



CANTERBURY CHRIST CHURCH UNIVERSITY

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON THURSDAY 5 MARCH 2020 AT 9.00AM IN THE FREDERIC MASON ROOM (PRg03) AT THE PRIORY

Present: Ms J Armitt (Chair), Sir I Johnston, Mr S Brown, Ms J Harding, Mr P Kloppenborg, Revd R Stevenson, & Professor R Thirunamachandran (Vice-Chancellor) [Until Item 14]

In Attendance: Professor H James, Deputy Vice-Chancellor
Ms M Ayers, Director of HR&OD
Mr S Johnston, Director of IT [Item12]
Mr D Leah, Director of Finance and Chief Financial Officer
Mr B MacPhee, Students' Union Chief Executive [Item 16]
Mr S Gwynne, Director of Estates and Facilities
Ms C Lambert, Director of Planning & Academic Administration [Item 9]
Mr F Martin, Pro-Chancellor [Until Item 14]
Ms A Sear, University Solicitor and Clerk to the Governing Body
Mr P Ferguson, Governance and Legal Services Manager

Apologies: None

114. Opening Prayer

An opening prayer was said by Revd R Stevenson.

115. Apologies for Absence [Agenda: Item 1]

There had been no apologies for absence.

116. Declarations of Interest [Item 2]

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

117. Chair's Communications [Item 3]

The Chair welcomed everyone to the meeting. The Chair suggested that the Committee might want to keep in mind whether there should be a move to the use of electronic board packs, for environmental reasons.

The Chair went on to say that the agenda, which included pivotal strategic financial reports, had been changed after the dispatch of board packs, to enable the HR&OD Update Report and Gender and Ethnicity Pay Gap Report to be elevated in the order in which the items would be taken.

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

The Unrestricted and Restricted minutes of the meeting of the Finance and Resources Committee held on 7 November 2019 were approved and signed by the Chair.

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

There were no matters arising; the Committee reviewed its action log, with no changes to be made.

NOTED

120. Report on the University's Financial Position for the six-month period to 31 January 2020 and Budget Update [Paper M75] [Item 6]

The Finance and Resources Committee considered a paper [Paper M75] by the Chief Financial Officer regarding the University's Financial Position for the six-month period to 31 January 2020 and Budget Update.

The Chief Financial Officer reiterated that the first half-year results for the University had been good; costs had been controlled consistent with senior leadership commitments; a range of institutional initiatives had also been progressed, including Building 2, the construction of which had been on schedule; there had been continued investment with the MOSI programme; the Research Management System had been progressing very well, as had been KMMS.

However, the mid-year review had revealed income challenges. Notwithstanding original provisions for income shortfall against student number growth, revisions had been made to the full year forecast.

The most significant revisions had been made to tuition fees in three areas.

- i) Student recruitment and returning student targets had not been fully achieved
- ii) Cleansing of the University's student records database, which had established the existence of either dormant student records or only partially active students. This was linked to data cleansing in response to the ongoing OfS data audit.
- iii) This related to overstatement of income of expected repeating students (under re-assessment with attendance, 75% of module fees would be paid, whereas previously this had been 100%).

Consequently, a number of student records had been removed or amended during the first half of the year. This had made it difficult to differentiate between genuine student withdrawals as distinct from the data cleansing activity. Therefore, a provision of £1.5m had been retained for credit notes to be issued for further withdrawals in the latter part of the year. Whilst this is reasonably consistent with previous years' experience, this did though remain an area of uncertainty within the forecasts.

A contract for the delivery of pre-sessional PhD programmes for Algerian students had not been secured. Of lesser material impact, Research and Knowledge Exchange and other income were below target. With student numbers, these affected the overall income shortfall position. Therefore, SMT had proposed a revised forecast for

the present academic year. Difficult decisions had to be taken to bear down on all but essential pay and non-pay expenditure, alongside fundamental structural change in respect of the Faculty of Education and the Faculty of Arts and Humanities, and a managed deferment of non-essential strategic capital expenditure.

Another main budgetary consideration included disposals, the details of which have been recorded separately in restricted minutes.

Provided the sale of the Broadstairs campus completed in the current academic year and the income and expenditure were kept in line with forecast, modelling indicated that there remained headroom of circa £600k in the forecast for EBITDA, which would still enable the University to meet its net debt to EBITDA bank covenant.

The re-forecast budget continued to contain £250k of contingency (reduced from £500k), which would be likely to be used in the second half of the year, for instance, on marketing to boost recruitment.

The Chief Financial Officer said that the University's approach to the emerging in year financial situation for 2019/20 and, as such, future years' student forecasts to be re-based accordingly.

Four major strategic savings initiatives had been identified by SMT:

- i) efficiency of curriculum delivery and support (focus on retention of foundation year and Level 4 students);
- ii) estate utilisation efficiency (estate income generation and accommodation strategy);
- iii) academic workload profiling (the academic contract);
- iv) efficiencies and process improvements from major system investments.

The sum total of these identified strategic savings of £9.8m was greater than previously embedded forecast savings. This reflected a lower base starting point, and a level of estimate in the targets over a three-year timescale. It was noted that the savings targets were likely to be profiled more heavily towards both 2021/22 and 2022/23 reflective of time required to embed the significant realignment activity.

The Chair said the financial situation of the University was at least as difficult as had been anticipated, without the possible impact of the COVID-19 risk.

A member of the Committee asked the Vice-Chancellor for insight regarding the current financial performance of other HEIs. The Vice-Chancellor said that the University's financial position had to be put in sectoral context. A significant number of institutions had reported operating deficits [Post meeting note: 78 universities out of 132 reported an operating deficit which excludes pension related deficits]. There would be no escape from the situation that the University along with many others, would return an operating deficit in 2020/21. The COVID-19 risk in terms of the recruitment of overseas students, presented real challenges.

On the Committee's behalf, the Chair endorsed particularly the strategic activity being undertaken by senior leadership regarding the University's financial stewardship, but expressed the expectation that significant progress to achieve identified financial efficiencies should be made in the next academic year.

NOTED

121. OfS Approval of Financial Forecasts and Update on Bank Covenants and Associated Risk Appetite Statement [Paper M76] [Item 7]

The Finance and Resources Committee considered a paper [Paper M76] by the Chief Financial Officer on OfS Approval of Financial Forecasts and Update on Bank Covenants and Associated Risk Appetite Statement.

The Chief Financial Officer confirmed that, following Governing Body approval at its meeting in November 2019, the University's financial forecasts to 2023/24 had been submitted to the OfS on time by 2 December 2019.

Initial thinking regarding covenants had been shared in discussions with the banks. The banks had expressed confidence in the University and its transparent approach to the provision of information. KPMG continued to provide support to the University in respect of the bank covenant position and the University's consent had been given for KPMG to engage in bilateral conversations with the banks, thereby bringing useful sectoral insight.

Elements of this discussion have been separately recorded in restricted minutes.

The Chief Financial Officer suggested to the Committee that as the forecasts indicated that operating performance fell outside current limits in the University's Risk Appetite Statement, that Statement should be considered by the Committee at its next meeting, the Statement having first been revisited by the Audit Committee.

A member of the Committee asked about the impact of the opening of Building 2 on student numbers. In response, the Chief Financial Officer said that it should have a positive impact not only on applicants, but the 'halo' effect in terms of the University's strategic confidence. The Chief Financial Officer went on to explain that initial unverified student number targets for STEM programmes represented a reasonably confident position and that the problems arising from the student database regarding inactive students should not be a future problem given the data cleansing undertaken for planned migration to the new student records system, which also had intrinsically more effective controls.

NOTED

122. Daphne Oram Creative Arts Building: Post-Construction Evaluation Report [Paper M77] [Item 8]

The Finance and Resources Committee considered a paper [Paper M77] by the Chief Financial Officer, the Deputy Director of Estates and Facilities and the Procurement Manager about the Daphne Oram Creative Arts Building: Post-Construction Evaluation Report.

The Vice-Chancellor introduced the paper.

The Vice-Chancellor accepted the principle of taking ultimate responsibility for when things did not go to plan. The project had not been delivered to budget, nor had it been delivered on time. That had not been good and full responsibility had been accepted accordingly.

The paper set out issues regarding costs, but also lessons learned in order to inform the strategic Building 2 and MOSI initiatives.

When the business plan for the building had been taken initially to the Committee, and subsequently to the Governing Body, there had been a very detailed market analysis. It had been a very robust market tested business case. It had been recognised now however, though, that the economic climate and student demand had changed. In 2018/19 614 students had been expected to be recruited for provision delivered in the building; 674 had been recruited. This year, the business plan had included 1000 students, with 714 recruited. The business plan had not been achieved as a result of changed market conditions. The aim for next year was to recruit 850 students. All the programmes had been re-assessed, with existing programmes re-shaped, in a process led by the recently appointed Head of School of Creative Arts and Industries. The Games Design programme had really performed well. The Vice-Chancellor expressed confidence that the Daphne Oram Creative Arts Building would fulfil its purpose.

The Vice-Chancellor went on to say that the history of the project had been transparently recorded in the Paper. Project costs had been increased following initial Governing Body approval: £12,600k for construction (£11,100k estimated budget pre-detailed tender), £600k for equipment, totalling £13,200k. The Building had been scheduled to open in September 2018; it had opened in January 2019, with student compensation paid (£227k) for the delayed opening. In contrast, completion of Building 2 had been on schedule and to budget as at the date of the meeting.

The Chair of the Committee thanked the Vice-Chancellor for the report and expressed appreciation particularly in respect of the table in the report setting out a detailed schedule of lessons learned and how these had been used to improve management practices with building 2.

In respect of lessons learned, a member of the Committee asked the Vice-Chancellor whether the University's employees would be comfortable in calling something out if things went wrong. In response, the Vice-Chancellor said that the University promoted a culture of openness and staff should not be afraid of speaking up. The University's Whistleblowing Policy has recently been updated and would be published in due course to reflect changes requested by the Audit Committee. The Deputy Vice-Chancellor added that the University had an online reporting tool, whereby points could be raised by staff, students or other stakeholders, anonymously if required.

A member of the Committee asked the Vice-Chancellor whether the Daphne Oram Creative Arts Building was being used as originally intended and queried the apparent belated pace of change of use of spaces generally within the University, (particularly in terms of implications in relation to Building 2), in contrast with that of other Universities. In response, the Vice-Chancellor said that as a mainly specialist space, the Daphne Oram Creative Arts Building had to be used in that way, but the limited non-specialist space would be used to create a much more engaging social environment. A review was being undertaken to consider how best to utilise that building to maximum advantage for all students, but it was being used by the community. There would be similar issues for consideration regarding Building 2. The Director of Estates and Facilities said that in respect of Building 2, consideration had been given to contingent space re-utilisation plans, in the unlikely event that changes would be required.

NOTED

123. Modernising Our Student Information (MOSI) Update [Paper M78] [Item 9] [taken after Item 15]

The Finance and Resources Committee considered a paper [Paper M78] by the Director of Planning and Academic Administration updating the Committee on the Modernising Our Student Information (MOSI) project.

The Director of Planning and Academic Administration presented the Paper.

Staff had been supportive and pleased with the introduction in October 2019 of student admissions and student finance functionalities within the new SITS system.

Student admissions functionality had continued to be implemented with the University's partners and agents. UK Visa and Immigration support and deposit functionality, an important project milestone, had also been completed. The present focus on student admissions had been in respect of confirmation and clearing, which would be used for delivery from the SITS solution in summer 2020 for the first time. In terms of the wider programme, activity on student records and assessment, essential curriculum and core data quality activities were being undertaken. The recent engagement of specialist staff with strong technical, project management and SITS experience had delivered significant benefits to the programme.

As of January 2020, the project had been on budget financially.

Project risks were being managed openly and transparently through programme governance arrangements, including monthly supplier account management meetings, operational Programme Delivery Group meetings, the MOSI Programme Board and SMT.

The Chair of the Committee asked for detailed clarification about the risk that SITS would not be ready to 'go live' for Student Registration as planned.

The Deputy Vice-Chancellor responded by saying that transparent information regarding project risks from the Programme Director and the alignment of project and non-project staff across the University had been recently discussed by SMT. In that context, the key expectation was that SITS would be live for registration of new and returning students from September 2020. High-level contingency planning was being undertaken, although efforts were focused on the planned 'go-live' as scheduled. The position would again be reviewed by both SMT and the Programme Board (chaired by the Deputy Vice-Chancellor) at the end of the month. Key risks of not going live concerned change fatigue, and loss of specialist expertise.

The Director of Planning and Academic Administration confirmed that activity on the approach to 'Business As Usual' (BAU) activities was underway. Key experts would not be released until stable state had been achieved. Additional SITS functionality would be implemented subsequent to the deployment of student registration consistent with the student journey.

A member of the Committee said that it would be helpful for the future timeline of the project to be provided in subsequent reports. A further point concerned whether the project knowledge from specialist expertise would be shared within the University upon project implementation. The Deputy Vice-Chancellor confirmed that the Director of Planning and Academic Administration was assessing the BAU resources required within Planning and Academic Administration, together with MOSI resources, to enable the future exploitation of that expertise. Given that a new Deputy Academic Registrar with SITS experience was due to start in May, the development of increased SITS knowledge and SITS leadership was being addressed.

The Director of Planning and Academic Administration informed the Committee that in due course, the MOSI Programme Board would be presented with a support systems model (including support from the Department of IT), including BAU planning and linking with future identified programme phases.

The Chair thanked the Director of Planning and Academic Administration for the Paper and wished the MOSI project well.

NOTED

- 124. TRAC and TRAC(T): OfS Annual Returns 2018/2019 [Paper M79] [Item 10] [taken after Item 9]**

The Finance and Resources Committee considered a paper [Paper M79] by the Chief Financial Officer about TRAC and TRAC(T): OfS Annual Returns 2018/2019.

It was confirmed that the University's TRAC and TRAC(T): OfS Annual Returns 2018/2019, which had been approved by the Committee electronically on 29 January 2020, had been submitted to the OfS within the prescribed dates.

NOTED

- 125. Financial Regulations Update [Paper M80] [Item 11] [taken after Item 10]**

The Finance and Resources Committee considered a paper [Paper M80] on Financial Regulations Update.

The Chief Financial Officer said that a number of changes had been made to the University's Financial Regulations including the change of regulator and statutory and role changes. In particular, Appendix F had been changed to include procedures for the investigation of suspected financial irregularities; and Appendix G now included OfS and Charity Commission reporting requirements in respect of fraud and the updated constitution of the University's Fraud and Bribery Response Group.

The Committee thanked the CFO and the Assistant Director of Finance for completing this task

RESOLVED

That the updated Financial Regulations be approved.

- 126. IT Development Update [Paper M81] [Item 12]**

The Finance and Resources Committee considered a paper [Paper M81] by the Director of IT, providing an IT Development Update.

The Director of IT presented the Paper.

In terms of capital investment, the project portfolio had started to be wound down, in effect to free up staff resources for strategic capital projects. There had been one major service delivery incident in the reporting period. The University's primary internet connection had been lost for 37 hours due to a problem with the external service provider. An exit strategy was under discussion with the provider, with a proposed move to JISC-direct connection, which would avoid this problem in the

future. The exit would take 18 months. The impact on students had been less as the disconnection had happened over a weekend.

An internal audit by KMPG in respect of cyber security had been completed, which had been reported to the Audit Committee. There had been 11 medium priority recommendations reflecting the University's inability to invest as much financial resources as it would wish in the current challenging financial position.

A member of the Committee remarked that the move from a five to a seven-year cycle for staff and student desktop computers added investment risk to the University's IT estate. In terms of reporting back to the Committee in respect of IT benefits realisation and impact, the Director of IT said that this could be derived from six-month post implementation reports from business sponsors.

The Chair of the Committee thanked the Director of IT for the Paper.

NOTED

127. Estate Development Update (including Estate Master Plan Update) [Paper M82] [Item 13] [taken after Item 16]

The Finance and Resources Committee considered a paper [Paper M82] by the Director of Estates and Facilities, providing an Estate Development Update (including Estate Master Plan).

The Director of Estates and Facilities presented the Paper.

Excellent progress had been made regarding the construction of the STEM Building; construction was on target for completion in June 2020 despite challenging weather. Management of the supply chain by the contractor regarding the fit out had been good. There had been no significant site issues otherwise. The project was on budget and would be an excellent facility. There had been no issues from the local neighbours and in respect of health and safety, there had been only very minor RIDDOR incidents during the period covered by the Paper.

Break clauses had been served in respect leased student accommodation at Parham Road Student Village. A revised Student Accommodation Strategy would be presented to the Committee at its next meeting.

Separate minutes have been taken regarding property disposals and other matters covered in the Paper deemed to be kept confidential from the published unrestricted minutes.

NOTED

128. HR&OD Update Report to include annual review of the People Strategy [Paper M83] [Item 14] [taken after Item 8]

The Finance and Resources Committee considered a paper [Paper M83] by the Director of HR&OD, providing an HR&OD Update Report, including the annual review of the People Strategy.

The Director of HR&OD presented the Paper.

Activity regarding workload principles for academic staff should result in efficiency gains for the University consistent with the principles of *The People Strategy*, particularly in respect of modernisation, teaching and adding value for students, linked to the University's status as an attractive employer, and staff retention.

The Chair asked the Director of HR&OD whether the focus of the activity concerned academic productivity.

The Director of HR&OD said that academic colleagues were very much working under pressure, with questions of appropriate induction, training and development, workload focus and ways of working. A real mix of practices existed across faculties in terms of teaching and student contact. Addressing these points would help to reduce stress for academic staff, linked with the development of a positive performance culture aligned to the University's mission and values.

The Deputy Vice-Chancellor said that different working models were being used across faculties and although basic uniform principles applied, transparency and consistency would be achieved through the activity being undertaken by HR&OD. Front-facing student engagement had not been impacted; students would all have the same number of contact hours per module across programmes.

The Director of HR&OD said in conclusion that workload principles had to be followed fairly and equitably.

Upon being invited to comment by the Chair, The Vice-Chancellor said that the issues to be addressed affected the sector generally and that the point of HR&OD activity in respect of re-profiling would be to facilitate improved productivity, generate benefits in terms of fairness and staff health and wellbeing and to secure the execution of the University's strategic aims in respect of Student Experience, Education, and Research and Enterprise.

In response a question from a member of the Committee about metrics, the Deputy Vice-Chancellor said that these included consideration of average module marks, modules linked with individual academics, in the context of an overall market/supply led model.

The Chair thanked the Director of HR&OD for the report.

NOTED

129. Gender and Ethnicity Pay Gap Report [Paper M84] [Item 15] [taken after item 14]

The Finance and Resources Committee considered an update paper [Paper M84] by the Director of HR&OD; Gender and Ethnicity Pay Gap Report.

The Director of HR&OD introduced the Paper.

The average gender pay gap of the University for 2019 (12.56%) had been slightly smaller than the national average median for universities (14%) (national economy median, 18%). Further analysis should be undertaken to develop an action plan to attempt to reduce the gap further. In response to a question from a member of the Committee, the Director of HR&OD said that steps would be taken to generate stakeholder feedback upon the Gender Pay Gap Report.

In terms of ethnicity pay gap, it was to be noted that a large proportion of academic BAME staff were at senior lecturer level, with a wide range of lengths of service. Supporting BAME colleagues with promotion would be a point to be considered in this respect.

The Chair noted, however, that the BAME pay gap was positive, albeit skewed by overall smaller numbers of BAME employees as a percentage of the total University workforce.

The Committee commended the approach taken to voluntarily publish the ethnicity pay gap report.

NOTED

130. Students' Union Termly Report [Paper M85] [Item 16] [taken after Item 11]

The Finance and Resources Committee considered a paper [Paper M85] by the Chief Executive, Students' Union; the Students' Union Termly Report.

The Chief Executive, Students' Union, presented the Paper.

The Paper included the most recent (December 2019) YTD figures with a slightly higher than budgeted surplus due to salary savings, with some central overspends. The post-report YTD for January had been £11k, with an actual of £15,600, a positive variance.

A 5+7 projection had been undertaken. It had also been positive, with an anticipated surplus of £8k above the projected budgeted surplus of £10k.

As detailed in the Paper, staffing challenges would be met by additional unbudgeted student staff support.

The Chair asked about an overspend (£5.8k) in BUCS affiliations to sports clubs. In response, the Chief Executive, Students' Union said that the overall student sport provision had been reviewed regarding which there had been reductions (coaching and training) from both partners. Hence, the decision had been taken to use a portion of the Union's sports contingency to avoid in effect a double charge for membership fees. The addition of a late-night entertainment sponsorship agreement should mitigate this.

NOTED

131. Unitemps - Minutes of (unapproved) Medco (CCCU) Limited Board meeting held on 7 November 2019 [Paper M86] [Item 17] [taken after Item 12]

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

NOTED

132. Any Other Business [Item 18] [taken after Item 17]

There was no any other business.

133. Confidentiality [Item 19] [taken after Item 18]

RESOLVED

Commercially sensitive matters in minutes 120, 121 and 127 should be kept confidential and recorded separately in restricted form. There were no other matters to be kept confidential from published minutes once approved.

134. Date of next meeting [Item 20] [taken after Item 19]

The date of the next meeting was confirmed as 4 June 2020 at 9.30am.