



EMPLOYMENT AND FINANCE COMMITTEE

16 September 2019 - Meeting Room 209, Sutherland Building, City Campus

CONFIRMED SUMMARY MINUTES

Contact Susan O'Donnell, susan.odonnell@northumbria.ac.uk, Secretary to the Board of Governors, with any queries about these Summary Minutes.

Present: C Apsy, J Bromiley, Dr G Hillier (Chair), S Pelham, C Sayers, Professor A Wathey (Vice-Chancellor and Chief Executive)
 Observers: E Kabengele (Student Governor Observer), D Warcup
 Apologies: L Brown (Staff Governor Observer), T Harrison, A Serfontein (Co-opted Member), J Wilson
 Secretary: S O'Donnell (Interim Secretary), M Ritzmann (Interim Assistant Secretary)
 In attendance: A Dunlop, J Embley, Professor P Francis, Professor G Marston [EF19/02 and EF19/04], Professor G McHale [EF19/05], D Monnery, S Newitt, Professor J Reast [Project Sand].

MAIN ITEMS DISCUSSED/DECIDED ON AT THE MEETING

<p>1.</p>	<p><u>Introduction</u> Committee Terms of Reference and Membership 2019/20 [EF19/01] The Committee considered its Terms of Reference and Membership for 2019/20 and was asked to recommend any changes for onward review by Nominations Committee and Board of Governors' approval. It was reported that whilst no major changes had been made compared to 2018/19, one proposed change was the inclusion of an explicit reference to the Committee's role in reviewing information and data relating to the University's approach to staff wellbeing. The Committee was also asked to reflect on whether its Terms should include explicit reference to the review of wider information and data relating to the University's People Plan given they currently focussed entirely on rewards/financial control and equality and diversity matters. The Committee confirmed that: [i] at Section 2b: Financial Planning and Improvement, specifically point 2.6, this should remain as it is with the Committee recommending the annual financial statements of the University and Group companies for consideration by Audit Committee and wording around the Committee's role in reviewing the performance of the University through the financial statements should be strengthened; [ii] Section 2c: People, Organisational Development and Staffing should be expanded to include wider staffing matters, including culture, performance, empowerment, engagement and involvement given these were matters discussed by the Committee. This would be led by the Director of Human Resources and Organisational Development and a suggestion brought back to the Committee; [iii] at Section 4: Constitution, specifically point 4.2, this should be amended to include reference to Co-opted Members not forming part of the quorum and not having the right to vote; [iv] at Section 4: Constitution, specifically point 4.3, this should remain unchanged to state the Committee meets at least three times per year; [v] Governors terms of office should be included at Section 5: Membership. [vi] Terms of Reference would be updated and circulated to the Chair before being circulated for comment more widely.</p>
<p>2.</p>	<p><u>People</u> Health, Safety and Wellbeing Report Q4 2018/19 [EF19/02] The Committee noted the Health, Safety and Wellbeing Report Q4 2018/19, in particular: [i] the completion rates of mandatory health and safety training which for core staff had reduced by 1% compared to the position at the end of Q3, [ii] the status of accident statistics May to July 2019 and University Health and Safety Association (USHA) accident statistics comparison, [iii] the status of health and safety lead and lag indicators, [iv] recent progress made on staff wellbeing, including increasing ways of supporting colleagues with both their physical and mental wellbeing and [v] analysis of the</p>

sickness absence data for this quarter, which showed an overall decrease in the amount, and cost, of absence during the period when compared to the previous quarter. The percentage of working time lost in Q3 had reduced slightly compared with the same quarter last year. **The Committee commended the positive position overall, recognising the significant improvement over the last few years, but emphasised the need to maintain momentum. The Committee:**

[i] commended and supported utilising the University's own expertise, knowledge and latest thinking on wellbeing, sickness absence and related matters within the Faculty of Health and Life Sciences;

[ii] recommended that the University investigate undertaking benchmarking activity with other organisations outside of the HE Sector;

[iii] noted that in respect of the completion rates mandatory training, compliance was managed at a local level through managers, Faculty Pro Vice-Chancellors and Service Directors who received reports on training completion.

National Pay and Pensions Disputes [EF19/03]

The Committee noted the current position regarding national pay and pension disputes. It was reported that UCU would run a disaggregated ballot of members for industrial action in relation to pay. UCU would also run a disaggregated ballot of members at 69 institutions for industrial action in relation to the USS pensions dispute, however, colleagues at Northumbria would not be balloted. UNISON planned to run an aggregated national ballot of members for industrial action to coincide with the UCU timetable. The Industrial Action Operations Group would make plans for any possible industrial action and a Strategic Communications Group would consider and develop communications to colleagues during the ballot period. For there to be industrial action at Northumbria UCU branch would be required to achieve at least 50% of members voting and at least 50% of them to vote in favour of action. UNISON would require over half of its members to vote nationally and over 50% of those voting in favour of industrial action.

SRR010: Research Culture and Outcomes Update [EF19/04 and Presentation]

The Committee considered an interim project review report relating to Strategic Risk SRR010: Failure to strengthen research culture and achieve related University 2018-23 objectives (e.g. RGCI and PGR targets, REF outcomes, enhanced teaching) and a presentation on the University's Expanding Excellence in England (E3) funding success as a case study. The report reviewed progress on building and developing an effective research culture focussing on the following four controls areas in particular: [i] research leadership controls, [ii] reward recognition controls, [iii] ways of working, systems and process controls and [iv] recruitment and staff controls. The report considered each of the four areas in turn, highlighting work done, work planned and brief conclusions. The presentation provided: [i] background to E3, [ii] an overview of the world's first interdisciplinary research Hub for Biotechnology for the Built Environment (HBBE), [iii] a financial summary of costs and projected income, [iv] benefits and opportunities and [v] risks and mitigations. **The Committee noted:**

[i] the University's recent success from the Expanding Excellence in England (E3) Fund and the importance of: 1.) reflecting on the underlying reasons why the University had been successful so as to learn from it and replicate this as part of future funding bids, as well as what could be learned in instances where the University was not successful within funding bids and 2.) Effectively exploiting the research base that this project would create;

[ii] the importance of communicating this and other successes through internal and external communications both internally and externally;

[iii] the Committee positively noted that a number of themes arising from this report and presentation, including the Research Excellence Framework (REF), culture and financial flows and contributions were included as topics for discussion at the Board of Governors and University Executive away day on 01 October 2019.

REF2021 Anticipatory ("Proleptic") Appointments Scheme [EF19/05]

The Committee considered and was asked to approve a report that set out the University's REF2021 Anticipatory ("Proleptic") Appointments Scheme, for onward consideration and final approval at the Board of Governors meeting on 30 September 2019. The report detailed a scheme to anticipate vacancies within a window of time prior to the REF2021 census date of 31 July 2020 when the University would normally be unable to make replacement appointments in time for those appointments to be in post on the REF2021 census date. The scheme therefore sought to maximise QR income over the post-REF2021 period and maximise reputational benefit from a maximum possible intensity submission within the existing complement of permanent staffing posts by creating a set of Anticipatory

	<p>Post (i.e. Proleptic Posts). The Committee approved the proposal, noting that this University scheme was new for REF2021, and requested that the version of this report for the Board of Governors meeting on 30 September 2019 included a short summary at the front of the paper that articulated and clarified why, strategically, the University was implementing and following such a scheme, as well as quantifying the amount/proportion of contingency funds to be spent as part of this scheme. The return on investment should be revisited by the Committee post the receipt of the funding announcement/notice in December 2021 and this timescale should be added to the summary timeline at the end of the paper. In the interim, the Committee asked for short progress update to be reported at each meeting of the Committee. This should be a series of bullet points.</p>
<p>3.</p>	<p><u>Core Financial Performance and Planning</u> Finance Composite Report: Q4/P12 2018/19 [EF19/06] Before adjusting for pensions, the reported operating surplus for the year ending 31 July 2019 was significantly better than both the Q3 project and the original budget. This outturn was broadly in line with budget and represented a positive position in the context of a challenging trading environment. It was noted however that part of the movement in the outrun was due to non-cash items. The impact on the underlying operating performance removing both one-off non-cash benefits and one-off costs was an underlying deficit. Further, once the surplus was adjusted in the statutory accounts for historic pension liabilities, this would move the surplus to an estimated reported deficit. It was anticipated that the sector pension deficit as a whole would be of the order of £4-5bn. The Committee: [i] confirmed that it should be ensured all Governors receive a copy of the monthly finance report by circulation; [ii] requested that a strategic overview be included at the front of the version of this report for the Board of Governors meeting on 30 September 2019. This should summarise in a couple of paragraphs the University's growth around academic, non-academic and 'other' areas/income, which areas had performed well/less well against budget, what the University was going to do in response, as well as an emphasis on the impact of the University's cash position/balance. The Committee noted that the latter (cash position) was worse than budget, due to the timing of the preparation of the budget not taking into account significant payments against the prior year capital spend being physically paid in August and September 2018 and should also be seen in the context of the University using some of its cash balances to pay down its debts; [iii] noted that in respect of non-staff expenditure, this was high due to significant partner payments mainly relating to Horizon 2020 activity in the Faculty of Engineering and Environment, but was favourable relative to budget due to the release of historic provisions; [iv] requested that management consider how best to present financial information to the Committee and governors more generally to improve its readability, for example, in the form of graphs and/or trend diagrams rather than statements of income and expenditure.</p> <p>Pensions Update [EF19/07] The report provided an update on the University's four occupational pension schemes, including significant updates on those subject to ongoing changes: [i] USS, for which the 2018 valuation was now complete and [ii] LGPS, which was now in the middle of its 2019 triennial valuation. In respect of the USS, the threat of industrial action remained, because employers were refusing to cover the cost of the extra contributions USS had demanded. The Committee requested that a paper setting out the University's strategy in response to a set of scenarios for each of its pension schemes be presented to the January 2020 Committee meeting.</p> <p>Investment Management [EF19/08 replaced with Oral Report] An oral update on Investment Management was provided to the Committee. It had been decided that funds would not be placed with an investment manager for 6 to 12 months and the University would continue to use high interest deposits with large high street banks. The Committee endorsed the recommendation to maintain the current approach for the next six to 12 months and revisit this post Brexit when geo-political risks may have reduced.</p> <p>Student Recruitment [Presentation] The presentation detailed 2019/20 full-time cohorts recruitment forecasts for semester 1 and 2019/20 degree apprenticeship targets and current position. It was reported that the overall recruitment picture was a positive one, including a positive forecast variance of International PGT Students vs target The</p>

	<p>recruitment picture would result in a positive monetary impact in terms of tuition fee income. While this was slightly below the target quality measure it was felt that this stood up very well against others in the Sector. The 2019/20 degree apprenticeship data showed strong growth in income, margin and recruitment and targets had been surpassed, including new business. The Committee complimented the team on another excellent recruitment performance in a challenging market.</p>
4.	<p><u>Future Business/Income Growth Initiatives</u> Project Sand [Presentation] *COMMERCIALLY SENSITIVE</p> <p>The presentation provided the Committee with an update on: [i] the current position, [ii] scenarios, key risks and fall-back options, [iii] key challenges overcome, including adherence to deadline dates in the government application process, and to be overcome, including resolution of the third party contractual position and [iv] planned next steps, and [v] key dates. The Committee noted that if things develop as anticipated, the business case, proposed supplier contract and project implementation plan would be presented to its 28 October 2019 meeting for approval.</p>
5.	<p><u>Policy/Regulation/Projects</u> Financial Regulations and Policy Review [Oral Report]</p> <p>It was reported that a draft version of the Financial Regulations that was approximately half the length of the previous version was in the process of being reviewed by the Finance Director and that was being assessed to ensure consistency with relevant and associated policies. Policies would be reviewed by Employment and Finance Committee and Audit Committee over the next 12 to 18 months. The Committee noted that a formal report in relation to the Financial Regulations and Policy Review would be presented to the 28 October 2019 Committee meeting.</p> <p>East Midlands Strategic Commercial Unit: Exceptional Approval Report and Lessons Learned [EF19/09]</p> <p>The Committee noted that the provisions of paragraph v3 of the Financial Regulations had been used to ensure that the University could submit a tender to the East Midlands Strategic Commercial Unit (EMSU). This was the first time paragraph v3 had been used for some time and, following a review, a number of process improvements were planned to ensure its use in the future could be minimised. The Committee noted that the tender was successful and the University had been accepted onto a framework with EMSCU to deliver Police Constable Degree Apprenticeships.</p> <p>Contracts and Legal Claims Update [EF19/10] CONFIDENTIAL AND LEGALLY PRIVILEGED</p> <p>The Committee noted an update on current employment tribunals and there were no contracts requiring approval by the Committee. An update was provided on work underway to review the University's contracting status. The Committee noted that once further information had been obtained, a proposal for either continuing the current contracting status or reverting to an OJEU compliant process would be developed for University Executive and Employment and Finance Committee consideration and approval. This would incorporate the implications of Brexit which, at the time of drafting, remained uncertain.</p> <p>Students' Union Financial Performance at end of Q4/P12 2018/19 [EF19/11]</p> <p>The Committee noted the Students' Union Finance Report as at 31 July 2019, which highlighted a surplus (subject to audit). The Committee requested that the Students' Union team be made aware that it had noted the strong performance against budget.</p>
6.	<p><u>Meeting Record, Reporting and Context</u> Strategic Risk Dashboard [EF19/17]</p> <p>The Committee noted the update in relation to the update of all Strategic Risks. It was reported that it was originally intended to update all Strategic Risks for submission to the Board of Governors meeting on 30 September 2019. However, due to reduced capacity within the Governance Services Team, it had been agreed that the full Register update would be conducted in advance of the February 2020 Board of Governors meeting, i.e. a move to an annual update from February 2019, with interim updates carried out in-year to confirm that planned mitigations had been implemented.</p>

Michael Ritzmann
Assistant Secretary to Employment and Finance Committee
September 2019