

HARPER ADAMS UNIVERSITY

Finance and General Purposes Committee

Minutes of the meeting of the Finance and General Purposes Committee held on 8 November 2018

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

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

Apologies: Mr M Lewis

Members were reminded to update their entry in the register of interests as appropriate. Mrs Furey declared an interest as a newly appointed Director of Cedar Energy Ltd. Mrs Furey and Dr Baxter also declared an interest as current staff members of the Local Government Pension Scheme, and Professor Mills as a current staff member of the Teachers Pension Scheme.

Part A

18/01 Minutes

Approved: minutes of the meeting of the Finance and General Purpose Committee held on 14 June 2018 (17/41-17/53).

18/02 Matters Arising

Noted:

- i) that the Board, at its meeting in September 2018, had agreed a new financial target for the Staff Bonus Scheme of £5.5M cash generation, to replace the former surplus target;
- ii) that the other matters arising in the report had either been addressed or were included later on the agenda.

18/03 Terms of Reference

Received: the terms of reference for the Committee

Agreed: that no further changes were required for 2018/19, (the update to Charing Arrangements had already been included).

18/04 Vice-Chancellor's Report

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

Noted:

- i) that new Home/EU undergraduate student registration on the first day of term had been 607, which was a lower number than that indicated by firm acceptances, although a lesser drop-off rate than in 2017. Some applicants had deferred their place for a year, while others had decided not to study at University, to study elsewhere, or to take up employment. 26 Degree Apprentices had been secured which was very positive and taught postgraduate numbers were up on 2017 intake which was also a strong outcome;

- ii) that an impact and value for money focused report to the Board at its November meeting on how the refined approach and investment in marketing had helped maintain and grow market share in a very competitive climate was being prepared;
- iii) that the University is intending on using unconditional offers selectively for the first time for the current recruitment cycle for \sept 2019, whilst also and keeping a watching brief on OfS discussions and sector wide about such offers;
- iv) that the recruitment rounds for 2019 entry is in hand, but at an early stage in the cycle. Bad weather affected attendance in October at the Open Day, as some areas of the UK had severe travel warnings. Some October registrants had re-booked for the November Open Day and bookings were currently c 540. The comparable total number of bookings for November 2017 was 607, but there were likely to be further bookings over the next week. If the numbers who attend is a greater percentage of those booking than in 2017, this would also be helpful. Individual timetables for the day had been emailed to applicants who had booked, and a Masterclass Lecture had been added as a new feature which would showcase staff expertise in key topics;
- v) DataHE were engaged as consultants to the University providing a range of data analytics using publically available data and paid for data sets from UCAS. As the DataHE team were all senior UCAS staff at one time, they have key expertise in using the data. Their independent scrutiny and analysis showed that the University's assumptions about population changes in rural catchments were reasonable, but also that there were some rural areas which offered further opportunities to secure market share where Harper Adams was not currently quite so well represented. Actions were in hand. The DataHE presentation had included a projection of demographic changes and showed that numbers of 18 year olds might reach a low point projecting circa 595 for home undergraduates as a low point based upon demographic projections. It was important to note that this student recruitment projection would not include apprenticeships, international students or PGT students. At the current time the University appeared to be very slightly ahead of the trend diagram although it was recognised that this was volatile and there was a need to continue to pay very close attention to student recruitment;
- vi) that the Augar Review of HE funding had indicated possible ideas on differential fees, possibly related to subject classification in terms of higher cost subjects/lower cost subjects etc. A final report would not be completed until after the outcome of the Office for National Statistics study on the treatment of loans in the national accounts was published;
- vi) that the recent Select Committee report on higher education had focused on accelerated degrees, value for money, and Vice-Chancellors pay in particular. It was not yet known how the proposals/comments made by the Committee would be progressed;
- vii) that the Vice-Chancellor had met Sam Gyimah, Joint Minister for Higher Education at the Department for Business, Energy and Industrial Strategy and the Department for Education Minister at a recent event. Mr Gyimah would be visiting the University on 29 November. The draft programme for his visit included the formal opening of the Agri_Epi Centre and Smart Dairy together with a visit to the University itself. That same day the Minister and the University would be attending the Times

Higher Awards. The Hands Free Hectare team had been nominated for the innovation category;

- ix) that the University's registration with the Office for Students had been successful. OfS had advised that additional monitoring of the University's access and participation plan was required. The Director for Fair Access and Participation, Chris Millward would be visiting the University in the New Year and this would provide an opportunity to discuss contextualisation that was necessary for admissions to small specialist institutions and the challenges of recruiting a diverse base of students into agri-food and related subjects, although the University continued to seek ways to do this. The Vice-Chancellor had also recently spoken to the Equality Challenge Unit about this matter. The ECU team had advised that they recognised the intrinsic difficulty of identifying a more diverse population who might be interested in subjects related to the rural environment given the general lack of diversity across UK rural communities. Their advice was that the University would be best to focus its efforts on reinforcing respect and understanding between current students from different backgrounds and thereby creating a welcoming and inclusive environment in which students from all backgrounds could study;
- x) that the OfS Board in December 2018 would be considering proposals related to institutions that fail. The Chair of OfS had recently made it clear that he would not be supporting failing universities. Many post 92 HEI's were concerned about the significant increases in employer costs for Teachers' Pension scheme. The local UCU branch committee have been briefed on this matter at the recent JCNC meeting and the University was reviewing its financial forecast in light of the recent announcements;
- xi) that the University had been represented at the recent NMiTE launch. A pilot intake of 25 students were currently in place with three staff;
- xii) that the Vice-Chancellor had been invited to an Institute of Economic Affairs 'think tank' on agri-tech at which Michael Gove would be present. A recent publication by Matt Ridley and David Hill on Technology and Change in the Agricultural World had also featured the University's work very positively. The Hands Free Hectare team had put together a bid to the *'Transforming Food Production' section of the Industrial Strategy Challenge Fund* for £2M with a view to creating a Hands Free Farm. This was supported by Beeswax Farming through a letter of support and Claas were also willing to offer machinery and in-kind support. The University was very much aware that the scheme is likely to be significantly oversubscribed;
- xiii) that an opportunity to create a Masters in data analytics for agriculture which would seek to convert data science undergraduates into information science experts with knowledge of agriculture was currently under active discussion. The Deputy Vice-Chancellor had also secured agreement from the Elizabeth Creek charitable trust to fund a summer school in which the five universities the foundation supports would collaborate (RAU, Reading, Newcastle, Warwick, and Harper Adams). The new summer school would attract undergraduates between their second and third year of study who were studying programs such as natural science, computer science or information science and seek to expose them to agri-tech opportunities in the hope that they might then choose to study at Masters or PhD level in an agriculture/agri-tech - related subject. A further request to support PhD studentships had not been supported in the initial discussions. The Vice-Chancellor planned,

in due course, to discuss with the Trustees whether or not Masters scholarships might be funded instead;

- xii) that members agreed that the key challenges for the University continue to be ensuring current and future financial sustainability/maintaining student recruitment. The papers for the meeting included a refresh of the current year's forecast now that firmer student numbers were known and other factors more certain. A full revised five year forecast was being put together for the Board meeting in November as previously agreed with the Chair.
- xiii) In discussion, members noted that the quarterly management accounts continue to include a refreshed forecast for the year ahead following the re-forecasting exercise. These in year re-forecasts in turn help to inform the annual five year forecasting activity which normally takes place in June and July ready for submission to OfS during the summer. The re-forecasting process included consideration of sensitivity analyses as and when changes become apparent or future changes become more certain;
- xiv) members suggested that it would be helpful for the Director of Finance to give a verbal update at the forthcoming Board meeting focusing on any current known key variances for the current year and highlighting any other major changes that were likely to affect the five year forecast that was agreed in July 2018 based on any updated information that was to hand. It was suggested that this could be a useful oral standing item at the start of the financial section of each Board meeting and the preceding F&GP meeting and that this might help members of the Board to be reminded about how the University monitors and responds to key changes during the year and to be briefed on the activities at the University had put in place to manage such new risks and opportunities as they arise in year. Members also agreed that providing an in year re-forecast to the January 2019 meeting of F &GP would be premature as no new data or further certainty was likely at that stage and the full quarterly re-forecast would not yet be completed. Members therefore agreed that the next in year re-forecast would be appropriate at the March meeting of F and GP. As previously agreed, the Director of Finance would be presenting an updated five year forecast at the November 2018 Board meeting; **LF**
- xv) that UKVI will be undertaking an audit at the University on its licence for international students and staff starting on 11 December 2018. Preparations for the audit work were in hand. UKRI had also advised that it would be undertaking a desk audit of the University's research arrangements with data to be uploaded on 14 December 2018. Again preparations were in hand;
- xvi) what the Vice-Chancellor had met with the Head of the Animals Department, Development Trust Manager and the University Secretary to start to pull together initial ideas for fundraising for the vet school. It was likely that an initial major donation may have been secured although the details of this were subject to a legal agreement which was currently in hand;

Agreed:

that members of the Committee wished to record their sadness at the news that Tony Burgess, Chair of the Development Trust and former long serving member of the Board of Governors and a former Chair, had passed away on 1 November 2018. The University would be represented at a memorial service in due course. Clive Gurney, Vice -

Chair of the Development Trust had kindly agreed to act as interim Chair for the time being.

18/05 Annual Accounts

- Received:
- i) a briefing note from the Director of Finance on reporting requirements to meet Charity Commission regulations on the Reporting of Public Benefits and OfS Financial Returns Reporting Requirements
 - ii) the draft 2017/18 Annual Report and Accounts for Harper Adams University along with a briefing note
 - iii) the draft 2017/18 Annual Report and Accounts for Cedar Energy Limited
 - iv) the 2017/18 Annual Report and Accounts for the Development Trust along with draft Letter of Representation
 - v) a draft letter of support & loan arrangements for Cedar Energy Limited from Harper Adams University
 - vi) a draft Letter of Representation for Harper Adams University Group
 - vii) a draft Letter of Representation for Cedar Energy Limited
 - viii) the Annual Sustainability Assurance Report (ASSUR)

- Noted:
- i) that as outlined in the briefing note on public benefit reporting there were no major changes required to meet Charity commission regulations;
 - ii) that the key changes introduced by the Office for Students financial returns reporting requirements included new requirements in relation to the presentation of information on Vice-Chancellor's pay including presenting data on median pay in a specific way that was slightly different to that set out in the CUC senior staff remuneration code. The Board had been briefed on this matter previously. In preparing the median pay calculation the University had excluded individuals who were paid for tax reasons by the payroll but who were not in fact formally employees e.g. student ambassadors. This methodology had been shared with KPMG and had been agreed to be appropriate;
 - iii) that the circulated copy of note 7 needed to be replaced to ensure that pay in lieu of employer pension contributions was highlighted in the table as well as in the note. Members were provided with the revised page for consideration. There was also a need to add further detail at note 25 to refer to the equality of pensionable pay following the recent Lloyds bank case. This was required with respect to the LGPS scheme and UCEA had recently advised its members that it may also be necessary to refer to the TPS scheme in the notes. The Director of Finance was checking this point with KPMG; **LF**
 - iv) that the management accounts shared with the Board at its September 2018 meeting had shown that the University was performing to budget with an anticipated surplus of £240K in the group accounts overall. Since then a significant change had been the confirmation of the actuarial valuation for the LGPS scheme which had identified a larger sum than was anticipated. A further £700 K therefore had been reflected in the accounts. The Finance team had reviewed the estimates and assumptions and the overall result was a surplus of £60K after the new actuarial valuation was taken into account and other elements have been reviewed and released as appropriate. The accounts also included

a provision for a potential Chinese tax charge of £249K. This was an estimate and was still under resolution at the current time. A further provision for £200K employment risks also remained in place and it was felt that this was prudent. These two areas of judgement were reflected in the letter of representation for members to consider and recommend the Board;

- v) that, in discussion, members noted that although the overall liabilities within the LGPS scheme had reduced, the actuarial valuation had led to the higher cost of £1.4M. KPMG had indicated that Mercer's were making a prudent valuation however they confirmed that this was within range. A full revaluation of the scheme was due to take place at the end of March 2019 and it was recognised that this could be a particular challenging time for this to take place however there appeared to be no appetite for the date to be reviewed;
 - vi) that the University's overall turnover had fallen due to a reduction in student numbers and dips in research income. Farm income had also been down for 2017/18 but as was indicated in Farm Strategy Committee minutes circulated with the agenda it was felt that this related to the specific circumstances and should not be a long-term trend. The farm was currently performing at or above budget in terms of income during the current year to date;
 - vii) that the Board of Cedar Energy had met and reviewed the Company Accounts in draft. It had also been content with the draft letter of representation. The Accounts shared with the Committee had been updated and Cedar Board would be asked to meet formally before the Board of Governors meeting to sign off the final copy of its accounts;
- LF**
- xi) that capital repayments for Cedar Energy stood at £24K per year to be repaid from cash flow. There was also an interest charge on the working capital loan from the University. The loan provided by Eon was already being paid at a rate of £50 K per annum. The University was responsible for repaying the Salix Revolving Green loan and is currently paying £60 K a quarter. The key activity for Cedar Energy Ltd was to improve optimisation and generate sufficient income to cover costs and overheads;
 - xii) that a draft letter of support from the University of Cedar Energy Ltd was included for the consideration of members and recommendation to the Board as appropriate;
 - xiii) that the Development Trust had met and agreed its accounts in October together with the draft letter representation included on the agenda
 - ix) that the Director of Finance had prepared the ASSUR report based on the format used in previous years. OfS no longer required this report to be submitted to them annually, however they require each governing body to ensure that it had in place appropriate monitoring arrangements and reporting to ensure the Board's understanding of sustainability. It was therefore important for the Board to receive key performance data such as that set out in the ASSUR report;
 - x) that, in discussion, members agreed that it would be appropriate to recommend to the Board changing the KPI for staff costs from 50% to 54% as the latter figure was more realistic given the need to rebase expectations due to pension costs and ongoing national pay awards. Members also noted that the Board had agreed at its September

meeting that it would adopt a cash generation target of £5.5M as the financial KPI for the Staff Bonus Scheme and that would be appropriate to reflect this in the ASSUR table; **LF**

- xxi) that following discussion, members agreed that the borrowing target range should continue to be 25 to 30%. However members recognised that the University had been paying back rather than drawing down loans for a period of time. Nevertheless once borrowings were in place to fund the Joint Vet School campus development, it was recognised that the University would not be able to stay within the target range and therefore the indicator was likely to be red at this stage. Members asked that this be reflected in a note so that the reason for the red indicator was clearly understood as a strategic investment that the Board had previously agreed. Setting aside investment in the JVS members noted that the underlying indicator would therefore be at Amber;

Agreed:

- i) to recommend the draft 2017/18 annual report and accounts for the University, subject to minor amendments as discussed during the meeting, to the Board its approval; **LF**
- ii) to recommend to the Board the draft letter representation for Harper and University group; **LF**
- iii) to recommend to the Board the draft 2017/18 annual report and accounts for Cedar Energy Ltd together with the draft letter representation for Cedar Energy Ltd and a draft letter of support and loan arrangements for Cedar Energy Ltd from Harper Adams University; **LF**
- iv) to recommend to the Board the annual report and accounts the Development Trust along with the draft letter of representation; **LF**
- v) to recommend the ASSUR Report, including suggested changes to the KPIs noted above, for approval by the Board at its meeting in November 2018 **LF**

18/06 Management Accounts

Received:

- i) the consolidated management accounts for 2017/18
- ii) the management accounts, including first-quarter re-forecast, for the period to 31 October 2018

Noted:

- that the management accounts for 2017-18 have been presented at the Board in September 2018 and as noted above only minor changes had been made since that date. These changes were set out in the covering paper comprising actuarial adjustments to salary costs and interest charges and adjustments to accruals and provisions;
- ii) that key changes to the first quarter annual forecast included improved student recruitment and associated residential income which had led to an improved turnover figure (up by £408K). There had also been improved retention between years as student progression between year one and two had improved. These revised progression rates were being used in the revised five year forecast which will be presented to the Board at its November meeting as these now appeared to be realistic figures to use in the forecast given the evidence that the University's efforts had been successful in this regard. The other important change was the need to include the additional costs to cover likely LGPS costs based on the latest figures received for year-end July 2018. The changes to TPS would not take place until 1 September

2019 and would be reflected in the revised five year forecast presented to the Board;

- iii) that non-pay savings including the 10% holdback continued to be in place for most Departments with only specific approval of release for strategic investment in Marketing at the current time. A prudent estimate in relation to likely Cedar Energy performance had also been included including an estimate for the University to purchase additional gas or electricity as the final embedding of the Cedar Energy system was still in hand, although it was hoped that these estimates could be adjusted in year once there was further confidence that the proposed changes to the system would improve efficiency and the underlying financial costings;
- iii) that as had been discussed at the Committee and the Board, finances in 2019/20 would be especially challenging as the larger fourth year cohort will graduate to be replaced with a smaller first year cohort based upon current projections. This would be compounded by the anticipated risks due to increased TPS costs. The University would be taking action to address the TPS risk;
- iv) that a new Academic Department summary had been included in the management accounts apportioning income based upon departmental delivery of modules . The costs reported are in respect of direct academic departmental expenditure and consequently a contributions of each academic department is shown. It was recognised that engineering is always likely to be more expensive and business less expensive. The indicators were that the food department also needed to improve its cost base or generate additional income to help its performance. A short commentary on Academic Departments would be included in future. As in previous reports opportunities and risks were set out in section 8 which included Cedar Energy and opportunities around non-pay savings;
- v) that in discussion, members asked whether the University had identified any further opportunities to improve its income opportunities. The introduction of new subject areas had been helpful as had their beginning of high-level apprenticeships. The University had also recently completed the MARS scheme (which would help address costs) and will be able to update the Board further at its meeting in November. The University had also taken steps to increase opportunities to improve income from residences by extending the licence period in line with arrangements other universities. The Board would be briefed further at its meeting on 28 November when the revised five year forecast have been completed

18/07 Capital Budget 2018/19

- Received: a paper from the Director of Finance on capital carry forward from 2017/18 to 2018/19
- Noted:
- i) that the capital carry forward proposals related to timing issues for projects and there were no major points of concern to raise;
 - ii) that the University had appointed Mr Jonathan Cain as Head of Estates and facilities who would take up his post on 7 January 2019
- Approved: the capital budget to include capital carry forward of £1.148m from 2017/18 to 2018/19

18/08 Pensions

Received: a briefing note from the Director of Finance on recent developments with respect to LGPS and TPS

Noted: that as highlighted earlier in the meeting, it had been announced by the Treasury that employer contribution rates for Teachers Pension Scheme were proposed to rise from 16.48% to 23.48% representing a 44% increase, with effect from September 2019. The cost of this to the University would be in the region of £650,000 pa at current salary levels. It was also clear that the costs of employer contributions to the LGPS would continue to be challenging. In light of this the paper proposed that professional advice should be sought to enable the University to consider its options in more detail;

Agreed: that the University should seek appropriate professional advice as set out in the agenda paper **LF**

18/09 Strategic Project Monitoring

Received: a report from the Deputy Vice-Chancellor on progress with the Joint Vet School

Noted:

- i) that an executive search company would be meeting with the Deputy Vice-Chancellor and senior Staff from Keele shortly to discuss recruitment of the Head of School. The post of Director of Operations was also to be filled and it was planned that this post would be recruited to first as senior administrative and management support was needed to help with the next stages of the project;
- ii) that the RCVS had fed back on the outline curriculum. Comments were largely positive with a few minor suggestions for changes which the universities were both happy to take on Board;
- iii) that the legal partnership agreement had been signed between the Universities earlier in the day. The Harper Adams Project Board would be meeting formally the following day to focus on the capital investments being made at Harper Adams. The original budget estimate had been £8.3M for the Vet School Building. This had increased over the summer period, but had then been value engineered and was currently standing at C £8.5M. Actual build and equipment costs would not be confirmed until tenders were in place and evaluated. There will be a need to phase peripheral works where necessary to help manage funding the core building as a priority; **LH/PRM/CEB**
- iv) that the performance of the appointed architects had not been entirely positive to date and active discussions were in hand to address this and to ensure that the timetable and quality of drawings and proposals being put forward improved. A gant chart had been produced and was being monitored carefully by the steering group and would be overseen by the project Board for the capital project. Members would be kept updated in due course.

18/10 Cedar Energy Limited

Received: a report from the Estates and Facilities Consultant and the Director of Finance on Cedar Energy Limited;

Noted: i) that a helpful meeting of Cedar Energy Ltd had taken place at which the Estates consultant had briefed members on his work to review the initial

phase of operation of the technologies and in particular his active engagement with suppliers of the system to explore ways in which efficiency and effectiveness could be improved. Mr Gunn-Why, for example, had identified a number of areas for improvement and had also engaged suppliers to ensure that they were supporting the project more appropriately in relation to warranties and maintenance of key equipment. He had also identified that there were issues related to use of the biomass boiler as the lead contributor to the district heat network. This had caused conflict with CHP whilst there was insufficient heating load. As outlined in the paper, it was proposed that the CHP would operate from September to April and then be switched off for maintenance while the biomass could be drawn upon as a heat demand top up, subject to demand and weather conditions. There would be a need to use existing gas boiler plants within buildings and the photovoltaic array would continue to contribute electricity during daylight hours.

- ii) that an updated financial model for Cedar Energy Ltd would be developed to align with the proposed change in system operation with a view to developing the most economically beneficial position for the Company. There will also be a further energy centre system review led by an external consultant to achieve optimum system performance. There may also be a need for some modification certain pipework to enable the CHP led system to work more effectively. Such changes would not significantly alter the physical system as it has been installed and would therefore not affect existing contractual warranties etc.

18/11 **Key Performance Indicators**

Received: Key Performance Indicator data for 2017/18

- Noted:
- i) that, as in previous years, the paper was presented in two sections, KPIs to be reported and monitored at Board level and Pls to be reported and monitored below Board level. The Board of Governors would only have sight of KPIs;
 - ii) that it would be helpful to include at indicator A1, B1 reference to the target of 3000 FTE students that was included in the University's Strategic Plan; **CEB**

Agreed: to report the KPI tables to the Board at its meeting in November 2018 subject to inclusion of the above additional information. **CEB**

18/12 **National Pay Negotiations**

Endorsed the action taken by the Chairman of the Finance and General Purposes Committee (together with the Chairman of the Board and Chairman of Staffing Committee) to approve that the University should implement the national pay award (with effect from 1 August 2018).

18/13 **Committees**

- Received:
- i) the minutes of the meeting of the Farm Strategy Committee held on 13 June 2018 and 11 October 2018
 - ii) the minutes of the meeting of the Health and Safety Committee held on 17 October 2018

Noted:

- i) that discussion at farm strategy committee had focused on financial performance as noted earlier in the meeting but also on the

importance of planning for the Agriculture Bill and ensuring positive engagement with the emerging policies. There had also been a discussion around the role of the Farm and its support for the work of the University following up on members' comments at the Board and University Executive planning session in September 2018;

- ii) that a very recent report on a corporate manslaughter case involving use of ATV vehicles and tractors had been shared with relevant staff across the University and the Health and Safety Officer was supporting and following up where necessary to ensure that appropriate arrangements were in place. The Health and Safety Officer was also working with the University Secretary to address some suggestions that had been made by a former member of staff about ways in which health and safety practice needed to be clarified and/or improved and enhanced within one of the Departments. Detailed follow-up meetings were taking place with the Head of Department and a number of actions had already been completed.

18/14 Higher Education Innovation Funding- Institutional Knowledge Exchange Strategy

Received: the HEIF Institutional Knowledge Exchange Strategy

Noted: that the University had been able to secure HEIF funding again and had received £370 K per annum. In light of this, it had been necessary to submit an interim plan as the cycle was currently part way through a five year allocation. Harper Adams had therefore been asked to submit a slightly briefer document. The University's proposals focused on public and industry engagement especially related to new technologies. A consultant with expertise in HEIF have been particularly helpful in supporting the University with this work. Feedback from the HEIF was currently awaited.

Agreed: to endorse the Institutional Knowledge Exchange Strategy

Date of next meeting 17 January 2019

Part B

18/16 Risk Management

Received: a report on the management of risks assigned to the Committee.

18/17 Estate Developments

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