

Key abbreviations/acronyms used in these Minutes:

HESA	Higher Education Statistical Agency
HEFCE	Higher Education Funding Council for England
FTE	Full Time Equivalent
SMT	Strategic Management Team
BIS	Department for Business, Innovation & Skills
SLC	Student Loan Company
TMP	Treasury Management Policy
CIPFA	The Chartered Institute of Public Finance & Accountancy
SUSS	Students Union Superannuation Scheme
TAR	Tunku Abdul Rahman (College)
FE	Further Education
STEM	Science, Technology, Engineering and Mathematics

Date: Monday 26th October 2015

Venue: Roscoe Room

Present: Mrs K Byrne (Chair)
Mr J Stopforth (Deputy Chair)
Mr P Hyland
Professor N Weatherill

Apologies: Full Attendance, with one vacancy.

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

Declaration of Interests No interests were declared.

PRELIMINARY FORMAL BUSINESS

FC 15.37

Minutes of Previous Meeting

The minutes of the meeting held on Monday 22nd June 2015 were agreed as an accurate record of the meeting, subject to the following amendments:

- Page 4, bullet points one and six, replace the wording 'block grant' with 'loan'.

Approved

FC 15.38

Matters Arising Not Covered on the Agenda

- The Chair was assured that Action Point FC 14.36 (ii) in relation to the Carbon Management Plan will be discharged at the Finance Committee to be held on 21st March 2016. The Carbon Management Plan is under review by an external consultant to ensure the Plan is aligned to the University's Estate Master Plan.

Action

Director, Estate Management

- Action Point FC 15.20 (i) in relation to retention rates had been referred to the Academic Board and the SMT. A set of actions had been agreed which are currently being implemented to address retention issues and which are being closely monitored.
- It was confirmed that Action Point FC 15.20 (ii) in relation to 'the presentation of a separate table for ease of reference in relation to all the key drivers that were contained within the detailed five year forecast' had been discharged at the Board of Governors' meeting held on 6th July 2015.
- Action Point FC 15.24 (i) in relation to the Scheme of Delegation will be discharged at the Board of Governors' Meeting on 16th November 2015. The Board will receive a revised Scheme of Delegation for approval.
- The Deputy Finance Director informed the Committee that work continued in relation to Action Point FC 15.24 (ii) 'the periodic review of financial policies', and that a report will be presented to the Finance Committee on 21st March 2016. The Deputy Finance Director further clarified that the Internal Auditors would not usually audit the financial regulations specifically, but that this would be done as part of reviews of other services and that a mapping exercise in this respect will be provided in the report.

Action

Deputy Finance Director

- The Deputy Finance Director informed the Committee that work continued in relation to Action Point FC 15.28 (ii) in regard to 'Financial Regulations – Purchasing Policy & Procedures'. That this will be reported to the Audit Committee on 14th March 2016 and a copy will be provided to the Finance Committee for information at its meeting on 21st March 2016.

Action

Deputy Finance Director

- The Chair of Finance Committee reported that in relation to Action Point LJMU 15.48 (i) regarding the Committee's 'oversight of infrastructure and technology' that this was discussed at the Nominations Committee today and further consideration would be given as to the Finance Committee's responsibility for information technology and whether the committee should be renamed the Finance and Resources Committee to better reflect its remit for Finance, Estates and IT.

Action Nomination Committee/Finance Committee

ITEMS FOR ENDORSEMENT/REVIEW

FC 15.39 **2014/15 Year End Financial Statements**

Received: The report from the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/24) for endorsement.

- Reported:**
- In regard to the draft Financial Statements for 2014/15 the Deputy Finance Director reported that some areas were still outstanding at the time of the report. Some minor amendments had been made to the public benefit statement, corporate governance statement, and the operating and financial review as a consequence of being reviewed by the Audit Committee and SMT. These amendments had been agreed by the External Auditors, KPMG. In relation to Note 8 of the financial statements, the information will be inserted once the analysis of the HESA returns has been completed. This information will be available at the Board of Governors' meeting on 16th November 2015, but may still be in draft form until signed off by KPMG.
 - The report was presented by the Deputy Finance Director. The group historic cost result for the year is a surplus of £20.9m. This result is comprised of a group operational surplus of £21.0m adjusted by a £0.15m charge for FRS 17 pension charge.
 - The result is an improvement of £11.6m over budget and £7.22m over the Outturn Forecast. The substance of the improvement over the June forecast is due to the FRS 17 pension charge being £2.85m lower than forecast, additional income of £1.5m, and expenditure being £3.0m lower than forecast.
 - The Committee received a presentational handout which provided a year on year analysis of the University Group; a

summary of movements between the Budget and Actual results for Income and Expenditure; the Group balance sheet comparison; and Banking Covenants.

- The University is meeting all its banking covenants.

Commented:

- Committee members noted that 'Other Operating Expenses' had increased in 2014/15 compared to 2013/14. The Deputy Finance Director clarified that these costs had not yet been separated as they need to be aligned with the University's HESA returns and this information is not yet available. Many of the costs had been due to monies spent on improvements to the University's Estate. The Deputy Finance Director also indicated that there had been a slight reduction in 'other operating expenses' in the year 2013/14 compared to 2012/13.
- The Chair thanked the Deputy Finance Director for the helpful analysis that had been provided at the beginning of the financial statements, and in particular Appendix G outlining the comparison of income and expenditure accounts and year on year movement between 2013/14 and 2014/15.

Noted and Endorsed

The Finance Committee noted and endorsed the report for the financial year 2014/15 for onward presentation to the Audit Committee on 5th November 2015, the Board of Governors on 16th November 2015, and the HEFCE by 1st December 2015.

FC 15.40

Monitoring Forecast Report 2015/16

Received:

The report from the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/25).

Reported:

- The Deputy Finance Director provided a brief overview of the 2015/16 year. The budgeted historic cost surplus for the year is £6.2m, which includes assumed costs of FRS 17 (Pensions) at £3m. Therefore, the Operating Cost surplus is £9.2m.
- The Committee received a presentational handout which outlined the underlying operational surplus for 2015/16 is in line with the budget.
- Whilst HESA data is not yet complete in respect of home students, the latest enrolment information available indicates the University has recruited above its undergraduate level 4 targets, but below target for post graduate students. In addition retention rates for students progressing from level 4 to 5 are lower than anticipated.

- The overall net home fees position is forecast to exceed home income budget by £1.2m after utilising contingencies included in the home student fee income budget. The improved net position is due to undergraduate Level 4 exceeding target and application of forecast fee contingencies mitigates lower than anticipated student progression rates. However, there are some challenges ahead with regards to meeting future stretching Postgraduate Taught enrolment targets as well as improving the Level 4 to 5 undergraduate retention levels. It should also be noted that the £2.2m shortfall in income between undergraduate Level 4 to 5 will more than likely be repeated in 2016/17 when these students then progress from level 5 to 6.
- International net fee income likely performance is a shortfall of £760k after utilising fee income contingencies.
- International undergraduate income is £778k below budget. However, it should be noted that the 2015/16 all year International undergraduate level enrolment target is a 90% increase on the 2014/15 actual all year enrolment FTE.
- The International Postgraduate Taught enrolment target had always been a stretching target which was around 200+% higher than the actual enrolments in 2014/15. The latest position is a forecast of £18k above net budget after utilising all international and general fee contingencies. It is expected that this position will marginally improve on completion of the enrolment cycle, but still remain significantly below the budget.
- Due to the non-standard year wide Postgraduate Research recruitment cycle the all year recruitment position is still not clear. However, initial indications are that the September to December enrolment targets are likely to be met.
- As a result of the changes stated above the total fee income is forecast to exceed the budget by circa £0.4m after the utilisation of fee contingencies. The tuition fee numbers reported are the University's current best view of student recruitment and progression, and indicate that the University will achieve mixed results in attaining targeted student numbers in 2015/16.
- Whilst the impact of the postgraduate shortfall is contained to one year the currently forecast reduced volume of Level 4 undergraduate international students recruited and lower than anticipated undergraduate retention rates will impact future years forecasts. At this time student numbers for

2015/16 are still changing but it is anticipated that the overall 2015/16 budget will be achieved.

- The University will continue to achieve all of the banking covenants associated with the loan provided by Barclays Bank. 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 at pinch points in each year for the next few years.
- The latest forecast position for 2015/16 indicates an improvement of £0.7m to the budgeted surplus which is now forecast to be £6.9m. However, the Operating Cost surplus remains unchanged at £9.2m after excluding the reduced £0.7m charge for FRS 17. It is anticipated that the year-end cash position for 2015/16 will reduce by approximately £0.8m from £67.2m to £66.4m as a result of the changes in the operating surplus.
- The Finance Director (University Secretary) & Deputy Chief Executive outlined the implications for future year's forecasts as presented within the report.

Commented:

- Committee members were assured that the reduction in the HEFCE grant is as a result of efficiency savings the HEFCE must make across the sector and was not based on the performance of the University.
- Committee members noted that the interest rates on the University's banking loans have fixed rates and therefore any increases in the interest rate would not have a negative effect on the University's balance sheet in the short term.
- Committee members wished to further understand the reasons for under-recruitment of postgraduate taught students. The Vice-Chancellor & Chief Executive reported that in the last academic year the University had brought on-line 49 new Masters programmes and had hoped to recruit to its ambitious targets. A number of actions were being taken to address these issues, such as more marketing, more open days and a concerted effort to convert applications into recruitment. It was understood that Masters Programmes do take some time to become established and it was hoped that the new student loans for postgraduate students coming into effect next year would have a positive impact on recruitment.
- The Vice-Chancellor & Chief Executive also reported that the University was able to recruit more Home students to mitigate the shortfall in the recruitment of postgraduate

students, and whilst not impacting negatively on the University's quality thresholds.

- The Chair of Finance Committee noted the continued monitoring of the international and retention strategies going forward and would await the Spring forecasts which should identify if the University should be doing something differently.

The Finance Committee noted and endorsed the report on the 2015/16 financial year for submission to the full Board of Governors on 16th November 2015.

Noted and endorsed

FC 15.41

Annual Report: University's Subsidiary and Related Companies

Received:

The report of the Deputy Finance Director (FC 15/26)

Reported:

- The Finance Committee had requested a complete list of all the University's subsidiary and related companies, their activities and financial statements on an annual basis.
- The report presented an overview of all LJMU subsidiary and related companies, both trading and non-trading, and set out the principal activities of the companies during 2014/15 and their financial results.

Commented:

- The Chair found the summary to the report helpful, along with Appendix 1 which set out the statutory details of each of the companies, including the names of the Company Directors and Company Secretaries.
- The Chair sought clarification around the reasons for LJMU providing loans to both Sensor City and the Science Park, the accounts of which seemed to indicate that the University of Liverpool as our partner in these ventures had not provided loans. The Deputy Finance Director clarified that in regard to Sensor City, both LJMU and the University of Liverpool are committed to providing a certain amount of contribution and at this stage it is simpler from an accounting point of view for LJMU to provide the initial cash flow, which is claimed back from BIS.
- In regard to the Science Park the Deputy Finance Director thinks a presentational mistake has been made as both LJMU and the University of Liverpool have provided loans. She will follow this up as soon as possible. She also clarified that LJMU was the accountable body when the Science Park was first established and therefore we had a

very specific agreement with the Science Park that the University would provide the cash flow.

- It was agreed that the summary pages of the report would be referred to the Board of Governors for information at its meeting to be held on 16th November 2015, informing the Board that the financial statements have been reviewed by the Finance Committee and the Boards of the companies.

Action Deputy Finance Director

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

FC 15.42 **Annual Report: Contracts and Grants Audit**

Received: The report of the Deputy Finance Director (FC 15/27)

- Reported:**
- The report provided the Finance Committee with information in regard to the value and number of contracts and grants externally audited during 2014/15.
 - Each year the University delivers on contracts and grants received from funding and other agencies across the world. Each funder/grant provider have their own set of rules and guidelines which relate to both the outputs delivered and financial requirements.
 - The University has, for several years, engaged specialist grant auditors. The current incumbent is Mazars LLP who were appointed through an OJEU tender process and commenced audits for the year commencing August 2013.
 - Mazars LLP provided their report which indicated that work carried out to date has highlighted no issues with the processes and procedures of the University and very few queries with the expenditure being included in project claims. Any queries raised had been quickly addressed by the Finance Team.
 - Mazars LLP also reported that they were not aware of any issues which require the attention of the Audit Committee at this stage and that if anything should arise they will discuss this immediately with the Chair of the Audit Committee.
 - The report will also be shared with the Audit Committee at its November meeting.

Noted The Finance Committee noted the report as endorsed by SMT at its meeting held on 13th October 2015.

FC 15.43 **Finance and Estates Risks**

Received: The report of the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/28).

Reported: • As requested by the Finance Committee the Committee received the Finance and Resources Risk Register for oversight and information.

Commented: • The Chair found the separate report on the Finance and Resources risks helpful, which allowed her to provide further assurance to the Board around the finances and estate. Arising from further discussions to take place regarding I.T. and the Finance Committee possibly becoming a Finance and Resource Committee, it would be further clarified whether the Committee also needed to see the risks in relation to I.T.

• Committee members asked the Finance Director (University Secretary) & Deputy Chief Executive whether she knew of any significant risks that need to be highlighted to the Finance Committee. The Finance Director (University Secretary) & Deputy Chief Executive advised that any significant risks will be identified through the financial forecasts and more realistic financial modelling going forward.

• The Vice-Chancellor & Chief Executive reported that it is important to keep on investing in the future of the University through its estate, I.T., staff, and the student experience to ensure we meet the University's Strategic Plan.

Noted The Finance Committee noted the contents of the report.

FC 15.44 **Treasury Management Policy**

Received: The report of the Deputy Finance Director (FC 15/29).

Reported: • As reported to the June Finance Committee a further and more detailed review of the University's Treasury Management Policy (TMP) was being undertaken and incorporating the consideration of the associated procedural notes, Anti Money Laundering Policy, and Ethical Investment Policy. This was in addition to the fact that as there has been considerable regulatory change within the banking world there were some final suggestions the advisers wanted to consider before providing the final report.

• The recommendations within the external advisers report and amended in the TMP include:

- To set up a short term banking limit up to one month in order to facilitate the receipt of the SLC payments.
- For added flexibility; allow LJMU to deposit in foreign currencies if it is in receipt of foreign currency payments and has longer term foreign currency payments.
- To change the rating criteria to use long term ratings instead of short term ratings and establish appropriate new levels.
- Insert a number of definitions to provide clarity, avoid the possibility of ambiguity and to ensure compliance with the CIPFA TMP guidance.
- Following the Banking Reform Act 2013; that LJMU only place funds with regulated authorised banks and avoids investments in any form of subordinated debt and/or bank holding company debt instrument.

Commented:

- The Chair noted that the initial review provided feedback stating that overall the TMP which existed was considered to be well structured and particularly strong when compared to other University TMPs in its borrowing and interest rate management requirements.
- The Chair sought clarification regarding the ‘Money Laundering and Terrorist Financing Policy’ and the ‘Ethical Investment Policy’ which the report indicated would be included within the Treasury Management Policy. The Deputy Finance Director clarified that there are ethical investment and money laundering policies and the intention is to ensure these are referenced within the Treasury Management Policy. The Chair requested that the terminology be made clearer to indicate this.

Action

Deputy Finance Director

- The Chair also sought clarification regarding Appendix III (f) which stipulated in its ‘Policy for security to be used on loans’ that “the maximum level of assets that should be provided as security without risking the overall stability of the University”. The Deputy Finance Director agreed that this should be clearly defined.

Action

Deputy Finance Director

- The Deputy Finance Director also highlighted within the report the approved methods of raising capital finance through a Borrowings Panel consisting of two members of the Finance Committee, and that this will need to be convened quickly between now and the next Finance Committee to be held in March 2016. After further debate it

was agreed that an extraordinary meeting of the Finance Committee, including the current attendees, would be solely convened to agree and obtain authority for new borrowing agreements as and when required, rather than forming a separate Borrowings Panel.

- The Deputy Finance Director, on request from the Chair, assured the Committee that it was receiving regular reports as indicated in Appendix V of the report. Further, that both the 'Money Laundering and Terrorist Financing Policy' and the 'Ethical Investment Policy' are due for review and will be brought back to the Finance Committee as part of the actions under FC 15.24 (ii) and FC 15.38.

Action Deputy Finance Director

Approved The Finance Committee approved the updated Treasury Management Policy incorporating the amendments as discussed above.

ITEMS FOR INFORMATION

FC 15.45 **LiverpoolSU Financial Update**

Received: The report from the Finance Director (University Secretary) & Deputy Chief Executive (FC 15/30).

- Reported:**
- The report provided an update on the financial position of the Liverpool Students' Union (LiverpoolSU). The draft financial statements had not been provided as they had not been presented to the LiverpoolSU Trustees. However, the draft surplus and balance sheet had been provided.
 - The surplus for the 2014/15 year was £51k. This was an improvement above the forecast outturn of £31k which was already an improvement of £14k above budget. Overall this represents an improvement of £45k above budget. The most significant area of improvement was the realisation of the savings within the central services budget as a consequence of the move from the Haigh building to the John Foster building.
 - The balance sheet as at the end of 2014/15 year has shown an improvement in the net current assets despite the large reduction in the cash and bank balance compared to 2013/14.

- The long term loan from LJMU to LiverpoolSU remains at £125k with no intention by the University to call on this loan during the 2015/16 year.
- The cash flow for the 2015/16 year indicates an improving cash balance from £164k in August 2015 to £321k in July 2016. This therefore indicates that there will be no cash difficulties faced by the Student Union during 2015/16. Continued monitoring will take place.
- The budget for the 2015/16 year was approved by the LiverpoolSU Trustees for a surplus of £6k. This is very similar to the budget for 2014/15. Although the savings for the central services is expected to continue the additional grant of £50k provided by the University for the 2014/15 year has been removed.
- In accordance with Section 22(3) of the Education Act 1994 a list of affiliations was provided. The Act states that the Student Unions' accounts should also record any affiliation by the Students' Union to any external organisations by naming such organisations and details of any subscriptions, fees or donations paid by the Students' Union to that organisation

Commented:

- The poor performance of LiverpoolSU within the NSS (bottom quartile) had been noted and how this may impact on the University's reputation.
- The Committee Secretary reported that the LiverpoolSU would be presenting changes to their constitutional documents to the Board of Governors at its April 2016 meeting. Any amendments to the Students' Union constitution has to be approved by the Board of Governors. Committee members noted that this may provide an opportunity to have a wider debate around the performance of the Students' Union and how they mean to positively address these issues, with a possible mandate from the Board of Governors on how improvements should be aligned to the Strategic Plan of the University.
- The Vice-Chancellor & Chief Executive suggested that a paper be brought to the Board of Governors in terms of the possible impact a poor performing students' union may have on the reputation of the University.

Action

Vice-Chancellor & Chief Executive

- Committee members noted the 2% staff pay increase compared to the University's 1% pay increase.

- The Chair also noted that at the last Board meeting the Student Governors had asked governors to give consideration as to what they feel a students' union should be providing. The Chair would have expected the Students' Union to have made some recommendations as to its thinking around what it should or should not be providing based on student feedback rather than governors' feedback.

Noted

- The Finance Committee noted the paper showing the LiverpoolSU financial position as at the end of July 2015.
- The improvements made to the cash balances.
- The Student Union's 2015/16 budget and cash flow.
- The list of LiverpoolSU affiliations.

FC 15.46

Pensions Update

Received:

The report of the Deputy Finance Director (FC 15/31)

Reported:

- The report provided the Committee with an update of the pension status within the University and the changes moving forward in relation to the pension schemes operated by the University as follows:
 - Local Government Pension Scheme
 - Teachers' Pension Scheme
 - Universities Superannuation Scheme
 - The Mercer Scheme
 - Enhanced Pensions provision

Commented:

- The Director of Finance (University Secretary) & Deputy Chief Executive informed the Committee that a lot of work had gone into providing the information within the paper and therefore this information should be provided on an annual basis.
- It was noted that the report would also be presented to the Audit Committee at its meeting to be held on 5th November 2015.

Noted

The Finance Committee noted the report for information.

FC 15.47

Liverpool Science Park Financial Accounts

Received:

The oral update from the Finance Director (University Secretary) & Deputy Chief Executive.

Reported:

- The financial accounts for the Science Park had been presented earlier within the Annual Report: University's Subsidiary and Related Companies'.
- The Finance Director (University Secretary) & Deputy Chief Executive reported that the Science Park would not be asking for any further financial contributions from its partners. It would be budgeting a loss for this year and a break-even budget for next year.
- Discussions were still ongoing with the legal advisers regarding the possible "claw back" (£110k per partner) of European funding.

Noted The Finance Committee noted the oral update.

FC 15.48 **Faculty/Income Generation**

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

- Reported:**
- The report had been prepared at the request of the Finance Committee to help show the Faculties/Divisions strategies in terms of income generation targets and future aspirations.
 - The report contained the following:
 - Current five year forecast Enterprise, Collaborative and Research Income Values;
 - October 2015 updated likely five year forecasts for Enterprise, Collaborative and Research Income;
 - Variance between the five year plan and the October forecast above in both £ and %;
 - Previous year trend data from 2011/12 onwards;
 - Total Faculty overall position and concluding comments from Finance;
 - Appendices containing graphical presentation between actual and forecasted values by activity stream by year; and
 - Appendices containing Divisional commercial income drill down.
 - In terms of collaborative provision across all Faculties the phasing out of TAR, FE College Partnerships and Kaplan had had a significant impact across the trend data.
 - It was recognised that the report lacked some clear statements as to how the forecasts will be delivered.

- Commented:**
- The Vice-Chancellor & Chief Executive informed the Committee that a lot of work is currently ongoing with a number of different groups in the Research & Innovation Services and that systems will be put in place to enable the University to better understand the timeframe around submissions in terms of numbers and value and to therefore have more confidence around setting targets going forward.
 - The Chair was pleased to receive the report noting the University's continuing focus on these income streams and recognising the report will develop over time with more detailed narrative around how the targets will be achieved and containing expenditure details also.
 - The Vice-Chancellor gave some insight into current government thinking as part of its Spending Review which could possibly see all research councils merging into one quango. Committee members felt that Enterprise and Collaborative Income is the public-facing elements of the University's civic mission and knowing whether we are doing it well is important, not just in a financial sense, but also ensuring the University is credible to the small business community and the public sector within the city.

Noted The Finance Committee noted the report.

FC 15.49 **Financial Approvals and Authority Levels**

Received: The report of the Deputy Finance Director (FC 15/33).

- Reported**
- The report provided the Committee with an update on the review of the University's financial approvals and authority levels and sought the Committee's approval for the proposed changes to the financial approval and authority levels.
 - The Finance Committee had 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.
 - The Vice-Chancellor & Chief Executive is recognised by HEFCE through the Memorandum of Assurance and Accountability as the 'Accountable Officer' who is responsible for ensuring the University complies with all statutory financial matters.
 - Through the University's Scheme of Delegation the Finance Director (University Secretary) & Deputy Chief

Executive is responsible to the Vice-Chancellor & Chief Executive for the strategic and operational financial management of the University.

- The Scheme of Delegation also sets out what governance and procedures should be in place for the University's subsidiary, associate and joint venture companies. The Scheme of Delegation is being reviewed and updated to incorporate various changes across the University and will be presented to the Board of Governors for approval.
- The report outlined changes to the approval levels across the University to ensure a consistent and transparent approach and process is applied to all areas of the University, and that anything above £100k needs the approval of the Vice-Chancellor & Chief Executive.
- The report further recommended that all contracts under seal with a value of £500k or more will require a Governor's signature. The current process in place is for all contracts under seal with a value of £250k.

Commented:

- Committee members sought clarification that the increases are comparable with other universities. The Finance Director (University Secretary) & Deputy Chief Executive advised that the amounts are comparable to some universities and much lower than other universities, and does vary considerably across the sector.
- The Director, Estate Management advised the Committee that any contracts over £25k are now legally bound to be placed on the government's 'contracts finder' website if the contract is to be advertised.
- The Chair was pleased to note the consistency of approval and authority levels across the Faculties. The Deputy Finance Director provided assurance to the Committee that although automated controls are not yet in place there are reporting mechanisms that allow for close monitoring of any purchase orders or invoices received outside of the ordering system, and also monthly checks to ensure that staff do not place multiple orders of lower amounts to avoid the upper limit control. Now that the authority levels and approvals have been reviewed this will provide an easier monitoring mechanism to ensure consistency across the University.
- The Chair reported the request for the information is as a consequence of receiving the Sensor City proposal directly to the Board of Governors, which had not previously been reported to Finance Committee. Although joint venture

approvals were not contained within this report they would be included within the Scheme of Delegation which will be presented to the Board of Governors for approval.

Approved

- The Finance Committee approved the proposed changes to the financial approvals and authority levels.
- The Finance Committee endorsed the recommendation that all contracts under seal with a value of £500k or more will require a Governor's signature. This will be outlined within the Scheme of Delegation and approved by the Board of Governors.

FC 15.50

Estate Development Update

The report of the Finance Director (University Secretary) & Deputy Chief Executive and the Director of Estate Management (FC 15/34).

Received:

Reported:

- The report provided an update on the progress made with the University's Estate Development Strategy.
- The Copperas Hill development is currently within the allocated budget and is progressing well. It is proposed that the Copperas Hill development will be completed for the start of the 2018/19 academic year. Following the completion of stage one, the University will negotiate with the Principal Contractor an agreed fixed price for the construction of the redesigned building. Governors will be asked to confirm the appointment of the Principal Contractor (based on this fixed price) in the Spring of 2016.
- The work on the social space at the Byrom Street Campus has now been completed and is fully operational.
- As the Faculty of Education, Health & Community will not be located in Copperas Hill, it is proposed to relocate the Faculty to the Aldham Roberts Library and the Aquinas Building on the John Foster Campus, when these buildings become available in 2018, following the relocation of the library into Copperas Hill.
- The Committee were aware of the ongoing issues with the rain screen cladding system on the Redmonds Building. Temporary works have been in progress at the Redmonds Building since March 2015 and negotiations are ongoing with Wates Construction to resolve the issues.
- The report also provided a summary of the spend on capital expenditure for property, I.T. and equipment across the University and the capital development proposals

specifically related to property for the three years 2014/15 and 2015/16 and future forecast years. It also showed the in-year sources of funds, and highlighted the net impact of the capital spend for each year.

- Commented**
- The Director, Estate Management informed the Committee that there isn't a current good market for 4-6 Rodney Street and the Haigh Building and therefore the University will assess the long term future of the site.

Noted The Finance Committee noted:

- The progress with regard to the University's Estate Development Strategy;
- The progress with ongoing projects;
- An extra £1m investment in the 2014/15 financial year;
- The ongoing issues with the external cladding system on the Redmonds Building.

FC 15.51 **HEFCE's Accounts Direction to Higher Education Institutions for 2015/16 Financial Statements**

Received: The above Accounts Direction for information as required by the Higher Education Funding Council for England (FC 15/35)

Noted The Finance Committee noted the Accounts Direction 2015/16 from HEFCE.

FC 15.52 **India Office Briefing Note**

Received: The report for information from the Pro-Vice-Chancellor (External Engagement) (FC 15/36).

- Reported:**
- The Finance Director (University Secretary) & Deputy Chief Executive informed the Committee that this paper had been brought forward in the context of alerting the Committee to the setting up of an additional legal entity via the establishment of an office in Hyderabad, India.
 - The Vice-Chancellor & Chief Executive advised that the report would need to be endorsed by the SMT before onward approval by the Board on 16th November 2015.

Action Vice-Chancellor & Chief Executive

- Commented:**
- The Chair suggested that more information should be provided within the report around the demographic of the market and the University's market targets, and any risks associated with the proposal.

- Noted** The Finance Committee noted the briefing paper.
- FC 15.53** **Governance Effectiveness Review: Finance Committee Action Plan**
- Received:** The report of the Committee Secretary for information (FC 15/37).
- Reported:**
- The Committee received the Finance Committee's 'Governance Effectiveness Review Action Plan' for information and progress made.
 - The Finance Committee had one remaining outstanding action in regard to the appointment of suitably qualified directors or trustees to the University's subsidiary entities. This action will be discharged within the Scheme of Delegation to be approved by the Board of Governors on 16th November 2015.
- FC 15.54** **Any other business**
- No other business reported.
- FC 15.55** **Date of next meeting**
- Monday 21st March 2016 at 4.30 p.m. in the Roscoe Room.

LIVERPOOL JOHN MOORES UNIVERSITY
BOARD OF GOVERNORS – FINANCE COMMITTEE

Action Point Control Register – Status of Open Action Points as at 21st March 2016

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) & FC 15.38(i)	<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 th October 2015	Discharged

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	Discharged
FC 15.04	<p><u>Matters Arising from the minutes:</u></p> <p><u>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</p>	Finance Director & Deputy Chief Executive	26 October	Discharged

Minute	Action	By Whom	By When	Status
	<p>Deputy Chair had requested a separate report in relation to Faculty income generation with each Faculty reporting its strategy in terms of 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>			
FC 15.09	<p>TRAC 2013/14 Executive Summary: 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

Minute	Action	By Whom	By When	Status
FC 15.13 (i)	<p>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.</p>	Finance Director (University Secretary) & Deputy Chief Executive	26 October 2015	Discharged
FC 15.13 (ii)	<p>The Finance Director (University Secretary) & Deputy Chief Executive advised that the section in relation to Finance Committee responsibilities within the Scheme of Delegation sets out responsibilities for subsidiaries, wholly-owned, or partly-owned but has no delegation for joint ventures. The Finance Director & 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.</p>	Finance Director (University Secretary) & Deputy Chief Executive	Board of Governors November 2015	Active

Minute	Action	By Whom	By When	Status
FC 15.18 (ii)	<u>MATTERS ARISING:</u> 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	Discharged
FC 15.22	<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 annual basis. The Deputy Finance Director agreed that this would be indicated in future reports.	Deputy Finance Director	June 2016	Discharged
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	Discharged
FC 15.24 (i)	<u>GOVERNANCE EFFECTIVENESS REVIEW:</u> <u>FINANCE COMMITTEE ACTION PLAN:</u> The Chair noted the Scheme of Delegation was still under review and it is now anticipated that it	Deputy Finance Director	October 2015 – Financial approvals and authority levels discharged in FC	Active

Minute	Action	By Whom	By When	Status
	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.		15.49. Wider aspects of delegation will be addressed at the Board of Governors' meeting on 16 th November 2015.	
FC 15.24 (ii) & FC 15.38 (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 audited and potentially when they will be audited again.	Deputy Finance Director	March 2016	Active
FC 15.28 (i)	<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.	Deputy Finance Director	October 2015	Discharged

Minute	Action	By Whom	By When	Status
FC 15.28 (ii) & FC 15.38 (iii)	<u>FINANCIAL 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.	Deputy Finance Director	March 2016	Active
FC 15.29	<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 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	Deputy Finance Director	October 2015	Discharged

Minute	Action	By Whom	By When	Status
	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”.			
FC 15.38 (iv)	Matters Arising: The Chair of Finance Committee reported that in relation to Action Point LJMU 15.48 (i) regarding the Committee’s ‘oversight of infrastructure and technology’ that this was discussed at the Nominations Committee today and further consideration would be given as to the Finance Committee’s responsibility for information technology and whether the committee should be renamed the Finance and Resources Committee to better reflect its remit for Finance, Estates and IT.	Nominations Committee/Finance Committee	21 st March 2016	New
FC 15.41	<u>Annual Report: University’s Subsidiary and Related Companies:</u> It was agreed that the summary pages of the report would be referred to the Board of Governors for information at its meeting to be held on 16th November 2015, informing the Board that the financial statements have been reviewed by the Finance Committee and the Boards of the companies.	Deputy Finance Director	16 th November 2015	Discharged

Minute	Action	By Whom	By When	Status
FC 15.44 (i)	Treasury Management Policy: The Chair sought clarification regarding the 'Money Laundering and Terrorist Financing Policy' and the 'Ethical Investment Policy' which the report indicated would be included within the Treasury Management Policy. The Deputy Finance Director clarified that there are ethical investment and money laundering policies and the intention is to ensure these are referenced within the Treasury Management Policy. The Chair requested that the terminology be made clearer to indicate this.	Deputy Finance Director	21 st March 2016	New
FC 15.44 (ii)	Treasury Management Policy: The Chair also sought clarification regarding Appendix III (f) which stipulated in its 'Policy for security to be used on loans' that "the maximum level of assets that should be provided as security without risking the overall stability of the University". The Deputy Finance Director agreed that this should be clearly defined.	Deputy Finance Director	21 st March 2015	New
FC 15.44 (iii)	Treasury Management Policy: The Deputy Finance Director, on request from the Chair, assured the Committee that it was receiving regular reports as indicated in Appendix V of the report. Further, that both the 'Money Laundering and Terrorist Financing Policy' and the 'Ethical Investment Policy' are due for	Deputy Finance Director	21 st March 2015	New

Minute	Action	By Whom	By When	Status
	review and will be brought back to the Finance Committee as part of the actions under FC 15.24 (ii) and FC 15.38.			
FC 15.45	<u>LiverpoolSU Financial Update:</u> The Vice-Chancellor & Chief Executive suggested that a paper be brought to the Board of Governors in terms of the possible impact a poor performing students' union may have on the reputation of the University.	Vice-Chancellor & Chief Executive	April 2016 Board of Governors.	New
FC 15.52	<u>India Office Briefing Note:</u> The Vice-Chancellor & Chief Executive advised that the report would need to be endorsed by the SMT before onward approval by the Board on 16 th November 2015.	Vice-Chancellor & Chief Executive	November 2015 to the Board of Governors	New