

INFRASTRUCTURE AND FINANCE COMMITTEE

TIME /DATE / VENUE	1030, Wednesday 2 October 2019, Board Room, St Andrew's Court
PRESENT	Jenny Crighton, External Governor (Chair) Roger Burke-Hamilton, External Governor Catherine Carrol-Meehan, Staff Governor Bishop Christopher Foster, External Governor Professor Graham Galbraith, Vice-Chancellor Ingmar Rinck, External Governor (by phone) David Willan, External Governor Christopher Williams, External Governor
IN ATTENDANCE	Dr Liz Bartle, Deputy Director of Finance (Financial systems) (Min 18 to 21 only) Helena Schofield, UPSU President Bernie Topham, Deputy Vice-Chancellor Emma Woollard, Executive Director of Finance
SECRETARIAT	Adrian Parry, Executive Director of Corporate Governance Helen Malbon, Senior Governance Officer
	Tabled papers: The minutes of the meeting on 17 September 2019 (Annex A) and the Matters actioned paper (Annex B).

18 Welcome, apologies, declaration of interests and apologies

- 18.1 Apologies were received from External Governor Jane Hoskins and Giorgio Bendonì, Staff Representative.
- 18.2 On behalf of Committee, the Chair welcomed the new Staff Governor Catherine Carroll – Meehan, Head of School of Education and Sociology.
- 18.3 There were no interests to declare.
- 18.4 The Clerk confirmed the meeting was quorate and could proceed to business.

19 Minutes of the previous meetings

The minutes of the meeting held on 17 September 2019 were confirmed and signed as an accurate record.

20 Matters actioned and matters arising

Action was reported on eight items: seven were for note and one would appear on a future agenda. Committee thanked Roger Burke-Hamilton for taking on the role of external governor representative on the Student Systems Project Board.

21 Provisional university financial statements 2018/2019

21.1 Liz Bartle, Deputy Director of Finance (Financial Systems) introduced the report, which provided an update on the preparation of the University financial accounts for 2018/2019.

21.2 The early draft of the University year-end management accounts had been presented to the September 2019 meeting of the Infrastructure and Finance Committee and had indicated a likely year-end surplus of £23.9m. Since that report was written, various year-end accounts adjustments had been finalised and the current draft surplus for the University was £16.1m. The largest adjustment was linked to Local Government Pension Scheme (LGPS) external requirements. This was noted at the September meeting but the size of the figure was not known at that point.

21.3 The LGPS adjustment was due to accruals (calculated by the LGPS actuary, Aon Hewitt) in respect of the McCloud/Sergeant age discrimination judgement and GMPE (guaranteed minimum pension equalisation) liability. The £7.5 million was a past cost from 2014 to 2019 and the University had chosen to include the full amount in the 2018/2019 accounts. Other public sector bodies may treat it differently but that may be due to their year end being 31 March. The auditors would assess if this were a reasonable approach. It was consistent with Financial Reporting Standard (FRS) 102.

21.4 Committee was assured that the University was responding to the advice of a professional actuary and that the portion of the fund deficit allocated to the University was reasonable and based on detailed external calculations.

21.5 Committee noted that a) all figures remained draft and subject to external audit and b) that provisional accounts for the University's subsidiary companies had been circulated for information. The subsidiary boards would each receive and discuss their accounts independently.

- 21.6 The only known outstanding accounting adjustment now required was the annual leave provision. This was because the required report from the HR system (iTrent) could only be run after the end of the holiday leave year (30th September 2019).
- 21.7 Committee noted the 6.3% increase in University income for 2018/2019 compared to 2017/2018. This was despite the planned drop in rental income due to Langstone closure and Burrell Halls of residence not being available during 2018/2019.
- 21.8 Investment income had increased, due in part to the lower than predicted spend on estate masterplan projects. The slippage in construction expenditure was due to a number of factors, but now that the construction of the indoor sports centre was underway, it was hoped that expenditure for 2019/2020 would be closer to what was budgeted. The borrowing rate achieved in 2017 was very competitive and it had been the right decision to acquire the phase one loan at that time.
- 21.9 Committee noted the importance of monitoring the cash balances as they related to the masterplan expenditure. The cash flow forecast was included in the 2019/2020 University budget and this would be updated by January 2020 once student numbers were confirmed.
- 21.10 It was noted that the January 2020 meeting of the Board of Governors would receive a detailed presentation on the estates masterplan, updated from the original 2016 plan.
- 21.11 Committee noted the 2.7% increase in expenditure for 2018/2019 compared to 2017/2018 and that a large portion of this increase was due to the LGPS pension adjustment.
- 21.12 A further large non-cash adjustment related to the change in fair value of the hedging financial instruments relating to the private placement. The University had engaged accountancy firm Mazars to perform the annual revaluation (a requirement of the non-basic financial instrument), that included an assessment of the University's ability to repay all amounts falling due under the loan terms. The assessment at 31 July 2019 estimated an improved credit status compared to other Higher Education Institutions that held bonds. This had resulted in an increase in the loan valuation of £6.1 million. The University external auditors, Deloitte, were currently reviewing the Mazars revaluation report.

- 21.13 Committee noted that the Executive had followed the required FRS102 methodology but were aware that dialogue with auditors was possible on some issues as part of the ongoing audit process.
- 21.14 In response to a question, it was clarified that the £3.5 million increase in other expenditure within professional services was due to a variety of items that included the costs of training, insurance and pre-construction.
- 21.15 Committee noted the projected financial loss for the Portsmouth Technopole Ltd subsidiary. The Executive noted that the company brought significant non-financial benefits, but stated that the performance was under review with a recovery plan being developed.
- 21.16 Committee thanked the Finance Team for their work and noted that at the November 2019 meeting, it would receive the final version of the financial statements. Committee would be asked to recommend, via Audit and Quality Committee, which met on 13 November 2019, approval of the financial statements by the Board of Governors on 25 November 2019. The financial statements, along with other reports, were due for submission to the Office for Students by 29 November 2019.

22 Office for Students (OfS) circulars

The Executive Director of Finance reported the recent receipt of a communication from the OFS regarding the submission of the financial forecasts. This advised that templates would be made available for completion during October 2019. The availability of these templates might affect the timing of submitting papers to the next meeting of Committee.

Committee noted that OFS circulars could be found on their website.

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<https://www.officeforstudents.org.uk/publications/>

23 Date of next meeting

The next meeting would take place on Tuesday 12 November 2019 at 1030.

24 Delegated authority

Committee agreed to delegate to the Chair authority to take any required Chair's action before the next meeting.

25 Thanks

Ingmar Rinck, external governor, confirmed that this was his last meeting and Committee recorded their thanks for his significant contribution to its work and wished him well for the future.