

FINANCE AND EMPLOYMENT COMMITTEE

Minutes of meeting held on Wednesday 23 May 2018

Present: Mr N MacDonald (Chair)
 Mr D Bradley
 Prof 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 D Harry, Chief Finance and Planning Officer
 Prof C Kinsella, Chair of the Audit and Risk Committee (observer)
 Ms L Stevenson, Head of Rewards and Benefits (items 7.2 and 7.3)
 Mr M Swales, Director of Estates and Facilities (items 6.2 and 6.2)
 Ms S Swales, Assistant Director of Human Resources and Organisational Development (items 7.2 and 7.3)
 Mr S Taylor, Director of Financial Services (items 6.1 and 8.1 to 10)
 Mr P Sweeney, Governance Services (Minute Secretary)

Apologies for absence: Dr S Jackson, Interim Director of Human Resources + Organisational Development

| Paper reference | Minute reference | |
|---------------------------|------------------|--|
| | FEC/18/21 | Declaration of Interests |
| | 21.1 | There were no declarations of interest. |
| FEC/1/18/M FEC/1/18/MC | FEC/18/22 | Minutes of the meeting held on 25 January 2018 |
| | 22.1 | The minutes and the confidential minutes were each <u>approved</u> as a correct record. |
| FEC/1/18/action | FEC/18/23 | Matters Arising/Action Tracker |
| | 23.1 | The Committee <u>noted</u> the action tracker. |
| | 23.2 | 17/40.5 (Annual Review of Effectiveness): The Clerk to the Board reported that the Annual Review of Effectiveness paper would include some questions from the CIPFA self-evaluation tool. These questions would be issued to members shortly and responses would be brought to the July meeting. |

ACTION: Clerk to the Board

FEC/18/24 **Other Urgent Business**

24.1 There was no other urgent business.

FEC/18/25 **Campus Plan: forms of funding**

25.1 The Committee received a report on the first meeting of the Board's Campus Plan Task and Finish Group, which had been established to progress the funding options available to the University in delivering Phase 1 of the Campus Plan. The Group had considered a paper which set out the current situation in relation to the capital funding arrangements of the University and the options for funding in the future. Private placements appeared to be the most appropriate form of financing given the nature of the University's longer term view and affordability. This type of funding was increasingly being favoured in the sector.

25.2 The Group had agreed to appoint QMPF, an independent corporate finance adviser focussed on the education, infrastructure and energy and renewables sectors, as the Independent Financial Advisers for the Campus Plan. This decision followed presentations from two companies shortlisted through a formal procurement process.

25.3 Reports from the Group would be included as a standing item on future agendas.

ACTION: Clerk to the Board

FEC/2/18/6.2
Confidential

FEC/18/26 **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 Director of Estates and Facilities reported on the progress of the following projects:

- i) Proposals to develop the former Nelson Mandela Building and 'Sheaf Tower' were on-going. This development supported, but was not part of the Campus Plan. The University would be briefing interested parties on 11 June 2018.
- ii) Budget estimates for the Food Engineering project would shortly be reviewed once the contactor had completed RIBA 4 design and had soft market tested five main work packages. Mitigation was in place around the challenge to timescales.
- iii) The current key risk for the Advanced Wellbeing Research Centre (AWRC) project was achieving confirmation as to whether the MRI Scanner was to be installed or not, and the current identified cost increase on the project, as a consequence of additional costs relating to the scanner, inflation costs, land acquisition costs and some increases in work package costs which were still being analysed.

26.2 In response to comments on the AWRC, consideration was being given about how to repurpose space to generate income. Enquires had been received from external companies interested in co-location. The MRI Scanner was not part of the project specification and the consideration about whether or not to install was taking into account whether the project was expanding beyond its initial remit.

FEC/18/27 **Professional Services Operating Model (PSOM)**

27.1 The Chief Operating Officer provided an update.

- i) PSOM had a critical role to play in putting the University in a position to deliver the Transforming Lives strategy. The first phase of delivery involved a significant re-shaping and consolidation of Student and Academic Services.
- ii) Formal consultation on the revised structure was underway and would close on 30 May 2018. To date the consultation had elicited a good amount of comment. In general, comments were focussed on implications for individual roles, teams or service areas rather than the principles behind the revised structure.
- iii) Senior roles had already been appointed. The next level of appointments (grades 7&8) would be made in July 2018 with the remainder (grades 4 to 6) happening from October 2018.
- iv) Overall, the revised structure represented an 11% reduction in staff numbers across Student and Academic Services. A significant contributor to this was the consolidation of student helpdesks. In other areas, for example support for student mental health, resource was being increased.
- v) Work on Phase 2, which included Business and Outward Engagement had begun with Phase 3 starting in September 2018.

27.2 The approach to voluntary redundancy was explained. There was no change to the standard terms which were largely driven by LGPS and not negotiable. However, unlike on previous occasions where staff numbers had been reduced in particular areas, consideration of requests to take voluntary redundancy would take into account affordability. Where the pension liability made voluntary redundancy too expensive for the University, requests might not be approved and appropriate alternative positions offered instead.

FEC/18/28 **Hallam Deal**

28.1 The Hallam Deal was one of the ten immediate priorities of the Transforming Lives strategy. The Assistant Director of Human Resources and Organisational Development gave a presentation which set out:

- The aims of the Hallam Deal and its key principles;
- Its evolution since the introduction of Transforming Lives in February 2017;

- The current position and what had been delivered to date;
- The future focus;
- Challenges, gaps, successes and opportunities.

28.2 In discussion, the Committee commented on the scale of the project and the challenges this presented with sustaining the level of activity. In terms of how this should be presented to the Board, the section on future focus should be developed further and the presentation circulated to the Board before its meeting on 13 June 2018.

ACTION: Assistant Director Human Resources and Organisational Development

FEC/2/18/7.3
Confidential

FEC/18/29 **Voluntary Living Wage**

29.1 There was a legal requirement to pay the National Minimum Wage and National Living Wage. The Voluntary Living Wage (VLW) was not mandatory but there was a strong case for adopting it to ensure the University was treating its lowest paid staff fairly.

29.2 The Head of Rewards and Benefits introduced the report which set out the options for adopting VLW and to which groups it should apply. The recommended approach sought to address identified risks and avoid unmanageable short-term costs:

- i) The University should track VLW rather than moving to become an accredited employer. This would mean paying a living wage supplement to employees on the pay and grading structure below the VLW rate.
- ii) This approach would ensure the University retained control of pay rates and could decide whether to implement in future years if VLW increased more dramatically than predicted.
- iii) Paying the rate as a supplement would also protect the current pay and grading structure and the distinctions between the grades.
- iv) The supplement should also be paid to staff in training roles, for example student placements and apprenticeships.
- v) VLW should not be adopted for casual workers. To do so would have a significant impact on the budgets in certain areas, especially those who rely on roles such as Student Ambassadors. This could lead to less work being available for our own students.
- vi) The approach would be reviewed in November each year at the point when the new VLR rate was announced.

29.3 The Chair reported that the paper had addressed all the questions that he, and the Chair of the Board, had asked. Members welcomed the approach. Payment of the living wage supplement sent a positive message to the University's lowest paid staff and had a small, but positive, impact on the gender pay gap. Care would be needed in communication however to ensure that those staff on the lowest grade not to attract the

supplement understood the difference between the rate for the job and the living wage supplement.

29.4 The Committee approved the following recommendations for endorsement by the Board at its meeting in June:

- i) That the University should agree to track the Voluntary Living Wage through the payment of a living wage supplement to all employees on Grade 2 and 3 who are currently paid below Voluntary Living Wage rates. This will affect around 117 employees and will generate an additional cost of around £45-50k annually.
- ii) That the University should also pay a living wage supplement to all employees in training roles. This will affect around 20 Student Placements and Apprentices and will generate an additional cost of around £37-38k annually if current numbers were maintained
- iii) That the University should not at this stage adopt Voluntary Living Wage rates for casual workers but should keep this decision under review and should undertake further analysis of the likely impact.
- iv) That, as a consequence of the first recommendation, spinal point 2 should be removed from the pay and grading structure.

FEC/2/18/8.1 FEC/18/30 **Financial Performance Report: Period 9**

30.1 The Director of Financial Services reported that the favourable variance to the operating deficit forecast was due to the combined impact of the underlying operational performance, the latest update for strategic investments and a reduction in forecasted borrowing costs. The current cash balance was significantly lower than budget due to borrowing. The budget had assumed that new borrowing arrangements would now be in place but re-financing was being deferred until 2018/19. The Committee received the report.

FEC/18/31 **Health Innovation Park**

31.1 The Committee received a progress report. A minute confidential to the Committee was recorded.

FEC/2/18/8.3 FEC/18/32 **Financial Regulations - amendments**

32.1 The Director of Financial Services introduced the report which set out a number of minor changes to the wording of the Financial Regulations to ensure they remained up to date and reflected the latest operating conditions. The Committee agreed to recommend the amendments to the Board.

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| FEC/2/18/8.4 | FEC/18/33 | <p>Ethical Investment Policy</p> <p>33.1 The Director of Financial Services introduced the report which set out how the University's investments over the past 12 months complied with the Ethical Investment Policy.</p> <p>i) In the period March 2017 to date, the only investments the University has held, other than in its own subsidiaries, were cash deposits and an investment in a joint venture company.</p> <p>ii) The cash deposits have been held by banks on our counterparties list, per the University's Treasury Management Policy.</p> <p>iii) The joint venture company is called STEM Learning Limited, which operates the National Science Learning Centre as a centre for excellence for science, mathematics and engineering teachers' continuing education. This investment complies with the ethical investment policy, as its activities are consistent with the objectives and values of the University.</p> <p>33.2 The Committee <u>approved</u> the Ethical Investment Policy. This would be reviewed again in 12 months.</p> <p>ACTION: Director of Financial Services</p> <p>33.3 Members questioned the processes in place for ensuring ethical borrowing, including whether this was covered by Financial Conduct Authority requirements. It was agreed to raise the matter with the newly appointed Independent Financial Advisers.</p> <p>ACTION: Clerk to the Board/Director of Financial Services</p> |
| FEC/2/18/8.5 Confidential | FEC/18/34 | <p>Orders/Contracts above Approval Threshold Level</p> <p>34.1 The Committee <u>noted</u> that:</p> <p>i) the submission for the Enterprise CRM Implementation contract which is under award and has been approved as follows:</p> <ul style="list-style-type: none"> - Chief Finance and Planning Officer (on behalf of INVIC) on 24 April 2018; - Chief Operating Officer (on behalf of the BAGU Board) on 26 April 2018; - Chair of the Finance and Employment Committee on 26 April 2018 by email and subsequently, formally signed on 10 May 2018. <p>ii) no other contract has been awarded above £500,000</p> |
| FEC/2/18/9 Confidential | FEC/18/35 | <p>Students' Union Financial Monitoring: Period 9</p> <p>35.1 The Committee <u>received</u> the report on the accounts for April 2018. There was an operating deficit of £2.4k against a budgeted surplus of £7.2k. This was predominantly due to a £8.9k shortfall on commercial activities. The forecast to the year end was currently a £6.5k deficit.</p> |

- 35.2 In discussion, members commented that this was the latest in a series of adverse financial reports on the Students' Union and asked if financial targets were realistic and whether there was a sufficient level of competency in the Students' Union to deliver those targets. The following points were made in response:
- i) The location of the Students' Union building was a contributory factor to the problems being experienced. The Campus Master Plan would increase the footfall to the building which would help address some of the commercial issues.
 - ii) Increased competition from elsewhere in the City was also affecting commercial activities.
 - iii) There was a sufficient level of competency amongst staff and they were working hard to address issues. Appropriate adjustments had been made in light of the shortfall in commercial activities.
 - iv) The Committee had previously agreed performance measures around National Student Survey outcomes to inform the Students' Union grant from 2019/20 onwards. Improving performance in these areas should remain the Union's priority.
 - v) Different approaches could be considered but this was not seen as a priority at the moment. The Union had been set clear financial targets with a plan for where these were not met.

FEC/2/18/10
Confidential

FEC/18/36

SHU Law Ltd

- 36.1 SHU Law Ltd was incorporated on 25 January 2018 following approval by the Board of Governors at its meeting on 4 April 2017 to incorporate and register an alternative business structure with the Solicitors Regulation Authority (SRA) to allow for the delivery by the Department of Law and Criminology of a new applied law degree within the University (BG/2/17/7.4).
- 36.2 The Director of Financial Services introduced the report which set out the level of financial support from the University over a five year period from 2018/19. Confirmation of this support was required by the SRA, via a letter of comfort, given that SHU Law would initially be providing its services on a pro-bono basis and was not expected to be self-funding for five years.
- 36.3 The composition of the Directorship of SHU Law had been revised to take account of the SRA requirement that at least one Director should have a relevant practicing certificate. The addition of the Head of Law met this requirement. It was also felt appropriate to have at least one senior Finance representative as a Director to retain a close view on SHU Law's finance activities. The proposed Directorship was:
- Deborah Harry, Chief Finance and Planning Officer
 - Simon Taylor, Director of Financial Services
 - Professor Elizabeth Smart, Head of Law

36.4 In discussion, members questioned the statement that financial support would total £294k over a period of five years after which point the entity would be self-funding. This was felt to be a very specific figure and it would be better to round this up to a maximum amount.

ACTION: Director of Financial Services

36.5 The Committee recommended approval to the Board of:

- i) The letter of comfort in respect of the ongoing financial liabilities of SHU Law (subject to the comments about rounding up these liabilities to a maximum figure) and;
- ii) The revised composition of Directorship of SHU Law.

FEC/18/37 **Closing Comments**

37.1 The Chair thanked Tracey Goodwill for the support she had provided him in her role as Minute Secretary to the Committee over the past few years. Tracey would continue to support the Board and other groups but support for the Committee would come from elsewhere within the Governance Services team.

FEC/2/18/11 FEC/18/38 **Schedule of Meetings and Forward Planning Programme**

38.1 The Committee received the forward planning programme and noted that the next meeting would be held from 3.00pm until 5.30pm on 10 July 2018.