

MINUTES OF THE MEETING OF THE RESOURCES COMMITTEE HELD ON 18 APRIL 2018

Present

Stephen Bolton	Independent Governor
Nigel Duncan	External Co-opted Governor
Graham Holland (Chair)	Independent Governor

In attendance

Professor Graham Baldwin	Vice-Chancellor
Paul Colbran	Chief Information & Infrastructure Officer
Kamla Janagal	Head of Financial Planning & Analysis
Andy Riggs	Chief Finance Officer
Andrea Thompson	Chief People Officer
Bridget Woolven	Clerk to the Governors

18/16 Apologies & Welcome

The Committee Chairman, Graham Holland, advised that

- i. apologies had been received from Jennifer Glastonbury;
- ii. following his appointment as Pro Vice-Chancellor, Students and Teaching with effect from 1 April 2018, Osama Khan had stood down from the Board, and was therefore no longer a member of the Committee.

18/17 Conflict of Interest

- i. Committee members were asked to declare any conflict or potential conflict of interests in relation to the forthcoming business of the meeting.
- ii. No member of the Committee had any conflict of interest to declare.

18/18 Minutes of the previous meeting held on 31 January 2018

- i. The Clerk presented the confidential unconfirmed minutes of the meeting held on the 31 January 2018.
- ii. Andrea Thompson, Chief People Officer, asked for an amendment to the second bullet point of Minute 18/14 para ii, which should read:
 - *progress on the development of agile career pathways (Objective 16), with an updated draft of the pathway for academics being put forward by the Career Pathways Working Group (following a series of meetings with the UCU) and agreed by the Directors of School;*

The Committee

- iii. confirmed that, subject to this amendment, the minutes were a correct record of that meeting.

18/19 Progress on Matters Arising

Oral report

- i. The Committee noted that all outstanding actions had been completed.
- ii. With regard to outlining the 'what if' scenarios associated with the disposal of the lower, as well as the upper, site at Warsash, this had been covered during an informal discussion between Paul Colbran and the Committee Chair, Graham Holland, prior to the Board of Governors meeting on 28 February.
- iii. The project stages, and associated costs, for the re-development of the Warsash Lower Camus had been provided in Appendix A to Paper 18/RC/13.

18/20 People & Development report

**Paper 18/RC/10
[Confidential]**

This minute is confidential.

18/21 Summary financial position

**Paper 17/RC/11
[Confidential]**

This minute is confidential.

18/22 Outline budget - current year

**Oral report
[Confidential]**

This minute is confidential.

18/23 Loan Re-financing - update

**Paper 18/RC/12
[Confidential]**

This minute is confidential.

18/24 Estates Development: update

**Paper 18/RC/13
[Confidential]**

This minute is confidential.

18/25 Treasury Management Performance report

Paper 18/RC/14

- i. Andy Riggs presented a mid-year report detailing the performance of investments made on behalf of the University for the six months ended 31 January 2018, with comparisons against market rates. An indication of future cash flows was also given, for information. The report confirmed that the University was operating within its Treasury Management Policy.

The Committee noted

- ii. the actual interest earned from the investments between August 2017 and January 2018 had been £43,675, as opposed to what would have been earned

had the funds been invested at Base Rate (£27,659), or at the prevailing LIBOR rate (£35,785);

- iii. as at 31 January 2017, the University had investments with Federated Investors, Nationwide, Lloyds, HSBC, Royal London Cash Management and Santander; and borrowing with the Co-Operative (Halls of Residence) of £287K; Bank of Scotland (Sir James Matthews Building) of £1,947K; Allied Irish Bank (Halls of Residence) of £13,677K; and Lloyds Bank (new academic teaching building) of £10,006K.

The Committee

- iv. noted the content of the report.

18/26 Transparency Review submissions 2016/17

Paper 18/RC/15

- i. Kamla Janagal presented a report on the University's annual TRAC [Transparent Approach to Costing] and TRAC(T) [TRAC for Teaching] submissions to HEFCE for 2016/17. She explained that the annual TRAC return was a re-statement of the University's financial statements with the addition of a sustainability cost adjustment, the *Margin for Sustainability and Investment* (MSI). The MSI was a forward looking institution-specific measure, intended to calculate the level of cash generation the institution required based on its own financial strategy. In TRAC terms, the required surplus for Solent to maintain financial sustainability was deemed to be £16.9m, or a surplus in the region of 15%. The calculation of MSI was based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and used a six-year average of actual and forecast performance.
- ii. Kamla Janagal advised the Committee that MSI had, this year, replaced the previous TRAC cost adjustments, which were deemed to be out of date and generic as opposed to institution-specific. The TRAC adjustments last year had amounted to £11m; this year, the change had resulted in adjustments totalling £17m. The impact of the change had therefore been sizeable. Kamla Janagal explained the background to the difference in adjustments year on year, adding that, for some institutions, the move to MSI had been somewhat controversial.

The Committee noted that

- iii. the first table within the University's TRAC submission, attached as Annex 1, showed the difference between the achieved surplus of 4.5% and the target surplus for sustainable operations (MSI) of 15%; creating what was referred to as a *sustainability gap* of 10.5% or £11.8m;
- iv. in terms of activities, publicly funded activity was predominantly tuition fees and funding from HEFCE-fundable undergraduate programmes; non-publicly funded consisted mainly of international and non-credit bearing students (mainly at Warsash) and other activity including residence and catering functions and third stream activity. A deficit on non-publicly funded teaching was something that in the past had been a focus for HEFCE, on the basis that public funds should not be used to subsidise non-public activity;
- v. Table A within the TRAC return showed the recovery of costs by each

activity. Based on the new TRAC methodology, all activities were returning a deficit on a full cost basis. This was a change for the University in that in previous years publicly funded had always returned a surplus. This change could be attributed to two key elements: income had reduced by £2m between 2015/16 and 2016/17 and the cost adjustments, as reported in para ii, had increased by c£6m;

- vi. the majority of the University's non-publicly funded activity was maritime related. Competition from other maritime training providers meant that the University was not able to charge standard fees in line with its other undergraduate provision, creating a disparity in school contribution levels. The WMA relocation project currently underway might help to address this, but it would take time for these planned changes to flow through. Also, FE students, mainly in the Warsash School of Maritime Science & Engineering (WSMSE), were now all non-funded, increasing the gap between income and cost;
- vii. research funding had shown a slight increase in deficit compared to the previous year (£664k). The University had a small, but steady, stream of funded research contracts (£200k-300k per year), with small levels of income from PGR students, and some HEFCE income. Whilst research activity produced a loss at full cost, the University saw it as having a reputational benefit, and benefits to the student experience, as well as giving focus to Research and Innovation, a strategic priority, and the recently approved RDAP. Deficits on research was a sector-wide issue;
- viii. the deficit on other activities continued, now at £2.9m. This category was made up of all areas which were neither teaching nor research, but was predominantly the income and costs associated with the halls of residence, and other enterprise activity. Halls fees were being increased annually to improve the situation. Third stream income and associated costs were also within this category and would take longer to move to surplus;
- ix. the rates calculated in the TRAC return were used as the basis for costing new courses and income streams, to ensure that future activity was reviewed and approved on a full cost basis.

In discussion the following point was made

- x. The question was raised whether any use would be made of the TRAC results, for example to cost individual subjects with the intention of removing the blanket annual tuition fee (currently £9,250) for all subjects; or to argue that the tuition fee was too high in cases where publicly funded operations were subsidising non-publicly funded activities. Professor Baldwin said that, currently, the data tended to lead to debate and discussion rather than any action.

The Committee

- xi. noted the report and the attached TRAC return for 2016/17.

This minute is confidential.

18/28 Date and time of next meeting

- i. The date and time of the Committee's next meeting was Wednesday 4 July 2018 at 18:00; the meeting to be held in the Silver Birch Suite, The Spark building, East Park Terrace, and preceded by a pre-meeting discussion between Committee members from 17:30 - 18:00
- i. The meeting dates for 2018/19 were: 7 November 2018; and 30 January, 24 April and 3 July 2019.