

Infrastructure and Finance Committee

TIME /DATE / VENUE	1030, 12 November 2019 , Board Room, Room 4.18, St Andrew's Court
PRESENT	Jenny Crighton, External Governor (Chair) Roger Burke-Hamilton, External Governor David Willan, External Governor
IN ATTENDANCE	Dr Liz Bartle, Deputy Director of Finance (Financial Systems) (for Min 29) Giorgio Bondoni, Staff Representative Fiona Bell, Director of Estates and Campus Services (for Min 38) Anna Clodfelter, UPSU Chief Executive (for Min 33) Paul Drohan, Investment Manager (for Min 34 and 35) Professor Paul Hayes, Deputy Vice Chancellor (for Min 31 and Min 32) Anita Randell, Insurance Officer (for Min 37.2) Helena Schofield, UPSU President Darrell Sturley, Interim Director of Information Services (for Min 36) Dr Jenny Walden, Staff Governor (to Min 32) Emma Woollard, Executive Director of Finance
SECRETARIAT	Annette Bourke, Head of Governance Services Jemma Keys, Senior Governance Officer

To accommodate availability, some agenda items were taken out of order.

26 Welcome, Quoracy, Declaration of Interests and Apologies

- 26.1 Apologies were received from External Governors: Bishop Christopher Foster, Jane Hoskins and Christopher Williams; Vice-Chancellor: Professor Graham Galbraith; Executive Director of Corporate Governance: Adrian Parry; and Chief Operating Officer and Deputy Vice-Chancellor, Bernie Topham.
- 26.2 There were no interests to declare.
- 26.3 The Head of Governance Services confirmed that the meeting of quorate and could proceed to business.

27 Minutes of the Previous Meeting

The minutes of the meeting held on 2 October 2019 were confirmed and signed as an accurate record.

28 Matters Actioned and Matters Arising

- 28.1 There were no matters actioned to report from the last meeting.
- 28.2 An advertisement for governor vacancies had been posted on the Advance HE web portal. The Committee noted the importance of recruiting an external governor at the earliest opportunity to serve on the Infrastructure and Finance Committee. A new appointment would alleviate any pressures around quoracy and enable the Committee to appoint a Deputy Chair of the Committee.

29 University Financial Review 2018/2019

- 29.1 Dr Liz Bartle, Deputy Director of Finance (Financial Systems) presented the University Financial Review for the year ended 31 July 2019 which comprised the Operating and Financial Review (OFR), other governance related documents and the consolidated financial statements. The following points were noted in discussion:
- (i) An in-depth examination of the financial statements had been undertaken at the Committee meeting held on 2 October 2019. Committee noted the adjustments that had been made to the financial statements subsequent to that meeting, which included the accelerated depreciation of Optometry equipment; a late invoice from the Local Government Pension Scheme; annual leave provision adjustment; and updated overall net expenditure in relation to the University's subsidiary companies. As a result of these late adjustments, the final consolidated surplus for the year had decreased from £16.1 million to £14.8 million.
 - (ii) The Financial Review had been reviewed by the University's external auditors. It was noted that there were no significant audit issues to report to date. The University had been in discussions with the external auditors regarding the treatment of the change in fair value of loan notes within the financial statements. It was anticipated that some final amendments would be made to the Financial Review once these discussions had concluded.
 - (iii) The external auditors had commented that the written element of the Review provided a slightly positive outlook on the year. Committee discussed and agreed that the written review provided a factual account of events.
 - (iv) Committee discussed the written element of the Financial Review in detail. The following points were noted:
 - (a) Strategic Commentary: The graph outlining the performance of major league tables provided data from 2012 onwards. However, the graph

outlining research income only provided data from 2015 onwards. It was noted that this inconsistency resulted from the availability of data. It was agreed that this feedback would be shared with the Planning Department in advance of next year's iteration of the Financial Review.

- (b) Addressing Risk: It was suggested that, for next year, evidence provided under the mitigation of risks should be strengthened to provide an indication of how the mitigation had impacted on the identified risk.
- (c) The University's Structure of Corporate Governance: It was agreed that the wording "concerned with" should be updated within the description of the Infrastructure and Finance Committee (IFC) to better reflect the IFC's proactive role in the strategic and operational planning of the University's Estate and Information Technology infrastructure.

Action: Executive Director of Corporate Governance

- (d) Financial Review: It was questioned whether the University's Financial Key Performance Indicator's (KPIs) had been benchmarked against other universities. It was noted that the Higher Education Funding Council for England (HEFCE) had previously provided benchmarking data. However, this data had not yet been provided by the Office for Students. The University would undertake a review of its financial KPIs as part of the work undertaken in relation to the new University Strategy. It was agreed that benchmarking data should be circulated to the Committee at a future meeting once this data had been provided by the Office for Students or otherwise undertaken manually by the University, if possible.

Action: Executive Director of Finance

- (v) Committee welcomed the receipt of the full Financial Review for the first time. Committee thanked the Executive Director of Finance and her team for their work in producing the Financial Statements.

- 29.2 The Committee agreed to recommend, via the Audit and Quality Committee, the Financial Review for the year ended 31 July 2019 for approval by the Board of Governors on 25 November 2019. It was noted that the Chair of the Committee would relay the Committee's discussions to the Chair of the Audit and Quality Committee following the meeting.

Action: Executive Director of Finance

30 OFS Annual Finance Return

- 30.1 Committee received a verbal report from the Emma Woollard, Executive Director of Finance that provided an update on the requirements for the Financial Forecasts and Annual Accountability Return. The following points were noted in discussion:



- (i) The Office for Students (OfS) had made a number of changes to the format and content of information required in the Financial Forecasts. The high-level guidance and templates had only been circulated to the University by the OfS on 28 October 2019 and the more detailed guidance was received in November 2019. As a result of this delay in circulation, the Finance Department was still in the process of completing the Financial Forecasts. The Chair of the Committee had agreed that the completed Financial Forecasts should be submitted direct to the Board of Governors on 25 November 2019 to mitigate any additional pressure on the Finance Department. It was noted that the content outlined in the Financial Forecasts would not be significantly different from the financial statements and other information received by IFC throughout the year.
- (ii) The Forecasts included the financial statements for the year ended 31 July 2019 and statements from previous years. There were four forecasted years which drew largely upon information outlined in the management accounts as at the end of September 2019.
- (iii) The University would ensure that the requirement of the new University Strategy were appropriately reflected in the Forecasts.
- (iv) Any known changes to the Estates Masterplan will be reflected in the Forecasts.
- (v) The commentary to the Financial Forecasts had been drafted in accordance with the guidance provided by the OfS and provided assurances regarding the financial viability, governance and sustainability of the University.

30.2 Committee noted that the Financial Forecasts and Annual Accountability Return would be submitted to Board of Governors for approval on 25 November 2019. It was agreed that the Chair of the Committee would be notified if there were any matters that required consideration before the November Board meeting.

Action: Executive Director of Finance

31 Student Recruitment 2019/2020 – confidential minute

32 Project Selborne – confidential minute

33 University of Portsmouth Students' Union Financial Statements 2018/2019

33.1 Anna Clodfelter, UPSU Chief Executive, presented the University of Portsmouth Students' Union (UPSU) annual report and consolidated financial statements for the year ended 31 July 2019. The following points were noted in discussion:

- (i) The Report and Consolidated Financial Statements had been approved by UPSU's Board of Trustees on 22 October 2019.
- (ii) Overall it had been a positive year for UPSU. It was reported that there was an operating surplus of £71,251 compared to budget. This had been a conscious decision due to an impending increase in pension costs. It was noted that a 40% increase in pension costs was anticipated which would be due in March 2020.
- (iii) There was discussion on how the operational surplus of £71,251 reconciled with the surplus outlined in the financial statements of £123,442. It was noted that the University had previously made available additional funds to UPSU to cover pension costs and that this had affected upon the surplus figures. Committee agreed that it would be helpful if UPSU worked with the University Finance Department to reconcile the surplus figures in their Management Accounts and the consolidated financial statements.

Action: Executive Director of Finance

33.1 Committee noted the Financial Statements, acknowledging its responsibilities under the Education Act 1994 to take such steps as are reasonably practicable to ensure that the Students' Union is accountable for its finances.

34 Treasury Management Policy

34.1 Paul Drohan, Investment Manager, presented a report that outlined the review of the Treasury Management Policy (TMP) and the proposal for additional investment options. The following points were noted in discussion:

- (i) Minor updates were proposed to the TMP to ensure that it remained up-to-date with organisational changes and to reflect rate changes.

- (ii) The paper proposed that the scope of investment options outlined within the TMP should be widened to include the following areas:
- (a) Covered bonds: The current iteration of the TMP listed bonds as an approved investment instrument for investment via external fund manager and for direct investment. This had been interpreted as bonds that paid fixed or variable interest. The paper proposed that the TMP should be widened to include covered bonds which were backed by a separate pool of assets, usually residential mortgages. It was noted that covered bonds provided an additional low risk investment option that, in the event of failure of a financial institution, the investor would be protected from losses
 - (b) Second tier building societies: There were four building societies who currently met the University's credit rating criteria and were therefore listed in the TMP's approved counterparty list. These were Nationwide, Coventry, Yorkshire and Leeds. The report proposed that building societies with assets over £8bn but which do not currently meet the University's credit rating criteria should be eligible for inclusion on the approved counterparty list if they meet a reduced credit rating limit of £20m (compared to £30m). Building societies who met this widened approach included the Principality Building Society and Skipton Building Society.
 - (c) Commercial Paper: This investment instrument was a short-term option which typically covered a period of three to six months and up to a maximum of one year. Commercial Paper was usually issued by non-financial corporates and other non-financial entities. The report proposed that this instrument should be added to the TMP and that the following companies should be added to the approved counterparty list:
 - Transport for London;
 - Aviva Plc;
 - Legal and General Finance;
 - Toyota Motor Finance
- (iii) It was noted that these additional investment options fell within the category of fixed income investment and continued to be low-risk investment options.
- (iv) Committee agreed that a full review of the TMP should be undertaken by September 2020 at the latest and that this should include a discussion of the University's investment risk appetite. **Action: Investment Manager**

- (v) The University would draft a policy that would cover ethical investment considerations. This would be submitted to the Committee at a future meeting, once finalised.

34.2 The Committee approved the amendments to the Treasury Management Policy, including the addition of the additional investment options outlined in the agenda paper.

35 Annual Investment Report

35.1 Paul Drohan, Investment Manager, presented a paper that provided an update on the University's annual investment performance for 2018/2019. The following points were noted in discussion:

- (i) The University's cash balances had increased by £23.9m between 31 July 2018 and 31 July 2019. Total cash balances as at 31 July 2019 were £274.6m. It was noted that this increase had resulted from the surplus achieved in 2018/2019 and delays in cash outflows associated with the Estates Masterplan.
- (ii) During 2018/2019, the return on internally managed cash was 0.92% per annum. This return exceeded the targets that had been informally set within the Finance Department of 0.83% per annum which correlated with the average three month LIBOR for the year ended 31 July 2019.
- (iii) The overall performance of externally managed cash investment returns during 2018/2019 had been positive. The performance of the fund managed by Goldman Sachs had significantly improved in the year with an annual return of 2.47% for 2018/2019. This was significantly higher than the lower target set for the fund as outlined in the TMP of 1.22%. The annual return from the fund management by Royal London Asset Management was 1.76% for 2018/2019 which was higher than the TMP lower target of 0.51%.
- (iv) An account with the Federated Short Term Sterling Prime Fund had been opened in September 2018. This fund was an instant access fund which was managed by Federated Investors. The performance of the fund was an annual return of 0.74% for 2018/2019 which was 0.01% below the average base rate for instant access products.
- (v) The average annual return of both externally and internally managed funds was 1.42% for 2018/2019.

- (vi) The University had invested in a suite of three investment funds that were managed by CCLA Investment Management Ltd. The performance of the funds had also been positive with an overall annual return of 9.7% for 2018/2019. This was an improvement on the total annual return received during 2017/2018 which was 6.0%.
- (vii) Committee noted that it would be open to meeting with investment fund managers if any changes were made to the University's externally management investment portfolio in the future.

35.2 Committee noted the report and thanked the Investment Manager and the Finance Department for their work.

36 Director of Information Services Report and Presentation

36.1 Darrell Sturley, Interim Director of Information Services, delivered a presentation entitled 'IT Strategic Overview'. The following key points were noted:

- (i) This presentation provided an indication of the early themes that were under discussion for the new IT Strategy. These included collaboration and communications; sustainable operations; digital education; global reach; and supporting researchers.
- (ii) Committee noted the high-level risks that were associated with IT services at the University. These included major infrastructure failure; inadequate business continuity; cyber security; and loss of key staff.
- (iii) A new model for the delegation of business within IT governance was in the process of being developed. This would ensure that governance processes were clear and transparent for all staff across the University. It was also noted that it was important to work with student demands to determine IT priorities.
- (iv) It was anticipated that the high-level strategy would be drafted by spring 2020. Consultation with key stakeholders was important to ensure that the new strategy was stakeholder owned. The operating model that would support the delivery of the strategy would be developed by the incoming Director of Information Services.

36.2 The Committee welcomed the presentation and agreed that a further update should be received at a future Committee meeting. It was also suggested that this would be an interesting and important topic of discussion for a future Board of Governors meeting.

Action: Senior Governance Officer

37 Executive Director of Finance Report – confidential minute

38 Director of Estates and Campus Services Report – confidential minute

39 University Management Accounts to September 2019

Committee received and noted the University Management Accounts to September 2019.

40 Subsidiary Companies Management Accounts to September 2019

Committee received and noted the Subsidiary Companies Management Accounts to September 2019.

41 Office for Students Circulars

Committee noted that Office for Students circulars could be found on their website:

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

42 Date of Next Meeting

The next meeting would take place at 1030 on Tuesday 28 January 2020.

43 Delegated Authority

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