



BOARD OF GOVERNORS

FINANCE COMMITTEE

**Minutes of the meeting held
on Monday 27 October 2014**

Key abbreviations/acronyms used in these Minutes:

HEFCE	Higher Education Funding Council for England
P& L	Profit & Loss
SMT	Strategic Management Team
SLC	Student Loans Company
PGD/DE	Post Graduate Diploma/Diploma in Education
CRM	Customer Relationship Management
RIBA	Royal Institute of British Architects
UEZ	University Enterprise Zone
BIS	Department for Business, Innovation & Skills
ERDF	European Regional Development Fund
LSP	Liverpool Science Park
LEP	Local Enterprise Partnership

Papers: You can request a copy of the reports to which reference is made below from the Manager, Secretariat: Tel: 0151 231 3116 or email: secretariat@ljmu.ac.uk [please note some information is marked as *Restricted Business which will not be available to the public*].

Secretary's Note: The Deputy Chairman chaired the meeting in the absence of the Chairman. Please note that due to late apologies the meeting was inquorate and that all decisions made at the Committee will be ratified by the full Board on 17 November 2014.

The Committee agreed to go ahead with the meeting.

PRESENT: Mrs K Byrne (Deputy Chairman)
Mr J Stopforth
Professor N Weatherill

IN ATTENDANCE: Ms J Bertolini (Finance Director & Deputy Chief Executive)
Mr C Davies (Director of Estate Management)
Ms B McGuinness (Deputy Finance Director)
Ms D Tipping (Committee Secretary)

FC 14.33 **APOLOGIES**

Apologies were received from Mr G Morris. Late apologies were received from Mr P Hyland.

<p style="text-align: center;">Preliminary Formal Business</p>

FC 14.34 **DECLARATION OF INTERESTS**

Any member of the Board who had (or who knew of a family member who had) a material, personal, financial or other beneficial interest in any item on the Agenda was requested to declare that interest at the beginning of the meeting, or to the Chairman prior to the meeting, in order that such declaration could be recorded in these Minutes. No such interests were declared.

Noted.

FC 14.35 **MINUTES OF THE MEETING HELD ON 26 JUNE 2014**

- Page 4, second bullet from the bottom, second sentence now reads: "In addition, LiverpoolSU requested if the University could make a further loan to the Students' Union or an advance of the block grant in order to enable the students' union to pay off the deficit payment".
- Page 8, third bullet from the bottom, second sentence now reads: "The outturn forecast is £13.3m surplus on operating activities, £3m FRS 17 pension charge and a surplus on the sale of fixed assets of £1.1m".

Approved with the above amendments.

FC 14.36 **MATTERS ARISING FROM THE MINUTES**

Action Point FC 14.04 (iii) Science Park

This action was discharged as a separate paper at Minute FC 14.40 below.

Action Point FC 14.04 (iv) (a) Terms of Reference

The Purchasing Policy & Procedures is currently under review. A paper will be brought back to the Finance Committee in March 2015.

Action: Deputy Finance Director

Action Point FC 14.09 Property & Capital Development Progress Report

The Director of Estate Management informed the Committee that the current Carbon Management Plan is under review, and that the aim is to produce the new plan, which will be linked to the University's Estate Master Plan, for approval by SMT and the Board of Governors by July 2015. This paper will contain the action plan for dealing with the wider issues as requested by the Finance Committee.

Action: Director of Estate Management.

Secretary's Note: This has been added to the Board of Governors' Programme of Business for July 2015 and therefore is not an action for the Finance Committee.

The Deputy Chairman clarified as to when the targets for each year would be re-baselined. The Director of Estate Management advised that the University would be looking to re-baseline by July 2015 given that there will be a clearer understanding of the shape of the University.

The Deputy Chairman requested an update report on the new Carbon Management Plan and yearly targets to the October 2015 Finance Committee.

Action: Director of Estate Management

Noted.

Action Point FC 14.16 Matters Arising from the Minutes of the meeting held on 17 March 2014

The Director of Estate Management advised that the University had had difficulties in arranging a meeting with Costcutter as requested by the Chairman of Finance Committee.

Mr J Stopforth advised that he would take this action forward on behalf of the University.

Action: Mr J Stopforth

Action Point FC 14.17 (i) Terms of Reference and Action Point FC 14.26 New Financial Memorandum with HEFCE

These actions were discharged through a separate item on the agenda at Minute FC 14.42 below.

Noted.

Action Point FC 14.17 (ii) Terms of Reference

This action was discharged through a separate item on the agenda at Minute FC 14.44 below.

Noted.

Action Point FC 14.18 LiverpoolSU Financial Update

This action was discharged through a separate item on the agenda at Minute FC 14.38 below.

Noted.

Action Point FC 14.23 Risk Register

The Chairman had requested feedback from Committee Members as to whether financial risks should be discussed at each Finance Committee.

The Deputy Chairman requested a full copy of the Finance and Estates elements of the Risk Register on an annual basis and only then at each meeting if there are new risks added to the Risk Register, or if there are significant changes in the risks already attributed. It was agreed that this should come to the June meeting of the Finance Committee.

Action: Finance Director & Deputy Chief Executive.

The Deputy Chairman advised that she would email Mr P Hyland and the Chairman for their agreement of the minutes.

Action: Deputy Chairman

Noted.

Action Point FC 14.27 Financial Reporting Standards (FRS102)

This action was discharged through a separate item on the agenda at Minute FC 14.45 below.

Noted.

Action Point FC 14.28 Presentation of financial information for students

This action was discharged through a separate item on the agenda at Minute FC 14.43 below.

Noted.

<p>Matters for discussion</p>

Secretary's Note: The reports listed as items 5, 6 and 7 on the agenda were taken together.

FC 14.37 **2013/14 FINANCIAL RESULTS (P&L) COMMENTARY** (FC 14/26)
2013/14 FINANCIAL STATEMENTS (FC 14/27)
MONITORING FORECAST REPORT FOR 2014/15 (FC 14/28)

Received: the Reports of the Finance Director & Deputy Chief Executive listed above.

Reported:

- The report was presented by the Deputy Finance Director. The group historic cost result for the year was a surplus of £13.3m. This is an improvement of £9.4m over budget and £1.9m over the June forecast. The substance of the improvement over the June forecast is due to the FRS 17 pensions charge being £1.7m lower than forecast.
- The result was comprised of a group operational surplus of £19.6m adjusted by an impairment/revaluation of the Tithebarn building of £6.13m, a £1.25m charge for FRS 17 (Pensions) and the sale of the Dean Walters building which generated a profit of £1.1m in the year.
- Property Impairment Revaluation: £6.13m more than forecast: Advice received from the University's valuers, CBRE, was that the valuation method for the Tithebarn building of Depreciated Replacement Value (DRC) is no longer appropriate as the building's intended use after the end of 2017/18 year will be for administration rather than for academic space. The result of the change in valuation method is an impairment of £6.1m. The impairment was partially offset by a release of the revaluation reserve of £0.8m.
- Income: HEFCE Core Income improved against the outturn forecast by £47k. This was an overall decrease against budget of £107k. Tuition fees were £0.3m more than the June forecast and £5.8m above budget. The Committee was previously advised in the June forecast of an increase in tuition fees to £5.5m above budget. It was advised at the time that some variances to this might occur when total withdrawals and final numbers were submitted. This has now resulted in a small increase from the forecast.
- Expenditure: Pay and Non-Pay net result is £3.4m less than Forecast. In regard to pay, faculties and divisions resulted in a saving of £2.6m compared to forecast and budget. In relation to non-pay the faculties and division resulted in a saving of £0.9m compared to forecast and £1.6m less than budget.

Commented:

- Further clarification was provided, on request from Committee members, regarding property impairment revaluation. It was explained that this was due to the change in intended use from academic purposes to administration. The Deputy Finance Director advised that the value had been reduced to a more realistic value

which would benefit the University for the purpose of the balance sheet value and if the University was to consider selling the building in the future, and also to comply with Financial Regulations. The Director of Finance & Deputy Chief Executive advised that if the University did not account for the more realistic market value of the building for sale purposes then this would create a large financial risk at the time of the sale of the building.

- The Deputy Chairman highlighted her concern that in regard to all faculties and divisions, excepting for one faculty, that there had been a decrease in turnover and that a number of contracts had come to an end and would not be replaced. She reported that the Finance Committee had recognised the need to focus on other income streams and suggested that some focus should now be given on faculty income with a view to management working with the faculties to better understand their forward income generation opportunities. A further report would be welcomed by the Committee.

Action: Vice-Chancellor & Chief Executive

- The Vice-Chancellor & Chief Executive assured the Deputy Chairman that the University had increased its focus on new income streams, particularly around research and collaborative partnerships, and was now beginning to take positive steps forward. It was hoped that in 12 months' time and future years the University will start to see significant improvements in these areas.

Further reported:

- Cash Balances and Bank Covenants: Cash and bank £12.9m better than forecast, £25.8m better than budget (£6.7m due to increased opening balance and £9.4m due to an improved in-year performance with an additional £6.1m being impairment and not cash. There was a further improvement of £3.5m due to delayed capital expenditure.
- Pensions FRS 17 is £1.75m less than Forecast and Budget. The P&L impact of FRS 17 was £1.25m, an improvement of £1.75m over both the budgeted and forecast values of £3.0m.
- Student Debtors have decreased from £5.1m to £4.6m as a result of both self-sponsored tuition fee debt and re-alignment of Publicly Funded debt (SLC). LJMU continues to see a high percentage of students who chose to use the SLC for tuition fee loans, however LJMU does not manage this debt but the SLC pays or claws back monies. This year the SLC clawed back £896k (£191k in 2012/13) which included money previously received in prior years 2006 to 2012.

- Creditors due within one year have remained fairly static compared to the last year end balances having decreased by only £0.4m from £33.5m to £33.1m.
- The University's bad debt provision is £0.1m less than Forecast. As noted in the April Debtors' review, the expanding reliance placed by students on the use of the SLC for payment of the tuition fees had led to an improvement in the collection of fees. As a result the provision required was less than budget and forecast.
- No further drawdown of the loan has taken place since August 2011 and therefore the loan of £40m remains in place at 31 July 2014. The overall loan facility agreed with Barclays Bank Plc is £60m. Of this £60m, £40m was considered to be a mandatory loan.
- The current bank covenants require the University to generate sufficient cash to meet its loan and finance charge obligations, and also to have debt service levels below a specific percentage income. The University result for 2013/14 comfortably meets, and exceeds, all of Barclays Bank covenant requirements.

Commented:

- The Deputy Chairman clarified that the Committee had not received the accounts for LJMU Malaysia and Microwaste Two Ltd. The Deputy Finance Director advised that Microwaste Two Ltd. was a 'Proof of Concept Company' which is seeking investment but has not yet received investment. However, the accounts will be included in future. In regard to the subsidiary company in Malaysia reporting had not come to the Finance Committee before and has been very much treated as a cost centre within the University as the accounts are prepared in Malaysia. The values are classed as insignificant by the auditors and there is no plan for the University to consolidate it. However, in future the accounts will be brought to the Finance Committee.

Action: Deputy Finance Director.

Further Reported:

- The Deputy Finance Director provided a brief overview of the current status of the 2014/15 year. The budgeted historic cost surplus for the year is £9.3m, which includes assumed costs of FRS 17 (Pensions) at £3m. If this is excluded, the budgeted operational surplus is £12.3m.
- The University had increased its home student recruitment targets and it is anticipated at this stage of the enrolment cycle home undergraduate fee income will exceed the target by £2.9m.

- PGC/DE fee income related to teacher training is forecast to be £1m below the budget value. Evidence from other Institutions suggests this is a national issue arising from the Government's school direct teacher training initiative.
- International income and Post Graduate home fee income are forecast to be below the budget values. It is expected this position will improve on completion of the enrolment cycle, but still remains £0.6m below the budget.
- Therefore, the total fee income is now forecast to exceed the budget by circa £1.3m.
- The approved budget assumed a full year saving of £500k in lease costs associated with the planned purchase of a currently leased building. Negotiations for this purchase with the administrator had become protracted and this forecast now assumes a full year of lease costs.
- The forecast position for the year has been increased by £0.7m to show a surplus of £13m (excluding FRS 17 pension costs), and £10m surplus after including the £3m charge for FRS 17. It is anticipated that the year-end cash position for 2014/15 will improve by approximately £13.9m from £46.2m to £60.1m as a result of the improved 2014/15 opening cash balance and improvement in the forecast surplus.
- The University will comfortably achieve all of the banking covenants associated with the loan facility provided by Barclays Bank Plc. However, there remains, as a result of the change in the payment profile by the SLC, and the developing Estates Strategy, potential pressures on bank balances in the spring and autumn of each year for the next few years.

Commented:

- The Deputy Chairman asked if there are any other expected significant events between now and year end which might affect the forecast, given that the University is now clearer on student numbers. The Deputy Finance Director and the Director of Finance & Deputy Chief Executive advised that uncertainty remained around international recruitment and Post Graduate recruitment due to students starting at different times of the year. Also, that there may be pressures over the next few years on bank balances as the University progresses with its Estate Master Plan, and that in July of next year if the Master Plan is approved the University will need to monitor this very closely.
- The Deputy Chairman also sought further clarification regarding budget figures for the future I.T. Strategy. The Finance Director & Deputy Chief Executive reported that an extra £1.5m had been put in the budget and that the University was currently fleshing out the

detail in this respect. Four business cases had been flagged for this year for: (1) replacement of storage capability; (2) changing the CRM software; (3) upgrading timetabling software; and (4) upgrading technology for the student helpdesks. It was anticipated that although there would be costs associated with upgrading and purchasing new technology there would be real savings in terms of other efficiencies.

- Committee members recognised that international recruitment should remain an important and independent focus of the University. The Vice-Chancellor assured the Committee that this remained a high priority for the University and that equal emphasis should be given across the University for both home and international students. In terms of the overall strategic direction of the University the importance of recruiting international and post graduate students was more than the monetary value, and committee members agreed that the more the University enhances its reputation internationally, then this in turn would encourage and attract more home students.
- The Deputy Chairman thanked the Finance Director & Deputy Chief Executive and the Deputy Finance Director for their helpful and understandable papers. The Committee welcomed the great outturn for last year and the efforts of the faculties and divisions for making savings and efficiencies across the University.

The Committee:

- **Noted and endorsed** the outturn report for the financial year 2013/14 for forward presentation for approval by the Board of Governors and submission to HEFCE by 1 December 2014.
- **Endorsed** the audited Financial Statements for approval by the Board of Governors and onward submission to HEFCE by 1 December 2014.
- **Endorsed** the proposed write off of bad debts for approval by the Board of Governors.
- **Noted** the Monitoring Forecast Report on the 2014/15 financial year.

FC 14.38

LIVERPOOLSU FINANCIAL UPDATE

Received: the report of the Finance Director & Deputy Chief Executive (FC 14/29).

Reported:

- It was agreed at the June Finance Committee Meeting that there would not be a need for representatives from the students' union to

attend all Finance Committee meetings, but that updates would be reported through the Finance Director & Deputy Chief Executive.

- It would be expected that members of LiverpoolSU attend the June meeting of the Finance Committee with budget information and for the committee to receive a paper only on the year end actual budget position at its October committee.
- That the 2013/14 results showed a significant improvement on the June forecast, mainly as a result of the relocation of the students' union relocation from the Haigh building. There had been associated cost savings across the union's activities and particularly reduced operating overheads in the new premises. The final result would be approved at the union's Trustee meeting in November 2014.
- The cash balance at the end of the year was significantly improved over the forecast position which allowed the pension payment to proceed without the need for additional cash support from the University.
- Going forward, LiverpoolSU would provide the Finance Director & Deputy Chief Executive with a P&L, Balance Sheet and Cashflow and explanations. The information provided may vary at different times of the year, however, a forecast update will be provided for the next meeting. It had been requested that the information be provided in a timely manner to allow a review by University management to enable any additional explanations or any additional assurance required in order to update the Finance Committee members.

Commented:

- The Deputy Chairman welcomed the report, recognised the improved information provided and suggested that it would be helpful if the report could also contain waterfall diagrams and tables showing the difference between budget and forecast.

Noted.

FC 14.39

PROPERTY AND CAPITAL DEVELOPMENT PROGRESS REPORT

Received: the report of the Finance Director & Deputy Chief Executive (FC 14/30). **[Restricted minute – confidential and not for publication].**

Reported:

- The report was presented by the Director of Estate Management and provided an update on the financing and progress of the University's Property Development Strategy. In addition, the report

also highlighted progress with regard to the financing, disposals and acquisitions arrangements.

- That the University has agreed to underwrite £400k to enable the development of a concept design for the proposed Sensor City project.
- That another project will require the University to commit a modest sum for the commissioning of a design team to develop a refurbishment programme for a series of laboratory spaces on the Byrom Street site. The investment of £150k will allow design and preparation alongside the University's submission for a grant application to HEFCE for a £5m capital grant.
- The University has sold the Dean Walters Building to the Education Funding Agency (EFA) for use by the Liverpool Institute of Performing Arts (LIPA). The capital receipt from the sale in June 2014 was £2.3m.
- The University has agreed a short term lease (12 months) commencing October 2014 with Carpenter Investments to lease the Haigh Building. The lease will generate a small income, remove any short term maintenance liability and strengthen its current civic engagement with the local community.
- As previously reported to Committee, the University is exploring a possible purchase of the Henry Cotton Building. The University has identified the Henry Cotton Building as key to the successful delivery of the University's Estate Master Plan. The University has submitted a revised offer for the property and is awaiting a decision from the administrator's agents.
- The Board of Governors has approved the appointment of a design team to deliver a RIBA 'Stage 3' design for the Copperas Hill development. The RIBA 'Stage 3' design will be completed in July 2015 and will require a commitment of £2.3m against the project.
- Having reviewed the site investigations and project risks, the operational date for Copperas Hill is now the start of the 2018/19 academic year. The completion of the building is planned for March 2018. The migration of facilities and staff into the building needs to be carefully planned to minimise disruption to staff and students and this would be best planned over the summer of 2018 so that the building is fully operational for the 2018/19 academic year.
- A new Carbon Management Plan will be produced to support the Estate Strategy and Master Plan. Please see Minute FC 14.36 above.

The Committee:

- **Noted** the ongoing measures to control expenditure.

- **Noted** progress with regard to the University's Estate Strategy and Master Plan.
- **Noted** progress with regard to the University's property disposals and acquisitions.
- **Noted** progress with the University's ongoing projects.

FC 14.40 **LIVERPOOL SCIENCE PARK LTD (LSP LTD)**

Received: the report of the Finance Director & Deputy Chief Executive (FC 14/31).

Reported:

- The Committee received the Financial Statements of the Liverpool Science Park Ltd (LSP) for the year ended 31 March 2014, and the budget for the 2014/15 year for the LSP.
- At the Finance Committee meeting in June 2014 the Committee advised that an update report of the LSP would not be required at every meeting, but that it would be helpful to see the Financial Statements and the budget for the company.
- The Director of Finance & Deputy Chief Executive asked Committee members for their feedback on the presentation of the report for future reporting purposes.
- That the Vice-Chancellor & Chief Executive would shortly be taking over the Chairmanship of the Science Park.
- The Finance Director & Deputy Chief Executive reported a possible claw back of European funding in respect of IC3. This is in relation to the EU auditors' draft report stating that ERDF processes had not been strictly followed.

Commented:

- The Deputy Chairman was concerned regarding the issue of the claw back and what this suggested for the governance of the LSP. The Deputy Chairman welcomed the news that the Vice-Chancellor & Chief Executive would be chairing the LSP going forward but asked whether other Committee members felt that relevant reporting should be regularly provided to the Committee until such time as the Committee feels assured about the governance of the LSP.
- The Vice-Chancellor & Chief Executive informed the Committee that he was happy to keep the LSP report as a standing item on the agenda until the Committee was comfortable that some of the

issues around the commercial sustainability and governance of the LSP had been addressed.

- The Committee **agreed** that the LSP should remain as a standing item on the Finance Committee agenda.
- In relation to the information provided the Deputy Chairman stated she had some difficulty in tracking some of the figures in the report as it contained figures at different dates, rather than at a consistent date. For example, a statement regarding the LSP becoming self-sufficient in 2015/16 in one part of the report did not show this in another part of the report. Therefore more clarity would be helpful in future reports.

The Committee:

- **Noted** the draft Financial Statements of LSP Ltd.
- **Noted** the budget of LSP Ltd for the 2014/15 year.
- **Agreed** that LSP should remain a standing item on the Finance Committee agenda.

FC 14.41

FINANCIAL ASPECTS OF SENSOR CITY UNIVERSITY ENTERPRISE ZONE (UEZ)

Received: the report of the Finance Director & Deputy Chief Executive (FC 14/32).

Reported:

- As requested by the Chairman of Finance at the last Board of Governors' meeting on 29 September 2014, the paper informed the Finance Committee of the financial aspects of the Sensor City University Enterprise Zone (UEZ) and provided an update on the current status of the project.
- UEZs are a new government initiative designed to enhance business links and job creation in core city regions via injection of money to create a university-led enterprise zone. The money is specifically earmarked for capital projects and so must be used to generate new real estate that forms the hub of the activity.
- The Liverpool UEZ is for a new technology incubator, focused on businesses that will develop and implement novel sensor systems that integrate sensors, firmware programming and advanced algorithms. Sensors represent a large and growing technology area of vital importance for industry, both locally and nationally. There is currently no comparable centre for sensor technology, and once operational Sensor City will become the largest centre for this activity in the UK.

- This is a joint venture with the University of Liverpool and represents the largest ever partnership between the two institutions.
- The cost of the new building will be £15m, of which £5m has been approved from BIS. The universities are now working on the ERDF application which is due for submission in January 2015. It is the intention of the bid to request £7m from the Liverpool LEP via their ERDF Innovation Funding. It is a fundamental requirement for the project to go ahead that grant funding is received from ERDF.
- The design and planning stage is itself a phased development and therefore the initial procurement for a design team needs to commence in October 2014 in order to meet the deadlines. The two universities have therefore committed to underwrite the design and planning stage to a value of £800k; that being £400k each.
- As part of the total cost of the capital project of £15m both LJMU and the University of Liverpool will need to contribute up to £1.5m each. Of this, LJMU is anticipating that the land value; being c£500k, would be a significant element of the LJMU contribution.
- The Finance Director & Deputy Chief Executive informed the Finance Committee that if ERDF funding was not provided the project would not take place, and further discussions would then need to take place.

Commented:

- Governors welcomed this exciting project, which was in its early planning stages and had therefore not yet appointed a Chief Executive Officer. The Vice-Chancellor & Chief Executive (LJMU) will be the Chair of the joint venture company and the Deputy Finance Director (LJMU) will be the company secretary.
- The Director of Estate Management advised the Committee that the timing of the funding bid meant that the project would need to deliver the capital element and have an operating model in place by 1 April 2017. The BIS grant had been offered but was still being finalised. The University would need to bid for the ERDF funding in January 2015, and would not know if it had been successful until June 2015.
- The Deputy Chairman informed the Committee that the Chairman had asked the Finance Director & Deputy Chief Executive to review delegations of authority between the Board, the Finance Committee and senior management. As part of this work the Deputy Chairman suggested that, as well as financial limits, the University also looks into the nature of some of its third party relationships, including joint ventures, to ensure decisions are considered, where appropriate, at the Finance Committee or onward to the Board.

- The Finance Director & Deputy Chief Executive had given some thought as to the appropriate time to flag such initiatives, as the project was still at the conceptual level and the monies involved had not reached the capital spending target which would need Committee approval.
- The Deputy Chairman advised that it was not only the financial value of the project, but also the governance and reputational considerations and did not want to revisit the same issues that the University had had earlier with the Science Park.

Noted.

FC 14.42 **TERMS OF REFERENCE**

Received: the report of the University Secretary (FC 14/33)

Reported:

- The Finance Committee was reminded of its ongoing requirement to review its Terms of Reference on an annual basis.
- The Finance Committee had reviewed its Terms of Reference in light of the new Memorandum of assurance and accountability between HEFCE and institutions at the Finance Committee held today, Monday 27 October 2014.
- It was agreed at the Board of Governors' meeting held on 29 September 2014, that the Terms of Reference would be reviewed in-depth as part of the 'Governance Effectiveness Review' which would begin in December 2014 at the Board of Governors' Workshop.

Commented:

- The Deputy Chairman made a couple of observations regarding the Terms of Reference for the Finance Committee, which had been appended to the report. Firstly, that the Chairman of the Board had been recorded as a member of the Finance Committee.

Although the Chairman of the Board had the right to attend the Finance Committee he was not an official member, and therefore there should be a third category of membership added as 'Right to Attend'. Secondly, that under the section entitled 'Budgets' at number 10 of the Terms of Reference, regarding subsidiaries, there needed to be a further clear distinction regarding affiliated and joint ventures.

Action: Committee Secretary

Agreed.

PRESENTATION OF FINANCIAL INFORMATION FOR STUDENTS

Received: the report of the Deputy Finance Director (FC 14/34)

Reported:

- The Committee received an update on the progress of the actions recommended by the Committee members at the June Finance Committee and also the recommendations of the Audit Committee held in July, with respect to the new HEFCE requirement in regard to the presentation of financial information for students. The changes to the requirements are to commence for the financial year ending July 2014.
- Work had been ongoing with the SMT, the LJMU Corporate Communications Team and the students' union to further develop the presentation design and content.
- The Committee was provided with a draft at Appendix 1 showing how the University receives Income and how the University spends its money which had been presented to and discussed with SMT. SMT had provided useful comments on other information that should be provided and in particular providing hyperlinks within the document to provide further definitions and clarity. Other discussion had been around what particular information the University could highlight in its section about the University and that this could be more specific about the current year, rather than general comments about the University.
- Appendix 2 had been created by the Corporate Communications Team and was currently available for students and which also incorporated financial information. The Deputy Finance Director sought the Committee's views and opinions on the presentation of the information, which would be put in a prominent position on the University's new website in January 2015.

Commented:

- Committee members welcomed the design and presentation of information outlined as Appendix 2 and felt it would work very well, both on the website, and as a hand-out for applicants or new arrivals to the University. Committee members also welcomed the involvement of students in this piece of work and felt that the information may be used in other areas across the University.

The Committee:

- **Noted** the progress on the actions from the June Finance Committee meeting.
- **Approved** the proposed layout and format for the Financial Information for Students as requested by HEFCE.

Matters for approval or information

FC 14.44 **BANKING ARRANGEMENTS REVIEW**

Received: the report of the Deputy Finance Director (FC 14/35)

- The Committee received an update relating to Action Point FC 14.17 (ii) above in relation to the review being undertaken of the University's banking arrangements including fees and charges.
- An interim report had been received around four key areas: (1) the use of foreign exchange; (2) the mobilisation of funds; (3) bank charges; and (4) the Treasury Policy. In addition the review would also take into account of 'Merchant Services – acquiring cards'.
- The review had highlighted that the University is not making best use of its Euro account and recommended ways in which the University could improve on this, and achieve annual savings in the region of £50k.
- The Deputy Finance Director advised the Committee that a further report would come back to the Committee in March 2015, along with a revised Treasury Policy.

Action: Deputy Finance Director

Noted.

FC 14.45 **FINANCIAL REPORTING STANDARDS (FRS 102) UPDATE**

Received: the report of the Deputy Finance Director (FC 14/36).

Reported:

- The Committee received an update on the progress of the actions approved by the Committee members with respect to FRS 102.
- The implementation date for FRS102 is 2015/16, but 2014/15 will then need to be restated. A number of institutions, including LJMU, had formed a group to discuss the issues and the external auditors (KPMG) were providing guidance and assistance to the group.
- The papers outlined a number of key areas which had been previously highlighted by KPMG at the March meeting of the Audit Committee and the paper reported on the progress and actions already taken, along with recommendations for implementation.

The Committee:

- **Noted** the progress on the actions taken since the June Finance Committee meeting.

FC 14.46 **NEW HEFCE FINANCIAL MEMORANDUM**

Received: the report of the Deputy Finance Director (FC 14/37).

Reported:

- The Committee received an update on the changes to the Financial Memorandum which HEFCE published in June 2014 with an effective date of 1 August 2014. The Memorandum has been renamed as the 'Memorandum of assurance and accountability between HEFCE and institutions'.
- The report had also been presented to the Audit Committee in July and outlined the main changes and decisions taken in light of the consultation results in May 2014.
- The main change is the emphasis and focus on assurance and accountability, and therefore there are no major changes which need to be accounted for in the Finance Committee's Terms of Reference.

The Committee:

- **Noted** the changes to the new HEFCE Memorandum of assurance and accountability which replaces the Financial Memorandum.
- **Noted** that the paper had been reported and presented to the Audit Committee in July 2014.

FC 14.47 **HEFCE'S ACCOUNTS DIRECTION TO HIGHER EDUCATION INSTITUTIONS FOR 2014-15 FINANCIAL STATEMENTS**

Received for information: the HEFCE's Accounts direction to higher education institutions for 2014-15 financial statements. (FC 14/38)

Noted.

FC 14.48 **AUDIT STRATEGY MEMORANDUM – YEAR ENDING 31 JULY 2014**

Received: the report of the External Auditors for information. (FC 14/39)

Reported:

- That consideration should be given to the best time to report the Audit Strategy Memorandum to Finance Committee members, along with the Audit Highlights Memorandum & Management Letter.

Commented:

- The Deputy Chairman informed the Committee that the Audit Highlights Memorandum & Management Letter, which is received by the Audit Committee in November, may have some financial implications. Ordinarily, the Finance Committee would not receive the Management Letter until its March meeting even though it is ready at this time of year. The Deputy Chairman suggested that management look at the relevant timings of the Audit Committee and Finance Committee and whether the dates should change in order to receive information at the right time, or whether the Finance Committee received the information in draft form, or by email after the Audit Committee in November. The future approach might be considered as part of the 'Governance Effectiveness Review'.

Action: Finance Director & Deputy Chief Executive and Committee Secretary.

- The Finance Director & Deputy Chief Executive advised that information reported to Audit Committee, although assuring the Audit Committee of compliance with processes, had more than one purpose and had some bearing on the responsibilities of the Finance Committee.

Noted.

FC 14.49

ANY OTHER BUSINESS

- The Deputy Chairman informed the Committee that when discussing the Finance Risk Register earlier in the meeting it would also be useful to see the Estate Risk Register which also falls within the remit of the Finance Committee.
- That the papers received at Finance Committee today had been received for information by the Committee other than the Bad Debts write-off which the Board can approve. The minutes would be approved by email to Finance Committee members.
- The Finance Director & Deputy Chief Executive acknowledged the work that the Deputy Finance Director had put into the papers provided today and the Committee noted their thanks to both the Finance Director & Deputy Chief Executive, the Deputy Finance Director, and the wider team.

FC 14.50

DATE OF NEXT MEETING

Monday 16 March 2015 at 4.30 p.m.

LIVERPOOL JOHN MOORES UNIVERSITY

BOARD OF GOVERNORS – FINANCE COMMITTEE

Action Point Control Register – Status of Open Action Points as at 16 March 2015

Minute	Action	By Whom	By When	Status
FC 14.04(iii)	Science Park: The Chairman reported that he could not recall a detailed business plan for the Science Park coming to the Finance Committee to support these investments, and that it would be helpful to see the financial accounts at the end of each year for the Science Park and its forecast going forward to ensure that the University can support it. The Science Park's overheads structure needs to be challenged in a constructive way to ensure the business works.	Finance Director & Deputy Chief Executive	October 2014	Discharged
FC 14.04(iv)	Terms of Reference: (a) The Purchasing Policy & Procedures are currently under review by an external body. Once the review has been completed the proposed amendments will be brought back to the Finance Committee.	Deputy Finance Director	October 2014	Active (see further action at FC 14.36 below)

Minute	Action	By Whom	By When	Status
FC 14.09	<u>Property & Capital Development Progress Report:</u> In relation to the Carbon Management report the Chairman requested further information and the University's action plan for dealing with the wider issues.	Finance Director & Deputy Chief Executive	July 2015 at Board of Governors October 2015 update for Finance Committee	Active (see further action at FC 14.36 (ii) below).
FC 14.17(i)	<u>Terms of Reference:</u> A separate report will come back to the Finance Committee in October in relation to the HEFCE Memorandum of Assurance and Accountability.	Deputy Finance Director	October 2014	Discharged
FC 14.17(ii)	The outcome of the review into the third party review of the University's banking arrangements will be brought back to the next Finance Committee.	Finance Director & Deputy Chief Executive	October 2014	Discharged and a follow on opened at FC 14.44 below
FC 14.18	<u>LiverpoolSU Financial Update:</u> In terms of forecasting it would be useful for the Committee to receive papers from the Students' Union showing a realistic outturn position.	Deputy Finance Director	October 2014	Discharged
FC 14.23	<u>Risk Register:</u> The Chairman requested feedback from Committee Members as to whether financial risks should be discussed at each Finance Committee.	Committee Members	October 2014	Discharged

Minute	Action	By Whom	By When	Status
FC 14.26	<u>New Financial Memorandum with HEFCE:</u> That the terms of reference be reviewed in light of changes to the Memorandum.	Deputy Finance Director & Committee Secretary	October 2014	Discharged
FC 14.27	<u>Financial Reporting Standards (FRS102) Update:</u> A further update report will be brought to Audit Committee and Finance Committee in the autumn.	Deputy Finance Director	October 2014	Discharged
FC 14.28	<u>Presentation of financial information for students:</u> A final report will be presented to the next Finance Committee.	Deputy Finance Director	October 2014	Discharged
FC 14.36 (i)	<u>Matters arising from the minutes:</u> The Purchasing Policy & Procedures are currently under review. A paper will be brought back to the Finance Committee in March 2015.	Deputy Finance Director	March 2015	Active
FC 14.36 (ii)	<u>Matters Arising:</u> The Deputy Chairman requested an update report on the new Carbon Management Plan and yearly targets to the October 2015 Finance Committee. A report on the CM Plan would be provided to the Board of Governors in July 2015.	Director of Estate Management	October 2015	New
FC 14.36 (iv)(a)	<u>Matters Arising:</u> The Deputy Chairman requested a full copy of the Finance and Estates elements of the Risk Register on an annual basis and only then at each meeting if there are new risks added to the Risk Register, or if there are significant changes in the risks already attributed. It was agreed that this	Finance Director & Deputy Chief Executive	June 2015	New

Minute	Action	By Whom	By When	Status
FC 14.36 (iv)(b)	<p>should come to the June meeting of the Finance Committee.</p> <p>The Deputy Chairman advised she would email the Chairman and Mr P Hyland for their agreement of the minutes.</p>	Deputy Chairman	March 2015	New
FC 14.37	<p><u>2013/14 Financial Statements:</u></p> <p>(i) The Deputy Chairman reported that the Finance Committee had recognised the need to focus on other income streams and suggested that some focus should now be given on faculty income with a view to management working with the faculties to better understand their forward income generation opportunities. A further report would be welcomed by the Finance Committee.</p> <p>(ii) That the accounts for LJMU Malaysia and Microwaste Two Ltd. would be brought to the Finance Committee alongside all the other Financial Statements.</p>	<p>Vice-Chancellor & Chief Executive</p> <p>Deputy Finance Director</p>	<p>March 2015</p> <p>October 2015</p>	<p>New</p> <p>New</p>
FC 14.42	<p><u>Terms of Reference:</u> The Deputy Chairman made a couple of observations regarding the Terms of Reference for the Finance Committee, which had been appended to the report. Firstly, that the Chairman of the Board had been recorded as a member of the Finance Committee.</p>	Committee Secretary	March 2015	New

Minute	Action	By Whom	By When	Status
	<p>Although the Chairman of the Board had the right to attend the Finance Committee he was not an official member, and therefore there should be a third category of membership added as 'Right to Attend'. Secondly, that under the section entitled 'Budgets' at number 10 of the Terms of Reference, regarding subsidiaries, there needed to be a further clear distinction regarding affiliated and joint ventures.</p>			
FC 14.44	<p><u>Banking Arrangements Review:</u> The Deputy Finance Director advised the Committee that a further report would come back to the Committee in March 2015, along with a revised Treasury Policy.</p>	Deputy Finance Director	March 2015	New
FC 14.48	<p><u>Audit Strategy Memorandum – Year ending 31 July 2014:</u> The Deputy Chairman informed the Committee that the Audit Highlights Memorandum & Management Letter, which is received by the Audit Committee in November, may have some financial implications. Ordinarily, the Finance Committee would not receive the Management Letter until its March meeting even though it is ready at this time of year. The Deputy Chairman suggested that management look at the relevant timings of the Audit Committee and Finance Committee and whether the dates should change in order to</p>	Finance Director & Deputy Chief Executive and the Committee Secretary	March 2015	New

Minute	Action	By Whom	By When	Status
	receive information at the right time, or whether the Finance Committee received the information in draft form, or by email after the Audit Committee in November, or is considered as part of the 'Governance Effectiveness Review'.			