

CANTERBURY CHRIST CHURCH UNIVERSITY

MINUTES OF THE MEETING OF THE FINANCE AND RESOURCES COMMITTEE HELD ON WEDNESDAY 9 NOVEMBER 2022 AT 9.30AM IN THE FREDERIC MASON ROOM AT ST MARTIN'S PRIORY

Present: Mr Clive Stevens (Chair), Mr D Bichener, Ms J Harding (from item 7), Revd R Stevenson and Professor R Thirunamachandran (Vice-Chancellor)

In Attendance: Professor Alison Honour, Deputy Vice-Chancellor
Ms M Ayers, Director of HR&OD
Ms S Cockrill, Director of Digital Strategy and IT
Mr D Leah, Director of Finance and Chief Financial Officer (CFO)
Mr S Gwynne, Director of Estates and Facilities
Ms K Pilgrim, Assistant Director of Finance – Financial Accounting
Ms J Armit, Chair of the Governing Body
Ms A Sear, University Solicitor and Clerk to the Governing Body
Ms C Ford (minutes)

34. Apologies for Absence [Agenda: Item 1]

There were no apologies for absence.

35. Declarations of Interest [Item 2]

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

36. Chair's Communications [Item 3]

The Chair welcomed everyone to his first Finance and Resources Committee meeting as Chair, and opened it with a prayer.

37. Unrestricted Minutes of the Meeting of the Finance and Resources Committee held on 1 June 2022, Restricted Minutes of the Meeting of the Finance and Resources Committee held on 1 June 2022, and Action Log [Item 4]

The unrestricted and restricted minutes of the meeting of the Finance and Resources Committee held on 1 June 2022 were approved. The action table was reviewed, and it was confirmed that a tracking log had now been set up as requested.

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

There were no matters arising that were not covered elsewhere on the agenda.

39. Finance and Resources Committee Terms of Reference and Work Plan 2022/23 and Compliance Statement 2021/22 [Item 6]

The University Solicitor and Clerk to the Governing Body presented a paper setting out the Finance and Resources Committee Terms of Reference and Work Plan 2022/23, along with the Compliance Statement for 2021/22 [Paper P019]. She said that the Terms of Reference had been updated to reflect the new membership of the Committee. The quorum requirements had also been adjusted (from four to three) to reflect the three current vacancies on the Committee.

A Governor commented that there were now not many independent Governors on the Committee, and that it would be helpful to have some more. Consideration would be given to identifying additional independent committee members. The Vice-Chancellor said that both new independent University Governors had been appointed to the Audit Committee.

RESOLVED:

That the Terms of Reference and Work Plan 2022/23 be approved.

The 2021/22 Compliance Statement was noted.

40. Financial Reports for the Year ended 31 July 2022: Report on the University's Financial Position including University's Consolidated Financial Statements, and Medco (CCCU) Limited, trading as Unitemps, Financial Statements [Item 7]

The Director of Finance and Chief Financial Officer (CFO) presented a Report on the University's Financial Position for the Year Ended 31 July 2022 [Paper P20]. He said that the financial statements were still in draft form, and that there were opportunities for minor changes to be made as a result of review by the Committee at this meeting and by the Audit Committee on 14 November. Any such changes would be noted when the financial statements were presented to the full Governing Body for approval on 29 November.

The CFO explained the impact of accounting rules on the University's Financial Report. He said that the University had made a planned operational deficit of £3.3 million in 2021; this had been expected by the Governing Body, agreed with the Unions, and included a one-off payment in response to the Temporary Collective Agreement on short-time working. The CFO said that the University had made an operational surplus of £5.7 million in 2022, reflecting an improved operational position year on year; but is required to make adjustments under accounting standard FRS 102 in respect of non-cash pensions costs. The CFO confirmed these adjustments were outside the direct control of the University's management and Governors, and that there was no management action that could or should be taken in the short term, though there might be longer-term possibilities for reviewing pension options. This could be considered at the Committee meeting in March 2023.

The CFO said that the increases in the University's income in 2021/22 had primarily been driven by its successful development of partnerships, especially with the Global Banking School and London School of Commerce. A consequence of these arrangements was an

increase in non-staff costs, as the University paid the majority of the relevant student tuition fees to the partners for their delivery costs; CCCU retained income for its validation of the programmes, quality assurance and management.

The accounts included a provision of £9 million to cover the costs of work at Petros Court, and a provision of £1.5 million to cover a one-off cost of living payment to staff. Consideration of the staff payment was due to come before the Governing Body for approval on 29 November. The CFO noted the financial statements also set out the key financial performance indicators, and showed that there was significant headroom in the EBITDA and net debt ratios agreed with the banks. He said that the University also had to operate within the capital investment limit agreed with the banks.

The Assistant Director of Finance said that the apparent increase in the numbers and costs of FTE staff between 2021 and 2022 reflected the impact of short-time working in 2021. The Assistant Director of Finance said that there had not been any changes in the OfS regulatory requirements on University's financial statements. The auditors had given a clean audit, subject to the going concern assurance that would follow their review of the first quarter's results and forecasts.

Governors raised the following points during the discussion:

- The key figures for consideration by the full Governing Body were the operational surplus of £5.7 million and the £5.3 million year-end deficit. An operating surplus of £5.7 million was a significant achievement after two Covid-affected years.
- The actuarial adjustments in relation to the pension funds were significant, and outside the University's control. Changes next year could have a negative impact.
- The level of the University's exposure to increasing interest rates.
- Capital expenditure was now at a low level after several years of high expenditure. Governors asked whether it might increase again once the University's new strategic direction was set under Vision 2030.
- The 63% figure for paying valid and undisputed invoices within 30 days seemed low.
- The £2.4 million figure for dilapidations seemed high, considering the recent disposals and reassignment of the Rochester House lease.

The CFO said that a restriction on capital investments was part of the agreement with the banks. He said that this only applied to capital expenditure funded through operational cashflows, and would not apply if the University was successful in making capital bids from other sources. IT had previously accounted for a large amount of capital expenditure, but IT expenditure was increasingly on Software as a Service (SaaS) which was a revenue expense. He said that the University's Senior Management Team (SMT) would be reviewing its spending allocations and priorities for the year at a meeting on 22 November.

The CFO summarised the University's existing loan facilities in terms of exposure to increased interest rates. He said that the University would have to decide in January on how much of the revolving credit facility it wished to draw down when the arrangement ended in April

2023. A proposal setting out the various factors that would influence this decision, would be submitted to the Governing Body for approval on 31 January 2023.

The CFO said that the actuarial numbers were reviewed by auditors. The Assistant Director of Finance said that the pension scheme actuaries took a range of factors into account but the exercise was outside the University's control. The University could only report on what the scheme actuaries considered to be the University's share.

The CFO said that the Government had set the target of 30 days for payment of invoices, and the University sought to comply with it. Small and local businesses were generally paid much more quickly. The University needed to apply prudent management processes, and would not pay, for example, without a purchase order. He said that the University's suppliers understood this.

The Director of Estates and Facilities said that a number of University buildings needed work, often resulting from a maintenance backlog and lack of spend over recent years. The Assistant Director of Finance said that the original dilapidations figure had reduced to £1.8 million as a result of the Rochester House lease reassignment. She said that the figure accumulated because the University had a number of long-term leases, and there needed to be provisions against each of these.

RESOLVED

That the University's Consolidated Financial Statements for the year to 31 July 2022 be recommended for approval by the Governing Body, subject to any further comments by the Audit Committee on 14 November.

The Assistant Director of Finance presented the financial statements for Medco (CCCU) Limited, trading as Unitemps, for the year ended 31 July 2022 [Paper P21]. She said that Medco was a wholly-owned subsidiary of the University, and its results were therefore also consolidated within the University's overall results. Medco had made a small profit of £27,734 for the year, which was a good turnaround. This would now be offset against retained losses over the previous few years; and Medco should be able to clear its losses over the next few years. The Assistant Director said it was a straightforward set of results and there had been a clean audit. The results would go to the Medco Board for approval on 14 November, and would then be signed at the Governing Body meeting on 29 November.

The Governors said that they were very pleased to see Medco achieving a surplus after two years of deficit.

NOTED

41. Financial Regulations and Financial Procedures Update [Item 8]

The Assistant Director of Finance presented a paper setting out the updated Financial Regulations and Financial Procedures [Paper P022]. She said that these had last been

reviewed in March 2020 so it was appropriate to review them now. The changes to the regulations and procedures reflected a number of changes including to staff titles; public procurement rules; the University template for policies and procedures; and the OfS Audit Code of Conduct.

Governors raised the following questions

- How the Committee could be assured that the regulations and procedures were right and fit for purpose?
- Had the removal of OJEU rules on procurement led to any savings of time or money?

The Assistant Director said that the original regulations and procedures had been based on a model set from CIPFA (the Chartered Institute of Public Finance and Accountancy). They were updated regularly as relevant changes occurred, and were reviewed by the University's internal auditors. External auditors were not generally involved; they were though asked to look at areas of particular risk, and the financial regulations and procedures were considered to be low risk. The Chair noted that changes to the financial regulations and procedures were made because of other changes. He said there had been no issues in this field and no evidence of any irregularity. The Vice-Chancellor said that the Committee had to be able to rely on the University's internal expertise (led by the CFO and the Assistant Director of Finance), supported by internal auditors and external auditors as required. The CFO had the ultimate responsibility for these matters.

The Assistant Director said that the procurement processes had in fact become more rather than less rigorous. This was part of the University's drive to obtain maximum value from its contracts.

RESOLVED

That the amended Financial Regulations and Financial Procedures be approved, in light of the assurances given in the meeting.

42. OfS Financial Forecasts [Item 9]

The CFO presented a paper setting out the proposed process for completion of the financial forecasts for the OfS, and governance around the discussions with the banks on the conversion of the revolving credit facility into an amortising loan [Paper P023]. He said the University had to submit a number of tables as its financial forecasts to the OfS by 1 December 2022. OfS did not require the accompanying narrative or analysis of significant year-on-year changes until 9 January 2023. The intervening period allowed the OfS to make queries about the data. The timetable for agreement and approval of the forecasts for submission to OfS on 1 December was very tight; they needed to be reviewed by the University's SMT once the first quarter's results were available, and this would not be until mid-November. This gave very little time before the Governing Body approval meeting on 29 November. The CFO said that it might therefore not be possible for the Committee as a whole to review the OfS forecasts before they were considered by the whole Governing Body, and suggested that this be delegated to the Committee Chair. The CFO said that more detailed University forecasts will subsequently be developed, which should reflect a number of issues, including information from Data HE, the new and emerging partnerships, and the ambition of Vision 2030. These

should be reviewed by the Governing Body in order to inform the decision on the amount to be drawn down from the revolving credit facility. An extraordinary meeting of the Governing Body was scheduled to take place on 31 January 2023 for the Board to approve the revised set of financial forecasts which would be completed during December and January.

The Vice-Chancellor said that recent political turmoil had made forecasting particularly challenging. The Chancellor of the Exchequer's Statement would not be made until 17 November, and this might have some significant impacts on the University.

The Governors agreed that although the reasons were understood, it was unfortunate that there was no time for the Committee to consider the OfS forecasts properly before the 29 November meeting of the Governing Body particularly given how full that meeting was already.

The Vice-Chancellor suggested that it might be helpful for members of the Committee to have an extraordinary online meeting with him and the CFO, at some point between the Chancellor of the Exchequer's statement on 17 November and the sending out of papers to the Governing Body on 22 November. This would give an opportunity to discuss the key assumptions underlying the forecasts.

The Chair agreed that this would be helpful and that arrangements for an electronic meeting should be made.

RESOLVED

That an online meeting be arranged for members of the Committee to discuss the OfS forecasts with the Vice-Chancellor and CFO at a suitable point between 17 November and 22 November 2022.

43. HROD Development Update [Item 10]

The Director of HROD presented a paper to update the Committee on the strategic priorities and activities of HROD [Paper P024]. She said that it highlighted three areas, with a particular focus on recruitment. The Director said that Professional Services staff now had more power in the jobs market and were able to find work that gave them flexible working opportunities. She said the University had to focus on retention; 230 staff had already left the University in the current year, compared with 260 during 2021/22. The Director said that steps had been taken to make the University's recruitment processes quicker and nimbler, and to expand sources of recruitment. There was an increased focus on students, and how they could be employed – including once they had graduated. The Director said that the University had recently employed someone with a recruitment agency background to undertake direct recruitment for the University. This was an innovative move, and it was hoped that this would make a real difference.

The Director discussed the results of the recent Staff Experience Survey. She said that the new platform gave the University much more control and allowed more detailed analysis of the results. A paper had been presented to SMT the previous week, and the next steps would focus on communications with staff. The Vice-Chancellor had discussed the subject during his

recent annual address to staff. The Director said that the University was also trying to modernise its approach to equity and inclusion, with a particular focus on anti-racism.

Governors raised the following points during the discussion:

- The University should make sure that its pay rates were benchmarked against a range of other organisations, not only other Higher Education organisations.
- It might be helpful to have a recruitment and support campaign targeted at women who had left work for family-related reasons.
- Job-sharing with other organisations might help to address some of the recruitment challenges.
- The staff survey suggested that Canterbury staff were more dissatisfied than staff at Medway or Tunbridge Wells and it would be interesting to know why.
- How proposed strike action would affect the University.

The Director of HROD said that the University did benchmark its pay rates. She said she would shortly be meeting a local NHS trust and would be able to discuss the possibilities of job-sharing. The Director said that the vast majority of the University's staff were based at Canterbury, and the difference between the three locations might well be explained by the different nature of the teams and work in Medway and Tunbridge Wells. She said that three days of strike action were proposed at the end of the month, and "action short of strike" from 23 November. The University was preparing its response and communications, with a focus on minimising the impact on students. The Director said that the National Employers' Organisation had written to all universities with a proposal to bring forward the 2023/24 pay round; this could be a way of both sides to reach agreement. The Students' Union would be discussing the forthcoming strikes with the Vice-Chancellor on 10 May.

NOTED

44. IT Development Update (including MOSI update) [Item 11]

The Director of Digital Strategy and IT presented a paper to update the Committee on the strategic priorities of the IT Department [Paper P025]. She said that cyber-security remained a high risk and therefore a priority. There was a discussion about the University's activities in relation to establishing managed service contracts for both cyber security training and a Managed Security Operations Centre. It was considering a supplier that offered training to staff in a "bite size" and ongoing form. The advantage of a Managed Security Operations Centre was that it offered a full level of protection, for 24 hours a day, 7 days a week and 365 days a year. The Director said that the University was also making improvements to service delivery. There was a new service delivery manager who was working on modernising the service and support. Manual processes were being reduced as far as possible, so that time could be focussed on resolving issues rather than logging them. The Director said that a range of programmes was planned for the year. She said that lots of new equipment had been rolled out over the summer, including 489 new student computers and new AV equipment. The printer fleet had been reduced by 25% in response to sustainability imperatives and changed working patterns after Covid. Wi-Fi accessibility had been improved in student accommodation. The Director said that MOSI had reached a significant new stage over the summer, and SITS was now the main student record system, and the only student record

system for 2022/23 registered students. She said that this had generally gone well and there had been positive feedback. There had been some challenges, but these had generally been resolved within 24 or 48 hours. The Director said that this was not the end of the MOSI programme and the team would be delivering further elements until February; they had been asked to identify items from the backlog and see what should be prioritised.

Governors raised the following points during the discussion:

- It had been good to see how the MOSI team had grown and developed. Although they were always regrettable if they affected individual students, issues were inevitable with any new system.
- Multi-Factor Authentication should apply to students as well as staff.
- It was recommended that daily scanning take place continuously.
- Some systems within the University did not appear to come within the direct control and management of the Director of Digital Strategy and IT.
- Take-up of cyber-training appeared quite limited. It was generally mandatory in other organisations, and should be mandatory within the University. There should be continuous training and regular checks to ensure that people put their training into practice.
- The reduction in printer use was welcomed.

The Director of Digital Strategy and IT said that multi-factor authentication did apply to students as well as staff. She said that continuous scanning was built into the new managed security operations. Managed service contracts made sense, especially where there were difficulties in recruitment. The Director said that she would be bringing a proposal to the University's SMT about system control in the next two months or so, recommending more central control; this was preferable from a number of points of view, including governance, financial and insurance. The Vice-Chancellor said that some systems had come within particular departments in the University as a matter of custom and practice, but the Director of Digital Strategy and IT needed to have oversight of every IT system in the University.

NOTED

45. Estate Development Update [Item 12]

The Director of Estates and Facilities presented an update to the Committee on the progress and development of the Estate Development Strategy [Paper P026]. He said that there were four main workstreams delivering on the required works at Petros Court: the construction project to carry out remedial works to the external cladding; landlord negotiations to leverage additional funding; legal work to contract with the various parties and pursue relevant parties for redress; and the management of student safety and protection. The Director said that the priority had always been student safety, and there had been a number of recent initiatives to enhance activities in this regard. There had been fire drills for each block in October, and notices had been issued to all student residents reminding them of fire safety rules and notifying them about the works. A contractor had been selected to undertake the works. Due diligence, detailed logistical planning, and key stakeholder liaison would now be undertaken. He highlighted the importance of students having a clear route to raise any concerns or issues once work had started.

Separate minutes have been taken regarding other matters included in the paper deemed to be kept confidential from the published unrestricted minutes.

The Governors made the following points in relation to Petros Court during the discussion:

- Attempts should be made to ensure that Petros Court covered its costs. At least some students at the University would be in a position to pay an appropriate fee for high quality accommodation.
- The current University management and Governors should not make a decision that would hamper their successors in 2040.
- There should be a revised business case for Petros Court, considering everything in the round including dilapidations, rent and value for money.
- A 50% contribution from the landlord would seem fair.
- The University should consider making it a condition in the negotiations that it would not cover the costs of changes required by future changes in legislation.
- The University needed to minimise the disruption to students in any work carried out.

The CFO said there had been a University policy decision to freeze student rents for the past five years and effectively offer a subsidy; it was not a case of managing the building poorly. The Vice-Chancellor said that one possibility would be to offer a headline rent but also means-tested accommodation bursaries; meaning that those who were able to pay did so, while those that could not were protected.

The University Solicitor said that under the terms of the current lease the University was responsible for remedying any defects in the building. Opening up the lease for negotiation on one point might have knock-on effects on other aspects of the lease, and these might not be helpful to the University.

The Director of Estates and Facilities said that work on Petros Court would be done in stages. Alternative accommodation in Augustine House was being considered, to offer affected students a quiet study space during the day.

The Director of Estates and Facilities also reported that the University's property disposal programme was now complete. This was welcomed by Governors.

The Director reported on the progress of the discussions relating to the rooftop plant at the Verena Holmes Building. There were two issues; what the University needed to do to fix the problem, and how it should work with the council planners. He said that there had been a useful meeting with Historic England and he hoped that a mutually acceptable solution could be found within the next few weeks. The University was awaiting advice from a barrister on planning matters. A Governor suggested that the Council would have to have good reason not to accept a section 73 application, and this was noted. The Director said that the plan was to agree a way forward without too much further delay.

The Director said that there was significant concern about energy costs. He said that the University was part of a consortium that allowed gas and electricity to be bought at

advantageous prices. There were fixed term agreements until 2025. The Director said that there would however be some cost increases, for example in green electricity. A Governor suggested that there could be a capital investment opportunity, to have more renewable energy on campus. The Director said that work was underway on a decarbonisation programme for the North Holmes Road campus. A consultant had been engaged.

NOTED

46. Students' Union 2021/22 Financial Statements, and 2022/23 update [Item 13]

The President of the Students' Union presented the Students' Union 2021/22 Financial Statements and Termly Report [Paper P027]. There had been another unqualified audit. The Union had made an operating surplus but an accounting deficit after the expenditure of Designated Funds. The President said that the Union retained healthy reserves of over £300,000 which would allow it to support a move back onto the Canterbury campus in 2023.

The Governors said it would be helpful to have more information on the expenditure of Designated Funds which had resulted in the deficit. The President said that he would discuss with the Chief Executive Officer of the Students' Union and report back.

NOTED

AGREED:

That the SU President would discuss the expenditure of Designated Funds which had resulted in the deficit with the SU's CEO and report back.

47. Report on the University's Financial Position for the two-month period to 30 September 2022 [Item 14]

The CFO presented a paper reporting the University's financial results for the two-month period to 30 September 2022 [Paper P028]. He said that some students had still been going through registration and re-registration processes at that point, and the figures only took account of students who had fully registered. There would be a clearer picture in the October accounts. The CFO said that there was still likely to be a shortfall in the numbers of directly recruited students, but this would be offset by the partnership students. He said that GBS and LSC income and costs were now being separated out in the financial report for greater transparency. The CFO said that the staff costs being below budget was not a cause for celebration, and reflected the various recruitment difficulties discussed earlier. The vacancy factor was very high, at over 10%. The CFO said that the University was looking at imaginative solutions involving students, giving them the opportunity to earn while they studied. Full-time posts could be redefined into more part time positions to allow students to work a reasonable number of hours per week. The use of students would benefit both students and the University, and give a pipeline of talent for the future.

The Chair noted that there had been a positive start to the year.

NOTED

48. Accounting Conventions Update [Item 15]

NOTED

49. Unitemps: Unapproved minutes of meeting held on 1 June 2022 [Item 16]

NOTED

50. Any Other Business [Item 17]

Governors did not raise any other items of business.

51. Confidentiality [Item 18]

RESOLVED

Details of the University's discussions and actions on Petros Court [minute 12] should be kept confidential, and recorded separately in restricted form. There were no other matters to be kept confidential from published minutes once approved.

52. Date of next meeting [Item 17]

The date of the next meeting was confirmed as 8 March 2023 at 9.30 am.