



CANTERBURY CHRIST CHURCH UNIVERSITY

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD AT 9.30AM ON THURSDAY 6 JUNE 2019 IN THE FREDERIC MASON ROOM (PRg03) AT THE PRIORY

Present: Ms J Armitt (Chair), Mr S Brown, Ms J Harding, Mr P Kloppenborg, Revd R Stevenson, & Professor R Thirunamachandran (Vice-Chancellor)

In Attendance: Professor D Shepherd, Deputy Vice-Chancellor
Ms M Ayers, Director of HR&OD
Mr S Johnston, Director of IT [Items 11 & 12]
Mr D Leah, Chief Financial Officer
Mr B MacPhee, Students' Union Chief Executive [Item 15]
Mr S Gwynne, Director of Estates and Facilities
Ms C Lambert, Director of Planning & Academic Administration [Item 11]
Mr F Martin, Pro-Chancellor
Ms A Sear, University Solicitor and Clerk to the Governing Body
Mr P Ferguson, Governance and Legal Services Manager

Apologies: Sir I Johnston

164. Opening Prayer

The opening prayer was led by Ms J Harding.

165. Apologies for Absence [Agenda: Item 1]

Apologies for absence had been received from Sir I Johnston.

166. Declarations of Interest [Item 2]

There were no declarations of interest in respect of any matters on the agenda.

167. Chair's Communications [Item 3]

There were no Chair's communications.

168. Minutes of meeting of Finance and Resources Committee held on 7 March 2019 [Item 4]

Subject to an addition to minute 122 (insert at end of final paragraph "The Finance and Resources Committee warmly received the Sustainability Annual Report 2017/18; it endorsed the achievements, in particular, the Green Gown Award, stated therein"), the minutes of the meeting of the Finance and Resources Committee held on 7 March 2019 were approved and signed by the Chair.

169. Matters Arising not appearing elsewhere on the Agenda [Item 5]

There were no matters arising.

NOTED

170. Business Planning 2019/20 (Update) and Financial Strategy and Draft Budget 2019/20 [Paper L104] [Item 6]

The Finance and Resources Committee considered a paper [Paper L104] by the Chief Financial Officer, about the Business Planning 2019/20 (Update) and Financial Strategy and Draft Budget 2019/20.

The Vice-Chancellor prefaced the Paper, having set out the key recommendations of the recently published Post-18 Review of Education and Funding: Independent Panel Report, ('Augar'), the findings of which would be considered as part of KPMG's review of the University's financial forecasts to 2026/27 and included in the presentation of the budget to the Governing Body at its meeting on 2 July 2019.

In terms of Financial Strategy, the Vice-Chancellor said that a balance had been struck between efficiency and effectiveness, without prejudicially affecting the student experience. Given the projected increase in student demographics from 2021/22, and new programmes starting in 2020, (in engineering, medicine and creative arts), it would be counter-productive, both in financial and reputation terms, for the University to curtail investment. Consequently, it was proposed to operate a managed deficit budget until 2021/22, ensuring that priority investments approved by the University were delivered to realise business benefits in future years.

In presenting the paper, the Chief Financial Officer advised that in the context of the Augar Review as summarised in the Vice-Chancellor's comments and engagement with KPMG, it was not now proposing that the budget presented to the Committee should be approved. Further work was required to reflect the potential implications of Augar on future years' context and projections. Consequently, the Committee was requested to consider the implications of the current budget and future years' projections with modified proposals to be reviewed by the Chair of the Governing Body, Chair of Finance and Resources Committee and the Vice-Chancellor before subsequent consideration by the Governing Body at its meeting on 2 July.

The Chief Financial Officer said that a position of managed deficits had been forecast to be required over the next three years, with a return to operating surpluses from 2022/23. It was noted that returns would not be generated until costs particularly relating to Medicine and STEM, had been incurred; this recognised the requirement to engage specialist academic staff in Engineering and Medicine to develop curriculum and processes before students commenced their studies in September 2020.

The budget had been set in the context of three year business plans. The business plan priorities, set out in section three of the Paper, formed the basis of the 2019/20

budget. Targeted reductions in the expenditure budget had been effected, including the consolidation of savings within 2018/19.

The Chief Financial Officer emphasised that the reductions had been made in a way that considered the impact on staff, both in terms of those whose positions would be or were at risk, and also the consequential pressures and impacts on those who remained in post. Staff and student health and wellbeing was a key priority for the University, and reductions had been targeted carefully in specific areas rather than applied more generally across the institution.

The plans had been shared with KPMG and it had been highlighted that potential forecast covenant breaches in future years would have to be reviewed with the banks. Further activity was being undertaken to review and update the forecasts and an engagement strategy with the banks would be presented to the Governing Body on 2 July. The Chief Financial Officer advised that the detailed financial forecasts had not yet been shared with the banks. There had though been informal discussions with them; they had expressed continued confidence in the University's management and overall long term strategy. The detailed projections would be shared with the banks in due course once they had been approved by the Governing Body.

When the initial Estate Master Plan forecasts had been established, there was an expectation that increases in the headline tuition fee would be allowed providing the institution achieved Teaching Excellence Framework (TEF) Gold or Silver. Although the institution had been rated TEF Silver, this option had been withdrawn by the Government and it now appeared unlikely that tuition fees would increase before 2022/23. The cumulative impact of this had a significant impact on the financial forecast as the projections had to incorporate unavoidable pay inflation, incremental drift and a significant annual increase in employer contributions to pension schemes. This necessitated the requirement for efficiencies whilst maintaining the agreed strategy of investment in key major change initiatives which would yield future institutional benefits. A balance had been struck in targeting these areas without therefore damaging the University in such a way that student and staff experience would be adversely affected, which would leave the institution in a less strong position to respond to the improved increase in student demographics expected from 2022.

Feedback from the Committee on the Paper included:

- It would be beneficial for scenario planning based on Augar's key recommendations to be undertaken;
- Although the University had returned operating surpluses over previous years, the FRS102 year-end adjustments for pension provisions had resulted in an accounting deficit in the year-end financial statements;
- Visibility of cash-flow projections would be beneficial for the Committee;
- A longer term view had to be undertaken acknowledging the increase in 18 year olds entering Higher Education in the next few years whilst recognising that there were short term financial pressures due to restricted resource affecting the whole HE sector;
- The University should have alternative plans to implement should things worsen financially;
- Collective optimism bias should be avoided, particularly in the context of revisiting projected student numbers, progression and drop-outs;

- The requirement to continue to enhance efficiency and effectiveness including accommodation utilisation, additional income opportunities and staff working arrangements with the need to sustain staff wellbeing;
- Greater visibility around the assumptions for student support that also recognised the particular challenges for medical students;
- The track record of management had demonstrated a consistent record of prudence to recover shortfalls in income;
- Further consideration of opportunities to rationalise property holdings and improve estates space utilisation; and
- The inclusion of more narrative on commercial activities and how this might contribute to future financial projections recognising the constraints on inflationary increases on tuition fees.

In response, the Chief Financial Officer said that cash-flow information would be provided in an accessible format to each meeting of the Committee going forward. As part of the engagement with the banks, alternative scenarios had been developed. Although there was always a risk of optimism bias, KPMG had stated that the University's forecast projections erred on the side of caution when compared to their work with other HEIs. The Vice-Chancellor added that a review of workload planning was being undertaken by HROD and the opportunity of moving all Canterbury-based staff onto the main campus was being considered as space became available once Building 2 had been completed and lease arrangements in other buildings were ended.

It was queried by the Chair whether the University was one of the institutions that had been included in 32 institutions that had returned a deficit in their 2017/18 financial statements. Although the University had had a reported deficit on its accounts as a result of FRS102 pensions adjustments, it had though returned an operating surplus before the year end adjustment. The Vice-Chancellor agreed to confirm this.

In conclusion, the Committee expressed firm confidence in the University's leadership and management. It endorsed the University's financial strategy to achieve its overall long term vision and strategic aims, noting that a well-led institution would be ahead of its problems. In this context, recognising the uncertain external political environment, it encouraged consideration of further financial options, including those of a capital nature, to mitigate the risk of unplanned eventualities and to build into the strategy the feedback from the Committee in terms of, for instance, income generation and space utilisation.

RESOLVED

That, subject to subsequent further review by both the Chair of the Committee and Chair of the Governing Body together with the Vice-Chancellor, the 2019/20 budget and associated business planning priorities (as updated, taking into account feedback from the Committee and management re-modelling), be recommended for approval by the Governing Body. The recommendations would be accompanied by an independent written assessment by KPMG.

171. Financial Regulations and Accounting Policies [Paper L105] [Item 7]

The Finance and Resources Committee considered a paper [Paper L105] by the Chief Financial Officer that proposed changes to Financial Regulations and Accounting Policies. The proposed changes related to the Fraud and Bribery Response Plan and

a policy change for capitalisation of development costs of the Medical School, including loan interest costs and charges in respect of Building 2.

RESOLVED

That the updated Financial Regulations and Accounting Policies be approved.

172. People Strategy: Refresh [Paper L106] [Item 8]

The Finance and Resources Committee considered a paper [Paper L106] by the Director of HR&OD about the University's People Strategy: Refresh.

The Director of HR&OD said that the first draft of the People Strategy had been updated following feedback from the Committee at its last meeting. Since then, consultation had occurred, with the University's leadership conference attendees, the trade unions, and staff. There had been broad support for the Strategy. The four key themes had been retained. A focus around inclusion had been built in; it also included reference to how to support and encourage improved ways of working, both to support staff and establish and maintain links both across the organisation, but in the community as well, as a large local employer. Projected work plans for the next 12 months had been included: creating a positive performance culture, the approach to change and workforce development.

In response to a question regarding the extent to which activities had been started in respect of each of the headings in the Strategy, the Director of HR&OD said that these were at different stages and gave examples for the Committee's benefit.

In response to a question from a Governor regarding the Staff Survey the Director of HR&OD confirmed that the Senior Management Team would review the outcome in late June. The Vice-Chancellor commented that the Governing Body would have the opportunity to discuss the outcome at the Away Day in September.

The Chair said that the updated Strategy reflected the balance of the feedback previously provided; the Committee fully endorsed it.

RESOLVED

That the People Strategy be approved.

173. Estate Development Update (including Estate Master Plan) [Paper L107A] [Item 9.1] and Annual Estate Management Statistics Report [Paper L107B] [Item 9.2] and Student Accommodation Strategy [Oral Presentation] [Item 9.3] [Taken after item 15]

The Finance and Resources Committee considered papers [Paper L107A & B] by the Director of Estates and Facilities, providing an Estate Development Update (including Estate Master Plan) and Annual Estate Management Statistics Report.

The Finance and Resources Committee also considered a tabled presentation by the Director of Estates and Facilities, about Student Accommodation Strategy – options.

The Director of Estates and Facilities summarised the Papers.

The Daphne Oram Creative Arts Building had received very positive impact from staff and students. Work was underway to rectify a relatively small number of issues that had arisen following the building's occupation. KPMG, the Internal Auditors, had, in

addition to an internal assessment by Estates, carried out a lessons learned exercise in respect of its construction. Issues associated with procurement and general management processes had been identified, together with cultural issues. Learning points had already been put in place in respect of the construction of Building 2, for instance, more robust governance and clear overview of the process of construction.

The Chief Financial Officer commented that a post completion capital projects assessment would be undertaken jointly between Estates and Finance in respect of the Daphne Oram Creative Arts Building; this would be tied in with the internal Estates assessment, with a joint report presented to the Committee at a subsequent meeting.

In response to a question from the Chair of the Committee the Vice-Chancellor said that the KPMG report had already been shared with the Audit Committee.

Work had been proceeding very well in respect of Building 2. In this regard, drainage excavation outside Old Sessions House had been proceeding on schedule.

In response to a question, the Director of Estates and Facilities said that dialogue had been opened up with neighbouring residents associations regarding Building 2 and other areas within the University's estate.

Property disposals had been set out in the Paper. In respect of assignment of the lease of the Sidney Cooper Gallery, the local authority landlord had since the date of the report said that the rent would not be increased, which should enable the assignment to proceed to the Marlowe Theatre.

In terms of the Estate Master Plan (EMP); the importance of the estate to the University's strategic vision, could not be underestimated. A well-structured estate could make a difference to an organisation. Particularly in a period of change, an effective strategy was essential to underpin decisions being taken to support the overall strategic vision. To do that, an underlying evidence base had to be secured. A six facet survey would be undertaken accordingly. It would review the condition of the estate, functionality, space utilisation, accessibility, and statutory compliance. Work had already commenced on this, with a view to generating a 10 year estates strategy, re-defining the EMP and updating the University's accommodation strategy, putting in place the University's development plan.

In response to a question from the Chair, the Director of Estates and Facilities said that an identified safeguarding issue regarding the Daphne Oram Creative Arts Building would be resolved. The Chair emphasised that the issue had to be dealt with.

The Chair requested the Director of Estates to confirm outside of the meeting the University's higher than average rate of water consumption and lower than average rate of re-cycling.

In terms of accommodation options, the Director of Estates and Facilities highlighted the key components of the University's present accommodation strategy. Accommodation was critically important for students. The current lease arrangements resulted in the University operating much of its accommodation at a financial loss. This meant that accommodation operations had been subsidised by other University activities. The University's unique selling point was to offer each first year student with accommodation. In the immediate future, there was the potential

to reduce difficult leases and thereby reduce the number of beds, but this could put pressure on the University's USP especially given the expected rise in the number of 18 year olds. Alternative options as set out in the Paper would therefore have to be considered with the preferred option to develop University owned student accommodation subject to a carefully considered investment strategy. A short term solution would be required but, due to uncertainty in the sector and locally, taking significant investment decisions at the moment would not be the best solution.

The Student Governor pointed out that affordable student accommodation was key especially given the University's widening participation agenda.

The Chair thanked the Director of Estates and Facilities for the Papers and said that the Committee would consider future accommodation options in due course.

NOTED

174. Treasury Report - Investments and Loans [Paper L108] [Item 10] [Taken after item 12]

The Finance and Resources Committee considered a paper [Paper L108] by the Chief Financial Officer, providing a Treasury Report – Investments and Loans.

The Chief Financial Officer said that the report summarised the University's loan finance position, balances outstanding, amounts committed and summary of expected repayments and interest charges for the year. The University's £47m loan facility, was reported as a commitment as funds had not yet been drawn. The Committee noted the position regarding a bank proposal to fix the LIBOR variable loan rate. At this stage however, the Committee agreed with the executive, that the rates would not be fixed, but would continue to be kept under close review. .

NOTED

175. Modernising Our Student Information (MOSI) Update [Paper L109] [Item 11] [Taken after item 8]

The Finance and Resources Committee considered an update paper [Paper L109] by the Director of Planning and Academic Administration about the Modernising Our Student Information (MOSI) project.

The Director of Planning and Academic Administration, accompanied by the Director of IT, introduced the Paper.

Significant progress had been made since the Committee had reviewed the project at its last meeting. That progress had been confirmed by PA Consulting in a follow up review. In the last three months, significant progress had been made in terms of project governance; the composition of the project board had been reduced in size. In future, the Programme Board would be chaired by the Senior Pro Vice-Chancellor (Education, Enhancement and Student Experience), a current member of the Board, to provide independent scrutiny. The 'Rapid Decision Group' (RDG), comprised of senior staff, had been re-constituted to ensure appropriately timed responses. A 'critical friend' had been introduced, the Academic Registrar of the University of the Arts in London, whose contribution at the last programme board meeting had been significant and re-assuring. Significant activity had been undertaken in respect of supplier management in that robust monthly contract meetings had been

introduced. The programme team had also worked with key stakeholders to refine the scope of core functionality. A dedicated and experienced MOSI Programme Manager, who would thoroughly review the programme timelines and project plans and plan for transition, had taken up post on 23 May 2019.

PA Consulting had made 10 recommendations. In terms of self-assessment, seven were green, two were amber, with one identified as red (transition planning, training and support to BAU).

'Go live' state for Admissions and Finance, would be assessed as part of the planned implementation from autumn 2019; RDG would be meeting to consider budgetary issues and detailed implementation plans. Weekly stand up meetings within the programme team continued to take place; with daily catch ups for Admissions and Finance. Support for Admissions 'Go Live' would not be as complex as that for Student Records and Enrolment as it would be mainly contained within the Admissions team.

The bigger piece of work, including structures and responsibilities, would be the subsequent roll out of Student Records and Enrolment for the academic year 2020/21.

Current project expenditure remained consistent with the budgeted forecast, but future cost pressures of approximately £1.5m had been identified, which would be validated by the Project Manager. Provision had been made in the overall capital investment plans to meet additional cost pressures.

The Director of IT said that key stakeholders across the University were fully engaged with the MOSI programme. An area for improvement concerned transition planning. It was important to transition support smoothly from the project team to a BAU-run team; IT, Planning and Academic Administration and MOSI were working closely on this. The relationship with the contractor had significantly improved; a more structured approach to account management had been effected.

In response to a question from the Chair of the Governing Body regarding the risks of introducing SITS at a time of significant change for the University particularly with the start of new programmes, the Director of Planning and Academic Administration said that the benefits of introducing SITS significantly outweighed the risks associated with continuing with current arrangements. Contingency plans would be presented to the RDG to enable clarity regarding risk and impact on admissions BAU.

The Director of Planning and Academic Administration said that in response to a question regarding the scope of the project, three key areas had been removed for the first phase: Personal Academic Tutoring, (but the names of academic tutors would be included), Graduation as an event, and Curriculum Development workflows. Discussions were underway to provide clarity on future phasing to January 2023, but there would be no further phasing beyond then. Some of the items that had been removed from scope would be expected to be included again subsequently, subject to further detailed work.

In response to a question from a Governor regarding the detailed project plan the Director of Planning and Academic Administration confirmed that this had been revisited following the PA Consulting Review.

The Committee commended the significant progress, including governance, which had been made regarding the MOSI project in the last three months.

NOTED

176. Information Technology Development Update [Paper L113] [Item 12] [taken after item 11]

The Finance and Resources Committee considered a paper [Paper L113] by the Director of IT, providing an Information Technology Development Update.

The Director of IT said that the three year integrated IT strategy, which had been developed through the IT Strategy & Policy Group (ITSPG)/SMT, did not reflect any major investment or directional changes but included greater emphasis on the quality of the student experience. It supported MOSI, Kent and Medway Medical School (KMMS) and Building 2 delivery.

A Committee member commented that inclusivity might usefully be incorporated in the Strategy, together with, an acknowledgement of the changing technology that would be required to support KMMS and engineering students; accessibility would also be key. In response, the Director of IT said that a design specialist would work with stakeholders to determine requirements.

In relation to a question regarding funding of IT requirements for the University's new programmes, the Director of IT said that maintenance work had been re-phased to ensure "grow and transform commitments".

The Director of IT said that there were no significant variances or risk in terms of capital spend regarding ITSPG managed activities; existing resources and capabilities had been brought forward to the "support peak" workload that was expected to endure until the start of the 2020/21 academic year. Pre-work, such as next generation Wi-Fi, to support Building 2, would be commenced now, to reduce risk associated with the introduction of new technology.

Regarding service delivery, KPIs continued to be affected, but this was recognised by a tolerant customer base. Most vacancies in the service delivery team had now been filled, however. Activity would be focussed resultantly on driving KPI improvements for the start of the new academic year.

There had been two major incidents since the last report: the Virtual Learning Environment – had been down for 10 hours due to a database maintenance failure. The other had been a core network failure, for three hours. There had been no data breach; nothing had been compromised in the process.

Cyber Essentials certification had been achieved. The main focus had been regarding security awareness of staff and students.

In respect of a question about the approach to ensure security, the Director of IT said that the University worked with partners upstream to defend its systems; Governance and Legal Services colleagues responded to student transgressions, but there had been no data breaches in a period. Successful phishing attacks had taken place; successful risk mitigation was key.

The Committee endorsed the University's clear and well-presented IT Strategy and thanked the Director of IT for the report.

NOTED

177. Pensions Update (TPS, LGPS & USS) [Paper L111] [Item 13] [Taken after item 9]

The Finance and Resources Committee considered a paper [Paper L111] by the Chief Financial Officer, providing a Pensions Update (TPS, LGPS & USS).

The Paper summarised risks and considerations around the University's pension schemes and their costs.

Whilst there were significant considerations affecting the University sector's pension schemes, these were being closely monitored. No changes were proposed to the University's current pension arrangements at this stage.

NOTED

178. Report of the University's Financial Position 2018/19: Third Quarterly Review [Paper L112] [Item 14]

The Finance and Resources Committee considered a paper [Paper L112] by the Chief Financial Officer, providing a Report of the University's Financial Position 2018/19: Third Quarterly Review.

The Paper reported upon the financial results for the University for the nine month period to 30 April 2019 and the third quarterly review.

The mid-year review had anticipated an operational deficit of £878k, but through further tight control and close management, the revised forecast was now predicting an operating surplus for the year of £465k (before year end FRS102 adjustments).

NOTED

179. Students' Union Termly Report and Proposed Budget 2019/20 [Paper L110] [Item 15] [taken after item 10]

The Finance and Resources Committee considered a paper [Paper L110] by the Chief Executive, Students' Union, providing the Students' Union Termly Report and Proposed Budget 2019/20.

The Chief Executive, Students' Union said that a higher than budgeted surplus had been projected for the current financial year. Savings had been achieved on vacancies and central office costs, partly offset by unbudgeted expenditure on accountancy support from Burgess Hodgson. A community trustee vacancy had been shortlisted; recruitment was live for Head of Business Development and a review of union vehicles was underway in conjunction with the University to determine whether savings could be achieved. An audit had been confirmed for the start of September. An additional £35k grant increase had been received to reflect general inflationary staffing pressures.

Students had voted and decided to remain part of the NUS.

The Committee took the view that it was a very encouraging and well-presented report.

NOTED

180. Unitemps - Minutes of (unapproved) Medco (CCCU) Limited Board meeting held on 7 March 2019 [Paper L114] [Item 16]

The Committee noted the Paper - Unitemps - Minutes of (unapproved) Medco (CCCU) Limited Board meeting held on 7 March 2019.

NOTED

181. Any Other Business [Item 17]

There was no any other business.

182. Confidentiality [Item 18]

RESOLVED

Commercially sensitive matters in minute 170 should be kept confidential and recorded separately in restricted form. There were no other matters to be kept confidential from published minutes once approved.

183. Date of next meeting [Item 19]

The date of the next meeting was confirmed as 7 November 2019 at 9.30am.