

HARPER ADAMS UNIVERSITY

Finance and General Purposes Committee

Minutes of the meeting of the Finance and General Purposes Committee held on 15 June 2017

Present: Mr S Vickers Chairman
Mr M Lewis
Dr D Llewellyn
Mr M Thomas

In attendance: Dr C Baxter University Secretary
Mrs L Furey Director of Finance
Professor P Mills Deputy Vice-Chancellor

Apologies: Mr P Nixon
Mr D Wong

Members were reminded, if required, to update their entry in the Register of Interests.

16/46 Minutes

Approved: the minutes of the meeting of the Finance and General Purpose Committee held on 20 March 2017 (16/33-16/45).

16/47 Matters Arising

Noted:

- i) that all the actions highlighted in the minutes has either been completed or were in progress and/or were an item later in the agenda;
- ii) that the Director of Finance provided members with an update on procurement KPIs circulated as an additional item at the meeting.

16/48 Risk Management

Received: a report by the University Secretary on progress with risk items assigned to the Committee;

Noted: that the Committee were content that the University continued to manage the highlighted risks assigned to the Committee appropriately.

16/49 Vice-Chancellor's Report

Received: a report from the Vice-Chancellor on recent developments of note.

Noted:

- i) that as at 8th June 2017, undergraduate student acceptances of places for September 2017 entry remained at 93% of those received at the same point in 2016. The University was actively engaging in a new campaign called "Advantage Harper". This aimed to attract late applicants to the University over the extended clearing period which now exists throughout the summer months;
- ii) that Agriculture, especially the Foundation Degree together with Engineering programmes remained challenging areas in which to attract students. While it was believed that Agriculture had a number of

other potential factors affecting student decision making including Brexit, three years lower farm incomes and other issues including the current demographic downturn. It was less clear whether or not there was specific factors influencing decision-making around Engineering programmes other than the current demographic downturn;

- iii) that University Executive had agreed that a student retention group should be set up focusing on identifying and putting in place proactive ways to ensure that student retention was maximised as far as possible;
- iv) that University Executive had discussed the opportunity to consider developing an extended degree for students who narrowly missed the A level entry requirements and need to top-up prior to progression to a Degree programme. This is currently being explored;
- v) that Jo Johnson had been reappointed as Minister for Universities and Science. In light of this it was believed that the TEF outcome may be released sooner than was originally thought however no firm date had yet been confirmed;
- vi) that George Eustace would continue as Farming Minister with Michael Gove heading DEFRA. The Vice-Chancellor's office was currently inviting both Mr Johnson and Mr Gove to visit the University;
- vii) that the Higher Education and Research Act had been enacted and had significant implications. Commentators are advising that it the bill is the largest change in 25 years with the introduction of the Office for Students; changes to the ways in which alternative providers can enter the sector; relaxation of University titles and TDAP regulations; the introduction of TEF and changes to research funding which will now be managed by UKRI. It was noted that a useful one page summary had been put together describing the HE Act and it was agreed that this should be circulated to Members through the Governor's Document Site. **CEB**
- viii) that the new Chair of HEFCE is known to be very focused on data analytics. The Chief Executive of the Office for Students has yet to be confirmed;
- ix) that the Vice-Chancellor had been invited to join the National Student Information Advisory Group along with Vice-Chancellor of Lincoln, Mary Stewart. As part of this role the Vice-Chancellor had already been asked to comment on the recently published LEO data (longitudinal employment data set). This data is due to be published as part of the Unistats website and further data relating to self-employment is understood to be in preparation for publication in December 2017;
- xi) that the **LEO** data indicated that Agriculture and related subjects were second to bottom in terms of earnings at three and five year points after graduation while Engineering was performing better. However, WONKHE has done an analysis by institution which shows that Harper Adams performs well on the Agriculture table when compared to competitors in terms of salaries that its graduates secure;
- xii) that there remained the risk of institutions whose graduates did not meet the threshold to pay back their student loans being charged by the UK government in future. This had been discussed some time ago and although no further proposals had come forward, this remained an important area for the sector;

- xiii) that the Vice-Chancellor had addressed the HEFCE catalyst panel during the week focusing on the use of the University's use of catalyst funds to develop the Agricultural Engineering Innovation Centre (AEIC) and facilitate the relocation of the Dairy Crest Research and Innovation team on to the University's campus. Feedback had been very positive with the panel confirming that they were very impressed with the use the University had made of the funds. HEFCE staff had also suggested that a further application from the University would be positively received should appropriate projects come to the fore. This would be discussed further with prospective partners;
- xiv) that two Harper Students had been shortlisted for the Farmer's Weekly awards. In addition to this the Harper Adams Cereals Challenge team had come second and a further team had won the Guild of Agricultural Journalists Award at the Cereals event;
- xv) the University had been saddened to learn of the death of Professor Aliston former member of staff at the Royal Agricultural University and a well- known figure in the agri-food sector. The Vice-Chancellor had sent condolences on behalf of the institution;
- xvi) that SRUC had issued a new strategy which was currently under active discussion;
- xvii) that the Director of the Midland's Engine had visited the previous week. Discussion had focused on the need to ensure that Agri-Tech as well as food processing remained a focus for the Midland's Engine. The University of Lincoln had made significant headway with emphasising the importance of food processing and had been able to secure direct support from the Lincolnshire LEP as they are the only university in that county. It had been hoped that Harper Adams and Lincoln might be able to put a joint HEIF bid together, unfortunately however at a later stage, the University of Lincoln had decided to proceed with an alternative partner (The University of Cambridge);
- xviii) that the Vice-Chancellor had developed a paper for the BEIS/Midland's Engine Staff. This feedback had been requested form the Director. The Vice-Chancellor asked to speak with the consultant who was working the proposal for the Midland Engine around food/agri-food with a focus on future food processing. The Vice-Chancellor had emphasised the need to ensure that primary production was being appropriately supported through new technology in the agri-tech area to ensure that there are appropriate raw materials for future food processing to remain viable.
- xix) that the Midland Engine wishes to have IT'S policy framework document presented to the government by July 2017;
- xx) that the Director of Finance had agreed to lead on the University's engagement with the local authority to develop the Newport Innovation Park Project;
- xxi) that the Higher Education Assurance Review would take place at the University on 22nd June 2017;
- xxii) that on 22nd June in the evening the University had been shortlisted in two areas in the THELMAS (Leadership and Management Awards);

- xxiii) that the University continued to be aware of developments linked to the University Centre, Shrewsbury Project.

16/50 **Management Accounts**

Received: the management accounts to the period 30 April 2017.

16/51 **Budget/Financial Planning**

Considered: i) the updated Financial Strategy
ii) the Draft Budget 2017/18 including the Financial Forecast 2017

Noted: i) that the updated Financial Strategy reflected the detailed discussions that had been taking place over recent months. The updated strategy had drawn upon the previously agreed Financial Strategy and also reflected more recent discussions. In particular the KPIs reflected those previously agreed for the ASSUR Annual return in November 2016;

ii) that a small number of new KPIs had also been suggested in the paper including for example, a KPI related to the allocation of academic staff workload and comments from the Committee were welcomed ;

ii) that pay as a percentage of turnover had previously been targeted at 50% however, given the University's growth and development and the rising cost of pensions and other related staffing matters it was no longer possible to meet this target and, therefore, it was felt that a more realistic target would be 55% .This remained in line with other universities especially as many other HEIS have already outsourced their cleaning and catering and other infrastructure related staff while the University continues to maintain these staff on directly employed contracts. At the current time the University's cost for staff remains below the median line.

iii) that although a change to the liquid cover (90 days) KPI had been suggested it was recognised that this varied across the year and there may be times when the cover exceeds this number of days and other times when it dips below this number of days but nevertheless overall it was felt that it would be appropriate to remain with the 90 days liquid cover KPI.

iv) that the table also recognised that a number of measures used by HEFCE are changing and that simple surplus (although included in the recent report from HEFCE on the financial health of the HE sector), nevertheless HEFCE staff were clear that measures such as cash flow and cash generation remain important. It was also the case that banks were recognising that cash was the way in which the HE sector were now measuring their financial sustainability. Furthermore the University provides HEFCE with a comprehensive statement on financial matters every year as do all other universities. Members asked that the Director of Finance provide further information on the roles that cash and surplus play currently and are likely to play in the future in terms of providing measures of financial sustainability in the HE sector more generally and at Harper Adams in particular. **LF**

v) that most financial KPIs are included in year end reporting particularly in ASSUR, but these will continue to be included in the next KPI set which is usually reviewed by F & G P at its November meeting each year. Members confirmed that they would still wish to see a

consolidated report on all KPIs measured against the Financial Strategy even though it was recognised that these may have been reported as individual or groups of KPIs in other documents ; LF

- vi) that the proposed budget for 2017/18 and Financial Forecast for 2018/122 had been based on an anticipated student intake of 630 for September 2017. It was recognised that this was lower than the University had wished to achieve but given application numbers it was felt that this was realistic and that in future the University would continue to do its best to achieve an intake of 650 or higher wherever possible. The tables also reflected the fact that historically the retention data had been applied in more detail in a very prudent but realistic way;
- vii) that a new budget line for higher level apprenticeships had been included. The initial intake would be modest at 6 in the new LFABM apprenticeship course in conjunction with Fisher German, however, it had assumed that two further courses would come on stream, one in 2018 and one in 2019 attracting 10-12 students on each occasion. Members noted that the initial burden associated with apprenticeships was considerable but this remained an important area for the University to engage with;
- viii) that international recruitment had been included at a prudent assumption level. Harper Adams was not assuming major growth as some other HEIs had. A possible over reliance on international student numbers had been highlighted by HEFCE in their report of the financial health of the sector published in March 2017;
- ix) that it was understood that other specialist HEIs were finding recruitment particularly challenging at this time and that the demographic dip of approximately 2% would continue each year until 2021. It was also the case that competition for students remained fierce and the number of larger HEIs were taking in larger numbers of students although it was recognised that retention rates may start to suffer if intake standards are revised without appropriate care;
- x) that agriculture and farming incomes were down for the third year in a row and domestic agricultural policy and Brexit were also causing concern across the farming sector and causing uncertainty. The Vice-Chancellor had been speaking to industry leaders and seeking their assistance as it was recognised that in due course there may be a lack of graduates available to move into their work force if specialist universities are unable to attract the right number of graduates into the agri-food chain subject areas;
- xi) that it was recognised that the University could not itself manage all of these external factors and that it was continuing to work hard to ensure that it engaged positively with potential markets and communicated effectively about its programmes and the success that its students were achieving in careers;
- xii) that trials around not interviewing all applicants had been successful in some areas and where a partial interviewing process had been put in place (in Food) this had perhaps not been quite as successful and therefore arrangements would be reviewed again for the forthcoming year;
- xiii) that for the first time some applicants who had declined Harper Adams were indicating that location was a factor and they were considering

living closer to home. It was also the case that some institutions had increased the number of unconditional offers they were making. The University had tried this but had not found it particularly successful however this would be kept under review;

- xiv) that at the recent Open Day in May there had been some additional students wishing to apply for 2017 entry and at this point it is possible that further students may attend the Open Day in July 2017 who are still looking for 2017 entry;
- xv) that a meeting with Course Tutors had been planned for July and a number of ideas would be discussed at that meeting to further improve the University's attractiveness to potential undergraduates. One issue that would also be explored is whether or not the University can improve the local transport network by putting on additional minibuses or similar;
- xvi) that at the Board meeting in July it was proposed to brief Members in more detail about the proposal to create a new area of activity which remained confidential at this point. The proposal was in partnership with another university and a formal announcement would be made once the Board of Governors at Harper Adams and the Council at the other university had determined whether or not they were happy to support the project continuing. Should this project be successful it was recognised that this could attract a significant group of additional students to the campus in due course, however in the meantime it was important to ensure that the current Harper Adams programmes remained attractive and were successful at recruitment.
- xvii) that the proposed budget and forecast has assumed tuition fees would be set at a rate of £9350 for home/EU students and that a modest uplift of 1% would be applied to overseas and postgraduate fees. In discussion Members agreed that postgraduate fees should be round to the nearest £50 in the final fee talks; **LF**
- xviii) that pay costs had been included based on the most recent UCEA indication that the National Pay Award ranging between 1.75% and 2.4% was likely to be confirmed with the higher rate affecting staff costs for lower grade points. This was higher than the assumed 1% that was included in the forecast in the previous year. In light of this the forecast assumed an uplift of 1.5% across the following years in the forecast;
- xix) that it was recognised that the efficiency level and staff savings included in the budget were challenging and that contractual arrangements needed to be considered carefully with external contractors wherever possible;
- xx) that the strategic investment of the ISF fund had been included in the documentation. Some of the educational activities had been brought forward and a new senior post in the Food Department had been included;
- xxi) that an uplift in residential fees of 2% had been proposed together with a longer period of let over the year. This is in line with arrangements at other universities;
- xxii) that with respect to capital budgets, the need for the University to provide working capital for Cedar Energy to continue trading from 1st August 2017 had been included;

- xxiii) that a number of new requests for other capital projects had been received but not all had been put forward in the budget as affordability needed to be considered carefully together with the contingency that would be discussed further under Reserved Business. The underlying budget for capital was c. £3 million and this would be challenging to meet and it was recognised that a number of projects would not be progressed.
- xxiv) that the documents included information on risks and opportunities and Members noted in particular that a lot of proactive work was underway to mitigate risks wherever possible;
- xxv) that the forecast had not made any further assumptions around pensions increases but these were recognised as a potential risk at the time period of the forecast.
- xxvi) that in light of the most recent grant letter the forecast included a £300,000 reduction in 2017/18 and assumed that there will be similar reduction and cuts in future years. The forecast had also assumed an ISF income at 50% of the current income after 2019 and it was felt this was prudent given the forthcoming changes and development of the Office for Students etc.

Agreed:

- i) that in light of detailed discussions at the Committee the Director of Finance would reduce the anticipated number of students for 2018/19 down to 630 as it was felt that this may be a prudent estimate given the current challenges related to demography and changes in the farming sector. Members recognised that this may highlight the need to drive further savings and that it would be important to ensure that reasonable adjustments were made and if necessary acceptance that a lower surplus might be generated;
- ii) that the tuition fees as set out in the paper should be approved & LF recommended to the Board subject to inclusion of members' comments; **LF**
- iii) that the proposed uplift in residential fees and longer letting year should be approved and recommended to the Board; **LF**
- iv) that the working capital for Cedar Energy should be approved & recommended to the Board; **LF**
- v) that the capital budget as set out in the papers should be approved & recommended to the Board; **LF**

16/52 HEFCE Publications

Received:

- i) a copy of a report by HEFCE on the financial health of the HE sector published in March 2017;
- ii) a copy of a revised (draft) section of the Memorandum of Assurance and Accountability (funding agreement) between HEFCE and institutions 2017-18

- Noted:
- i) that the report on the financial health of the HE sector had been useful for discussions about the budget and the financial forecast earlier in the agenda;
 - ii) that the key change to the Memorandum of Assurance and Accountability related to the inclusion of TEF and references to the Office for Students etc. It was also understood that the borrowing threshold will be changed and will reflect adjusted net operating cash flow in line with a model developed by HEFCE in discussion with BUFDG. The Director of Finance had reflected on the model and was content that this would not cause issues for Harper Adams;

16/53 Strategic Topics for Discussion at Board Meetings

- Received:
- i) A paper setting out topics for discussion

- Noted:
- i) that the proposal to include a standing item at Board meetings on strategic topics had arisen from the Chair's discussion with a number of members. Although there was currently a planning session each year it was felt that inclusion of a strategic topic at each Board meeting as a specific discussion item may be a helpful way to further highlight opportunities for Members to contribute their expertise to support the work of the University;
 - ii) Members asked which of the topics highlighted in the proposed list represented the greatest risk and/or the greatest opportunity. In discussion members agreed that the opportunity to develop a new course area in collaboration with another university remains both the single greatest opportunity and the single greatest risk and therefore it would be very helpful to have a detailed strategic discussion on this at the Board meeting in July. Professor Peter Mills agreed to provide an email to members preparing them for the discussion together with documentation for circulation with the agenda. At the Board meeting Professor Mills agreed to give a presentation in a form which would facilitate Members to engage and ask questions during his presentation.
 - iii) Members also agreed that it would be useful to focus on the development of the Office of Students and the activities for the Office for Fair Access on a future occasion and the transition of HEFCE from funder to regulator. Members also suggested it would be useful to focus on the student experience and asked that this should be the focus at the September Planning Day. **CEB/DGL/MJL**
 - iv) that it would be helpful if authors of Agenda items for the Board in particular to continue to highlight the key decisions that are being sought. It was agreed that the current system of dialogue boxes at the top of agenda papers could be further enhanced in this regard so that members would be clear which particular sections of the document were particularly important for them to focus on. It was further suggested that authors of papers could, if they wished, use the highlighter function on electronic documents to highlight areas that members may particularly wish to pay careful attention to. **CEB/LF**
 - v) that it was felt that when the Board is seeking new members it may be helpful to secure a member with HR expertise if possible. It was recognised that the Nominations Committee had recommended to the

Board that an advert should be placed in the near future and the Board had approved this. It was, therefore, possible for the advert to particularly seek expressions of interest from individuals with HR experience. **CEB/DGL**

- vi) That in the past a Boardroom practice reflection exercise had taken place and it may be useful to conduct such an exercise in the future. This would be kept under review;

16/54 **Strategic Project Monitoring**

- Received: i) an oral report on progress with Agri-Tech projects.
- Noted: ii) that practical completion of the Agri-Epi hub is expected within the next 24/48 hours. A roof leak had been identified and was in the process of being fully addressed. It was hopeful that occupation could now be taken forward with PhD students taking up residence shortly. It was understood from Agri-Epi that a number of tenants had already been identified;
- iii) that there will be some development funds left available for Agri-Epi site managers to determine final finishing touches;
- iv) that Agri-Epi were planning on a stakeholder event to be held on 30th June which would include representatives of DEFRA and members/ industry representatives of the wider Agri-Epi community;
- v) that the SMART dairy was due to be completed in early August;
- vii) that SLAs were being developed and health and safety arrangements were being put in place by Agri-Epi;

16/55 **Estate Developments**

- Received: i) a paper by the University Secretary on progress with current estate Developments.
- Agreed: that the report confirmed that a range of estate projects were being appropriately managed and progressed as previously agreed by the Committee.

16/56 **Report from Cedar Energy Limited**

- Received: i) a report from the Estates and facilities Manager/Director of Finance on Cedar Energy Limited in their role as Director/ Secretary of Cedar Energy Limited;
- Noted: i) that a number of challenges continued to be addressed in relation to the STEP project and that the University was seeking the appropriate legal and professional advice;
- ii) that Members recognised that the remedies under the contract were limited in accordance with the established format of such contracts and therefore it would be important for the University to continue to engage

with the contract and to negotiate if possible with the contractor ways in which the project could be successfully commissioned and completed in a reasonable timescale. Members also confirmed that they were committed to ensuring that commissioning was conducted appropriately as this would be fundamental to ensuring that the system worked appropriately once it was completed;

- iii) that the University were aware that there had been some delays caused by utility companies and they were continuing to press this and had sought support from contacts at Eversheds to secure this documentation as soon as possible;
- iv) that the Committee was supportive of the approach being taken by the University and would be happy to be kept informed in due course.

16/57 **Committees**

Received:

- i) the minutes of the meeting of the Health and Safety Committee held on 1 June 2017;
- ii) the minutes of the Farm Strategy Committee held on 24 May 2017;

16/58 **Date of Next Meeting** 8 November 2017