

HARPER ADAMS UNIVERSITY

Finance and General Purposes Committee

Minutes of the meeting of the Finance and General Purposes Committee held on 7 November 2019

Present: Mr D Wong (Chair)
Mr M Lewis
Dr D Llewellyn
Mr M Thomas
Mr P Nixon

In attendance: Dr C E Baxter University Secretary
Mrs L Furey Chief Financial Officer (CFO)
Professor P Mills Deputy Vice-Chancellor

Apologies: Mr S Vickers

Members were reminded to update their entry in the register of interests as appropriate. Mr Nixon noted that his daughter works for Ernst and Young as a solicitor working on international matters.

Part A

19/01 Minutes

Approved: minutes of the meeting of the Finance and General Purposes Committee held on 13 June 2019 (18/41-18/51).

19/02 Matters Arising

Noted: that all of the matters arising had either been concluded or were included later on the agenda.

19/03 Terms of Reference and Feedback from the 2019 Effectiveness Review

Received: the terms of reference for the Committee

Noted: i) that when Mr Lewis completes his term of office as a governor on 27.11.2019, the Committee would fall below its minimum number of six members. The ER feedback for the Committee had also suggested that further diversity in the membership of the Committee would be welcomed;

ii) that it was important to identify members for the Committee who had financial acumen and experience as well as sufficient time to engage with the Committee's work. With this in mind, and with the suggestion of seeking further diversity, members concluded that it would be useful to consider membership again when the outcome of the advert for new members planned for spring 2020 is known. Until that time the Board would be asked to agree that the minimum membership be reduced to five, although if a significant issue were to be delegated to F&GP the option of inviting another Board member with relevant expertise to join a specific working group could be explored: **DW**

Agreed: to recommend to the Board that the minimum membership be reduced for five Board members; that the next advert for Board members should include a wish to encourage expressions of interest from people with financial skills and experience, and that membership be kept under review as new members are appointed with a view to adding a further member in due course who has financial experience and skills and

sufficient time to attend Committee meetings and engage with the work of the Committee;

PN/CEB

19/04 **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 653, which was a good conversion rate for the year. In addition, 34 degree-level apprentices had started, 66 BUA students and 18 Huazhong students. The target for apprentices had been 40, and it was hoped that the level of interest from employers being indicated for 2020/20 would enable this target to be met in the future;
 - ii) that 48% of undergraduates were from a farming background compared to 53% in 2012.13; and 76% were from a rural area, compared to 82% in 2012/13. While diversity in the student body was welcomed, the need to continue to attract and retain students from rural areas remained very important, as did the focus on agriculture as a core discipline that was at the heart of the University's success and reputation;
 - iii) that PGT students were 134, slightly less than in 2018/19, although the fee waiver scheme was not in place for 2019/20 and so income levels would be similar between the years. Workforce development students for 2018/19 were 534 fte compared to 554 in 2017/18, this would continue to be an area of focus;
 - iv) that the University was pleased to be placed third in the recent national PGT survey. Progression rates for undergraduates were lower for foundation degree students c.f. honours students, and there had been a slight decline overall which was being carefully monitored. Rates remained good however overall. The new intake of foundation year students hoping to progress to Vet Medicine seemed to be a well-qualified group who it was hoped, would be successful in their progression;
 - v) that the October Open Day had been slightly down on attendees, and had included Vet School applicants. However application numbers were looking positive at this stage. The November Open Day would take place on 16 November. Registration was slightly less than in 2018, however when the new Animals Open Days held in spring were added, the overall total of registrations was similar to previous years. Members were reminded that 2020/21 was believed to be the lowest point of the demographic dip. Thereafter the number of 18 years olds was set to grow;
 - vi) that the new Director of Marketing and Communications was working hard to review current arrangements and was working with the staff team to further enhance open days and other key activities;
 - vi) that the OfS had confirmed that it was moving away from registration of providers towards monitoring and intervention. All Accountable Officers had also been invited to attend a briefing. The Vice-Chancellor would be attending;
 - vii) that a recent issue had been raised by OfS with many HEIs relating to a claim that there may have been late payments of a statutory fee. However, in the case of Harper Adams, there appeared to be some confusion about the facts of the matter. The Chair had written to the CEO of OfS setting out the University's assessment of the facts of the

matter and it was understood that other HEIs had also raised queries in relation to their letters. A reply was awaited;

- vii) that delivery of the Access and Participation Plan is in hand and would be reflected in a specific new section of the Vice-Chancellor's Report to the Board as previously agreed for ease of reference;
- ix) that an announcement about ISF funding was expected during November 2019. However OfS had cancelled a number of its engagements with the sector due to the General Election announcement and the start of purdah. It was expected that "World Class Teaching" would continue to be a key criteria for ISF. It was also expected that a number of HEIs who had been excluded in the last round would be seeking to be eligible again and it was also possible that the amount of funding to be shared could be reduced. ISF remained a vital source of funding for Harper Adams, being 50% of its grant;
- x) that the government's decisions about the Augar Review remained uncertain, although a proposal to freeze tuition fees until 2025 and actions to tackle "lo value HE" that did not lead to graduate level earnings defined as demonstrating a "graduate premium" appeared likely. In a recent meeting, DEFRA Officials had been asked to ensure agriculture was better understood in government circles in terms of salary levels, given the fact that other ways of payment often included housing, food, transport etc in addition to salary payment. Overall graduate earnings for agriculture and engineering graduates from Harper Adams were meeting expected benchmarks. Work to look at earning levels for graduates of vet medicine and business course would be undertaken in due course;
- xi) that the preparations for TEF 2021 were in hand, and it was planned to talk to staff about how the University might be able to improve its metrics further such that it could top the Sunday Times League table. It had been a very close second in 2019, so it was believed that there was a unique chance to try and close the gap during the next year. Remaining at a high level in the various surveys and tables remained challenging, but every effort would be made;
- xii) that LEO data had been regionalised in part, but still reflected London weighting. The REF Code of Practice had been submitted and informally accepted- formal confirmation was awaited;
- xiii) that the author of the National Food Strategy- Henry Dimbleby was keen to visit and a date was being sought. The University's engagement with New Scientist Live (London) in partnership with Farmer's Weekly to raise the profile of agriculture as a science and worthwhile career had been a great success and would be repeated in 2020;
- xii) that National School Meals Week was being supported by the University with a visit by the leading School Chef. The Vice-Chancellor has also spoken at a recent Egg and Poultry Conference, while Prof James Lowenberg de Boer had spoken at the Future Farm Expo at the NEC. The Global Institute for Agri-Tech Economics had also been launched by the two Elizabeth Creak funded Professors, with 37 papers given by speakers from 16 countries, to delegates from other countries across the world;
- xiii) that the University had recently hosted a successful visit from DEFRA and Treasury Officials. 26 companies had also attended the recent

Scholarship Fair and a further 180 would be engaging across the month to offer placement and graduate positions to students;

- xiv) that the Vice-Chancellor designate of Chester University had started to engage with public events including at UCS. The new Principal of Askham Bryan was also in post. The Marches LEP continued to engage with HE projects including NMiTE in Hereford;
- xv) that the University was pleased to be placed 25th in the “Table of tables”. This was a good performance, especially as a small specialist HEI, HAU did not feature in the Guardian table;
- xvi) that the Food and Drink Sector Council Workforce Group had published a report on skills which supported apprenticeships, and noted the on-going shortfall of talent. By contract the Industrial Strategy Council had published a report stating that there were sufficient skills for the food sector to draw on and that knowledge (drawing on OECD benchmarks offered by McKinsey) was also sufficient to meet its workforce needs;
- xvii) that the Vice-Chancellor had updated the Strategic Plan following feedback at the September Planning Day and further engagement with staff by email and at staff meetings. The two changes made were to adjust the overall student number target as agreed by the Board and to amend the descriptor for the University. Two sessions had also taken place with students who were content with the draft. The fourth draft as presented to the Committee would be shared with the Board for its approval on 27 November 2019;
- xviii) that members had welcomed the opportunity to engage with the development of the Plan via the on-line platform over the summer and felt the process had worked well and that the outcome was positive and had ensured Board engagement. Members particularly welcomed the description of the external environment and the clear analysis of risks and opportunities set out in the draft Strategic Plan. The challenge to secure sufficient financial headroom to support the plan was noted in the context of moving forward once the Vet School investment was in place. It was recognised that the need to refurbish and develop residences to meet growth plans, provide sufficient teaching accommodation and staffing would be challenging until the impact of the upturn in the number of 18 year olds was more stable and understood. Securing capital funding would remain challenging. The need to secure savings in year was also acknowledged to support headroom to invest;

Agreed:

to recommend the Fourth Draft of the Strategic Plan to the Board for its approval

DW

19/05 **Annual Accounts**

Received:

- i) a briefing note from the CFO on reporting requirements to meet Charity Commission regulations on the Reporting of Public Benefits and OfS Financial Returns Reporting Requirements;
- ii) the draft 2018/19 Annual Report and Accounts for Harper Adams University along with a briefing note;
- iii) the draft 2018/19 Annual Report and Accounts for Cedar Energy Limited along with a draft Letter of Representation and a draft letter of support and loan arrangements for Cedar Energy Limited from Harper Adams University;

- iv) the 2018/19 Annual Report and Accounts for the Development Trust along with draft Letter of Representation
- v) a draft Letter of Representation for Harper Adams University Group
- vi) 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 and the University continued to meet these requirements;
- ii) that the OfS Accounts Direction issued in 2018 continued to be applicable for 2018/19. At the end of October 2019, OfS had published a document setting out its view of the extent to which HEIs had met the 2017/18 Accounts Direction. In light of this document, further details had been added to ensure the disclosures made about the Vice-Chancellor's were in line with OfS expectations. Slight amendments to the Statement of Financial Controls had also been suggested by KPMG and would be made to ensure further clarity;
- iii) that the OfS had also released the 2019/20 Accounts Direction at the end of October 2019, suggesting that this could apply to 2018/19 account if HEIs wished to use it. Given the fact that the external audit was almost completed by that stage, this would have been impractical and so the 2017/18 Accounts Direction was being used as was also permitted by OfS. For 2019/20 further disclosures about spend on Access and Participation would be needed and would be subject to external audit. The audit fees had increased due to the need for further testing as specified by the latest auditing standards, so further work required in 2020/21 would lead to further audit costs. The Financial Return Workbook had also been issued recently and would be completed along with the financial commentary for consideration by the Board on 27 November 2019 prior to submission to the OfS;
- iv) that the Cedar Energy and Development Trust Reports and Accounts and letters of representation had been agreed at their respective board/trustee meetings but were included for reference as they remained part of the Harper Adams Group Accounts. Members noted the draft letter of support and loan arrangements for Cedar Energy and were content with these as drafted. A final tax calculation for Cedar Energy was noted which would make a difference to the final figures of £2K; **LF**
- v) that the letter of representation for the Group was in line with standard expectations. It was possible that the proposal to impair the Smart Dairy to recognise repairs needed to improve its operation my need to be added to the letter. An estimate of £150-£160K was to hand (Inc. VAT). Which will increase amortisation charge by £160K, and reduce the reported surplus. This included a very broad estimate to address slurry management improvements for the building. The plan was to capitalise the costs of the works in 2019/20 financial year. The CFO would discuss with KPMG; **LF**
- vi) that the University's Management Accounts reflected the receipt of the donation from the John Oldacre Foundation. A further provision of £125K had been set aside to continue to meet risks associated with chinese tax, but the funds for possible employment related risks had been released. Actuarial charges had increased significantly by £9M due to discount rates on bonds, The overall estimate had been £1.2M, and the final out-turn was £1,24M. However for 2019/20 the estimate was £2M.

Further work to review this was still in hand for 2019/20. The CFO was keeping in close touch with LGPS information as it was likely that further voluntary contributions from employers may be announced;

vii) that the ASUR document provided a useful summary of financial sustainability indicators for the Committee and the Board. Most targets were green, and the amber indicator for research publications was understood to be likely to improve to green again once further data was gathered during the year. Staff costs were also increasing due to pensions and other issues and so were amber. External borrowing would be red in 2019/20 due to the JVS planned investment which the Board had approved as a strategic investment;

Agreed:

i) to recommend the draft 2018/19 annual report and accounts for the University, subject to minor amendments (including adding for clarity the formal names of the consortium on page 49 and deletion of the capital table on page 48) as discussed during the meeting, to the Board its approval; **LF**

ii) to recommend to the Board the draft letter representation for Harper Adams University group (subject to inclusion of any Smart Dairy impairment details and final Cedar Tax figures as noted above); **LF**

iii) to recommend to the Board the draft 2018/19 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, for approval by the Board at its meeting in November 2019 **LF**

19/06 Financial Planning

Received: the revised financial forecast to 2024/25 to recommend to the Board of Governors for submission to the OfS

Noted: i) that the document was an update of that considered and agreed by the Board in July 2019. The OfS now required submission of the financial forecast and commentary in December each year and so the draft considered in the summer had been updated to reflect the latest position of the University;

ii) that the surplus position had improved slightly since the summer, although 2020/21 would be a very challenging year as vet school investment is at a peak while income is relatively low. Pay savings would be required. An increase of £184K was needed in these savings due to a lower level of retention of foundation degree students than anticipated. A higher number of one year "top up" students had been registered in 2019/20, but this level may not be achieved in future years, so the numbers for future years included were prudent in this regard. An error in rolling forward extended degree vet students had also been identified and corrected, which had also impacted in future years;

iii) that apprentice numbers had not been quite as strong as hoped in 2019/20 so a reduction of grant had been applied for 5 years, together

with assumed reductions in OfS grants and pension cost increases to provide prudent estimates;

- iv) that changes to the basis of teaching grant funding with reference to HECOS course cost codes, rather than previous HESA codes, would reduce grant payments for business related subject over the life of the forecast. Considerable work had been needed to reduce the risk to the current level. HEIF funding was also volatile and so prudent estimates were included, with the opportunity to improve income being noted, as well as the fact that costs would be reduced if activity levels fall. It was also hoped that sandwich students may be accepted as eligible for attracting HEIF, this was under discussion;
- v) that a reduction in PhD student numbers had reduced QR funding slightly. However the recent success in securing a share of a BBSCR funded Doctoral Training Partnership (DTP) led by Warwick University was not yet included in the forecast. This should lead to two PhD scholarships per annum, which could be match funded from John Oldacre Funds and/or QR funding; **PRM/LF**
- vi) that the overall income for 2019/20 had improved slightly, was no longer a planned deficit and so a modest strategic fund to help prepare for 2020/21 was proposed, Cash generation remained appropriate. Cost savings would be key and further efficiencies were under discussion;
- vii) that additional students has only been counted for 2019/20, with student number projections for future years remaining prudent, although vet students were included as planned. A further £50K secured from Research England had not been included. This would be used to help support costs;
- viii) that modelling student data for financial forecasting and projections remained challenging. Work to review data flows was in hand; **LF**
- ix) that loan covenant compliance had been tested and would be met during the forecast period. A sensitivity analysis had also been completed that showed that even if the planned additional savings were not met in 2019/20 loan covenants would still be met;

Agreed: to recommend the draft financial forecast to the Board for its approval
DW

19/07 Capital Budget 2019/20

Received: a paper from the Director of Finance on capital carry forward from 2018/19 to 2019/20

Noted: i) that the capital carry forward proposals related to timing issues for projects together with the flow through of JVS capital spend. There were no major points of concern to raise;

Approved: the capital budget to include capital carry forward for 2019/20

19/09 Strategic Project Monitoring

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

- Noted:
- i) that applications received (531 including some for 2021) were good and appeared to indicate a strong interest in the Harper Keele Vet School at this stage. Interviews would be taking place in the coming weeks;
 - ii) that should the number of confirmed places exceed the planned numbers, contingency plans were being discussed as it was difficult to estimate conversion rates without any direct experience. However some indicative indicators were available and numbers could be managed at confirmation when only applicants meeting offers in full could be guaranteed a place if numbers of acceptances were to be high;
 - iii) that applicants not securing an offer for the JVS would be offered an alternative course at Keele or Harper Adams. A proposal to offer a special three year biovet route for such applicants may be considered and would be followed up by LF and PRM; **LF/PRM**
 - iv) that the loan documentation from Barclays Bank was not yet in its final form. It had been challenging to negotiate with the appointed legal advisers for the Bank, and a teleconference was now being sought to resolve remaining queries. In part it appeared that the terms being suggested were not applicable to Universities and so this had needed further discussion around issues such as pensions as it was unclear whether LGPS and TPS were affected by the 2004 Act referred to. The CFO would obtain specialist advice on this aspect. The precedents set out were noted and accepted by members as was the letter from Santander confirming that there was no issue with the proposed loan with regard to the existing loan covenants in place for its loan to HAU; **LF**
 - v) that should specific wording of the resolution be required, this should be shared with members by email for agreement and then added to the minutes in due course; **LF**
 - vi) that the capital project remained on track, being in fact one week ahead at the current time. £29K of contingency had been used to address unexpected ground conditions, the rest remained in place;
- Agreed:
- i) to recommend to the Board that it continues (as agreed in July 2019) to delegate the final approval of the documentation to F&GP, with final signatories being re-confirmed as the Vice-Chancellor and CFO; **DW**
 - ii) to recommend that the University Secretary and CFO be authorised to sign when utilisation of the loan is required; **DW**

19/10 Cedar Energy Limited

Received: a report from the Head of Estates and Facilities and the Chief Financial Officer on Cedar Energy Limited;

- Noted:
- i) that the operations of Cedar Energy Ltd were continuing to improve progressively.
 - ii) that a key issue to note was the proposal to relinquish the lease of the storage tanks and to ask the Farm to take on the management of the facility. The former AD would also be used for Hands Free Farm activity and so the suggestion that the University might wish to ask for return of the area was appropriate. The likelihood of tax charges was noted;

Agreed: to recommend to the Board that the University formally asks Cedar Energy Ltd to relinquish its lease for the AD site, given the University's wish to make use of the area. Subject to Board approval, the University Secretary would write to Cedar Energy; **DW/CEB**

19/11 **Key Performance Indicators**

Received: Key Performance Indicator data for 2018/19

- Noted:
- i) that, as in previous years, the paper was presented in two sections, KPIs to be reported and monitored at Board level and PIs to be reported and monitored below Board level. The Board of Governors would only have sight of KPIs;
 - ii) that the report had been updated to include all of the Access and Participation Plan 2020-2025 targets, and where 18/19 targets would be superseded in future years it was noted that these would be removed for the KPI report in autumn 2020; **CEB**
 - iii) that inclusion of a key to explain acronyms such as POLAR and IMD would be useful; **CEB**

Agreed: to agree the changes and report the KPI tables to the Board at its meeting in November 2019 subject to inclusion of the above additional information. **CEB**

19/12 **National Pay Negotiations**

Endorsed the action taken by the Chair of the Finance and General Purposes Committee (together with the Chair of the Board and Chair of Staffing Committee) to approve that the University should implement the national pay award (with effect from 1 August 2019) and the deletion of spine point 2 from 1 April 2020;

19/13 **Committees**

- Received:
- i) the minutes of the meeting of the Farm Strategy Committee held on 23 May 2019 and 17 October 2019
 - ii) the minutes of the meeting of the Health and Safety Committee held on 17 October 2019

- Noted:
- i) that discussion at farm strategy committee had focused on financial performance which had been affected by the overstocking in advance of the Smart Dairy and on-going operational challenges in relation to the new dairy as reported earlier in the meeting;
 - ii) that there had been issues with the data collated by Promar which were now subject to an appeal process in respect of the Muller milk contract;
 - iii) that 35 hectares of the new land purchased would be used for the Hands Free Farm;
 - iv) that there may be an opportunity to develop a new relationship with a commercial company, which would also involve use of some of the land;
 - v) that there would be an opportunity to bid for Industrial Strategy Challenge Funding for a demonstration farm. £15M was on offer and

it was understood that 3 or 4 projects would be funded in due course. This would be both an opportunity and a significant challenge and change for the farm if funding was secured. A bid would be prepared;
PRM

- vi) that work to review and reduce farm emissions was under active discussion in support of the NFU pledge and University strategy;
- vii) that work to enhance day to day housekeeping and ensure all farm staff were embracing health and safety in all their activities was in hand. The Farm Manager was considering seeking farm specific expertise to help inform improvement plans:

Date of next meeting 26 February 2020

Part B

19/16 Risk Management

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

19/17 Estate Developments

Received: a report by the Head of Estates and Facilities on progress with current estate developments;

19/18 Management Accounts

Received: i) the consolidated management accounts for 2018/19
ii) the management accounts, for the period to 30 September 2019

Agreed: that in future the Management Accounts would be included in Part A of the agenda
LF/CEB