

Minutes of the Finance and Services Standing Committee
4.30pm on Tuesday 4 March 2025
Braid Room, Charles Stewart House

Present: Almira Delibegovic-Broome, Convener, FSSC
Lucy Hunter Blackburn
Manya Buchan
Kirsty MacGregor (online)
Alan Ross
William Duncan, Secretary of the General Council
Gordon Cairns, Convener of the Business Committee
Alison McNulty, Assistant Secretary of the General Council

In attendance: Nirmal Borkhataria, Interim Director of Finance

1. Welcome and apologies

The Convener welcomed all to the meeting and invited Nirmal Borkhataria (NB) to present a review of financial reports and the University's current financial situation.

This was a closed meeting and only FSSC members, Business Committee Office Bearers and secretariat were present.

Apologies received from Bruce Nelson.

2. Presentation by Nirmal Borkhataria, Interim Director of Finance

- Following the presentation by NB outlining his financial projections, he explained that, while the University currently uses EBIDTA as a recognized financial metric, he advocates the addition of a more comprehensive 'operational position' metric which he believes is a better measure for understanding the institution's financial health, especially given recent financial challenges such as an additional £13 million a year in increased NI contributions and the resultant strain this has placed on universities;
- The University began with an opening cash balance of £768 million which was projected to diminish significantly over the next few years without intervention e.g., income grew by 10% as against expenditure of 22% which NB believes is unsustainable;
- To address this, a strategy to achieve a balanced budget in 2025-26, followed by an operational surplus target of at least 3% going forward involves identifying and implementing £140 million in cost reductions, to be split between a £90 million reduction in staff costs and the rest in operating expenditure;
- Noted that some estates projects scheduled for 2025-26 are already far too advanced to pause but future projects will undergo rigorous reviews to evaluate their necessity versus the financial strain they might introduce;
- Aim to keep staff costs at 53% of income and operating expenditure at 35% of income and savings have been allocated to the three Colleges and professional service areas: 5 workstreams have been developed under the headings of Teaching and Learning, Research, Staff, Capital Spend and Operational Expenditure;
- NB reported that over the last four years academic staff grew by 14%, professional

service staff supporting colleges and schools grew by 28% and professional service staff in professional service areas grew by 14%;

- AD-B queried whether a framework currently exists within the University to effectively manage the scale of change required and NB highlighted the formation of a Change Management Office tasked to oversee strategic projects, emphasizing the adaptive role of existing staff who possess critical institutional knowledge to lead on these initiatives effectively;
- It was mentioned that while external consultants like KPMG could offer specialized skills not available internally, the University's strategy focuses primarily on leveraging in-house expertise to handle most of the change management processes;
- WD pointed out opportunities for improvements such as better integrating academic expertise with professional services and questioned the efficiency of IT systems;
- NB spoke of the complexity of aligning academic theory with practical execution, sharing observations from past experiences about the challenges in engaging academic involvement in hands-on management processes;
- Noted that growth in administrative staff across the sector has surpassed the increase in academic staff and this pattern signals a broader cultural shift within higher education that leans towards expanding administrative functions and costs, including expenditure related to equality, diversity and inclusion (EDI), which have significantly risen over a short period;
- LB touched on universities potential financial vulnerabilities with forthcoming changes in research funding allocation through the Research Excellence Framework (REF), which proposes to increase the weight of the 'research environment' component. Such changes could disadvantage institutions that have excelled under the current system by monetizing their research outputs. The implications are particularly acute for UoE which might face a reduction in funding if these changes are implemented;
- KM initiated concerns about how recent changes and challenges, including the Covid pandemic and financial management issues, have impacted the University's staff morale and overall community well-being and underscored the necessity of handling changes sensitively due to the institution's already bruised state, arising from significant pressure on staff and the academic community;
- Reference was made to an external report, prepared following the challenges with implementation of the new People & Money System that pointed to, among other things, a breakdown of trust within the University. This complicates the challenge of implementing new financial strategies and highlights the significant disaffection and the strained environment into which new cost-cutting and restructuring plans are being introduced;
- NB said that while expected savings are not yet known, a large proportion might be achieved through the Voluntary Severance scheme and monthly meetings are being arranged with individual budget holders in each area;
- Pointed out inefficiencies in terms of administrative duplication and programmes/courses that are no longer relevant;
- NB concluded the discussion by stating that the entire sector has been affected financially by a decline in the growth of international student numbers and long-term government underfunding and emphasised the need to ensure that the University is on a stable financial footing going forward in order to deliver its core academic

mission. He added that there might have to be a review of Strategy 2030 in the light of proposed savings.

The Convener thanked NB for the opportunity for open and frank discussion.

3. Minutes from the meeting held on 4 November 2024

The minutes were approved.

4. Matters arising from the minutes of 4 November 2024

Item 7: General Council Budget 2024-25

- WD reported that there is sufficient budgetary resource available for the remaining academic year but emphasised that future spending will need to be carefully monitored, particularly given the shift from a “spend or lose” to a more careful fiscal approach with a strong indication that future budget allocations are uncertain;
- A significant proportion of the GC budget had been designated for communications but initiatives are underway to transition from the traditional printed *Billet* towards more proactive and engaging digital modes of communication, including considering the General Council’s social media presence with the aim of reaching a more diverse alumni group, and enhancing value within the University’s outreach efforts through the Public Affairs Standing Committee.

Action:-

The Secretary will present a detailed budget report to the committee at the next meeting of FSSC in May.

5. General Council Prince Philip Fund

One new recipient of the fund has been appointed for the current academic year.

6. Preparation for the next meeting

The next meeting of FSSC will be held on Tuesday 6 May 2025 at 4.30pm in the Braid Room, Charles Stewart House. The invited speaker is Gavin McLachlan, Chief Information Officer and Librarian to the University who will update the committee on the University’s digital infrastructure.

7. Any other business

None.