

**Minutes of the meeting held
on Monday 22nd June 2015**

Key abbreviations/acronyms used in these Minutes:

SLC:	Student Loans Company
SMT:	Strategic Management Team
EU:	European Union
HEFCE:	Higher Education Funding Council for England
PGT:	Post Graduate Taught
QAA:	Quality Assurance Agency
SSR:	Staff/Student Ratio
RIBA:	Royal Institute of British Architects
TMPs:	Treasury Management Policies

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*].

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

IN ATTENDANCE: Ms J Bertolini (Finance Director (University Secretary) & Deputy Chief Executive)
Miss S Davys (President, LiverpoolSU) (Item 5 only)
Ms B McGuinness (Deputy Finance Director)
Mr R Schooler (Associate Director – Financial Planning & Modelling)
Ms D Tipping (Committee Secretary)
Ms J Whalen (Chief Executive, LiverpoolSU) (Item 5 only)

Preliminary Formal Business

FC 15.15 **APOLOGIES**

Apologies were received from Mr P Hyland and Mr C Davies.

FC 15.16 **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, so it could be recorded in these Minutes. No such interests were declared.

Noted.

FC 15.17 **MINUTES OF THE MEETING HELD ON 16TH MARCH 2015 (FC 15/08)**

Approved

FC 15.18 **MATTERS ARISING FROM THE MINUTES**

All matters arising had been discharged or were included as separate items on the agenda, with the exception of Action Point FC 14.37 (i) regarding faculty income generation. The Deputy Chair requested the action remain open until a separate report is provided as she did not feel the action was appropriately discharged under the outturn forecast – 2014/15 Budget – 2015/16 item on the agenda.

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

It was noted that the full Risk Register had been provided rather than the report on Finance and Estates risks requested by the Committee. The Committee requested a copy of the Finance and Estates risks for the next meeting in October.

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

Noted.

Matters for discussion

LIVERPOOLSU – FINANCIAL UPDATE

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/09).

Reported:

- The President, LiverpoolSU and the Chief Executive, LiverpoolSU presented the report. The report provided: an update on the financial position as at the end of April 2015 and the Outturn Forecast to July 2015 year end; improvements made to the cash balances and the removal of the need for an advancement of the 2015/16 grant from LJMU; and the Student Union's proposed budget, surplus and cash flow for 2015/16.
- In response to University management guidance it was noted the financial reports from LiverpoolSU had become more informative and that additional items of information requested by the Finance Committee, such as cash flow, balance sheet and waterfall diagrams, had now also been included within the report.
- The Outturn Forecast position showed an improvement on the budget. At the half year stage the Student Union had indicated its intention to reinvest savings identified at that stage into further and additional provision of services for students. This had not resulted and consequently both income and expenditure have improved.
- As previously reported in March and based on the January forecast, LiverpoolSU had considered that they would have cash flow difficulties in June 2015 to the extent that they had requested the University to consider advancing part of the Student Union grant ahead of the 2015/16 year. It was agreed that the decision as to the value and timing of any such advancement would be made by the Vice Chancellor & Chief Executive and the Finance Director (University Secretary) & Deputy Chief Executive. As no further request was received from LiverpoolSU the report showed, based on the cash balances within the forecast, that LiverpoolSU had been particularly conservative in its cash flow forecast.
- The cash flow forecast for 2015/16 indicated that there will be cash difficulties in the latter part of the financial year and that continued monitoring of the situation would need to take place.

Commented:

- The Committee sought clarification on costs and core liabilities such as pensions, etc. for additional staff at LiverpoolSU. The Chief Executive, LiverpoolSU, reported that the only additional staff appointed to LiverpoolSU are student staff of who most do not earn enough to auto-enrol for pensions and therefore there are limited on costs.

- The Committee sought clarification on the Student Union's reserves policy. The Chief Executive, LiverpoolSU reported that the Trustees had set a minimum reserves target of £200k, which has been met. However, now that the Students' Union have very few commercial opportunities it is difficult to assess how long it would take to build up this reserve if the Students' Union paid back the loan from LJMU.
- The Chief Executive, LiverpoolSU informed the Committee that as the Students' Union currently had fewer commercial services their cash flow was in a much healthier position. When the Students' Union had requested the University to provide assistance with the upfront costs of paying its pension deficit it was to provide "peace of mind" by knowing that the University would be in a position to assist if required. Although, without its commercial responsibilities the Students' Union was in a much healthier and predictable financial position, it did want to be in a future position of having independence and autonomy and making a profit without relying so heavily on the University's block grant.
- The Finance Director (University Secretary) & Deputy Chief Executive stated the importance of any future commercial activity being financially viable and profitable.
- The Chairman advised that it would be good practice for the Students' Union to pay back the loan but not to the detriment of the short and medium term of the Union, but there should be a discussion between LiverpoolSU and the Finance Director as to how that debt will be handled going forward.
- The Chairman noted that the balance sheet showed significant debts and was informed that this was due to the prepayment of the pension deficit.
- The Deputy Finance Director informed the Committee that the University would always provide 12 months' notice in terms of requesting payment of the loan from the Students' Union which should provide some comfort in this respect.
- The Chairman advised the Students' Union that they should have a good treasury management policy in place to ensure maximum return from surplus cash and that the University may be able to assist in this respect if required.
- The Chairman also noted the significant costs forecast by the Students' Union for marketing (25% of the Union's spend) and that a critical analysis of marketing costs should be carried out to ensure the Union was receiving value for money through the procurement services available. The Chief Executive, LiverpoolSU, reported that in addition to other marketing costs such as 'Welcome Week', the Union had also spent marketing fees for visual materials to assist with engaging students with the union hubs across the Institution.

This had been deemed necessary as an outcome of feedback from students who, when asked what they wanted the Students' Union to do, on many occasions asked for services already provided by the Union. This had highlighted the need to communicate its services more widely and effectively across the University.

- The Chairman thanked the Student President and Chief Executive, LiverpoolSU for their presentation and welcomed the positive financial report. He also thanked the Student President for her contribution to the Finance Committee as this was her last meeting, and wished her well for the future.

The Committee:

- **Noted** the financial position as at the end of April 2015 and the Outturn forecast to July 2015 year end.
- **Noted** the improvements made to the cash balances and the removal of the need for an advancement of the 2015/16 grant.
- **Noted** the Student Union's proposed budget, surplus and cash flow for 2015/16.

FC 15.20

OUTTURN FORECAST (2014/15)/BUDGET (2015/16)

Received: The report of the Director of Finance (University Secretary) and Deputy Chief Executive (FC 15/10).

Reported: Outturn Forecast 2014/15

- The Finance Committee considered and endorsed the Budget for 2014/15 at its meeting on 26th June 2014. The historic cost budget surplus for the year was £9.3m. However, this included the assumed costs of FRS 17 (Pensions) at £3.0m. If this is excluded, the operational budget surplus was £12.3m.
- In the October Monitoring Report the position had improved with an operating surplus of £14.9m (excluding FRS 17), or £11.9m after including a £3.0m provision of FRS 17.
- The Half Year forecast report presented to the Finance Committee in March 2015 revised the budgeted historic cost surplus of £9.2m to £11.9m (comprised of £14.9m surplus on operating activities, with £3.0m for a FRS 17 pension charge). The Outturn forecast at the end of May is now a historic cost surplus of £13.7m (comprised of £16.7m surplus on operating activities with a £3.0 m FRS 17 pension charge).
- The outturn forecast is an improvement of £4.4m over Budget and £1.8m over the Half Year forecast. The substance of the movement is due to savings related to staffing vacancies and slower recruitment of new posts, the release of contingencies no longer

required and the utilisation of these for improvements across the University's facilities.

- As a result of the increased closing balance at the end of the 2013/14 financial year ((£13m), and improved Outturn forecast surplus for 2014/15 ((£4m), changes in the Copperas Hill Development profile (£6m) and the timing of other Estates improvements and accruals (£9m) the closing cash balance forecast for the year ending July 2015 has improved by over £30m from the Budget to £79.2m.
- However, there remains, as a result of the change in the payment profile by the SLC, and the developing Estates strategy, significant pressures on bank balances in the autumn and spring of each year for the next few years.
- The University will easily achieve all of the banking covenants associated with the loan facility provided by Barclays Bank.

Commented: Outturn Forecast 2014/15

- In regard to the allowance for student withdrawals during the second semester which indicates this will be higher than forecast, the Vice-Chancellor & Chief Executive reported that work to improve in this area is continuing, and discussions in this regard had taken place at an SMT away day which had resulted in a number of actions being implemented, led by the Pro-Vice-Chancellor (Education) along with the Deans, Directors of Schools, and Programme Leaders.
- The Chairman advised that it may be helpful for the next Finance Committee to receive the figures for the loss of students for 2014/15 and what actions have been taken to improve the retention rates to bring it down in 2015/16 and 2016/17. The Vice-Chancellor reported that the declining retention rate is disappointing as it would normally be expected that the increase in the quality intake of students would improve retention rates.

Action: Vice-Chancellor & Chief Executive

- The Deputy Chair had similar concerns regarding the International Post Graduate Research fee income targets. The Outturn forecast indicated the University had missed its targets, but the 2015/16 budget was showing higher targets, and it was of some concern as to how that gap would be closed going forward.
- The Vice-Chancellor & Chief Executive informed the Committee that a significant increase in effort was being applied in relation to attracting International students. The University now had its own international recruitment team; is attending recruitment fairs; and the University has recently held its first agents' conference in Kuala Lumpur, publicising the University to agents from over fourteen

different countries. We now need to ensure that applications are converted into students and will continue to make a concerted effort to do so, with continued effort to turn around applications within 48 hours, and carefully monitoring this area of activity.

- The Committee recognised that international recruitment is reliant on the marketplace and that it would take some time to embed the University's position. The Committee was assured that there is still a good international market in place, although countries do fluctuate, with great potential advantages for the University to increase its share.
- The Committee discussed vacancy savings of which LJMU (5.6%) was just higher than the national sector average of 4%, and advised that the University should continue its approach to account for this within the budget.
- The Chairman sought clarification in regard to decreasing the bill for agents going forward, given the current emphasis. The Finance Director (University Secretary) & Chief Executive informed the Committee that monies built into the budget for this activity had been excessive and that with more knowledge and further analysis the University is able to account for this activity more realistically, hence the decrease in the forecasted figures.
- The Chairman requested, for the next meeting of the Finance Committee, that it would be helpful to have a separate table for ease of reference in relation to all the key drivers that were contained within the detailed 5 year forecast as presented to the Board of Governors such as student recruitment both domestic and international outlining the student numbers; the actual budget; target budget; and actions being taken to realise future targets: research income: collaboration.

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

Reported: Budget 2015/16

- The 2015/16 budget is a historic cost surplus of £6.2m. The operating surplus before the FRS 17 Pensions charge of £3.0m is £9.2m. The 2015/16 Budget delivers a reduced operating surplus compared to the outturn forecast for 2014/15. The different elements contributing to the budget surplus were detailed within the report.
- The improved income within the budget is based on the Home/EU and International tuition fees increases. Essentially this is due to higher targeted Home PGT and International student numbers in addition to the £9k fee effect. 2015/16 will be the first year where all undergraduate students are on the current fee regime. The University has also targeted improved retention rates. Whilst the

financial impact of changes to the HEFCE funding is reducing it is still an important value.

- There continues to be upward pressures on the cost base of the University. These are primarily due to payroll pressures (incremental growth, pay awards and continuing pension and national insurance contribution rate increases). In addition decisions have been taken to continue to invest in order to ensure that an excellent student experience is delivered in the context of the current fee regime.
- The budget includes additional academic staffing, additional spend in faculties to maintain the unit of resource, the continuation of some elements of the investment fund introduced previously and specific costs savings targets. The budget also includes provision for pay award and auto-enrolment pension contributions, inflation, maternity leave, restructuring and a general contingency.
- The budget also provides for risk mitigation associated with the increased international and home postgraduate income targets.

Future Year Forecasts 2016/17:

Reported:

- The cash flow forecast demonstrates year on year improvements in cash balances during the period 2014/15 to 2015/16 prior to capital spend. The improved opening 2014/15 cash balance of £58m enabled the University to meet its banking covenants but, while there are positive cash balances at each year end, changes in the timing of income receipts will put pressure on bank balances in the autumn and spring each year. There may be a need for an additional short term draw down on the loan facility in place with Barclays's Bank. The bank is aware of this possibility and a revolving credit facility is in place. Monitoring will continue throughout the years.
- The development of the next phase of the estate master plan continues. The forecast thus assumes at a high level, significant additional capital investment during the period 2015/16 to 2016/17 beyond. As part of the Estate Master Planning process the forecast will be revisited and monitored throughout the 2015/16 year. The improved cash balances, combined with the possible sales of further properties and draw down of the additional loan facility of £20m will be factored into a consideration of the affordability and delivery of the Estate Master Plan.
- The Deputy Finance Director also signposted the Committee to the HEFCE Return within the pack which will be submitted in July 2015. This had been presented, for the first time, in the format as sent to HEFCE and which was a recommended outcome from the HEFCE Assurance Review which took place in January 2015.

Commented:

- The Committee clarified that it was only the forecast at this stage which was required to be submitted to HEFCE and that the audited financial accounts would be returned in December 2015.

The Committee:

- **Noted and endorsed** the University Outturn Forecast for 2014/15.
- **Noted and endorsed** the University Budget for 2015/16 as approved by the SMT, noting the concerns regarding retention rates, post graduate research and international recruitment targets.
- **Noted and endorsed** the block grant contribution to LiverpoolSU of £1,038k for 2015/16.
- **Noted and endorsed** the continuing actions taken by the Vice Chancellor & Chief Executive and SMT in determining the shape and future direction of the University.
- **Noted and endorsed** the HEFCE forecast submission.

FC 15.21

ANNUAL REPORT ON FINANCIAL RISKS/RISK REGISTER

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/11).

Reported:

- The Finance Director (University Secretary) & Deputy Chief Executive noted the report was not the version as requested. It was also noted that the report in future would incorporate both financial and estates risks.

Noted.

FC 15.22

DEBTORS AND DOUBTFUL DEBT PROVISIONS

Received: The report of the Deputy Finance Director (FC 15/12)

Reported:

- The report presented an update relating to the Debtor, Doubtful Debts and their Provision for the University and JMU Services Ltd (JMUS).
- Publicly funded student debt runs at a high level for the substance of the academic year. A significant element of the total outstanding value at the end of April relates to the SLC. This is in line with the current funding regime whereby the SLC pay the students' tuition fees to the HEI's in instalments of 25% in October, 25% in February

and 50% in May of each year. In early May 2015, the SLC made a payment of £59m. This cleared the substance of the debt. Included within the payment from the SLC was a claw back of monies of over £900k which had been paid previously by the SLC to the University. The credit balances were within the Debtors ledger and the majority of the claim was for 2014, 2013 and 2012 with some claims as far back as 2006.

- The student system (SIS) is currently being developed to enable all student related invoicing and debt to be incorporated within the one system so that reporting and debt collection can be handled more efficiently and effectively. The enhancements are due for implementation during the 2015/16 financial year. As a result of the changes taking place, detailed work on the student related debtor data is ongoing.
- Based on a review of the outstanding debt at the end of April 2015; the value within the outturn forecast of £350k remains reasonable.
- That approval is sought for the 'write off' of specific student related transactions with a net value of £471,910. This is made up of both debit and credit balances.

Commented:

- The Chairman would find it helpful if the report could show debts written off as a percentage of income, as per a previous report presented to the Committee, to better understand if the debts were reducing on an annual basis. The Deputy Finance Director agreed that this would be indicated in future reports.

Action: Deputy Finance Director

The Committee:

- **Noted** the report and **approved** the write off of the old, irrecoverable student related debt prior to the end of the current financial year.

FC 15.23

PROPERTY AND CAPITAL DEVELOPMENT REPORT

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/13).

Reported:

- That the University has allocated a budget of £1 million within the current financial year for a range of projects that will enhance the student experience.
- The professional team continue to develop the RIBA 'Stage 3' design. There has been some slippage and therefore it is

anticipated that costings will not be available at the July Board of Governors as had been anticipated and therefore it is likely this will now come to the autumn meeting of the Board. This will not affect current timeline targets as this was factored into the original planning process.

- The Finance Committee had previously been informed of the proposed joint venture with the University of Liverpool to develop a University Enterprise Zone (Sensor City Liverpool Ltd) adjacent to the Copperas Hill building. The project had been successful in securing a £5 million BIS grant and the joint venture company has submitted a bid for a further £5 million bid for ERDF funding. In order to receive the BIS grant match funding has to be met which is £1.5 million from Liverpool University and £1.5 million from LJMU with the other £2 million being sought from other industry investors.
- In relation to the issue with the external rain screen cladding on the Redmonds Building discussions were ongoing between the University's solicitors and Wates Construction regarding the suitability of the temporary works solution (crash deck system). The University has allocated a budget of £500k for the temporary solution, but may now have the option of a cheaper solution. Safety was the first and foremost priority for the University.

Commented:

- The Chairman requested, in relation to property disposal issues, that the year in which the property had been assumed for sale in the 5 year plan be provided which would be helpful to the Committee to see any possible cash slippages.

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

- The Finance Director (University Secretary) & Deputy Chief Executive advised that discussions were ongoing in regard to the sale of I M Marsh and though not possible at this stage to get a certain market value given the timeline, the University would need to apply more rigour to its thinking regarding redeveloping or selling the site in the context of other opportunities for outdoor sports provision.
- Discussions were ongoing with Liverpool City Council regarding the FL Calder site and land at Soho Street.

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.
- **Noted** the ongoing issues with the Redmonds Building.

FC 15.24

GOVERNANCE EFFECTIVENESS REVIEW: FINANCE COMMITTEE ACTION PLAN

Received: The report of the Committee Secretary (FC 15/14).

Reported:

- At its meeting held on 30th March 2015 the Board of Governors agreed that the actions and recommendations from the outcome of the 'Governance Effectiveness Review 2014/15' would be condensed into smaller action plans for the sub-committees of the Board and the Chairmen's Group. The Action Plan for the Finance Committee was presented for oversight and review.
- That many of the actions had been discharged when aligning the Committee's Terms of Reference with the Higher Education Code of Governance and HEFCE's 'Memorandum of Assurance' and on further clarification provided during the process, which confirmed that the information required by the Committee as stipulated in its Terms of Reference has been provided regularly within the reporting cycle.
- Further clarification was provided in regard to the discharged action for the retrospective annual report in respect of 'Enterprise, Collaborative and Research' activity which was due in October 2015. The Committee Secretary advised that the action that had been discharged was the inclusion of the report on the Committee's Programme of Business on an annual basis rather than the receipt of the report itself.
- The Chairman noted that the Scheme of Delegation was still under review and it is now anticipated that it will be approved by the Board of Governors in September 2015 and not July 2015 as indicated in the Action Plan. A separate report outlining the schedule of financial authority will be presented to the Finance Committee.

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

Commented

- That in relation to the discharged action regarding the periodic review of policies the Finance Committee requested a list of financial related policies, when they were last reviewed, and the review schedule. Similarly, in regard to internal audits, when the

policy areas were last audited and potentially when they will be audited again.

Action: Committee Secretary

Noted.

FC 15.25

**TERMS OF REFERENCE AND PROGRAMME OF BUSINESS
2015/16**

Received: The report of the Committee Secretary (FC 15/15)

Reported:

- The revised Terms of Reference and the Programme of Business were presented to the Finance Committee for consideration and review before onward reporting to the Board of Governors for approval.
- The Terms of Reference and the Programme of Business had been cross-referenced with the Higher Education Code of Governance and HEFCE's 'Memorandum of Assurance and Accountability'. The revisions to the pre-existing terms were highlighted in red for ease of reference.
- That additional reports had been added to the Committee's Programme of Business, namely: the Annual Report on Enterprise, Collaborative, and Research Performance; Annual Report on the University's subsidiaries and related companies; Annual Report on Contracts/Grants; External Audit Management Letter for information; Annual Report on Financial and Estates Risks; and the Finance Committee Annual Self-Assessment Questionnaire.

Commented:

- The Committee sought clarification on term 13 in regard to the external auditors' opinion on whether systems used to generate accurate and timely financial information are fit for purpose. This information is provided to the Committee through the external auditors' 'Management Letter' which is provided to Finance Committee members after consideration by the Audit Committee, and also forms part of the Corporate Governance Statement within the Financial Statements.
- That in relation to term 17 the retrospective annual report should read "retrospective annual report on Enterprise, Collaborative and Research performance".
- That term 25 duplicated term 17 and should be deleted.
- That term 6 in regard to the disaster-recovery plan was under review and discussions were taking place on the reporting process

which was envisaged to be through the Planning & Resources Committee. The Planning & Resources Committee was a newly formed committee under the new University committee structure and would be presented to the Board of Governors in July for approval.

- That term 16 in regard to the financial statement and budget of the Liverpool Students' Union should read "including regular financial updates to **oversee** the Students' Union is operating in a financially sustainable manner ..."
- That term 23 should be re-written in the same format as the other listed terms.

Action: Committee Secretary

Endorsed, with the amendments listed above, for onward approval to the Board.

LJMU 15.26 **ANNUAL SELF-EFFECTIVENESS QUESTIONNAIRE: FINANCE COMMITTEE**

Received: The report of the Committee Secretary (FC 15/16)

Reported:

- An audit of the University's governance effectiveness controls was undertaken by the Internal Auditors as part of the approved internal audit periodic plan for 2014/15. A 'High Priority' recommendation was made by the Internal Auditors that the University should establish formal procedures for ensuring that routine self-assessment reviews are undertaken for all the Board of Governors' sub-committees on a regular basis.
- A self-assessment questionnaire has been designed for the sub-committees of the Board and the questionnaire for the Finance Committee was presented for further comment and approval. The questionnaire will be implemented in 2016.

Commented:

- The Chairman informed the Committee that once completed the feedback would be presented to the Committee and onward to the Board of Governors.

Approved.

Matters for approval or information
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FC 15.27 **AUDIT STRATEGY AND PLANNING MEMORANDUM**

- The Committee Secretary informed the Finance Committee that the Audit Strategy and Planning Memorandum, along with the relevant Minute from the Audit Committee, would be sent to committee members for information by email in the near future.

Action: Committee Secretary

Noted.

FC 15.28 **FINANCIAL REGULATIONS – PURCHASING POLICY & PROCEDURES**

Received: The report of the Deputy Finance Director (FC 15/17)

Reported:

- The report presented an update to the Committee relating to Action Point FC 14.36 in relation to the Purchasing Policy & Procedures.
- The paper outlined responsibilities and authorities provided under the Scheme of Delegation; Financial Regulations; and Procurement alongside a paper received at the Audit Committee regarding the recent Procurement Maturity Assessment.
- The Committee requested a process map to indicate the different levels of financial authorities within the University and extracting from the University's Scheme of Delegation the authority for entering into new ventures and partnerships.

Action: Deputy Finance Director

Commented:

- The Chairman recommended that the Finance Committee approve a policy on procurement in terms of value and quotes and receive an annual report by category of expense, for example, payroll; I.T. consultancy, etc. setting out the current position of the University and what improvements have been made and are being made, to assure Finance Committee that the University is getting the best value for money possible.

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

The Committee:

- **Noted** the report.
- **Noted** the Procurement Maturity Assessment report, recommendations and actions.
- **Noted** the interlink between the Scheme of Delegation and the Financial Regulations.

FC 15.29

BANKING ARRANGEMENTS REVIEW UPDATE

Received: The report of the Deputy Finance Director (FC 15/18)

Reported:

- The report updated members of the Finance Committee on Action Point FC 15.10 in relation to the University's Treasury Management Policy review and the actions from the banking arrangement review recommendations.
- At the Finance Committee meeting held in March 2015 a brief update on the progress of the banking arrangements review, including the Treasury Management Policy review was provided. This report had been prepared to provide a further update on the progress and actions taken. The review was conducted by Finalysis, who have worked in the sector for many years as recommended by the British Universities Finance Directors Group (BUFDG).
- A further and more detailed review of the University's Treasury Management Policy is being undertaken and it was intended to bring the final version for approval to the June Finance Committee meeting. However, the advisers had suggested that the review should also consider the other interlinked policies (Anti Money Laundering; Ethical Investment, etc.) to ensure a complete and thorough review takes place. In addition as there has been considerable regulatory change within the banking sector there are some final suggestions the advisers wished to consider before providing the report. The final report is now due at the end of June with a preliminary report provided stating that "overall we feel that your policy is well structured and is particularly strong when compared to other University TMP's in its borrowing and interest rate management requirements".

Action: Deputy Finance Director

- A recommendation that has already emerged is for a clause to be inserted into the Treasury Management Policy to enable the use of a short term banking limit of up to one to two month's duration over and above the longer term deposit limits. This is to facilitate the receipt of the large SLC payments that are now being received.

- The University received £60m in May 2015, and as rates had changed the number of approved banks the University could use had reduced. As less cash outflow had occurred during the year the University was technically in breach of the current policy as it had more money to invest than the policy deposit and investment limit allowed. Therefore, on a prudent basis the additional funds above the limit (c£15m) have been deposited on a short term basis spread across the approved banks in line with the ratings in the policy. This resulted in increasing deposit limits. Approval is sought to ratify the pragmatic approach taken in the short term for the current financial year.

The Committee:

- **Noted** the report and actions being taken within the Finance Department.
- **Approved** the pragmatic approach taken by the University for the short term increase in bank deposit limits.

FC 15.30 **LIVERPOOL SCIENCE PARK LTD**

Received the oral report of the Finance Director (University Secretary) & Deputy Chief Executive.

Reported:

- The Finance Director (University Secretary) & Deputy Chief Executive updated the Committee on the possible claw back of European funding in respect of IC3. This was in relation to the EU auditors' report stating that ERDF procurement procedures had not been strictly followed, namely during the tendering process.
- Initially, the Science Park had been informed that a quarter of the funds may be clawed back, which after challenge had been reduced to 10% which was also being disputed. At this current time it has been reduced further to one tenth (£110k per partner) and the Science Park is pursuing this further.

Noted.

FC 15.31 **HEFCE'S ANNUAL ASSESSMENT OF INSTITUTIONAL RISK**

Received: The letter from HEFCE dated 24th March 2015 (FC 15/19).

Reported:

- Based on the accountability returns submitted for 2013/14 HEFCE's overall assessment at this time is that LJMU is not at higher risk. In making this assessment HEFCE also concluded that the Institution is meeting the accountability obligations set out in the Financial

Memorandum (up until 1st August 2014, and then in the Memorandum of Assurance and Accountability) and other HEFCE guidance.

- The letter had been provided to Audit Committee and Finance Committee members for information and would also be presented to the Board of Governors on 6th July as requested by HEFCE.

Noted.

FC 15.32 **HEFCE- RECURRENT GRANT FOR THE ACADEMIC YEARS 2013/14 TO 2015/16**

Received: HEFCE's annual accountability return requirements for information (FC 15/20).

Reported:

- The letter explained in broad terms the main changes to HEFCE recurrent grant for teaching and research in 2015-16 and the main reasons institutions will see changes to their 2013-14 and 2014-15 teaching grant since the allocations announced last October.

Noted.

FC 15.33 **HEFCE: ANNUAL ACCOUNTABILITY RETURN REQUIREMENTS – FINANCIAL FORECASTS SUBMISSION**

Received: HEFCE's annual accountability return requirements: Financial forecasts submission for information (FC 15/21).

Noted.

FC 15.34 **GETTING TO GRIPS WITH PROCUREMENT**

Received: The 'Getting to Grips with Procurement' guide from the Leadership Foundation for Higher Education (FC 15/22).

Noted.

FC 15.35 **ANY OTHER BUSINESS**

- That the Associate Director – Financial Planning and Modelling be appointed as a permanent attendee to the Finance Committee.
- The Vice-Chancellor & Chief Executive thanked the Chairman, as this was his last meeting, for his important contribution and commitment to the Finance Committee, the Board of Governors and the University. He also thanked the Chairman, on behalf of the Executive, for his excellent test and challenge in a constructive and helpful way, and for the support provided to the Vice-Chancellor & Chief Executive, and wished him well for the future.

- The Chairman thanked the Finance Team, Secretariat, his colleagues on the Finance Committee and on the Board of Governors for their commitment and support. The Chairman had enjoyed his time on the Board and was proud to have played a part in the University which was moving forward at a great pace. He wished the new Chair well for the future.

FC 15.36 **DATE OF NEXT MEETING**

Monday 26th October 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 26th October 2015

Minute	Action	By Whom	By When	Status
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. This overtakes a previous action FC 14.04 (iv) from October 2014.	Deputy Finance Director	March 2016	Active
FC 14.36 (ii)	<u>Matters Arising:</u> The Deputy Chair 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. This overtakes previous action FC 14.09 from the October 2014 action register.	Director of Estate Management	March 2016	Active
FC 14.37	<u>2013/14 Financial Statements:</u> That the accounts for LJMU Malaysia and Microwaste Two Ltd. would be brought to the Finance Committee alongside all the other Financial Statements.	Deputy Finance Director	26 October 2015	Active

Minute	Action	By Whom	By When	Status
FC 14.48	<p><u>Audit Strategy Memorandum – Year ending 31 July 2014:</u> The Deputy Chair 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 Chair 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, or is considered as part of the ‘Governance Effectiveness Review’.</p>	Finance Director & Deputy Chief Executive and the Committee Secretary	November 2015	Active
FC 15.04	<p><u>Matters Arising from the minutes: 2013/14 Financial Statements:</u> The Deputy Chair informed the Committee that although it was stated that FC 14.37 (i) (from the October 2014 action record) had been discharged through the ‘5 Year Forecasts’ item on the agenda, this was not the way in which she wished the action to be discharged. The Deputy Chair had requested a separate report in relation to Faculty income generation with each Faculty reporting its strategy in terms of</p>	Finance Director & Deputy Chief Executive	26 October	Active

Minute	Action	By Whom	By When	Status
	<p>income generation targets and future aspirations. The Chair clarified with the Finance Director & Deputy Chief Executive that this detail would be included in the Forecast Outturn and Base Budget to be presented to the Finance Committee at its June meeting.</p> <p>Action Point FC 14.42 Terms of Reference: The amendments had been duly made, however, the Committee Secretary advised that the Terms of Reference for all the Board committees were under review as an outcome of the recent 'governance effectiveness review'. In this regard the Terms of Reference would be presented to the Finance Committee in June for further review and approval.</p>	Committee Secretary	22 June 2015	Discharged
FC 15.05	<p>LiverpoolSU – Financial Update: The Chair of the Finance Committee noted that the accounts of LiverpoolSU did not provide an absolute statement on their reserve position, which had been verbally provided in the past. Without that information they would have no indication as to when they should or should not spend and no indication of when the University could hope to receive its loan back. The Chairman requested that the Finance Director & Deputy Chief Executive should go back to the Students' Union and discuss this further.</p>	Finance Director & Deputy Chief Executive	22 June 2015	Discharged

Minute	Action	By Whom	By When	Status
FC 15.06	Half-Year Forecast Report For 2014/15: The Chairman noted that the report stated the University would be ahead on budget for international and postgraduate students but when cross-referenced to the 5 year financial plan it appears that the figures provided did not match and that this needed to be clarified.	Finance Director & Deputy Chief Executive	22 June 2015. Discharged at the Board of Governors on 30 th March 2015	Discharged
FC 15.07	<p><u>5 Year Forecasts:</u></p> <p>(i) Committee members asked whether the age demographic in relation to the teenage population in the context of future students had been considered within the financial planning. The Deputy Finance Director agree that the age assumptions should form part of the financial planning report and that numbers locally were quite low in respect of current 11 year olds. This was one of the reasons why the University wished to expand its international intake of students and its catchment area for students from further afield than Merseyside. The Chairman requested a summary of this information be attached to the paper for the Board of Governors.</p> <p>(iv) Committee members also noted an error on Table 2, page 5 in that the 'Net Cost of Capital' was showing as -411 and should be a positive rather than negative figure.</p>	<p>Finance Director & Deputy Chief Executive</p> <p>Finance Director & Deputy Chief Executive</p>	<p>22 June 2015. Discharged at the Board of Governors on 30th March 2015.</p> <p>Discharged at Board of Governors on 30th March 2015</p>	<p>Discharged</p> <p>Discharged</p>

Minute	Action	By Whom	By When	Status
FC 15.09	<p><u>TRAC 2013/14 Executive Summary:</u> The Deputy Chair sought clarification around the ‘recovery of full economic costs on main activities’ which showed the University to be much lower than its peer group in terms of ‘non-publicly funded teaching’. The Associate Director - Financial Planning and Modelling recognised that the University is a lot lower than its peer group in this category and advised that this is mainly due to the reduced volume of collaborative partners compared to the peer group, and which the University is looking to address. The Chairman recommended that when the report returned to the Committee, in addition to comparators there will be some rationale provided as to why the University is behind its peers and actions taken to improve.</p>	Associate Director – Financial Planning and Modelling	March 2016	Active
FC 15.10	<p><u>Treasury Management Update/Banking Arrangements Review:</u> The Deputy Finance Director advised the Committee that progress had been made but due to further changes in banking regulations, and awaiting the outcome of the Treasury Management Policy review by an external body, reports would now be available at the June meeting of the Finance Committee.</p>	Deputy Finance Director	26 October 2015	Discharged and opened up at 15.29.

Minute	Action	By Whom	By When	Status
FC 15.13 (i)	Any Other Business: The Chair of Finance Committee noted the comments from the Finance Director & Deputy Chief Executive and clarified that the Committee was requesting a schedule of delegated authority outlining responsibilities for both verbal and financial commitments in the context of who can make decisions on any particular commitment and to what level. The Chair requested that this be presented to the Committee at the June meeting.	Finance Director & Deputy Chief Executive	26 October 2015	Active
FC 15.13 (ii)	The Finance Director & 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 & 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.	Finance Director & Deputy Chief Executive	Board of Governors November 2015	Active
FC 15.18 (ii)	MATTERS ARISING; It was noted that the full Risk Register had been provided rather than the report on Finance & Estates risks requested by the Committee. The Committee requested a copy of the Finance and Estates risks for the next meeting in October.	Finance Director (University Secretary) & Deputy Chief Executive?	October 2015	New

Minute	Action	By Whom	By When	Status
FC 15.20 (i)	<p><u>OUTTURN FORECAST (2014/15)/BUDGET 2015/16</u>: The Chair advised that it may be helpful for the next Finance Committee to receive the figures for the loss of students for 2014/15 and what actions have been taken to improve the retention rates to bring it down in 2015/16 and 2016/17. The Vice-Chancellor reported that the declining retention rate is disappointing as it would normally be expected that the increase in the quality intake of students would improve retention rates.</p>	Vice-Chancellor & Chief Executive	October 2015	Discharged for FC – Matter for the Board and Academic Board.
FC 15.20 (ii)	<p><u>OUTTURN FORECAST (2014/15)/BUDGET (2015/16)</u>: The Chair requested, for the next meeting of the Finance Committee, that it would be helpful to have a separate table for ease of reference in relation to all the key drivers that were contained within the detailed 5 year forecast as presented to the Board of Governors such as student recruitment both domestic and international outlining the student numbers; the actual budget; target budget; and actions being taken to realise future targets: research income: collaboration.</p>	Director of Finance (University Secretary) & Deputy Chief Executive	October 2015	New
FC 15.22	<p><u>DEBTORS AND DOUBTFUL DEBT PROVISION</u>: The Chair would find it helpful if the report could show debts written off as a percentage of income, as per a previous report presented to the Committee, to better understand if the debts were reducing on an</p>	Deputy Finance Director	June 2016	New

Minute	Action	By Whom	By When	Status
	annual basis. The Deputy Finance Director agreed that this would be indicated in future reports.			
FC 15.23	<u>PROPERTY AND CAPITAL DEVELOPMENT REPORT:</u> The Chair requested, in relation to property disposal issues, that the year in which the property had been assumed for sale in the 5 year plan be provided which would be helpful to the Committee to see any possible cash slippages.	Finance Director (University Secretary) & Deputy Chief Executive	October 2015	New
FC 15.24 (i)	<u>GOVERNANCE EFFECTIVENESS REVIEW: FINANCE COMMITTEE ACTION PLAN:</u> The Chair noted the Scheme of Delegation was still under review and it is now anticipated that it will be approved by the Board of Governors in September 2015 and not July 2015 as indicated in the Action Plan. A separate report outlining the schedule of financial authority will be presented to the Finance Committee.	Deputy Finance Director	October 2015	New
FC 15.24 (ii)	<u>GOVERNANCE EFFECTIVENESS REVIEW: FINANCE COMMITTEE ACTION PLAN:</u> That in relation to the discharged action regarding the periodic review of policies the Finance Committee requested a list of financial related policies, when they were last reviewed, and the review schedule. Similarly, in regard to internal audits, when the policy areas were last	Committee Secretary	October 2015	New

Minute	Action	By Whom	By When	Status
	audited and potentially when they will be audited again.			
FC 15.25	<p data-bbox="371 339 1037 403"><u>TERMS OF REFERENCE AND PROGRAMME OF BUSINESS 2015/16:</u></p> <ul style="list-style-type: none"> <li data-bbox="416 443 1037 627">(i) That in relation to term 17 the retrospective annual report should read “retrospective annual report on Enterprise, Collaborative and Research performance”. <li data-bbox="416 667 1037 738">(ii) That term 25 duplicated term 17 and should be deleted. <li data-bbox="416 778 1037 1026">(iii) That term 16 in regard to the financial statement and budget of the Liverpool Students’ Union should read “including regular financial updates to oversee the Students’ Union is operating in a financially sustainable manner ...” <li data-bbox="416 1066 1037 1177">(iv) That term 23 should be re-written in the same format as the other listed terms. 	Committee Secretary	July 2015	Discharged at Board of Governors July 2015.

Minute	Action	By Whom	By When	Status
FC 15.28 (i)	<p><u>FINANCIAL REGULATIONS – PURCHASING POLICY & PROCEDURES:</u> The Committee requested a process map to indicate the different levels of financial authorities within the University and extracting from the University’s Scheme of Delegation the authority for entering into new ventures and partnerships.</p>	Deputy Finance Director	October 2015	New
FC 15.28 (ii)	<p><u>FIANCIAL REGULATIONS – PURCHASING POLICY & PROCEDURES:</u> The Chair recommended that the Finance Committee approve a policy on procurement in terms of value and quotes and receive an annual report by category of expense, for example, payroll; I.T. consultancy, etc. setting out the current position of the University and what improvements have been made and are being made, to assure Finance Committee that the University is getting the best value for money possible.</p>	Deputy Finance Director	October 2015	New
FC 15.29	<p><u>BANKING ARRANGEMENTS REVIEW UPDATE:</u> A further and more detailed review of the University’s Treasury Management Policy is being undertaken and it was intended to bring the final version for approval to the June Finance Committee meeting. However, the advisers had suggested that the review should also consider the other interlinked policies (Anti Money Laundering; Ethical Investment, etc.) to ensure a complete and</p>	Deputy Finance Director	October 2015	New

Minute	Action	By Whom	By When	Status
	<p>thorough review takes place. In addition as there has been considerable regulatory change within the banking sector there are some final suggestions the advisers wished to consider before providing the report. The final report is now due at the end of June with a preliminary report provided stating that “overall we feel that your policy is well structured and is particularly strong when compared to other University TMP’s in its borrowing and interest rate management requirements”.</p>			