

PLEASE NOTE THAT COMMERCIAL AND STRATEGIC SENSITIVE INFORMATION HAS BEEN REDACTED.

Key abbreviations/acronyms used in these Minutes:

HEFCE	Higher Education Funding Council for England
SMT	Strategic Management Team
LGPS	Local Government Pension Scheme
USS	Universities Superannuation Scheme
TEF	Teaching Excellence Framework
FTE	Full-Time Equivalent
UCEA	Universities & Colleges Employers Association
PGT	Post Graduate Taught
HE	Higher Education
STEM	Science, Technology, Engineering and Mathematics

Date: Monday 31st October 2016

Venue: Roscoe Room

Present: Mrs K Byrne (Chair, Finance Committee)
Mr R Hill (Chair, Board of Governors)
Mr E Ward
Professor N Weatherill
Mr C Williams

Apologies: Ms J Bertolini (Finance Director (University Secretary) & Deputy Chief Executive)

In attendance: Mr C Davies (Director, Estate Management)
Ms B McGuiness (Deputy Finance Director)
Mr R Schooler (Associate Director, Financial Planning & Modelling)
Ms D Tipping (Committee Secretary, Minutes)

Declarations of Interests: No interests were declared.

Welcome: The Chair welcomed the Chair of the Board to the Finance Committee.

PRELIMINARY FORMAL BUSINESS

FC 16.34 Minutes of Previous Meeting

The minutes of the meeting held on 22nd June 2016 were approved as an accurate record. Some minor amendments

had been made by the Chair prior to the meeting and a fresh copy of the minutes were tabled and approved at the meeting.

FC 16.35

Matters Arising Not Covered on the Agenda

All matters arising were covered as separate items on the agenda apart from the following:

- Action Point FC 15.13 Any Other Business and Action Point FC 15.24 (i) Governance Effectiveness Review: Finance Committee Action Plan: The Finance Director (University Secretary) & Deputy Chief Executive advised that the section in relation to Finance Committee responsibilities within the Scheme of Delegation sets out responsibilities for subsidiaries, wholly-owned, or partly-owned but has no delegation for joint ventures. The Finance Director (University Secretary) & Deputy Chief Executive has advised that a section be added to the Scheme of Delegation in this regard outlining responsibility for jointly-owned ventures needing approval by the Board. This aspect of the action will be taken forward by the Board of Governors.

The Committee Secretary advised that the review and update of the Scheme of Delegation had been discussed at the Board of Governors' meeting held on 29th September 2016. It had been agreed that the review be deferred until the new year 2017 to align with the new Strategic Plan 2017-2022.

The Chair noted the above but felt that there should have been some assurance regarding responsibility for jointly-owned ventures needing approval by the Board included within the financial accounts of the subsidiary companies presented today. Also, that irrespective of the publication of the Scheme of Delegation there should be a process in place. This would be discussed further later in the agenda in regard to the 'Governance Effectiveness Review Action Plan'.

- Action Point FC 16.03 (ii) Half-Year Financial Forecast 2015/16 and Action Point FC 16.18 Matters arising not covered on the Agenda: A paper on student retention would discharge these actions today and would also be presented to the Board of Governors at its meeting to be held on 21st November 2016.
- Action Point FC 16.23 Five Year Financial Forecasts: The request for further scenario planning had been deferred until March 2017 to ensure a report of value is provided to the Finance Committee to align with the half-year financial review.

ITEMS FOR ENDORSEMENT/REVIEW

FC 16.36

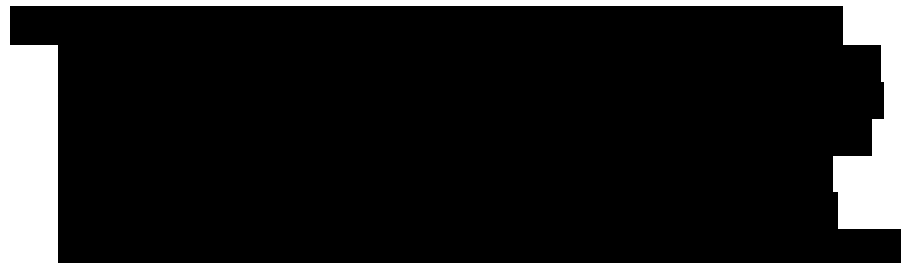
2015/16 Year End Financial Statements

Received:

The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 16/028).

Reported:

- The Deputy Finance Director presented the report and also provided a summarised PowerPoint presentation setting out the highlights for ease of reference. The Financial Statements for 2015/16 were provided in draft format for the Committee's endorsement before presenting to the Board of Governors for approval on 21st November 2016 and onward to HEFCE by 1st December 2016.
- The group result for the year is a surplus of £19.3m. This result is comprised of a group operational surplus of £24.3m adjusted by a £3.7m charge for FRS 102 pension charge. The effect of the change in the reporting of the surplus associated with the introduction of FRS 102 is £3.7m and the impact of an impairment on an asset held in the University's wholly owned subsidiary company (LRC) £(5.0)m.



- The handout also provided a year on year analysis of the University Group; a summary of movements between the Budget and Actual results for Income and Expenditure; the Group balance sheet comparison; and Banking Covenants.
- The report outlined increases in pension costs which was due to the LGPS increase linked to market conditions and uncertainty as a result of Brexit.
- The University is meeting all its banking covenants.

Commented:

- The Chair of the Board sought further assurance regarding pension costs and whether the University is confident it is setting aside the appropriate provision given recent concerns he had heard across the sector. He had heard that in many universities this had become the number one risk on their risk registers and he wouldn't like to see the University placed at risk because it hadn't anticipated the

increases. The Deputy Finance Director informed the Committee that it very much depended on the type of university, as universities similar to LJMU have, generally speaking, significant numbers of people in the LGPS which has been subjected to a review every three years. Those universities with large numbers of people within the USS Scheme will potentially now be hit with large increases, more so than in the past. LJMU has had this type of pension liability on the University's balance sheet for a number of years whereas a number of other universities have not. There is currently a consultation of the USS being taken at the moment and in addition to the new reporting standards the University has had to make additional provision in excess of £600k. Many other universities are having to make increases in millions. However, if the percentage of the employer's contribution increased for the University for USS it only applies to 50 people, other universities have 500 or more. If the University does face significant increases for the LGPS then this will affect LJMU more but there would be a process for further discussions and putting a plan of action in place as opposed to having it hit dramatically. The Chair of the Board noted the Deputy Finance Director's helpful response noting that any increases would have an effect on the University's reserves, budget and forecasting plans if this were to happen.

- New governors sought clarification regarding the University's spread of investments. The Deputy Finance Director advised this was outlined within the Treasury Management Policy which is provided to the Finance Committee on an annual basis, [REDACTED]

[REDACTED] The Chair of Finance Committee advised that the Treasury Management Policy had recently been received by the Committee due to a change in the ratings.

- Governors further discussed the banking covenants noting the complexity of such covenants and how decreasing reserves may cause a breach in covenants. Governors were assured those sensitivities are built in and the University is in significant negotiation and conversation with the bank who would not want to see the University in breach of the covenants.
- It was clarified for new governors that the Committee received the annual accounts of the University and its subsidiaries for consideration in the context of the financial viability of the University and its subsidiaries in the short

and long term, and to make any recommendations to the Board of Governors.

- The Deputy Finance Director advised that the auditor's opinion is stated within the financial statements and that the Finance Committee receive a copy of the External Auditor's Audit Highlights Memorandum and Management Letter, which is presented to the November Audit Committee, and then circulated to all members of the Finance Committee along with the Minute extract.
- The Chair of Finance Committee also noted that the Corporate Governance Statement and the Public Benefit Statement within the financial statements, along with the Audit Committee's annual report are approved by the Audit Committee. The Chair of Finance Committee welcomed the Public Benefit Report in particular which provided a summary of activities provided by the University for its charitable purpose.

- [REDACTED]

Action: Deputy Finance Director

Endorsed: The Finance Committee noted and endorsed the report for the financial year 2015/16 for onward presentation to the Board of Governors and submission to HEFCE by 1st December 2016.

FC 16.37 **Monitoring Forecast Report 2016/17**

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 16/029)

Reported: [REDACTED] The Associate Director, Financial Planning & Modelling, presented the report and presentational handout which provided an initial update on the 2016/17 financial year.

[REDACTED]

- The monitoring forecast remains consistent with the approved budget.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- UCEA made a full and final offer for 2016-17 at the final negotiating meeting. The 1.1% base pay increase for employees on point 8 and above brings the average pay increase this year to 2.7% when combined with the pay progression available to around half the employees covered. Implementation of the pay award for all of the University's employees is expected to take place in November 2016.

[REDACTED]

- A number of initiatives were identified to support activities that can have an immediate impact on enhancing the student experience and to support initiatives related to the National Student Survey.

[Redacted text block]

- [Redacted list item]

Commented:

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[REDACTED]


[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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- The Vice-Chancellor & Chief Executive informed the Committee that he had set up three groups: IT and Digital; Estates; and Marketing, to plan ahead and list a number of projects with a business case for each area so that if the University finds itself in a positive financial position we can prioritise and implement those projects.

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- The Committee agreed that a new approach to the financial strategy of the University should be given further consideration by the Board of Governors and that this would form the basis of discussion at the January 2017 Governors' Workshop.

Action: Vice-Chancellor & Chief Executive

FC 16.38 **Annual Report: University Subsidiary and Related Companies**

Received: The report of the Deputy Finance Director (FC 16/030)

Reported:

- The annual reports for the University's subsidiary and related companies, their activities and financial statements were provided to the Committee for information and oversight.

Commented:

- The Chair of the Finance Committee sought clarification in relation to the Liverpool Science Park which stipulated the members' interests as Liverpool City Council 51%, Liverpool John Moores University and the University of Liverpool 24.5% each. However, the accounts indicated a loss of £144k of which the University's share is £72k which is 50%. The Deputy Finance Director advised that this is a typing error and will ensure this is corrected.

Action: Deputy Finance Director

- The Chair of Finance Committee was surprised to see web development as an intangible asset within the accounts of the Science Park, and this was further clarified that this is due to the income generation aspect of the website, for example, booking room and attracting people into the building.
- The Chair of the Finance Committee noted that it looked as if the Science Park is generating a profit for the first time in 10 years but this is only due to the re-classification of loans and revenue. The Vice-Chancellor & Chief Executive informed the Committee that there was significant focus on the Science Park generating a profit and to ensure it had a clear strategy for sustainability in the future.

Noted.

FC 16.39 Annual Report: Contract & Grants Audit

Received: The report of the Deputy Finance Director (FC 16/031)

- Reported:**
- The report provided the Finance Committee with information in regard to the value and number of contracts and grants externally audited during 2015/16.
 - Each year the University delivers on contracts and grants received from funding and other agencies across the world. Each funder/grant provider have their own set of rules and guidelines which relate to both the outputs delivered and financial requirements.
 - The University has, for several years, engaged specialist grant auditors. The current incumbent is Mazars LLP who were appointed through an OJEU tender process and commenced audits for the year commencing August 2013. They have therefore now completed three years of audit service.
 - Mazars LLP provided their report which indicated that work carried out to date has highlighted no issues with the processes and procedures of the University and very few queries with the expenditure being included in project claims. Any queries raised had been quickly addressed by the Finance Team.
 - Mazars LLP also reported that they were not aware of any issues which require the attention of the Audit Committee at this stage and that if anything should arise they will

discuss this immediately with the Chair of the Audit Committee.

- The report had been shared with the Audit Committee in October 2016.

Noted: The Finance Committee noted the report as endorsed by SMT and the Audit Committee.

FC 16.40 **Annual Report: Faculty Income Generation**

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 16/032)

- Reported:**
- The Associate Director, Financial Planning and Modelling presented the report which had been prepared to advise the Committee of the Faculties strategies in terms of income generation targets and future aspirations, together with the plans behind the projected growth.
 - The year-end review report relating to the financial statements provides details of each Faculty's performance against the budget and outturn forecast for 2015/16. The report advised of the targets incorporated into the University's financial forecasts and proposed actions by Faculties to deliver these targets going forward.
 - It should be noted that the SMT reviews, on a monthly basis, a report which sets out analyses of the contract value of research and enterprise activity currently live on the finance system by faculty and research funding type, and the values held on the Enterprise Forward Order Book. The monthly report provides an analysis of the value of new research and enterprise contracts awarded for the 12 month period August 2015 to July 2016.
 - This reporting and ongoing reviews will continue through 2016/17 and future years and will be used to inform forecasts provided to Finance Committee.

■ The Executive Deans considered the forecasts and outlined their plans to meet the income values within the financial forecasts. ■

■

- The report contained the following:
 - Graphical presentation between actual and forecasted values by faculty by activity stream for the period of 2011/12 to 2015/16 actuals and 2016/17 to 2019/20 forecasts.
 - Graphical presentation of total non-teaching income for the period of 2011/12 to 2015/16 actuals and 2016/17 to 2019/20 forecasts.
 - Total non-teaching income by year with faculty split for the period 2011/12 to 2015/16 actuals and 2016/17 to 2019/20 forecasts.
 - Feedback from Executive Deans in relation to the major assumptions and proposals behind each activity underpin the growth; actions being taken to increase income streams; contracts currently in place and envisaged new contracts; and whether they felt the values (forecast) still to be applicable and valid.

Commented:

- The Chair of Finance Committee welcomed the comprehensive report noting the difference in length of the responses from the Faculties.
- The Chair of Finance Committee noted the positive comments from the Executive Deans regarding the targets set being realistic and that these are built into the forward financial forecasts. She received reassurance from the Vice-Chancellor and Chief Executive that he is reasonably comfortable that the targets will be achieved and that in each of the areas (research, enterprise and collaborative) there is a clear strategy in place.

[REDACTED]

Noted.

FC 16.41

Property & Capital Development Progress Report

Received:

The report of the Director of Estate Management (FC 16/033)

Reported:

[REDACTED]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

- The report also provided a summary of the spend on capital expenditure for property, I.T. and equipment across the University, and the financial result for 2015/16, budget and monitoring forecast for 2016/17 and forecasts for future years associated with property and capital developments.

Commented:

[Redacted text block]

[Redacted text block]

Action:

Finance Director (University Secretary) & Deputy Chief Executive

[Redacted]

[Redacted]

[Redacted]

- [Redacted]

Noted:

The Finance Committee:

- Noted progress with regard to the University's Property and Capital Development Strategy.
- Noted the key issues and actions taken with regard to the Copperas Hill development.
- Noted progress with the development of the University Enterprise Zone (Sensor City Liverpool Ltd.)
- Noted the completion of the STEM Capital Investment Programme.

- Noted the acquisition of a ten year leasehold interest in Exchange Station Building.
- Noted the ongoing issues with the external cladding system on the Redmonds Building.
- Noted the financial result for 2015/16, budget and monitoring forecast for 2016/17 and forecasts for future years associated with property and capital developments.

FC 16.42

Student Retention

Received:

The tabled report from the Vice-Chancellor & Chief Executive (FC 16/034).

Reported:

- The Vice-Chancellor & Chief Executive provided the Committee with an early analysis of the retention rates for full-time undergraduate students recruited for commencement in the 2015/16 academic session and withdrawing within thirteen months of starting a degree course. It was noted that the figures presented are subject to minor change as withdrawals and progressions are processed.

[REDACTED]

[REDACTED]

[REDACTED]

- The report outlined the best and worst retention rates across the Schools and Faculties as per data based on data sourced from HESA Student Records.
- It was noted that the report will also be presented to the Board of Governors at its 21st November meeting.
- The Vice-Chancellor & Chief Executive informed the Committee that the University will continue to focus on retention and closely monitor retention on a regular basis.

Commented:

[REDACTED]

[REDACTED]

- Governors sought clarification around accountability for retention, whether this is a centralised responsibility or whether it is devolved to the Faculties. The Vice-Chancellor & Chief Executive informed the Committee that both the Registrar & Deputy Chief Executive and the Pro-Vice-Chancellor (Education) have responsibilities in this area. The SMT also meets with the SDF on a monthly basis and retention is always reported at those meetings. It is a requirement that all Faculty and Divisional Team Meetings have retention as a standard item on the agenda and therefore is monitored on a regular basis

[REDACTED]

Noted.

FC 16.43

LiverpoolSU Financial Update

Received:

The report of the Deputy Finance Director (FC 16/035)

Reported:

- The report provided an update on the financial position of the Liverpool Students' Union (LiverpoolSU). The draft financial statements had not been provided as they had not been presented to the LiverpoolSU Trustees. However, the draft surplus and balance sheet had been provided.
- The Liverpool Students' Union were forecasting a surplus of £45k based on the April management accounts and reported to the June Finance Committee. The draft result is a surplus of £24k which is less than the forecast but a significant improvement over the original budget of £6k.

- The balance sheet remains strong at the end of July with an improvement in net assets over the past two years, including higher cash and bank deposits.
- The long term loan from LJMU to the Students' Union remains at £125k with no intention by the University to call on this loan during the 2016/17 year.
- No cash flow has been presented in the report on this occasion, however the previous concerns have been reducing over the last 12-18 months. The Deputy Finance Director will, nonetheless, request a cash flow to be included with the next reports.
- The Students' Union have a 2016/17 surplus budget of £5k which is very similar to the two previous years. The University's contribution of £1,038k was included within the budget when approved by the LiverpoolSU Trustees. The Budget does not reflect the additional £250k recently provided.
- The loan of £125k from the University remains on the LiverpoolSU balance sheet and given the LiverpoolSU's stronger than budgeted surplus for the last two years and cash strength there may be a desire for the LiverpoolSU to remove this creditor. Discussions about this will take place between the LiverpoolSU and the University.
- The first set of management accounts for the Students' Union is not available to the Finance Committee at this time. The first forecast will be seen by the University in time for the March 2017 meetings.

Commented:

- The Chair of the Finance Committee had requested the Finance Team to discuss with the Students' Union a payment plan for paying back the University's loan and it was further suggested that an alternative would be for the Students' Union to jointly invest with the University to improve services.

Action:

Deputy Finance Director

- The Committee was also assured that the Students' Union continued to make progress with chasing up debts.

Noted:

The Finance Committee:

- Noted the LiverpoolSU's 2015/16 draft result of a surplus of £24k.

- Noted the LiverpoolSU Budget for 2016/17 with a budget surplus of £5k.

FC 16.44 **Pensions Annual Update**

Received: The report of the Deputy Finance Director (FC 16/036)

- Reported:**
- The report provided the Committee with an update of the status of various pension schemes within the University and the changes moving forward. The Schemes operated are:
 - Local Government Pension Scheme (LGPS) – 1350 staff members;
 - Teachers’ Pension Scheme (TPS) – 1000 staff members;
 - Universities Superannuation Scheme (USS) – 50 staff members;
 - The Mercer Scheme (administered by Friends Life) – 0 staff members
 - Enhanced Pensions Provision – 167 members

Commented: • The Chair of Finance Committee informed the Committee that KPMG had offered to provide a workshop for governors on pensions within the HE sector which she suggested the University should explore.

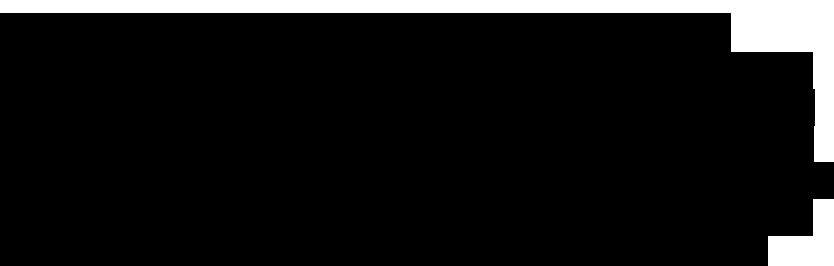
Action: **Deputy Finance Director**

Noted.

FC 16.45 **Barclays Bank Loan**

Received: An oral update from the Deputy Finance Director.

Reported: • 

Commented: • 



Noted.

FC 16.46 **HEFCE's Accounts Direction to Higher Education Institutions for 2016-17 Financial Statements**

Received: The above Accounts Direction for information as required by the HEFCE (FC 16/037)

Noted.

FC 16.47 **Governance Effectiveness Review: Finance Committee Action Plan**

Received: The report of the Committee Secretary (FC 16/038)

- Reported:**
- As discussed earlier in the meeting the only outstanding action is in ensuring a process is in place for providing assurance that the Board of any subsidiary entity possesses the attributes necessary to provide proper stewardship and control, necessitating the appointment of suitably qualified directors or trustees to its Board, and requiring the entity's Board to conduct its business in accordance with a recognised code of practice.
 - Notwithstanding that responsibilities will be outlined within the Scheme of Delegation once reviewed early in the new year, the Finance Committee agreed that this action remain open to the Finance Committee and that the process be reported back to the Finance Committee at its March meeting. However, the Finance Committee's 'Governance Effectiveness Review Action Plan' can now be discharged.

Action: **Finance Director (University Secretary) & Deputy Chief Executive**

Noted.

FC 16.48 **Finance Committee Annual Report**

Received: The report of the Committee Secretary (FC 16/039)

- Reported:**
- The Finance Committee is presented with its first Annual Report for approval and onward submission to the Board of Governors.
 - In order to further improve the assurance provided to the Board by the Finance Committee on financial matters the report summarised the key activities of the Committee over the last twelve months.

Approved

FC 16.49

Finance Committee Self-Assessment Questionnaire

Received:

The report of the Executive Assistant, Governance & Records Management.

Reported:

- As part of the five yearly 'Governance Effectiveness Review' carried out during 2015/16, and to meet best practice guidance from the Higher Education Code of Governance in the context of adopting an approach of continuous improvement to governance to enhance the Committee's own effectiveness, all of the Board's sub-committees conduct a self-assessment evaluation every two years.
- This is the first self-evaluation survey carried out by the Finance Committee and will be used to identify any reporting or skills gaps and identify the need for any developmental opportunity requests by committee members.
- It was noted that two out of three of the independent members of the Finance Committee were new and therefore the questionnaire was also completed by two recently retired members. The comments were mostly positive with the following recommendations made after further discussion at today's meeting:
 - That a further independent member be appointed to the Finance Committee as soon as possible. The Nominations Committee is currently progressing this matter.
 - That further consideration should be given as to whether committee papers should be reviewed to ensure they are not over lengthy.

Action

Committee Secretary

- The Chair requested that Section B only of the questionnaire 'Running an effective Finance Committee' be carried out again in 2016/17 given that there had been few responses to this section this year due to new committee members.

Action

Committee Secretary

- That the Nominations Committee review the induction process for members of the Finance Committee. The Chair recommended that new members of the

Committee have a one hour session with the Finance Director and/or Deputy Finance Director to explain the legal and regulatory financial requirements and the key elements of and risks to University funding, even if they are not new governors. Also, that the optimum timing for this would be when members had received a committee pack and before the committee. This will be in addition to a briefing that the Chair undertakes to the same timing.

Action

Committee Secretary

- That appropriate training and professional development opportunities are considered by the Nominations Committee. The Nominations Committee has considered this and endorsed the approach of providing committee briefings, occasional papers, and training and development opportunities from the Committee of University Chairs and the Leadership Foundation for Higher Education.

Noted.

FC 16.50

External Audit Management Letter

Reported:

That the External Audit Management Letter will be circulated to members of the Finance Committee after the next Audit Committee meeting, along with the extract of the Audit Committee's minute.

Noted.

FC 16.51

Any Other Business

No other business reported.

FC 16.52

Date of Next Meeting

Monday 20th March 2017 at 4.30 p.m. in the Roscoe Room