

DRAFT

BOARD OF GOVERNORS

A meeting of the Board of Governors will be held on Thursday 9 November 2017 at 5pm in the Waldegrave Drawing Room, St Marys University, Twickenham.

Minutes of Meeting

Present

Professor Edward Acton
Mr Conal Baxter (SU President)
Professor Francis Campbell (Vice Chancellor)
Ms Noreen Doyle (*From item 6 onwards*)
Mrs Sue Handley-Jones (Vice Chair) (*From item 5 onwards*)
Mr Dave Hartnett
Ms Claire McDonnell
Professor Anne Moran
Rt Rev Richard Moth (Chair)
Mrs June Mulroy
Mrs Kristen Pilbrow (Staff Governor)
Dr Anthony Towey (Staff Governor)

In Attendance

Ms Elizabeth Bell – Head of Corporate Planning (*To end of item 8*)
Mrs Jo Blunden – Senior Director of People
Professor John Brewer – Pro Vice Chancellor (Global Engagement)
Mr Andrew Browning – Clerk to the Board and Company Secretary (minute taker)
Professor John Charmley- Pro Vice Chancellor (Academic Strategy)
Ms Sharron Costley – Finance Director
Rt Hon Ruth Kelly – Pro Vice Chancellor (Research & Enterprise)
Dr Monika Nangia – Academic Registrar
Mr John Unsworth – Chief Operating Officer (*To end of item 10*)

MINUTES AND MATTERS ARISING

1 WELCOMES AND APOLOGIES FOR ABSENCE

- 1.1 There were apologies for absence from Richard Finn and Jeffrey Cottle.
- 1.2 The Chair welcomed three new members to the Board; Noreen Doyle and Claire McDonnell who are independent members and Anthony Towey who has been nominated by Academic Board as a Staff Governor.
- 1.3 The Chair also welcomed John Unsworth who has returned to the University as Chief Operating Officer.

2 DECLARATIONS OF INTEREST

- 2.1 There were three declarations of interest:-
- i) Dave Hartnett is an advisor to the Board of HSBC. He would therefore not be voting on item 7.1.
 - ii) Ruth Kelly informed the Board that she also had an interest in HSBC.
 - iii) The Vice Chancellor informed the Board that he sat on the Board of another Higher Education Institution that was not in the UK and not a competitor of the University

3 MINUTES OF PREVIOUS MEETING

- 3.1 The minutes of the meeting that took place on 21 September 2017 were considered by the Committee. The Finance Director had requested the following amendments (changes in italics):-
- At 9.1 the heading should be Management Accounts to 31 July 2017
 - At 9.1.1 it should read “The new Director of Finance presented the Management Accounts ending July 2017. She reported that *the deficit of £4.2m was £0.3m better than the Budget. However both had not factored in any allowance for an actuarial pension adjustment relating to the local government pension scheme which has resulted in a final year end accounts deficit of £4.6m. The final cash level was £3.5m higher than forecast due to timing differences in payment of creditors.*”
 - At 9.1.3 it should read “The Finance Director was asked who is accountable for the variance; would it lie with the School or the Finance Department? The Finance Director informed the Board that *it was the School as budget holder who would be responsible with the finance department providing support and advice to budget holders.*”
 - At 9.1.4 it should read “.....there is limited flexibility on cutting back costs *in the short-term.....*”
- 3.2 Subject to the above amendments being made the minutes were **approved** by the Board.

4 MATTERS ARISING

- 4.1 At M10 of the minutes of the previous meeting there was reference to the need for a mock OFSTED inspection to be commissioned. The PVC (Academic Strategy) informed the Board that this has now been arranged.

ITEMS FOR DISCUSSION OR APPROVAL

5 VICE-CHANCELLOR'S REPORT

Paper 1 refers

5.1 The Vice Chancellor's report covered the following matters:-

- Domestic and International Student Recruitment
- Retention
- HEFCE Visit
- Opening of the Exchange
- Review of Education
- Academic Board Report

5.2 The PVC (Academic Strategy) informed the Board that the National College for Teaching and Leadership had guaranteed the full allocation for all subjects within the School of Education for the next three years. This means that the University is considered to be among the top 25% of ITT providers.

5.3 The PVC (Research and Enterprise) advised the Board that, following its consultation on RDAP, HEFCE have now published their guidance. The metrics have remained the same but the context has been changed although this should play to the University's strengths and the University should be in a good position to meet the RDAP criteria when it submits its application in March.

5.4 The Board asked the PVC (Research and Enterprise) if the RDAP application was submitted in March how long would it take until the University received a final response to its application. The Board were told that the application would be subject to intense scrutiny and it would take approximately two years to complete.

5.5 The PVC (Research and Enterprise) said that the review of REF was still continuing and therefore the rules for REF were not clear. The issue of who would be defined as a research academic was still being considered but it was likely that it would be for institutions to self-define with there being a need for there to be a transparent process.

5.6 The Board asked the Vice Chancellor about HEFCE and the need to send it a revised budget and forecasts. It is expected that this will be done by the end of the year.

5.7 The Board asked for clarification as to what was going to happen following the Education Review. The Vice Chancellor informed them that there would be a distinction between the ITT courses which would continue to be run by the schools and the wider CPD and schools based work that would be covered by Enterprise.

5.8 The Board **noted** the Vice Chancellor's Report.

6 STRATEGIC PLAN UPDATE

Paper 2 refers

- 6.1 This was presented by the Head of Corporate Planning. She informed the Board that the NSS will be starting again in January 2018 and that the Students' Union will be leading the campaign to get final year students to complete the survey..
- 6.2 The Board were informed that the entry standard had plateaued since the previous year remaining at an average of around 300 points. There had been an increase in the percentage of students attaining good honours and the University had reached its 2025 target for this.
- 6.3 Recruitment and retention of students remain a concern. The withdrawal rate has increased from 12.5% to 14% in 2016/2017. There had been approximately 200 withdrawals in year 1, 100 withdrawals in year 2, and 50 in year 3. Recruitment had fallen below the targets that the University had set for itself.
- 6.4 In relation to the TEF while institutions could resubmit each year, SMT had decided that while there was still work to be done on assessment and feedback the University would not be submitting until required to do so in 2019/2020.
- 6.5 The Board asked what the reasons were for the withdrawals. The Head of Corporate Planning said that in the first year there was a 50/50 split between those students who left for personal reasons and those who had failed academically. In years 2 and 3 almost all of those who left were attributable to academic failure.
- 6.6 The Pro Vice-Chancellor (Academic Strategy) said that the University was continuing to work on this and that work was being done with the SU President to ensure that it was student focussed. The SU President informed the Board that the SU were trying to take practical steps to enhance the student experience. An enhancement evening was taking place at which students would be able to receive practical study and careers advice.
- 6.7 The Board advised that there needed to be standard assessment and feedback across the University. The Board also asked why SHAS who had the highest tariff also had the lowest number of students receiving good honours. The Pro Vice Chancellor (Academic Strategy) said that this may be due to the type of qualifications that the students had and that there was a higher drop out of those students coming to the University without A-levels.

7 MANAGEMENT ACCOUNTS

Paper 3 refers

- 7.1.3 These were presented by the Finance Director. The accounts showed how the University had performed for the first two months of the financial year. The University was currently meeting its targeted budget due to temporary non-staff cost underspends compared with what has been budgeted. It was however the case that tuition fee income would be down by around £3.6m. There was also a £0.5m loss of accommodation income. The cash balance as at 30 September was £6.1m.
- 7.1.2 The Board asked about the loss of income from accommodation. The Vice Chancellor informed the Board that it is necessary to be able to offer

accommodation to potential students in clearing. The clearing market had however been volatile. The University had been looking to recruit a further 250 students through clearing; however, they had lost around 100 students who had decided to go to other institutions and that the clearing process had effectively only replaced the students that had been lost. This had led to a surplus in student accommodation.

7.1.3 The Senior Director of People told the Board that the University had sought to offer all first year students accommodation. She informed the Board that the nomination agreements that the University had with third parties were for one year only meaning that the University could easily change its offering for the next academic year.

7.1.4 The Board **noted** the management accounts.

7.2 Approval of Overdraft

Paper 3i refers

7.2.1 This was presented by the Finance Director. She informed the Board that the University's overdraft needed to be renewed and that there needed to be a minute of the Board giving the Finance and Resources Committee the power to approve the University's overdraft facility.

7.2.2 The Board **unanimously** approved the delegation of the power to approve the renewal of the University's overdraft facility to the Finance and Resources Committee.

8 PRESENTATION ON STUDENT RECRUITMENT AND RETENTION AND FINANCIAL PLANNING FOR 2017/2018

8.1 The presentation was made to the Board by the Head of Corporate Planning, the Finance Director and the Senior Director of People. The presentation was split into three parts:-

- Recruitment and Retention
- Budget Scenario Planning
- Implications and Next Steps

Recruitment and Retention

8.2 This was presented by the Head of Corporate Planning. A summary of her presentation was as follows:-

- i) The University is currently 329 students below where it is targeted to be. Undergraduate, postgraduate and PGCE recruitment were all down on target.
- ii) Retention (attrition) rates have continued to get worse between the period 2014/2015 to 2016/2017. Undergraduate attrition rates are currently 15.6% for year 1, 8.2% for year 2, and 4.3% for year 3.
- iii) Over the past four years A&H, ETL, MSS have had an overall drop in student numbers. All four schools have had an increase in attrition rates.

Budget Scenario Planning

8.3 This was presented by the Finance Director. A summary of her presentation was as follows:-

- I) The EBITDA budget for 2017/2018 was for £1.7m with it being forecast to rise to £2.8m in 2018/2019 and £4.5m in 2019/2020. The University is currently at its peak percentage of staff costs at 70% of total budget.
- II) Failure to recruit and retain students together with accommodation going unfilled and costs changes will have an impact on adverse effect on the budget and financial forecasts meaning that these will need to be revised.
- III) Three scenarios were set out - best, medium, and worst impacts on the budget in 2017/2018. Best had a scenario of a £1.3m deficit, medium had a scenario of a £2m deficit, and worst had a scenario of £2.4m deficit.
- IV) Best, medium, and worst scenarios were set out for 2018/2019 – best was a £1m surplus, medium was a £2.4m deficit, and worst was a £4.2m deficit.
- V) The impact of the current estimates would be that staff costs would make up between 71% and 73% of budget.

8.4 It was recommended that the following action be taken:-

- i) Cover costs of change within 2017/18 through new staff and non-staff savings
- ii) Target savings so that the original forecast for EBITD is achieved in 18/19.
- iii) Staff costs be reduced to c.65% of income in 2018/2019.
- iv) Ensure that the University's lowest cash point is well within its overdraft facility.
- v) The University starts rebuilding its cash reserves.

Implications and Next Steps

8.5 This was presented by the Senior Director of People. She informed the Board that:-

- I) Staff costs as percentage of income are too high. £26m is currently being spent on establishment staff and £2.7m on non-establishment staff. There is therefore a need to make staff reductions.
- II) Some staff reductions can be made through non-replacement of existing roles when they become vacant (£0.6m) and not filling new roles that are budgeted for but not yet recruited (£0.8m)
- III) The University would initially be seeking to offer employees voluntary severance with staff who opt to accept this leaving in Spring 2018. There

may then be a need to make compulsory redundancies. This process would be expected to conclude in July 2018.

- IV) Presentations on this issue have been made to SMT, Director's Forum, and at the University's Leadership Day. An email has now been sent to all staff regarding the situation.

- 8.6 A general discussion followed the presentation. The Board asked about the projected increases in salaries noting that these had been budgeted to increase by around 4%. The Senior Director of People explained that, with the exception of senior staff, each year employees would move onto the next spinal point on the salary scale which was contractual. Salary increases were negotiated on a national basis between the trade unions and the UCEA on behalf of higher education institutions.
- 8.7 The Vice Chancellor said that in order to improve student recruitment there needed to be improvement in the University's league table performance. The University has managed to climb 14 place in the Times University Rankings to 99 and it was hoped that there would be a similar rise in the Guardian Rankings which come out in Spring 2018. It was however the case that there has been a demographic dip in the numbers of 18-21 year within the country meaning that the market for recruiting students has been difficult for all institutions. The Vice Chancellor said that student retention was something that the University should be able improve in order to protect its income.
- 8.8 The Vice Chancellor said that HEFCE had asked for details from the University as to what it was doing to ensure that it remained financially viable. He said that this would be provided to HEFCE by the end of the year.
- 8.9 The Board asked about staff recruitment and the sign-off process for this. The Senior Director of People told the Board that any new post requires the approval of the Vice Chancellor. Any replacement post has to be approved by a resourcing panel consisting of the Senior Director of People, the Chief Operating Officer and the Finance.
- 8.10 The Board asked about the feasibility of a freeze on recruitment. The Vice Chancellor said that if there were no new appointments it would be impossible to operate as a University. Many of the roles were specialist and needed to be filled it was however a case of making a judgement as to whether a particular post needed to be filled. The Senior Director of People said that this year the resourcing panel had declined just under £1m worth of replacement staff posts.
- 8.11 The Board asked why SETL appeared to have spent £750k more than other departments on staff. The Senior Director of People said that this was due to an issue with the link tutor scheme and it not being properly costed. This issue has now been resolved.
- 8.12 The Board asked whether cuts needed to be made to investment. The Vice Chancellor said some aspects of the capital investment programme were being scaled back.

- 8.13 The Board asked what efforts have been made to diversify income for the University. The Vice Chancellor said that the Enterprise arm of the University was still relatively new and therefore the University was having to catch up with other institutions in terms of rebalancing its profile. The Pro Vice Chancellor (Research and Enterprise) said the University had a strong conferencing offer and this was being exploited better than previously. The Exchange is now open and was due to break even this and over the next 7 years generate in the region of £750k income for the University. There were also other Enterprise projects currently in development.
- 8.14 The Pro Vice Chancellor (Research and Enterprise) also said that Noreen Doyle was the link governor on Development Board and the University was working high net worth individuals to improve its income from philanthropy.
- 8.15 The Board **agreed** that it would be necessary for an additional meeting of the Finance and Resources Committee to be held to agree a revised budget and financial forecast. This could then be noted by the Board when it next met on 1 February 2018.

ANNUAL STATUTORY AND ACCOUNTABILITY MATTERS

9 Annual Report and Financial Statements

Paper 4 refers

- 9.1 This was presented by the Finance Director. She informed the Board that the Annual Report had been considered by both the Audit Committee on 24 October 2017 and FRC on 31 October 2017. When the report had been considered by Audit Committee there was still some work outstanding and the Report had been approved subject to these changes being incorporated. The changes had been incorporated by the time the Report had gone before Finance and Resources Committee and approved subject to some minor amendments relating to the listing of the Senior Staff and references to Governors departures.
- 9.2 The financial results could be found to start at page 28 of the Annual Report. The total income was £52.3m and there was a total deficit of £4.6m. This deficit came after depreciation of £4.6m had been applied. This compared to the previous year's deficit of £0.2m.
- 9.3 The Board unanimously voted to **approve** the Annual Report.

10 Annual Review

Paper 4i refers

- 10.1 This was presented by the Clerk. The Annual Review is intended to be a companion document to the Annual Report highlighting the University's achievements over the past 12 months. It has been considered by the Audit Committee and the Finance and Resources Committee who have approved it subject to minor amendments being made.
- 10.2 The Annual Review was **approved** unanimously by the Board.

11 Audit Letter of Representation

Paper 5 refers

A letter needed to be signed by the Chair from him to the external auditors confirming that the University has fully co-operated with them and complied with their requests for information during the audit. The Board unanimously **approved** the Chair's signing of this letter.

12 Audit Committee Annual Report 2016/17

Paper 6 refers

12.1 This was presented by the Clerk and the Chair of the Audit Committee. The Chair of the Audit Committee said that there were concerns regarding the pace of change and that the University needed to speed up when implementing changes proposed by the Internal Auditors.

12.2 The Clerk reminded the Board members of their ongoing duty to disclose any outside interests.

12.3 The Board **noted** the Audit Committee Annual Report.

13 Letter of Support for Strawberry Hill Enterprises

Paper 7 refers

The letter of support needed to be signed by the Chair to confirm that it would support its subsidiary Strawberry Hill Enterprises for the next 12 months. The Board unanimously **approved** the Chair's signing of this letter.

14 Modern Slavery Statement

Paper 8 refers

The University is required to publish a statement annually setting out what steps it is taking to comply with the Modern Slavery Act. The Board highlighted the importance of ensuring that the steps detailed in the statement were carried. The Board **approved** the Modern Slavery Statement.

15 Prevent counter-terrorism Report

Paper 9

15.1 This was presented by the Senior Director of People. A report on the University's compliance with the Prevent duty has to be provided annually to HEFCE. The Board were asked to approve the report and the Chair was asked to sign the declaration that the University has due regard for the Prevent Duty.

15.2 The Senior Director of People said that there was still one outstanding action relating to IT filtering. The Chief Information Officer is currently consulting on this with a view to producing a proposed policy and procedures.

15.3 The Board unanimously **approved** the report and authorised the Chair to sign the declaration on behalf of the University.

16 ANNUAL PROVIDER REVIEW: ASSURANCE OF QUALITY

Paper 10 refers

- 16.1 This was presented by the PVC (Academic Strategy) and the Academic Registrar. The APR has been scrutinised by Academic Scrutiny Committee and will be going before the Academic Board later this month. The Board were as the note the APR and approve its submission subject to no major amendments being made at Academic Board.
- 16.2 The Chair of Academic Scrutiny Committee said that the APR was a well put together document the provided him with a great deal of confidence. He did however have concerns regarding the timetable this year as the document is addressed to the Board but was going on to Academic Board after being considered by the Board. The Clerk acknowledged that this was a problem due to the timing of Board of Governors this year being earlier in November than it had been in previous years. He hoped that Board would be meeting later in November next year so that this was less of a problem.
- 16.3 The Board unanimously **approved** the APR.

17 HEFCE Quality Assurance Statement

Paper 11 refers

The Board unanimously **approved** signing of the HEFCE Quality Assurance Statement by the Vice Chancellor.

18 STUDENTS UNION REPORT

Paper 12 refers

- 18.1 This was presented by the SU President. He told the Board that the Union had undertaken programme representative training and now out of 242 representatives 40% of them are now trained.
- 18.2 The Welcome Fortnight had been a success with the events either being sold out or close to sold out. The Union was also looking to put on more diverse events for its students.
- 18.3 The Union was encouraging saving of energy on site by participating in the NUS switch off Campaign.
- 18.4 The SU shop was going to be closing and would be moving on-line.
- 18.5 The PVC (Global Engagement) said that the SU should be commended for the amount of fundraising that it has done for local charities having raised between £10k - £12k over the past year.
- 18.6 The Board **noted** the SU Report.

19 NOMINATIONS COMMITTEE TERMS OF REFERENCE

Paper 13

The amended Terms of Reference for the Nominations Committee were unanimously **approved** by the Board.

20 MINUTES OF THE ACADEMIC SCRUTINY COMMITTEE

Paper 14 refers

The Board noted the minutes of the Academic Scrutiny Committee meeting held on 26 October 2017.

21 MINUTES OF THE AUDIT COMMITTEE

Paper 15 refers

The Board noted the minutes of Audit Committee meeting that took place on 24 October 2017.

22 MINUTES OF THE FINANCE AND RESOURCES COMMITTEE

Paper 16 refers

22.1 The Chair of the Finance and Resources Committee informed the Board that there were still significant concerns regarding health and safety governance.

22.2 The Board noted the minutes of the Finance and Resources Committee meeting that took place on 31 October 2017.

23 ANY OTHER BUSINESS

23.1 The Vice Chancellor informed the Board that the Chancellor of the University would be coming to open the new prayer room following a private lunch with Muslim leaders.

DATES OF FUTURE MEETINGS

1 February 2018
15 February 2018 (Away Day)
26 April 2018
21 June 2018

END