

HARPER ADAMS UNIVERSITY

Finance and General Purposes Committee

Minutes of the meeting of the Finance and General Purposes Committee held on 18 January 2018

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

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

Members were reminded, if required, to update their entry in the Register of Interests. Mr P Nixon advised that he had recently been appointed as a trustee of a pension fund and that he would update his entry in the Register of Interests. The University Secretary would ask her PA to forward Mr Nixon the relevant documentation. **SV**

17/16 Minutes

Approved: minutes of the meeting of the Finance and General Purpose Committee held on 8 November 2017 (17/01-17/15).

17/17 Matters Arising

Noted:

- i) that the planned visit to Canada by the Hands Free Hectare team/Precision Decisions had taken place. Further discussions were in hand. The team were also visiting TAFE shortly and a formal agreement would be signed during the visit to India;
- ii) that following a review of research KPIs included in the current ASSUR return, the Deputy Vice-Chancellor wished to recommend to the committee that no change be made to the current key performance indicator for research as it remains appropriate;
- iii) that work to develop further information for students on 'This is how fees are used' is in hand;

Agreed: that the current research KPI used in the ASSUR return should be retained.

17/18 Risk Management/Insurance

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

Noted: that members were content that the management of the risks set out in the report continued to be progressed appropriately. Audit and Risk Management Committee at its forthcoming meeting.

17/19 Vice-Chancellor's Report

- Received:
- i) a report from the Vice-Chancellor on recent developments of note;
 - ii) a presentation on the student applicant lifecycle and post graduate recruitment for 2017/18;
- Noted:
- i) that the University had recently been visited by the Chief Vet for Wales who had been particularly interested in discussing the University's plans for a new joint Vet School with Keele University;
 - ii) that the Vice-Chancellor was currently involved in a sector wide governance review of the National Student Survey. It appeared likely that some recommendations for change would emerge from this process;
 - iii) that the University had submitted its response to the Office for Students consultation on the new regulatory framework by the due date in December 2012;
 - iv) that the University had now succeeded in being included in the Marshall Papworth scheme which provided funding for African PhD students to study at a number of UK universities offering agricultural -related masters programmes;
 - v) that the University had been well represented by both staff and students at the recent Oxford Farming Conference. The Minister had made positive comments about his visit to the University during the autumn term. The Minister had also made reference to an intention to consider land-based education during his address at the conference. However, there was as yet no detailed information about this particular review. There had also been a very successful presentation about the Hands-Free Hectare project. In addition to this in the early weeks of January 2018, Jonathan Gill, another member of the HFH team had been named as one of 20 farming influences for the forthcoming year by farmers weekly. The publication had also identified to Harper Adams alumni in this group;
 - vi) that an alumnus of Harper Adams has been nominated as a candidate for Vice President of the NFU;
 - vii) that the University had been invited to be one of two institutions in the West Midlands taking part in a pilot of new arrangements relating to Tier 4 visas. The pilot was focusing in particular on whether a different approach to masters student visas may be possible. It was hoped that if the pilot were successful this may have a positive impact on overseas students seeking to study in the UK at Harper Adams from institutions based in India. It was further noted that the University had started to focus more on India and less on Indonesia as the former appeared to be offering new opportunities for securing high quality postgraduate applicants;
 - viii) that the government had recently appointed a new Minister for Higher Education and a new Secretary of State in DEFRA;
 - ix) that the Office for Students was likely to require all institutions to complete a rigorous registration process, the details of which would be known once the outcome of the consultation process was announced. If

the proposal set out in the consultation were confirmed a significant amount of work would be required to complete this new requirement;

- x) that it was understood that the new KEF process may be delayed;
- xi) that discussions with DEFRA , Innovate UK and AHDB were continuing with regards to securing further funding for the Hands- Free Hectare. A number of DEFRA officials had visited the University the previous day and this had been a useful opportunity to discuss this matter and others with them;
- xii) that Prof Mills and other staff had recently hosted a visit by Barclays Eagle laboratories who wished to explore opportunities to engage with the Agri-Epi hub building;
- xiii) that the University's work on slugs have been highlighted in the Times earlier in the day;
- xiv) that the recent CLA conference had been very positive and had highlighted the work of Harper Adams;
- xv) that the Sunday Times had published an article on the publication's views of performance and value for money focusing on vice- chancellors and their remuneration based on 2015/16 salary data;
- xvii) that the Vice- Chancellor was currently working on our briefing paper for DEFRA on the supply of graduates for the agri-food sector. It was hoped that this would inform any future skills subgroup. The paper highlighted work that the University had started a number of years ago on rural demographics. The latest data confirmed the university's assessment that there was likely to be a steeper decline of 18 – 21-year-olds in rural areas and a slower recovery than other geographical areas. Figures indicated that the numbers of students in agri-food courses could be 14% lower than the peak reported in 2011. This data was based on full person equivalent and subject level data with respect to agri-food subjects only rather than wider land-based subjects that would include equine behaviour and similar degree subjects. While forestry was included in the agri-food data the numbers of students studying forestry remained very small;
- xviii) that the data showed that there had been an increase in part-time students which the University felt was most likely caused by the successful Workforce Development Programme which it and others had contributed to. However, numbers in part-time study had since reduced although part-time postgraduate taught numbers had increased and it was hoped that full-time postgraduate taught numbers might improve slightly when the impact of the newly introduced postgraduate loans is more visible. The numbers of postgraduate research students remained particularly concerning at 29% lower in terms of full-time numbers than 2003 and 58% lower in terms of part-time numbers than 2003. The university had been highlighting this for some time and remain concerned about the future supply of academic staff and scientists who would be able to work in the agri-food chain. All of the data presented to the committee was based on 2015 16 data;
- xix) that a review of 2015/16 data shows that agriculture has been in decline and is one of only five subjects in this category while other subjects had grown between 2015/16 and 2016/17. This reflected the experience at Harper Adams. There were now 6800 undergraduate students studying

agri-food related subjects across the whole of the UK, a decline of 235 over the period;

- xx) that it was clear that there was a need to work as hard as possible to encourage more applicants to consider agri-food as a worthwhile degree subject. The university's open day attendance had been reviewed and showed an approximate attendance decline of 7% over the period 2014 to 2017 although during 2018 there had been a slight improvement. The University Executive continued to review the numbers of applicants and applications on a weekly basis and to discuss these in detail and take action wherever possible. There was also a regular review of postgraduate numbers and detailed tracking by course area;
- xxi) that the University had developed a range of conversion factors and continued to improve on these by introducing further emphasis on social media and personal marketing. New courses had also been introduced including Applied Zoology and Applied Biology. Applications have been received but past history of conversion rates was not available and therefore, it was not possible to be certain of the likely number of students who would progress to study at the institution although every effort was being made to encourage and retain those who had applied. Nonetheless, these courses were offered by a wide number of institutions and there would therefore be fierce competition;
- xxii) that the University also took careful account of its HESA and HESIS returns as well as international numbers and the number of students who had already been educated at degree level and were categorised as 'ELQ' and therefore not returned in certain statutory returns;
- xxiii) that the Vice-Chancellor had also highlighted in his draft paper for DEFRA that salary data in the form of LEO remain challenging to the agri-food sector as although self-employment data had now been included, this did not add substantially to the anticipated and reported levels of income for students in these areas of employment. It was understood that other benefits such as housing/vehicles etc. was probably still not being included in the overall data as it was entirely focused on PAYE. On this basis agriculture was the second lowest performer overall after art and design in terms of graduate income. The Vice-Chancellor had discussed this with industry leaders and would continue to make representations about this. It was also important that there was a clear understanding at government level on the importance of graduate level skills as well as migrant labour and other issues in the agri-food sector. It was not yet known whether the office for students would have an interest in issues such as vulnerable subjects and therefore these points need to be made to DEFRA in particular;
- xviii) that a review of higher education funding was likely to take place and it had been suggested that this may lead to review in the fees that might be charged for certain subjects although this was unclear as yet;

17/19 Management Accounts

- Noted:
- i) that pay efficiencies included in the agenda paper reflected vacancies and delays on recruitment. Period six re-forecast was due and would be taking place over the forthcoming weeks. Detailed review of non-pay and staffing costs continued to be a key part of re-forecasting and budget setting;
 - ii) that the Farm Manager had been asked to clarify anticipated income levels from additional farmland and this would form part of the period six

re-forecast. The Farm Strategy Committee would also be meeting on 1 February 2018 and would be looking at the latest position with regard to detailed farm budgets.

17/20 Financial Forecast

- Received: i) a presentation from the Director of Finance on anticipated future income projections;
- Noted: ii) that further work on the five year forecast would follow once the six monthly re-forecast was completed however in the meantime the Director of Finance had reviewed anticipated income levels in light of information that was now available which had not been available when the five year forecast had been presented and approved by the Board in July 2017. For example, members recalled that in July 2017 all institutions had anticipated an increase in fees, however since then the government had announced that the fee levels would not increase;
- iii) that the most recent TRAC data had also been taken into account and was presented later on in the agenda. This showed that the University continued to offer high cost subjects which were likely to be in the upper quartile. It was recognised that it was important to balance efficiency and high cost subjects and that the University had made a strong case to secure institutional specific funding due to the high cost of its provision as well as its high quality. The revised income forecast also reflected the actual student numbers secured and the financial outturn for 2016/17;
- iv) that known attrition rates had been applied although it was noted that the University was working hard on improving retention and a further report was due at the end of January which may improve the position although no assumptions have been adjusted to date. The forecast had also updated student numbers to reflect the intake but no assumptions have been made about new courses that were being developed such as a potential leadership course at postgraduate level and the likely numbers that might be enrolled on future pre-vet or veterinary courses. As in July 2017, a reduction in ISF funding had also been assumed;
- v) that along with all other universities and many employers staff costs continued to grow relating to costs of living increases, incremental cost and pension costs together with national insurance changes. A further national pay review was likely to be completed in advance of the Board meeting in July 2018;
- vi) that the University plans to offer accommodation in halls of residence to final year students. To date 20 students had expressed an interest. It was hoped that this could be increased and members considered a proposal to offer a 40 week let to final year students at a 10% discount to enable them to remain in their accommodation during the Easter vacation as many final year students wish to study and complete their projects during this period;
- vii) that ensuring that financial forecasting remained very robust remained a key concern for the Committee. Members emphasised their on-going wish to be actively engaged with the process on an on-going basis and to continue to be briefed regularly about the assumptions and range of scenarios that were being drawn upon to develop forecasts; **ALL**

Agreed: that the Vice-Chancellor and Director of Finance should take action to implement appropriate decisions to maximise the occupation of halls of residence, including the proposal discussed at the meeting and any other proposals that were appropriate in this regard **DG/LF**

17/21 **TRAC and TRACT (T)**

Received: the university's TRAC and (T) return to HEFCE for 2016/17 financial year.

Noted: i) that the TRAC group had met on a number of occasions to review the return. The return was now MSI-based which would be an important metric in any future opportunities to make a case for high cost subjects and seek ISF funding if it remains available in due course;

ii) that the costs of the University farm had been charged to agriculture students in particular rather than shared across all students in the return as this was felt to be more appropriate. The return also showed the impact of ISF investment in teaching and as this supported non-publicly funded teaching as well as publicly funded teaching this had been appropriately shared across both in the return;

iii) that that the TRAC Steering Group would be meeting the following day to finalise the return, however no changes were expected. If there were any changes the Director of Finance would seek comments and approval from the committee as necessary; **LF**

Approved: the TRAC and TRAC(T) returns for submission to HEFCE for 2016/17.

17/22 **Strategic Project Monitoring**

Received: i) an oral report on progress with agri-tech projects
ii) a report from the Deputy Vice-Chancellor on progress with the joint Vet School including minor updates set out in the paper circulated at meeting reflecting minor changes to the proposed business plan that had been more recently with colleagues from Keele University;

Noted: i) that staff and students have moved into the Agri-Epi building and the SMART dairy was almost completed. The University had received confirmation on its application for an option to tax which would secure VAT recovery;

ii) that in collaboration with Agri-Epi Ltd, the University continued to support visits by potential tenants. An application for a significant proposal had also been submitted, and may be an opportunity to work with Wageningen on a UK – EU digital hub for agri-tech. Engagement was also ongoing through the Marches LEP with support for small businesses in the agri-tech area. In addition to this, discussions were ongoing with JCB about their original plan to locate one of their teams in the building;

- iii) that discussions between Harper Adams and Keele were continuing about the joint Vet School. An update had been provided to the governors' working group including the paper that was presented to the committee with the agenda, which in particular set out a proposed set of headings for the business plan which was due to be submitted to the Board of Harper Adams and the Council of Keele University in April/May 2018. It was helpful that the working group had agreed to review drafts of the business plan subject to member's availability. In discussion the working group had also suggested that it would be helpful if a member of the Finance and General Purposes Committee were prepared to join them in their discussions. In particular, it would be important for there to be a further discussion prior to the Board meeting in April 2018 and this was likely to be needed in the last few weeks before the Board meeting took place;

- Agreed:
- i) that a report on progress with agri-tech projects was no longer required under this heading on the agenda; **CEB/LF**
- ii) that Peter Nixon would join the working group on the joint Vet School. **CEB/PRM**

17/23 Financial Sustainability

- Received:
- i) a presentation from the Head of Financial Performance on the role of cash and surplus in measuring University sustainability;
- ii) as an aide memoire, the most recent briefing note from FSSG and a copy of the CUC's IPN on sustainability;

- Noted:
- i) that the changes to financial reporting required under FRS 102 had changed the way in which the University reports surplus. The aim of FRS 102 was to harmonise UK reporting standards to those established as international reporting standards. In particular, the new accounting standards affect the way in which income is recognised and the way in which expenditure is also presented. It also affects the balance sheet in relation to assets and liabilities. Taken together these elements have a significant impact on the profit and loss section of the accounts;
- ii) that the approach is now that of a "performance method". This requires income to be fully recognised when received and this can make a reported surplus variable depending when costs related to particular income are actually incurred. In particular, whereas non-government funding and donations could be used over a period of time and released over that time they now have to be recognised immediately they are received and the whole amount released. It followed that costs would necessarily follow later in many instances such as depreciation over 25 years, however the funding received had already been recognised and released in the first year;
- iii) that there had also been changes to pension costs and actuarial valuations and in how these were presented. The profit and loss section of the accounts now had to show pension costs;
- iv) that as members of the board had agreed the revaluation of the University estate had led to changes in depreciation but to an overall stronger balance sheet;

- v) that the key component for sustainability was to maintain a healthy capital cycle and cash balance and wherever possible increase the cash reserve to avoid external borrowings where appropriate. A key measure continued to be EBITDA which was a reasonable proxy for cash flow and a method to measure underlying financial performance. In particular, members noted that this could provide helpful targets such as the generation of cash to repay loans, a reasonable level of investment, and an increase in working capital;
- v) that it was recognised that publications produced by CUC and FSSG still refer to surplus as a key issue and that a surplus was still reported in the financial statements. However it was important to note that the make-up of the surplus was very different under FRS 102 whereas the operational EBITDA was in fact a more reliable indication of underlying performance;
- vi) that if the University wished to retain surplus as one of its KPIs in relation to the University bonus scheme for , it may be helpful to consider whether or not it should be adjusted to reflect the fact that pension costs are now being charged to this section of the accounts as well as depreciation in a changed form. In discussion, members considered whether an operating cash flow target might be more appropriate;
- viii) that while members were clear on the technical reasons for the changes in how surplus was presented in the accounts of all Universities following FRS 102 changes, it remained very important for the Committee and the Board to have a clear understanding of the underlying sustainability of the University. Members considered and discussed a range of possible suitable measures that might be drawn upon to facilitate this in the context of FRS102. After a detailed discussion, members concluded that cash generation remained a critical measure in particular;

Agreed:

- i) that the Director of Finance would draft a proposal for cash related target linked to the published cash flow statement and present it to the March 2018 meeting of the committee; **LF**
- ii) that a copy of the slides presented by Mr Heath would be circulated to the committee. **CEB**

17/24 Annual Efficiency Return/Procurement Strategy

Received:

- i) a progress report from the director of finance and preparation of the AER;
- ii) a progress report on the procurement strategy;

Noted:

- i) that as members recalled, the Audit and Risk Management Committee had been briefed on the AER and they had reported to the Board at its meeting in November 2017. The AER now replaced value for money to HEFCE and was a mandatory return;
- ii) that to prepare the report information had been drawn from the Vice Chancellor's reports during the year and a review of IT related projects as well as capital projects and other efficiency -related projects have been undertaken. For example the report highlighted that some efficiency as defined by the report parameters had been achieved by the building of the Elizabeth Creek laboratories, although the full effect during a year had yet to be fully calculated. The Laboratory Manager was currently working through an analysis of real savings ready for the next AER report. In addition to this, the Head of Estates and Facilities

would be presenting a post audit occupation report to the meeting of the committee in March 2018. In the meantime, an assessment of 20% efficiency to date appeared to be appropriate based on the Laboratory Managers' feedback and calculations;

- ii) that the EMM report is voluntary and is submitted to the British University Finance Directors group on an annual basis. However AER acknowledge EMM as being a legitimate return and advise that if it is completed there is no need to complete a separate procurement report as part of AER. In light of this the University had continued to prepare the EMM report as set out on the agenda; **LF**
- iii) that the University continue to focus on procurement at a tactical level. Progress had been made in categorising suppliers on the purchase ledger with a view to encouraging better spend and reduce the number of new suppliers. Following this no order no pay would be fully enforced. Better tender documentation had also been prepared using the services of a procurement consultant. In the longer term the University will be seeking to appoint a Procurement/Insurance Coordinator. In the meantime, it was important to emphasise that progress had been made an impact will spend in relation to IT capital were already heavily sourced through consortia wherever possible;
- iv) that the Committee wished to continue to engage pro-actively with the University's approach to procurement and the identification of ways to secure the very best value for money. Members noted the importance of securing appropriate efficiencies and effecting non-pay savings as far as practicable through better procurement and the opportunities that this may offer to support budgets given the very wide range of external factors and other cost pressures that were affecting all aspects of UK University funding;

Agreed: that the AER EMM returns should be approved and signed off by the Vice- Chancellor subject to minor adjustments to columns and rows on page 64 and 65 of the agenda; and that a formal report to the Board at its April 2018 meeting should be made to request that the Board endorses the approval action taken by the Finance and General Purposes Committee. **LF/CEB**

17/25 **Estates**

Received: a report by the University Secretary/Head of Estates on progress with current estate developments;

- Noted:
- i) that feedback from students on the refurbishment of Boughey Hall was generally positive;
 - ii) that work to complete the changes in the pig unit was in hand and due to finish in mid-March;
 - iii) that the University had continued to engage positively with the Neighbourhood Plan. There have been some recommendations for changes to the draft plan put forward by the inspector at the final stages of the process. These were being discussed between the Parish Council and the Local Authority. It was noted that there may need to be some changes to the University's master planning documentation in due course and that once this was completed the full estate strategic plan would be published. **PM**

17/26 **Cedar Energy Ltd**

Received: a report from the Director of Operations and Company Secretary;

Noted: that the Cedar Board would be meeting the following week. Final stages of the co-commissioning phase were almost completed and it was anticipated that the gas connection and gas CHP engine will be fully operational within the next couple of weeks. In the meantime, the photovoltaic cells and biomass boiler continue to provide electricity and heat to a range of buildings. It had been identified that there were further opportunities to optimise the output from the biomass boiler and work to achieve this this was currently in hand.

17/27 **Any Other Business**

- Noted:
- i) that the personal tax group were reviewing emerging guidance around minimum wage in particular related to out of hours and accommodation arrangements
 - ii) members welcomed the planned opportunity for Board members to visit the STEP project prior to the Board meeting in April 2016, and that F&GP members would welcome an opportunity to tour newly refurbished areas prior to their meeting in March 2018. **CEB**

Date of next meeting 14 March 2018