HARPER ADAMS UNIVERSITY

Finance and General Purposes Committee

Minutes of the meeting of the Finance and General Purposes Committee held on 8 November 2017

Present:	Mr S Vickers	Chairman
	Mr M Lewis	
	Dr D Llewellyn	
	Mr P Nixon	
In attendance:	Dr C Baxter	University Secretary
	Mrs L Furey	Director of Finance
	Professor P Mills	Deputy Vice-Chancellor
Apologies:	Mr M Thomas	
	Mr D Wong	

Members were reminded, if required, to update their entry in the Register of Interests. Mr P Nixon confirmed that he had retired from the National Trust and that he would update his entry in the Register of Interests in due course if he decided to take up new roles with other organisations.

17/59 **Minutes**

Approved: the minutes of the meeting of the Finance and General Purpose Committee held on 15 June 2017 (17/46-17/58).

17/60 **Matters Arising**

Noted: that the Director of Finance would provide an interim briefing on the role of surplus and cash as part of the presentation of ASSUR data and year end discussions during the meeting. She had also to provide a more detailed briefing on the role of surplus and cash including a reflection on how these two matters are featured in the CUC Illustrative Practice Note on Sustainability at the January 2018 meeting of the committee. **LF**

Agreed: that the other items arising from the meeting held in June 2017 had either been fully addressed or were already in hand.

17/61 **Terms of Reference**

Received: the Terms of Reference for the Finance and General Purposes Committee.

Noted: that the University Secretary had reviewed the Terms of Reference and did not wish to propose any changes. Members advised that they were content with the Terms of Reference as presented.

17/62 **Risk Management/Insurance**

Received: i) a report by the University Secretary on risk items assigned to the Committee;

ii) a report by the Personal Assistant to the Director of Finance on the University's insurance renewal 2017/18 and review of insurances.

Noted: i) that the University had briefed members of the Board in September 2017 on cyber security. Further work was in hand and would be reported in more detail to the Audit and Risk Management Committee at its forthcoming meeting. The Chair of the Board had also been kept informed;

ii) that the Committee were content that the University continued to manage the highlighted risks assigned to the Committee appropriately;

iii) that the cost of insurance had increased over the past few years from £150k to £220k. However, this included IPT at 12%, an uplift from the previous rate of 9.5%. The University had also developed and built a number of new buildings and, therefore, an increase in property values had resulted from this. The revaluation of the estate had also led to an overall increase in property values. Steps had also been taken to add VAT to the estimate of rebuilding costs for student residences;

iv) that the renewal of insurances included a review of cyber risks;

v) that the University continued to secure competitive premiums through the University buying group system;

vi) that the University had also taken out landlords insurance with respect to the Dairy Crest and Agri-Epi buildings. However, these costs were currently re-charged to the relevant parties as part of the lease arrangements. The University had also ensured that its employer liability covers risks relating to Harper Adams staff working on these two sites;

Agreed: to thank the Director of Finance and her assistant for the comprehensive update and to recognise that it remains very important for the University to be appropriately and adequately insured;

17/63 **Vice-Chancellor's Report**

Received: i) a report from the Vice-Chancellor on recent developments of note;

ii) a report on the University’s performance in 2016/17 with respect to the targets set by the Board of Governors on the University’s bonus scheme;

Noted: i) that undergraduate recruitment for 2017/18 was 618 as some students had withdrawn during the early weeks of the term. The number of undergraduate BSc and MEng students had increased whereas the number of foundation degree students had decreased overall. Although the University had decided to cease to offer foundation degrees in Veterinary Nursing and Engineering, these numbers have been small. However other foundation degrees had not attracted as many students as in previous years;

ii) that the University Executive remained focused on student success and retention and a monitoring group was now considering the Success and Retention Plan. Progress with agreed actions was being evaluated and reports from departments were being received on a very regular basis;

iii) that the number of potential applicants attending the October 2017 Open Day had been positive with just over 70% of those registered attending the event. Statistics from the overall HEA sector seem to be showing higher numbers of applications to date. However, this may be related to timing rather than a sustained uplift across the recruitment cycle. The situation would continue to be monitored very closely;

iv) that the University had commenced its new directed marketing campaign and has been making significant use of social media. In particular, messaging around the forthcoming Open Days on 18 November and 16 December 2017 had been emphasised and to date the number of individuals registering to attend the Open Day on 18 November appeared to be slightly up on previous years;

v) that the University continued to work hard to improve its international profile. The relationship with Huazhong University remains a focus and the Vice-Chancellor had recently visited the Dominican Republic to renew the agreement with the government and provide studentships. The discussions have been very positive with a total budget of £1million being committed to support students progressing to Harper Adams. This would now include PhD studentships as well as the current Master's degree scholarships;

vi) that the Vice-Chancellor had also visited Cornell and successfully renewed the University's exchange agreement. Colleagues at Cornell were very keen to continue the engagement and recognise that the College of Agriculture at Cornell having 3000 students is a similar size to Harper Adams. Academic staff had expressed an interest in engaging with applied research that takes place at Harper Adams and had been particularly interested to hear more about engineering activities. Harper Adams had been invited by Cornell to work with them on a SMART agriculture project. A further meeting would take place in December 2017 and was likely to focus on the Hands-Free Hectare;

vii) Parmjit Chima and other Engineering colleagues were continuing to engage with opportunities to develop links with India;

viii) that the Home Office had recently changed its tone slightly with regard to overseas students. For example, it had been confirmed that there were in fact, few international students who overstayed after visas expired. However, the HE sector has yet to see any clear relaxation of the student visa regulations at this point;

ix) that HEFCE has taken action to remodel financial projections given the announcement about a freeze on tuition fees. HEFCE has reported that the sector was projecting an overall 2% increase in student numbers. This was seen to be unlikely to be delivered in full given the demographic downturns and other factors;

x) that a review of the relative position of the University compared to competitors such as SRUC, Bristol, and RAU indicated that HAU research had continued to improve while staff costs remained at an average level. HAU borrowing was currently slightly above the average level but was however starting to reduce;

xi) that a pilot on subject level TEF assessment is now taking place. Institutional level annual review will continue in the meantime. A number of possible methods continue to be discussed including teaching intensity and there had also been considerable debate about grade inflation and the introduction of a long-term destination of leavers from higher education. It was likely that metrics relating to these matters would feature in TEF 3;

xii) that subject level TEF was currently anticipated to commence formally during 2019/20;

xiii) that the University need to consider whether or not it wishes to take part in TEF 3. The metrics received indicated that performance was stronger than when the University applied for TEF 2 and that its performance was sufficient to place it in three areas within the absolute top 10 level for the sector. It was however difficult to assess whether or not the costs involved in trying to secure TEF 3 over a slightly longer period outweighed the benefits. This analysis was currently underway and would inform a final decision;

xiv) that the OfS has indicated a wish to use real-time data in the future and in light of this it may not be necessary to have a renewed TEF score in the short term;

xv) that the Hands-Free Hectare had featured in 60 countries across the world. An approach from an international partner had been received in recent days and was currently being explored. However it was hoped that UK funders may be interested in funding the next stage of the project and these avenues continue to be explored;

xvi) that it would be important for the University to identify any IP or know-how that has been developed through the Hands-Free Hectare project. The University Secretary would be discussing this with colleagues and engaging advice from patent employers as appropriate; **CEB**

xvii) that a new Knowledge Exchange Framework is emerging which is likely to be a new metric considered by OfS and others. This may also feed into the further development of the current HEIF funding system and it remains important to Harper Adams to try to be included in this funding stream. It was noted that some HEIs have been able to become re-eligible for HEIF through offering non accredited short courses;

xviii) that it was clear that OfS is a regulator and there was some concern across the HEA sector that this may have an impact on institutional autonomy;

xix) that Brian Revell was continuing to engage with DEFRA in relation to BREXIT. Charles Cowap had also worked with the New York Times to provide comments on BREXIT in recent months;

xx) that visitors to the institution included a representative of the United States Department of Agriculture, Justin McCarthy, editor of the Irish Farmers Journal and New Scottish Farmers Journal; Tom Tynan of the EU Commissioners Cabinet, together with DEFRA ministers and the Welsh Assembly Government's Cabinet Secretary for Environment and Rural Affairs;

xxi) that there had been changes at a number of further education providers including Eastern and Otley College and Bishop Burton College. As members were aware changes were also in hand in relation to Walford and North Shropshire College. It had also been announced that the Principal of Reaseheath would be retiring during 2018;

xxii) the Government had also announced that NMMITE would receive funding of £15 million and would offer two-year degrees with substantial work placements;

xxiii) that engagement with Agri-Tech East was ongoing. The network had recently been awarded £4.7 million which included engagement with others to build links with businesses;

xviii) that Institute of Technology proposals were being developed. Harper Adams had been included in the list of interested parties;

xxv) that the new Mayor of the West Midlands Combined Authority had stated that he wished to develop and build a connection with universities. Discussion at Universities West Midlands had confirmed that UWM wished to remain in its current configuration and that the WMCA would be invited to speak to UWM as the voice of the HEA sector in the Midlands. Eight members of UWM were located within the WMCA boundaries. Harper Adams(being located in Telford and Wrekin) was located in the area of a non-constituent member of the combined authority;

xxvi) that of the three KPIs set for the University's bonus scheme for all staff (with the exception of the senior management team) one of the KPIs had been fully met but the other two had not been met. It was noted that this would also be discussed Staffing Committee and one of the Governor members had suggested it may be useful to reflect on the extent to which staff were able to influence the achievement of the current targets. In discussion, members confirmed their view that the targets remain very relevant and that there were appropriate opportunities for all staff to contribute to these targets being met;

xxvii) that as two of the three targets had not been met, it would not be appropriate for the University to pay the bonus in 2017. However members wish to recognise the excellent performance of the University and the very significant awards it had achieved during the year. In light of this, members agreed to recommend to the Board that exceptionally, the University might add 22nd of December 2017 as an additional closure day over the Christmas and New Year period as a way of expressing gratitude to staff for all their commitment and hard work during the year **DGL**

17/64 **Annual Accounts**

Noted: i) that the Charity Commission Regulations and the Reporting of Public Benefits had not been changed and the briefing included in the papers was the same as that circulated in 2016. KPMG, as part of their external audit work, had reviewed the University's Annual Report and Financial Statements against the regulations and had concluded that the University had addressed the requirements appropriately;

ii) that the year-end surplus was 3.64% against a budgeted surplus of 3.25%.In discussion members noted that historically a target for annual sectors have been set at 5% and that this reflected previous advice from HEFCE as 5% was seen as a level that would allow appropriate reinvestment. However due to the FRS 102 accounting changes the HE sector no longer was a historical cost basis against which to compare surplus. Nevertheless it was recognised that it remains important to ensure that sufficient cash was generated to allow the University to reinvest;

iii) that members wish to suggest that it may be helpful to review whether or not in terms of the university's annual bonus scheme, it may be more appropriate to set a target of meeting the budget as a KPI rather than a KPI to generate a particular surplus. However it was agreed that it would be useful to review this in more detail at a point when all financial indicators are reviewed as part of the annual review of the financial strategy. Members also recognised in discussion that the recruiting target was changed during the year following indication that the numbers of applications had fallen compared to the previous year; **LF**

iv) that the draft accounts included in the agenda papers needed to be updated to include tax advice. No tax charge was payable and there would therefore be a credit for Cedar Energy of £100k. Although this was not cash, it would need to be included in the overall group accounts and would increase the reported surplus to £1.6 million. There had also been a number of small items that needed to be confirmed such as the value of expenses paid to governors. These figures had all been completed and will be included in the updated draft accounts for presentation to Audit and Risk Management Committee on 16 November 2017;

v) that the University had included prudent provision in relation to workforce issues. HMRC advice had been sought and a full reply was still awaited. A provision of the anticipated costs had been set aside together with other contingency amounts. So far £64k had been paid to HMRC. The External Auditors had confirmed that they were content with the provision. In the meantime, weekly meetings of the Personal Tax Group were continuing and would include consideration of the Criminal Finances Act;

vi) that the loss incurred from the ledger during autumn 2016 had been referred to in the accounts. Indications were that although police investigations were ongoing, the likelihood of further recovery was unlikely;

vii) that the overall LGPS pension liability had improved from £17 million in 2016 to £14 million in 2017. For the first time, life expectancy had also been anticipated to drop;

viii) that an impairment relating to the pig unit assets had been included. This would continue to be reviewed during 17/18. In previous accounts, no provision had been included in error;

ix) that Cedar Energy continued to experience delays in starting full energy production due to issues with the STEP project contractors as previously reported to the Committee. The papers therefore included a proposed letter of support from the University for Cedar Energy to assist it to continue to operate during 17/18;

x) that the RSSG had sent an update on the presentation of ASSUR figures the previous day. There may, therefore, be a need to make some slight changes to the ASSUR report in time for the Board; **LF**

xi) that Cedar Energy accounts were due to be discussed and agreed by the Cedar Board shortly. The accounts had been updated to reflect the confirmed tax position;

xii) that the papers also included the Letters of Representation for the University group together with that for Cedar Energy for the information of members;

xiii) the papers also included the 201/617 Annual Report and Accounts for the Development Trust along with a draft Letter of Representation, which had been discussed at the recent meeting of the Trust in draft. The Trust had agreed that the Chair of the Trust might review and sign the final accounts subject to confirmation that there were no major changes arising from the auditor's final report. It had been confirmed that no major changes were required and therefore the Chair of the Trust would be taking action to sign the accounts in the next few days and in advance of the Board meeting on 28 November 2017; **LF**

xiv) that KPMG had described in their report an unadjusted matter related to the calculation of stock. It was likely that this would be discussed in more detail at the Audit and Risk Management Committee as the Director of Finance and her team did not agree with the suggested treatment as delivery of the item did not in fact occur until after the year end;

xv) that Cedar Energy has to inform its shareholders in writing that there are no cash flow issues and no related transaction issues. While this is consistent with previous practice it is now necessary for Cedar to formally record this in writing. This would be done by following the appropriate process: **LF**

xvi) that the draft ASSUR return was not compulsory in terms of submission to HEFCE in accordance with previous years. However, the University had previously decided to submit this report on an annual basis to HEFCE The University had also decided to use both methodologies available for the calculation of MSI;

xvii) that the ASSUR document remained important for the Board to consider when demonstrating its understanding of financial sustainability. The Board considered other metrics during the year such as the Financial Forecast during the summer and further financial information as part of the returns prepared submission subject to approval of the Board by 1 December in each year. The ASSUR metrics reflected these returns;

xviii) that MSI reflected the averaging of past and future cash flow forecast to ascertain whether or not universities were forecasting that they would be sustainable. The figure was made up of an average of the past six years and future cash flows. The Director of Finance had taken action to update the July 2017 forecast to reflect the actual year-end results and had recalculated MSI based on this. The calculation consisted of cash generated averaged over six years divided by the most recent year in turnover. In the case of Harper Adams, while cash generation has been quite static, the denominator had increased due to increased turnover. In recent years turnover had been in the order of £38 - £39 million and was now £42 million. The increased turnover reflected the receipt of ISF and other new income streams. Members were reminded that ISF was being used to invest in strategic projects such as DELTA and strategic new posts;

xix) that MSI also related to TRAC and it was understood that the recently received guidance was likely to suggest that the adjusted cash flow should be used when calculating this figure. The Director of Finance would review this carefully and report to the Board on 28th of November 2017: **LF**

xx) that the Finance and General Purposes Committee and Board had previously agreed an MSI target. It was therefore noted to be amber given the increase in turnover which had reduced the MSI performance. However in discussion, members agreed that this was a result of increased turnover and it may be appropriate to review this metric further once the OfS advises on future ASSUR and other metrics:

xxi) that in discussion, members felt it would be appropriate for the Deputy Vice- Chancellor to review the target relating to peer reviewed publications. It was agreed that it may be appropriate to consider whether there is a better KPI that more accurately reflects the research strategy: **PRM**

xxii) that during discussions of ASSUR in 2016 it had been suggested that "surplus" might be removed from the table. However the Director of Finance had retained it but removed reference to historical cost as this is no longer available given FRS 102 rebasing of financial information;

xxiii) that members noted that if the University received a donation this would be reported immediately through the P and L due to FRS 102 requirements. This in turn led to significant changes in the definition of "surplus". It was agreed that it was important therefore to be very clear about how surplus can be appropriately evaluated if it is to continue to be a key KPI for the University; **LF**

xxiv) that a possible cash target could be included such as a need to generate £5.5 million or more which would allow £2-3 million investment. Members acknowledged that this was worthy of further discussion along with details of which other metrics might be more appropriate to include. In particular members noted the need to be mindful of loan servicing impact and external borrowing as a percentage of income; **LF**

Agreed: i) to recommend the draft 2016/17 Annual Report and Accounts for Harper Adams University to the Board for its approval;

ii) to recommend the draft 2016 Annual Report and Accounts for Cedar Energy Ltd (subject to confirmation by the Cedar Energy Board) to the Board for inclusion within the overall Harper Adams group accounts:

iii) that the Annual Report and Accounts for the Harper Adams Development Trust should be consolidated within the University group accounts, once signed by the Chairman of the Development Trust:

iv) that the draft Letter of Support for Cedar Energy Ltd from Harper Adams University should be recommended to the Board for approval;

v) that the draft Letter of Representation for Harper Adams University group should be recommended to the Board for approval;

vi) that the draft Letter Representation for Cedar Energy Ltd should be considered by the Board of Cedar Energy and any comments provided to the Board of Governors as appropriate;

vii) that the draft ASSUR should be recommended to the Board for approval, subject to any changes arising from the recent HEFCE communication. The Committee also wish to recommend to the Board that the report should continue to be presented to HEFCE on a voluntary basis as part of the December 2017 return.

17/65 **Management Accounts**

Received: i) the consolidated Management Accounts for 2016/17.

ii) the Management Accounts for the period to 30th September 2017.

Noted: that with respect to 2017/18, the Finance Team were currently working through re-forecasting. The Management Accounts to 30th September 2017, therefore did not include any element of re-forecasting at this stage .

Agreed: to note the consolidated Management accounts for 2016/17 and the Management Accounts for the period to 30 September 2017.

17/66 **Capital Budget 2017/18**

Received: paper from the Director of Finance on capital carried forward from 2016/17 to 2017/18.

Noted: i) that the Board agreed the Capital Budget as part of the Budget approved in July 2017. The changes proposed in the paper related to the timing of invoices by 31 July 2017 and a need to adjust where these have not been paid by year end for operational or other relevant and appropriate reasons;

ii) that the Animals Department had also identified the need for a new ICPMS valued at approximately £140k. This would be funded from the Department's entrepreneurial account, however, in line with University policy, the Department needed to seek approval for this spend;

ii) that funding related to the completion of the Agri-Epi SMART dairy had been previously omitted in error. The facility would be funded 50/50 and would be subject to a lease once practical completion was in place. Following thi,s the Chief Operating Officer of Agri-Epi would be agreeing a licence back to the University and the University would have use of the facility and receive an appropriate value. The projects that would take place in the facility would either be Agri-Epi or Harper Adams led projects;

iii) that the first line of the paper should read 17/18, capital budget of £5876k

Agreed: to approve the Capital Budget including carry forward for 2017/18.

17/67 **National Pay Negotiations**

Agreed: to endorse the action taken by the Chairman of the Finance and General Purposes Committee, together with the Chairman of the Board and Chairman of the Staffing Committee,e to approve that the University should implement the National Pay Award backdated to 1 August 2017.

17/68 **Strategic Project Monitoring**

Received: i) an oral report on the progress with Agri-Tech projects from the Director of Finance;

ii) an update on the joint veterinary school project from the Deputy Vice-Chancellor.

Noted: i) that the Agri-Epi hub is almost complete. It is anticipated that PhD students will be able to take up desk spaces shortly under a licence that has been agreed between Agri-Epi and the University;

ii) that a member of the Engineering Department has been seconded to work for Agri-Epi as the Hub Manager by agreement with the University. He would shortly be joined by approximately 20 PhD students and 6 HAU staff, two of whom are ERDF funded, The University had also been successful in opening the café in the new building and this appeared to be well supported. The SMART dairy was anticipated to be completed by mid-November;

iii) that a facilities agreement was in hand and a similar facility document for use of the dairy and the licence was being developed by the Director of Finance;

iv) that the Deputy Vice- Chancellor had kept the working group, appointed by the Board to engage with the veterinary school project, informed of developments since the last meeting of the Board. The University had unfortunately been unsuccessful in its submission for a catalyst fund bid. Feedback from HEFCE had been that the bid was felt to be slightly too soon in the project as the Vet School had not progressed sufficiently towards completion. The University would therefore be rethinking its approach and will be discussing this further with colleagues at Keele;

v) that discussions with Keele had identified that are likely commencement date of 2020 was more realistic than 2019 as there was a considerable amount of work yet to do to put things in place. It was also the case that Keele had other major strategic projects they were currently working on;

vi) that it was not yet known whether or not the Office for Students would have a similar fund to the current Catalyst Fund. It was understood to be unlikely that this funding would be in the same format even if a similar amounts of funding do become available to the sector;

vii) that a business plan for the Veterinary School needs to be developed which extends the concept of the National Centre for Animal Well-Being into research plans. It was understood that Research England are currently thinking about national centre concepts;

viii) that although a special meeting of the Board of Governors had been agreed for 18 January 2018, this would be kept under review and the Vice-Chancellor would update members at the forthcoming Board meeting; **DGL**

ix) that it would be important for financial sustainability to be a key aspect of the joint veterinary school project and members suggested that F and GP needed to maintain oversight of this particular aspect, working alongside the working group. It was agreed that a business model for the joint vet school should be prepared for consideration at the planned Special Board Meeting in January 2018 or alternatively by the working group and Finance and General Purposes Committee as appropriate. **PRM/LF**

17/69 **Estate Developments**

Considered: i) a paper by the University Secretary on progress with current estate developments.

Noted: ii) that the proposed plans for the sports development had recently been costed in more detail and had proved to be costly. With this in mind the plans were under detailed review and were likely to change significantly so that the budget could be managed within an envelope between £2.5-

£3 million. It was the University's intention to raise external funding and donations for this development. Opportunities for external funders such as sports development companies that had worked with other universities successfully were also being explored. The Committee would be kept informed; **CEB**

iii) that the University had continued to engage proactively with the local town plan for Newport and the Neighbourhood Plan. With respect to the latter it was noted that there was a possibility that there may be a hearing with the inspector if matters raised shortly before the end of the most recent consultation remained contentious. Members would be kept informed. **CEB**

iv) that Members would receive an update on the revised budgets and plans for the sports development at the committee's next meeting on 18 January 2018 **CEB**

Agreed: that members were content that the other estate developments described in the report were being progressed appropriately;

17/70 **Report from Cedar Energy Limited**

Received: a report from the Estates and facilities Manager/Director of Finance on the STEP project.

Noted: that the University continued to make every effort to complete the STEP project and to ensure that Cedar Energy was able to generate the anticipated level of electricity and heat as soon as possible.

17/71 **Key Performance Indicators**

Received: KPI data for 2015/16

Noted: i) that the data presented reflected the amended KPI targets agreed by the committee and the Board during 2015/16;

ii) that the data for the number of staff securing HEA accreditation should read 79% rather than 82%; **CEB**

iii) that the overall picture was positive and that of particular note was a significant number of awards achieved by the University;

iv) that members would welcome a graphical representation of the anticipated pipeline for student recruitment, along with representation of how this feeds into conversion rates and actual recruitment levels. Members suggested that if possible it would be useful to understand how Harper Adams conversion rates compared with those of other HEIs. The Vice- Chancellor agreed to discuss this with the Academic Registrar and Director of Academic Services; **DGL**

v) that the Director of Finance was developing a draft paper on ' How we spend your fees. It was hoped would be of interest to present and future students. **LF**

17/72 **Committees**

Received: i) the minutes of the meeting of the Farm Strategy Committee held on 11 October 2017;

ii) the minutes of the meeting of the Health and Safety Committee held on 12 October 2017.

Noted: that the HSE had confirmed that they were content with the University's approach to supporting staff who had been identified as showing symptoms of hands-on vibration. The University would continue routine occupational health surveillance and was also exploring roles that may require staff being recruited to these jobs to have health screening as part of the recruitment process

17/73 **Any Other Business**

Received: a report commissioned by HEFCE on the impact of the catalyst fund.

Noted: that the above report, prepared by Deloitte, on behalf of HEFCE, includes a helpful reference to the catalyst funding provided to Harper Adams University and the positive use that have been made of this fund by the University.

Date of next meeting

18 January 2018