

the
GOVERNING BODY

FINANCE COMMITTEE

**MINUTES of the first meeting of the 2020/2021 academic year held on
Monday, 9 November 2020 via Teams, commencing at 5.30 pm**

Present: Mr M Orr (Chairman)
Mr L Devlin
Professor Jane Harrington (Vice-Chancellor)
Mr B Ijaz
Ms B Hill CBE
Mr C McWilliam
Mr S Saluja
Professor A Westby

In attendance: Professor J Bonet (Deputy Vice-Chancellor (Research & Enterprise))
Mrs T Brighton (SEO (Governing Body)) (Minutes)
Mr P Garrod (University Secretary)
Mr P Taylor (Chief Operating Officer)
Ms K Towner (Assistant Director of Finance (Management Accounts))
Ms L Watson (Chief Financial Officer)

FC 20/01 DECLARATIONS OF CONFLICT OF INTERESTS

There were no declarations of conflicts of interests.

FC 20/02 MINUTES OF PREVIOUS MEETING AND ACTIONS LIST (FC 20/P01)

The minutes of the meeting held on 8 June 2020 were **approved**. The actions sheet was noted.

FC 20/03 MATTERS ARISING

3.1 Integrated Facilities Management (IFM) Contract

The Chief Operating Officer reported that, following a period of reduced service, the full IFM contract had been operating since September 2020. Some operational teething issues were being worked through and the asset verification process, which was the only commercial element of the contract remaining to be resolved, was underway.

3.2 Sale of Mansion Site (Commercially Sensitive)

The Chief Operating Officer reported that the sale of the Mansion site to the Department for Education was progressing. XXXXXXXXXXXXXXXXXXXXXXXX

3.3 Project Ascent

The Chief Financial Officer updated the Committee on progress with Project Ascent concerned with the deployment of a new cloud-based solution for improving the University's financial management and reporting environment. Since approval of the business case by the Governing Body in June 2020, Oracle had been selected as the preferred supplier and Namos selected as the preferred systems integrator. An application walk-through was planned in December as the next stage of the work. The project was a two-year programme of work with deployment planned in two phases, in August 2021 and December 2021. The project would have an impact on the organisational structure of Finance, and would require a culture change to realise full benefits of the system. Both of these components were under consideration. At this time, the project was forecast to come in under the business case funding envelope.

3.4 Committee Terms of Reference/VfM Reporting

The Chief Financial Officer reported that the Audit & Risk Committee had commissioned her to undertake some sector benchmarking on VfM reporting. The OfS no longer required a VfM report as an annual return and the benchmarking indicated that most institutions had stopped producing a specific VfM report. On this basis, and taking into account the fact that VfM was embedded in all University activities, the Audit & Risk Committee had agreed a change to the way in which it received its assurance that VfM was being sought and achieved. A variety of internal forums tested whether the University was achieving VfM and the Committee had given its agreement that a mapping of the VfM information considered at these forums would help to demonstrate of VfM principles and efficiencies. It would supplement the annual opinion on VfM which the internal auditors were required to provide on the basis of their audit work. The Committee **endorsed** this change of approach.

3.5 Update on One University Strategy for Professional Services

The Chief Operating Officer reported that the concept of 'One University' continued to be used as a tool for driving cultural change and a commitment for continual improvement. The project rate had slowed slightly as covid had dominated the working lives of staff. Newer projects on exams and alumni work had been started and a new project on timetabling was being launched.

FC 20/04 CYCLE OF BUSINESS 2020/21 (FC 20/P02)

The Committee received the updated rolling cycle of business for the 2020/21 academic session and noted the changes made since the last meeting.

5.1 University of Greenwich

The Chief Financial Officer presented the draft audited Report and Financial Statements for the year ended 31 July 2020. It was reported that an operating surplus of £6.6m, representing 3% of total revenue, had been posted. This was significantly higher than projected and the improved performance reflected the strong recruitment round in 2019/20 and the effective response from Faculties and Directorates to controlling expenditure, partly assisted by a reduction in activities due to lockdown restrictions. The principal factors underpinning the operating surplus included increased tuition fee income of £6m, which were offset largely by the pay award and an increase in the Teacher Pension Scheme contribution rate. The financial impact of Covid of £9m was partially offset by the significant response from Directorates and Faculties to contain costs.

The Chief Financial Officer reported that the improved performance in the surplus from the expected surplus position at the end of July had highlighted some deficiencies in the forecasting process and poor system functionality and an improvement plan was being put in place to ensure better controls over forecasting before the new finance system was implemented. Over-reliance on complex spreadsheets was discussed highlighting challenge from staff turnover and inadequate handover, which was being addressed as part of the improvement plan.

The Committee was informed that benchmarking of the University's 2018/19 performance against that of other universities indicated that Greenwich's staff costs were lower than the sector average. The Vice-Chancellor reported that an external benchmarking exercise on all costs would be timely and indicated that a range of 50%-55% was considered reasonable. In terms of the operating surplus, it was explained that the University's year-end surplus was in line with the sector guidance for 2.5%-3%. The University needed to generate a modest surplus in order to generate cash and self-finance on-going investment to maintain an ageing Estates portfolio along with IT requirements. The Vice-Chancellor reported that the better than expected outturn would allow unfreezing of some job vacancies and noted that the messaging on the results would emphasise the strong financial platform provided for the current financial year. A budget bid process was being run that would release additional funding for Faculties and Directorates for new posts and non-pay items to support improved recruitment performance for 2020/21.

In discussion, the following points were made:

- In response to an enquiry about the future plans for Devonport House at Greenwich, it was reported that consideration was being given to temporarily mothballing the building and options for short term revenue to defray the costs were being explored. It was noted this needed to be balanced with the business rate benefit from keeping the building mothballed. The University hoped to utilise the site for the benefit of the community in the immediate future, but a more definite plan would be formed once the new estate strategy had been formulated. It was also noted that plans on how to use the space for University benefit could be timely as the strategic plan was finalised and these were now being explored more urgently given the earlier availability of the site. It was noted that a change

in use would change the valuation methodology and this will need reviewing throughout the year as plans are developed.

- It was suggested that EBITDA (earnings before interest, taxes, depreciation and amortization) might be a more meaningful indicator of the University's operating efficiency than the current KPI #22 (*Surplus Before Other Gains*)).
- It was acknowledged that managing a surplus in times of uncertainty was difficult and the University might wish to use its current contingency to help manage its risks in a timely manner.

The Chair thanked the Chief Financial Officer and her team for the helpful and improved presentation. Committee Members were invited to send any detailed comments on the financial statements to the Chief Financial Officer.

5.2 Subsidiary Companies

The Committee noted the draft audited Report and Financial Statements for the subsidiary companies, Greenwich Property Limited (GPL), Greenwich University Enterprises Limited (GUEL), Greenwich Devonport Conference Centre (GDCC) Limited and GDCC Newco (G) Limited. GPL was posting a surplus before tax of £572k. GUEL was recording a surplus before tax of £10.4k. Greenwich Devonport Conference Centre Limited was recording a loss of £3.3m for the year.

The Committee:

- received** the 2019-2020 OfS Accounts Direction
- received and noted** the draft Report and financial statements for Greenwich Property Limited, Greenwich University Enterprises Limited, Greenwich Devonport Conference Centre Limited and GDCC Newco ("G") Limited
- received** the report on Going Concern and **approved** preparation of the financial statements of the University of Greenwich for the year ended 31 July 2020 on a going concern basis
- agreed to recommend** to the Governing Body the draft consolidated report and financial statements for the University of Greenwich for the year ended 31 July 2020, subject to incorporation of the remuneration annual statement, the comments made in discussion and any subsequent comments submitted by Members of the Committee to the Chief Financial Officer.

FC 20/06 2020/21 BUDGET RESTATEMENT AND FIVE-YEAR FORECAST (FC 20/P04)

The Chief Financial Officer presented an updated 2020/21 budget and five-year financial forecast. Against a backdrop of significant uncertainty, the Governing Body had approved a budget deficit of £3.4m in June on the understanding that the assumptions would be revisited once student numbers were clearer. A good recruitment outcome for 2020/21 (reflecting the removal of the student number cap) had underpinned the move from the previous deficit to a small surplus of £2m (representing 2% of turnover). The five-year financial forecast now included

increased surpluses across the whole of the period. The changes had strengthened both the cash position and balance sheet.

Key financial assumptions underlying the budget restatement included improved revenue from tuition fees, unchanged accommodation income, 2% cost of living increases, a nil pay award and £2.5m costs for continuing to provide a covid-safe environment. The budget also enabled a release of funds to support the additional resourcing and service requirements associated with the higher number of students.

The Chief Financial Officer reported that considerable uncertainty remained in the coming year and a series of risks had been identified (for example, increased student attrition rate, potential refund of tuition fees and loss of revenue from residences and catering activities in the event of a further lockdown). These would be kept under review as the year continued. The Committee sought clarification on the potential ranges of financial impact associated with each of the principal cost threats in the presentation. It was clarified that the figures were principally illustrative but the Chief Financial Officer would review the table to make it clearer before submission to the Governing Body.

In reviewing the forecast, the Committee discussed the uncertainties associated with international student recruitment and the performance of partner relationships. It was reported that the risk approach to monitoring the performance of partnerships was set out in the TNE and partnerships update being considered later in the meeting. In general, there were no clear warning signs that a partner institution was heading towards financial administration, especially those based overseas, and consequently the University carefully managed its partnerships.

The Committee requested that the financial forecast include a cashflow statement and that consideration should be given to including a placeholder for increased capital expenditure over the course of the forecast period for strategic growth investments to support the new strategic plan. The Committee was advised that the University needed to be able to demonstrate that it had the ability to self-fund a proportion of its strategic objectives.

The Chair highlighted the necessity of agreeing a financial strategy aligned with the new strategic plan including how to deal with the existing Bonds.

Subject to the comments made in discussion, the Finance Committee:

- i **agreed to recommend to the Governing Body** that the reforecast 2020/21 budget and five-year financial forecast be approved
- ii **endorsed** the use of the updated budget and five-year forecast as the basis of the University's return to the Office for Students in February 2021 unless there were developments requiring material change to the financial assumptions.

FC 20/07 TNE / INTERNATIONAL PARTNERSHIPS UPDATE (FC 20/P05)

The Committee considered the six-monthly update on Transnational Education (TNE) activities and international partnerships. Since the previous report, four new partnerships had been approved, one had been discontinued and one was suspended by a year subject to agreement on financial terms. Four partnership reviews had taken

place; of these, two had been approved, one had received conditional approval and one had subsequently been discontinued.

The Committee noted the current status of the risk matrix for overseas partners which was rag rated according to the risk of the individual partnership. Each partnership was rag rated in five different areas, and two red flags or two amber and one red triggered a full review under the annual institutional review procedures. There had been a general trend of improvement in the last two years and the University had improved the outstanding debt position over time.

The Vice-Chancellor reported that the University's portfolio of partnerships had considerably reduced in recent years, but she believed that a much broader strategy for TNE and international partnerships premised on an academic basis was needed. Once a strategy was in place, reporting would move from six-monthly reports to an annual report on activities.

The Committee welcomed the prospect of a more business-focussed strategy. A number of the current partnerships were small in the context of the University's operations and it was difficult to keep pace with the regular churn of partnerships. The Committee asked that the new strategy should clarify the process around the appointment of new partners. More importantly, the Committee stressed the need for effective monitoring of the costs and time involved in delivering the activities. The Chief Financial Officer agreed to take the matter away and ascertain what the capability of the new Oracle system could accommodate.

FC 20/08 AVERY HILL REDEVELOPMENT PROJECT: SOUTHWOOD SITE UPDATE

8.1 Progress Update

The Chief Operating Officer reported that all the buildings on the Southwood site were now operational following a phased introduction. External landscaping around the new library building would continue over the next few weeks. Some minor snagging problems were being resolved but early feedback from staff and students was very positive. The Chair noted that completion of this project on schedule was a huge achievement and asked for the Committee's appreciation to be relayed to the Estates team.

8.2 Project Budget

The Committee noted that the allocation of a further budgetary provision of £1.398m for the project had been approved via Chair's Action in July 2020.

8.3 Faculty of Education, Health & Human Sciences: Business Case for Further Expansion of Skills Capacity

The Chief Operating Officer recalled that the Faculty of Education, Health & Human Sciences had been invited to scope out and develop a business case for further expansion of skills capacity in Avery Hill and in Medway in particular. In recent months, the Faculty had been focussed on the arrangements for return to campus, delivering to an increased number of students and preparing for a newly approved curriculum. The Faculty was interested in pursuing further investment and the delay

would enable them to assess how the new simulation laboratories were working and understand the space options at Medway before putting together a business case.

FC 20/09 SHORT TERM INVESTMENTS: QUARTERLY REPORT (FC 20/P06)

The Committee received a report on short-term investments for the period to 30 September 2020. There had been a good recovery in the value of the equities and investment funds held by the University since the initial impact of the coronavirus on the stock market. Investment income for the period had exceeded budget but, as the Bank of England interest rate remained unchanged, there had been no adjustment to the forecast outturn for the year of £80k.

FC 20/10 ETHICAL INVESTMENT POLICY – MONITORING (FC 20/P07)

The Committee recalled that the University's approach to investing its surplus funds was set out in its Ethical Investment Policy. The organisations with whom the University placed its investments funds were annually reviewed to ensure that they invested funds in accordance with its defined values and ethical criteria. On the basis of the recent review exercise, the Committee **approved** continuing with the current investment companies and funds.

FC 20/11 REVIEW OF FINANCIAL REGULATIONS (FC 20/P08)

The Committee considered proposed amendments to the University's Financial Regulations following their annual review. It was reported that the current arrangements regarding contract authorisation, non-business entertaining expenses and delegated authority levels were under review and would be brought to the Finance Committee for approval before the next annual review. Benchmarking on the levels of delegated authority for purchase order approvals was underway and a proposal for increased levels would be submitted to the next meeting of the Committee. The Committee **agreed to recommend to the Governing Body** the revised Financial Regulations for approval.

FC 20/12 GREENWICH UNIVERSITY ENTERPRISES LIMITED (FC 20/P09)

The Committee receive a report on the principal items of significance arising from the meetings of the Board of Greenwich University Enterprises Limited held on 29 June and 20 October 2020. The activities in progressing a number of technologies were noted. The investment in Carbon 8 Systems had now been completed. The management accounts for the period ended 31 July 2020 had been reviewed. Despite a reduction in general business and consultancy activities across research projects as a result of the Covid-19 pandemic, a surplus of £10k for the year was recorded following better than expected turnover in events and short lets business.

FORMAL AGENDA

- FC 20/13 GREENWICH DEVONPORT CONFERENCE CENTRE LIMITED, GREENWICH PROPERTY LIMITED AND GREENWICH UNIVERSITY ENTERPRISES LIMITED: LETTERS OF SUPPORT (FC 20/P10)

The Committee **approved** the issuing of a letter of support for Greenwich Devonport Conference Centre Limited, Greenwich Property Limited and Greenwich University Enterprises Limited.

- FC 20/14 GREENWICH UNIVERSITY ENTERPRISES LIMITED MINUTES

The Committee received minutes of the meetings of the Board of Greenwich University Enterprises Limited held on:

- 29 June 2020 (FC 20/P11)
- 20 October 2020 (FC 20/P12).

- FC 20/15 APPROVAL OF ORDERS OVER £300K (FC 20/P13)

Subject to the Faculty of Engineering & Science having sufficient funds for the purchase and to compliance with the University's Financial and Tendering Regulations, the Committee **agreed to recommend to the Governing Body** the purchase of the following item exceeding £500,000:

	Estimated Order Value
Graduate Internship Placement Services 2020-2023	£1,602,322.56

In relation to the contract for placement services, a question was raised on why the University wasn't providing this service in-house in the same way that it did for Business courses. It was noted that it was not possible to scale up in-house provision to manage the volume of students that had applied to the course. However the intention was that the capability would be developed in-house and the arrangement with the supplier unlikely to be renewed.

The meeting ended at 7.10 pm.

T.A.Brighton
23 November 2020