

**NEWMAN UNIVERSITY**

**Finance and General Purposes Committee**

**Minutes of the Meeting held on Wednesday 7<sup>th</sup> November 2018 at 1pm  
in the Directorate Meeting Room.**

<b>Present:</b>	Mr S Kenny	Chair
	Dr J Carlisle	
	Mr J Day	Chair of Council (by phone)
	Professor S Davidson	Vice-Chancellor
<b>In Attendance:</b>	Ms A Bolshaw	Clerk to the Council
	Mr A Sharma	Chief Financial Officer
	Ms D Oldaker	Head of Finance
	Ms J Flowers	Minute Secretary

**1. Apologies**

There were no apologies for absence.

**2. Standing Item – Declaration of Interest**

There were no declarations of interest.

**3. Minutes of the Meeting held on 3<sup>rd</sup> September 2018 (FGPC 4M/18)**

The minutes of the meeting held on 3<sup>rd</sup> September 2018 were received and considered.

**Resolution FGPC 11/2018**

To accept the minutes of the meeting held on 3<sup>rd</sup> September 2018 as a correct record of the meeting.

**4. Matters Arising**

*4.1 Arising from minute 4.1 – Templeton Grant*

The Vice-Chancellor reported that the core staff from the former Centre for Knowledge, Science and Belief in Society (CKSBS) had been employed by Birmingham University and that the Director of the Centre had been appointed to a Chair at Birmingham University. The Committee noted the positive outcome and reiterated its view that the process of the closure of the CKSBS had been well managed.

## **5. Accounts 2017/18**

### **5.1 Student Numbers 2017/18 (FGPC 25/18)**

The Committee received a paper giving the final position on student numbers for 2017/18. The Chief Financial Officer reported that the annual return had been submitted to HESA. He noted that there had been a small decrease of 2% in student numbers for 2017/18 from the previous year and that student numbers had been fairly consistent over the past seven years.

There had been a fall of 5% in the number of students achieving upper second class honours, with the overall percentage of good honours classifications declining from 65% to 61%. A task group was currently looking into the reasons for the decrease.

The variation in enrolment to part time courses was discussed, with it noted that the figures included enrolments to short courses which were credit bearing and were not full degree programmes.

In response to a question about the power of the OfS to amend funding, the Chief Financial Officer said that he was not anticipating any amendment because the University's enrolment was as predicted.

The report was noted.

### **5.2 Audit Findings Report from Grant Thornton (FGPC 26/18)**

The Committee was provided with a copy of the draft audit findings from the external auditors (Grant Thornton). The Chief Financial Officer advised that detailed consideration of the report would be carried out by the Audit Committee but it was usual for the Finance and General Purposes Committee (FGPC) to see the findings in case there were any financial management issues arising. He reported that the amber flag on systems access was being addressed. The Committee noted that no significant issues were raised in the report.

The Committee noted the report.

### **5.3 2017/18 Financial Year End Update and Draft Newman University Accounts, year ended 31<sup>st</sup> July 2018 (FGPC 27/18)**

The Chief Financial Officer introduced a paper giving an update on the 2017/18 financial year and statutory accounts. He advised that the management accounts were unchanged from the papers received by the Council on 4<sup>th</sup> October 2018. The accounts had been sent to all Council members for comment and there were no issues arising. The statutory financial statements had been subject to minor typographical changes and minor disclosure adjustments.

The University's year-end position was as expected. A surplus of £544k had been achieved, which was slightly lower than forecast because of the provision for the closure of the CKSBS and restructuring within an academic subject area. There had been reductions in expenditure in June and July to offset the provision and this had mainly been in IT and estates maintenance.

In discussion, the Chief Financial Officer explained the University's approach to the reporting of accruals. He also outlined the components of the 'other income' head of the management accounts, the largest of which was the Disabled Students' Allowance (DSA). The Committee asked that DSA income and costs (and any other significant income/costs) should be identified separately in the management accounts submitted to Council.

**Action:** Chief Financial Officer

The report was received.

#### **5.4 Draft Newman Firmtrust Accounts for year ended 31<sup>st</sup> July 2018 (FGPC 27/18)**

The Newman Firmtrust accounts were provided for the Committee's information.

It was noted that the accounts would be considered by the Audit Committee at its next meeting on 12<sup>th</sup> November 2018, would be reviewed by the Newman Firmtrust Directors later on 22<sup>nd</sup> November 2018 and then submitted for the approval of the Council at its meeting on 22<sup>nd</sup> November 2018.

The Chief Financial Officer advised that after approval by Newman Firmtrust Directors, the corporation tax return would be submitted to HMRC and the taxable profit of about £11, 000 would be gift-aided to the University. The saving in VAT arising from the contract between the University and Newman Firmtrust for the new Halls of Residence and the Sturge extension was estimated to be £127,000.

The Committee received the report.

#### **6. OfS Accounts Direction 2018/19 (FGPC 29/18)**

The Committee received a copy of the Accounts Direction published by the OfS in June 2018. The Chief Financial Officer explained that there were no significant changes to the former Accounts Direction provided by HEFCE, although there was more disclosure required about the pay of the Vice-Chancellor and senior staff.

The Committee noted the report.

## **7. Financial Position 2018/19**

### **7.1 Recruitment and Enrolment (FGPC 30/18)**

The Committee considered a report on the latest recruitment and enrolment position for the academic year 2018/19.

The Chief Financial Officer highlighted the main points of the report. The picture was positive, with about 10% more students recruited than budgeted for. There were fewer students on the three-year undergraduate programmes but there had been higher recruitment to the foundation year and the one-year PGCE. It was likely that there would be additional postgraduate recruitment in the second semester. Clearing had been important with 20% of undergraduates and 40% of foundation year students being recruited. There had, however, been more applications than expected to the foundation year during the normal UCAS cycle.

There was a concern that the conversion rate of students holding unconditional firm offers had reduced from 90% to 80%. The University would be investigating, but it was thought to reflect students' awareness that there were more places available than students to fill them. They could be selective about when they entered the application process and some were not using UCAS but making their application at clearing. The Vice-Chancellor noted that the University was adapting to market changes and had, for example, run a short advertising campaign at A level results time.

The report was noted.

### **7.2 Financial Update (FGPC 31/18)**

The Chief Financial Officer gave a financial update for 2018/19. He commented that the University had done well relative to the budget, but that some difficult decisions had been made across the institution. The University management believed that the budgeted surplus would be achieved.

In respect of income, student recruitment was better than predicted and had exceeded the budget figure by 9%. It was likely that there would be additional enrolments to part-time programmes in Semester Two. Income would probably be higher than budgeted by about 6% and some managed increase in costs would occur. The costs would not be greatly significant as the marginal cost of having more students on existing programmes was low; however, it might be necessary to recruit more staff in some academic areas where student numbers had increased. Income from student residences would be higher than budget (£830,000) at £950,000 because of greater occupancy levels. During November the ULT would look at how costs might change given income growth; under the Resource Allocation Model (RAM) faculties would get 45% of additional income.

The Committee discussed student retention, with it noted that the OfS had identified some specific retention issues for the University in its registration

letter. The Vice-Chancellor advised that there was a University Task Group which focussed specifically on retention and success and that the Council would be informed of its work through the Senate reports. The Committee suggested that student retention should be an item for discussion at its strategic meeting on 29<sup>th</sup> January 2019.

**Action:** Clerk to the Council

Staff costs remained high and the potential increase of 7% in employer contributions to the Teachers' Pension Scheme (TPS) (the pension scheme for many academic staff) would cause additional employment costs of about £450,000 per annum if implemented. There would also be implications for the support staff pension scheme, which was a defined contribution scheme.

**Action:** the Chief Financial Officer to produce a paper for a future meeting on the anticipated increase in employers' pension contributions.

The Committee discussed the costs of casual staff; the Chief Financial Officer explained the different types of casual employment at the University and noted that costs had decreased this year.

The Vice-Chancellor updated the Committee on the pay settlement and potential industrial action. He advised that neither UCU nor Unison had nationally obtained the required mandate for industrial action. As a result he had authorised payment, with backpay, in the November payroll in line with the University and Colleges Employers' Association (UCEA) offer of 2% with 2.76% weighting at the lower end of the pay scale.

The Committee asked for income and expenditure to be put on two separate pages in Annex F to make it easier to read.

**Action:** Chief Financial Officer.

The Committee noted the paper.

## **8. Estates Strategy Update (FGPC 32/18)**

The Committee received an update on the implementation of the Estates Strategy (2015-20) from the Chief Financial Officer. He said that there was no change since the update at the last meeting of the Council. The final costs for the completion of the Darwin refurbishment were coming through. The implementation of the plan remained on time, on budget and on quality.

It was intended to pause further major estates projects until the University's new Strategic Plan was more fully developed. No further work had originally been scheduled until the summer of 2019/2020 – a refurbishment of Elgar and part of Sturge buildings art and design area - which had not been urgent and which had a limited impact on the student experience.

The Committee noted that there had been routine maintenance identified post-Grenfell to achieve the fire standards. It asked for a paper to be prepared for the next meeting of the Committee on 29<sup>th</sup> January 2019, giving a short update on progress.

**Action:** Chief Financial Officer

The report was noted.

## **9. Loan Finance Update (FGPC 33/18)**

The Chief Financial Officer reported that the University contracted with NatWest Bank to provide a two-year Revolving Credit Facility (RCF) of £7m in August 2017 to support the funding of the Estates Strategy. He presented a paper exploring future forms and timing of replacement loan facilities for when the RCF ended in August 2019. The two main options were a long-term loan (LTL) and a renewed (RCF). He outlined the current market assessment and a summary of offers.

The Committee reviewed the options, with the following points made.

An RCF was cheaper but was a short-term measure for a long-term asset.

An LTL gave greater security and it was thought better to have long term finance for a long-term asset. The difference between a fixed and variable rate of interest was not particularly significant, but a fixed rate gave certainty of outgoings. and it was likely that interest rates would rise. It was felt prudent to take out a fixed rate loan before Brexit in March 2019 in case of subsequent interest rate rises or a reluctance of banks to lend. Further, because of the current environment for higher education and the uncertainty of future funding arrangements, it was thought that banks would be less willing to lend to the sector should a University fail financially. It was noted that an LTL would not be imprudent as the University's borrowing was conservative.

The option of a mixed package of RCF and LTL was noted.

The possibility of reducing the amount to be borrowed by using any surplus cash generated was discussed; however, it was considered that such a surplus would be better used in enhancing the student experience.

The Committee suggested that a wider range of banks could be approached and that it would be helpful to clarify under what conditions banks were able to revoke their commitment to lend.

The Chief Financial Officer said that he would also consult Council members who were accountants and would later obtain an independent assessment from Grant Thornton.

The Committee felt it important to check whether it would be permissible for the University to take out a long-term loan which might require part of the campus to be secured against it.

**Action** Clerk to the Council

The Chief Financial Officer would make a recommendation to the January meeting of the Committee with a view to seeking Council approval at its February 2019 meeting.

It was agreed that a paper would be prepared for the meeting of Council on 22<sup>nd</sup> November 2018 to summarise the current thinking.

**Action** Chief Financial Officer

The paper was noted.

**10. Any Other Business**

The Vice-Chancellor recorded thanks to the Chief Financial Officer and his team for helping the University to achieve the outturn last year.

**11. Date of Next Meeting**

Tuesday 29<sup>th</sup> January 2019 at 2pm.

**Finance and General Purposes Committee  
Action Plan from the meeting held on 7<sup>th</sup> November 2018**

<b>Minute</b>	<b>Agenda Item</b>	<b>Action to be Taken</b>	<b>Person Responsible</b>
5.3	2017/18 Financial Year End Update and Draft Newman University Accounts, year ended 31 <sup>st</sup> July 2018	DSA (and other significant income/costs) to be identified separately in the management accounts submitted to the Council.	Chief Finance Officer
7.2	Financial Update	To put income and expenditure on two separate pages in Appendix F.	Chief Finance Officer
		Paper on retention for the next agenda.	Clerk to the Council
		To produce a paper for a future meeting on the anticipated increase in employers' pension contributions.	Chief Financial Officer
8.	Estates Strategy Update	To produce a paper on the programme of works in relation to fire precaution for the next meeting.	Chief Financial Officer
9.	Loan Finance Update	To clarify whether it was permissible for part of the campus to be used as security for a loan.	Clerk to the Council
		To produce a pre-paper on loan arrangements to the Council at its next meeting.	Chief Financial Officer