estate Developments

38.1

The growth of the fire in June 2017 at the Grenfell Tower in West London was believed to have been accelerated by the building's exterior cladding. The resultant action taken by the University to test and assess the fire retardant standards of cladding used in its estate projects including work with its insurers and HEFCE were summarised. Sprinklers were installed in these buildings. The University did not own residential student accommodation and the initial reports it had received since June confirmed that three of the residential buildings have cladding but were not at risk and testing of the remainder was due to take place. The Board would receive a further report at its meeting in July 2017.

Action: Director of Estates and Facilities

- 38.2 The Committee received the summary of estates major projects showing overall risk status (appendix 1) and the estate capital plan schedule (appendix 2). The Director of Estates and Facilities reported that the:
- i) risk assessment for the migration of the data centre from Hallamshire Business Park to Charles Street had been revised to low following its successful completion;
 - ii) tenders for the building for the National Centre of Excellence for Food Engineering had been received, a principal contractor would be appointed in July 2017 and construction was due to commence in early 2018;
 - iii) risk assessment for the relocation of Digital Technology Services to 20 Furnival Street had been revised to low following a resolution to the road closure arrangements;
 - iv) grant agreement with the Department for Health including the draw down of funding for the construction of the Advanced Wellbeing and Research Centre was being finalised;
 - v) Aurora sports project was 95% complete.

38.3 The Committee received a report on the work to meet short term space needs for teaching and learning by increasing the capacity of the Collegiate Campus with temporary accommodation. An application for planning had been made to Sheffield City Council though timescales for the project's completion were tight. A further report would be made to the Committee at its meeting in September 2017.

Action: Director of Estates and Facilities

38.4 The Committee would receive a progress report on the estate master plan at its meeting in September 2017 and the Board of Governors' strategic discussion of the Estate Plan would take place in autumn 2017.

Action: Director of Estates and Facilities and University Leadership Team

FEC/3/17/11
Confidential

FEC/17/39

Orders/Contracts above Approval Threshold Level

- 39.1 The Committee:
- (i) resolved to approve Chair's action to sign off on the following contract awards prior to the Committee's next meeting on 20 September 2017:
 - Multi-functional devices (photocopiers) contract;
 - Consultancy fees for the Professional Services Operating Model (Phase 2). The Chief Finance and Planning Officer reported that the range of the contract's value was based on the fee proposals received. The value would be determined once the number of days in the consultancy work plan had been agreed;
 - (ii) noted there are no contract awards which require approval;
 - (iii) noted that no orders/contracts, valued between

£500,000 and £2,000,000, have been approved by the Chief Finance and Planning Officer since the meeting on 8 June 2017.

FEC/3/17/12

FEC/17/40

Annual review of the Committee's effectiveness

40.1

The Committee received the report and the following comments were made about its effectiveness:

- i) the quality of contributions and level of engagement by members. The Committee's discussions included time for reflection and a constructive and open exchange of views which were welcomed by members. The challenge of proposals presented by the University Leadership Team (ULT) was appropriate;
- ii) the Chair invited members of the Finance, Human Resources and Estate and Facilities Directorates' leadership teams to be in attendance at meetings with the ULT member to present and contribute to items where appropriate;
- iii) the onus on members, if absent from meetings, to keep updated on the business of the Committee. Members of ULT offered to brief members where required to supplement the scheduled meetings;
- iv) the volume of finance and estate matters on the Committee's agendas compared with employment matters. The Committee's forward programme of business would be reviewed to ensure that the employment element of the agenda continued to consider items as needed to reflect the People Plan and the delivery of the University Strategy.

Action: Clerk to the Board and, in the absence of a Director of Human Resources, the Vice-Chancellor.

40.2

Action: The following actions would be progressed by the Clerk to the Board working with the Chair of the Committee and the University Leadership Team:

- i) arrangements for the Chair of the Committee and the Chair of the Audit and Risk Committee to attend each other's meetings as observers;
- ii) the terms of reference would be updated to replace the word 'strategy' with the word 'plan';
- iii) from January 2018 there would be four meetings of the Committee per academic year. Meetings in September, November, late February (or early March) and June would align the business of the Committee with the University's business cycle and meet external reporting requirements. Where necessary the set meeting dates would be supplemented with additional working groups/meetings if relevant. The timing of Board meetings would be taken into account in scheduling to allow timely reports from the Committee to the Board. The outcomes of a survey of all governors about the format of the Board's schedule of

- iv) meetings would inform the meetings schedule;
- iv) the November meeting would be rearranged to allow a joint meeting with the Audit and Risk Committee. The joint meeting would only consider the annual report and financial statements for the year ending 31 July and the recommendations to the November meeting of the Board made by each Committee would be recorded separately;
- v) the provision of shorter, more succinct papers. The options to reduce the size of core paperwork included the use of a digital meeting book and providing supplementary information on-line;
- vi) the Clerk would routinely invite absent members to submit written comments in line with the Board's standing orders. Some absent members submitted comments to the Clerk prior to meetings, others did not;
- vii) task groups would continue to be used where appropriate.

40.3 **Equality Act 2010 and element 6 of the Committee of University Chairs (CUC) Higher Education Code of Governance (appendix)**

At its meeting in July 2017 the Board would receive a report on the University's equality objectives and an implementation plan. A framework and tool kit would be launched in 2017/18 to enable staff to embed equality analysis into decision making processes and policy development which would inform the content of reports and enable the Committee to understand and explain in its future annual reports how its decisions take account of University policy.

Action: Clerk to the Board of Governors, Director of Human Resources, Chief Finance and Planning Officer and Director of Estates and Facilities.

40.4 **Membership diversity**

Governors commented on the size of the Committee and the need to improve the gender balance of its membership. It was noted that work by the Nominations Committee to provide a Board membership which reflected a diversity of characteristics continued. A recommendation to the July 2017 Board meeting following the June 2017 meeting of the Nominations Committee would increase the Committee's membership by one and improve the gender balance. The quorum would remain at three.

40.5 **Looking ahead to the next annual review of effectiveness**

Governors reflected on the extent to which the use of the CIPFA tool would be of value in 2017/18 given the 2016 review of Board effectiveness and its outcomes which were being implemented. It was suggested that the Committee's approach should be a lighter touch with less questions and it

should be informed by the Chair of the Board's annual review meetings with each governor.

Action: Clerk to the Board and Chair of the Committee

40.6 The Committee's 2016/17 annual report would be made to the October 2017 Board of Governors meeting.

Action: Clerk to the Board of Governors

FEC/17/41 **Director of Human Resources**

41.1 Phill Dixon, Director of Human Resources would leave the University in September 2017. On behalf of the Committee the Chair thanked the Director for his service to the University and the Committee.

FEC/3/17/13 FEC/17/42 **Schedule of Meetings and Forward Planning Programme**

42.1 The Committee received the forward planning programme to which a report on defined contribution pension schemes would be added to the agenda for the November 2017 meeting.