

**16 June 2021, at 5.00 pm – Microsoft Teams virtual meeting**

**Governors in attendance:**

**Independent**

Brian McCann, Chair  
Lesley Davies  
Lee Gilmore, Deputy Chair  
Mike Parker (observer)

**Ex officio**

Professor Ian G Campbell, Vice Chancellor and Chief Executive

**Clerk to the Board**

Michael Thompson

**Non-governors in attendance:**

Hannah Argo, interim Finance Director  
Maria Burquest, University Secretary and General Counsel  
Paul Chapman, CEO JMSU (part of the meeting)  
Mike Riley, interim Pro Vice Chancellor, Faculty of Engineering and Technology (part of the meeting)  
Rob Schooler, Associate Director – Financial Planning

**Preliminary Formal Business**

**Noted:**

New Robotic Telescope – That a late report was received for information from the interim Pro Vice Chancellor, Faculty of Engineering and Technology (FET).

**Resolved:**

That the paper will be taken under item 5 below followed by the remaining items.

**1. Welcome, introductions and apologies for absence**

**Welcome**

1.1 The Chair welcomed all those in attendance.

**Introductions**

1.2 There were none as all those in attendance knew each other.

**Apologies for absence**

**Received:**

1.3 There were none received. All those expected to attend were in attendance.

**2. Declaration of interests, pecuniary or otherwise in respect of items on the agenda**

**Noted:**

2.1 None received.

## **Approval**

### **3. Public minutes of the previous meeting**

#### **Received:**

3.1 The public minutes of 8 March 2021 (FC 21/011).

#### **Resolved:**

3.2 The public minutes of the previous meetings were agreed as a true and accurate record. These will be duly signed and dated by the Chair.

### **4. Matters arising from the previous meeting**

#### **Received:**

4.1 The actions arising from the previous meeting held on 8 March 2021 (FC 21/012).

#### **Action:**

4.2 External pension advice: item 4.8 – Ongoing. The initial plan was to use the services of an external service provider. The interim Finance Director agreed to give the presentation to the Board of Governors in July. The opportunity to receive an external view will also be considered.

#### **Noted:**

4.3 Half-Year Monitoring Report 2020/21: item 5.26 – Discharged. The report was presented and approved by the Board of Governors on 12 April 2021.

4.4 5 Year Financial Forecast, February 2021: item 6.11 – Discharged. The report was presented and approved by the Board of Governors on 12 April 2021.

4.5 Sensor City (Standing item): item 7.7 – Discharged. An oral update will be received from the interim Finance Director (see item 10 below).

**The interim Pro Vice Chancellor, FET joined the meeting**

## **Information**

### **5. New Robotic Telescope**

#### **Received:**

5.1 The report of the interim Pro Vice Chancellor, FET.

#### **Purpose:**

5.2 To update the committee on the status of the project and the institution's commitment and request for approval and acceptance of the STFC (Science and Technology Facilities Council) grant application.

#### **Reported:**

5.3 On the STFC grant application in support of the development of a proposed Robotic Telescope, where the release of the funds were approved in May 2021.

#### **Noted:**

5.4 Current position to date – The Finance Committee in July 2020, approved the progression of the Telescope project noting the university's commitment of £2.5m in support of the initiative. The imminent STFC grant offer letter is expected amounting to £4m. The bid was initially for 4 years, but the STFC have requested that the amount is spread over a

period of 5 years. There is a slight implication to the funding made available from the university increasing from £2.5m to £2.58m.

5.5 The summary schedule of project cost and current funding status was detailed in the paper. The main change from what was previously reported is the withdrawal of a private sector partner in Spain. The bulk cost for the Telescope is approximately £24m with a current shortfall in the funding of £9m. STFC are aware of the position and are keen to progress with the grant offer letter.

5.6 In terms of any associated the risks to the university there are two lines of mitigation. One is to secure additional partners and jointly with the remaining partners in the project to assist with the funding gap. The other is a proposal to de-scope and reduce the project to slightly less than the current cost.

5.7 The phasing in of the STFC grant will provide a gateway until 2022, but if additional funding is not secured by the project consortium or re-scoped the funding will be stalled and recommenced at a later date if and when the funding is secured. There is no clawback facility on the grant so any spent funds will not be clawed back and is a low institutional risk.

5.8 The offer letter is expected imminently taking into consideration that there is no more than 10 days to turn the offer around under Seal within that period.

**Comments:**

5.9 Ownership split on the Telescope project – Governors asked what is the ownership split of the Telescope if the project were to progress. The interim Pro Vice Chancellor, FET said that the split is subject to an ownership based consortium agreement in terms of a proportionality of funding input with the university taking a scientific lead. The remaining funding will be provided by some of the other partners who have accepted that the university and Astro-physics Research Institute (ARI) are the leads for the science scoping part of the project.

5.10 Clawback conditions associated with the STFC grant – Governors asked how will the university respond if the grant received then has a set of conditions that relate to clawback. Governors were informed that the governance of the project has a university oversight group comprising of Finance, Legal and other representative areas of the institution. Once the grant offer is received, the documentation will be scrutinised looking at any specific clauses followed by feedback and recommendations and is unlikely to relate to clawback.

5.11 Financial payback from the Telescope – Governors asked whether there is any financial payback to the institution in relation to the Telescope. Governors were advised that it is difficult to quantify any financial payback, but it is likely to assist with the success of grant applications if the ARI is kept at the forefront, as the associated science will be world leading along with research income, benefits and any overheads.

**Noted:**

5.12 Next steps for authorisation of the grant – Once the terms of the grant are received and scrutinised endorsement will be sought from the Finance Committee prior to approval by the Board of Governors. If the confirmation letter arrives before the Board of Governors' 19 July meeting then Chair's action can be taken by the Chair of the Board of Governors or Chair of the Finance Committee. Alternatively, approval can be escalated as an email to the Board of Governors seeking approval as opposed to calling a one off extraordinary meeting.

**Financial Implications/Risk Analysis:**

5.13 Detailed and discussed within the report.

**Recommendation:**

5.14 Noted for information.

**The interim Pro Vice Chancellor, FET joined the meeting**

**Approval****6. Treasury Management Policy and Banking Updates****Received:**

6.1 The report of the interim Finance Director (FC 21/013).

**Purpose:**

6.2 To note and approve the renewed Treasury Management Policy (TMP), which is subject to review every two years and earlier if specific changes are made for approval.

**Reported:**

6.3 On the previous change made in June 2019. There are minor changes this year as recommended and are shown with tracked changes. A further review of the policy will take place within 12 months due to associated changes in the banking sector pertinent to the institution.

6.4 The loan facility with the bank (Barclays) is being reviewed to ensure that the necessary references are shown based on independent expert legal advice given. The report details a table of the bank deposits in compliance with the TMP.

**Noted:**

6.5 Changes to the policy – In summary, changes were made to the policy in relation to:

- £15m from £10m as a minimum working capital previously agreed by the Finance Committee
- The correct terminology for compliance with the requirements for the OfS (Office for Students).

**Comments/Action:**

6.6 Deposits as at 26 May 2021 – Governors asked about the deposits held with Coventry Building Society and the Leeds Building Society, in relation to the criteria where there is no rating for S&P, meaning that the Maximum Deposit Limit Band 1 criteria of a minimum of A/A2 ratings from two agencies has not been met. Therefore, should the maximum deposit with both these institutions be limited to £7.5m? The interim Finance Director undertook to clarify the position in discussion with the Deputy Finance Director.

6.7 Deposits – Governors asked why the table of deposits does not include financial institutions with a much higher ratings such as HSBC Holdings or HSBC UK and why there are no deposits held with them as opposed to those shown with a lower rating. The interim Finance Director agreed to clarify the position and respond to the query.

**Noted:**

6.8 Loan position – Governors asked about the loan position previously discussed at meetings of the Finance Committee and asked the interim Finance Director for her comments. She agreed it needed further review, but noted that there are currently 3 relatively small loans and a £40m loan secured in 2009 (with a 6% interest rate). The loan has never been accessed during its tenure and will end in 2038, at an estimated cost of £2m per annum.

6.9 Ongoing exploratory work will take place regarding the loan with external advice on the reasons behind the loan and the costs incurred. The cost of exiting the loan will be considerable. Governors understood that the loan was initially set up as a revolving credit facility with an option to draw down on it at various points depending on cashflow needs. The Finance Committee looked forward to receiving a further update on the position and the next steps.

#### **Financial Implications/Risk Analysis**

6.10 Adhering to the policy will ensure that exposure to financial risks are minimised.

#### **Recommendation:**

6.11 That the policy is approved by the Finance Committee.

#### **Approval:**

6.12 The policy was approved following review and the reported changes. The Finance Committee also noted the information shown in relation to the current cash and deposits held by the university group.

#### **Endorsement/Discussion**

### **7. Outturn Forecast 2020/21, Budget 2021/22 and 5 Year Financial Forecast**

#### **Received:**

7.1 The report of the interim Finance Director and the Associate Director – Financial Planning (FC 21/014).

#### **Purpose:**

7.2 The Finance Committee are asked to note, discuss and endorse the report for onward approval at the meeting of the Board of Governors on 19 July 2021.

#### **Reported:**

7.3 On the 2020/21 budget with an operating surplus of £5.9m and a deficit of £9.1m including the non-operating items, which related to FRS102 on pensions assumed at £12m and restructuring costs amounting to approximately £3m. There are no assumed university fixed assets to be sold during the year.

7.4 The outturn forecast shows an operating forecast surplus amounting to £27.4m and a surplus of £9.4m including non-operating items. The non-operating items are FRS102 on pensions of £13.5m, restructuring costs of £3.6m and an exceptional item relating to the close down of the Learning Resource Centre (LRC) amounting to £0.9m. The LRC forecast impact was £8.4m in the half-year forecast with a reduction now shown on profit and loss treated as a prior year adjustment.

7.5 The outturn forecast year-end cash position for 2020/21 is £81.8m. The university will continue to achieve all of the banking covenants associated with its current loans and facilities. The review surplus forecast of £9.4m is shown as an improvement of £18.5m against the budget due to the increased home under graduate and international student fees achieved during the year.

#### **Noted:**

7.6 The outturn forecast 2020/21, budget 2021/22 and 5 year financial forecast were combined under one paper and were presented in a powerpoint presentation and a summary paper. The budget 2021/22 and the 5 year financial plan were referred to detailing the underlying cash generation position versus the scale of the strategic spend ambitions,

which related to infrastructure (Estate and Digital) and any potential risks faced by the institution from the Augar review on fees and pensions.

7.7 The following key items were noted as follows with the institution's response detailed in the report :

- Key assumptions
- Risks and impact on cash
- Major new build
- Final budget and 5 year plan proposal
- Income and expenditure account and cashflow.

**Comments:**

7.8 Growth in collaborative – Governors asked what the growth in collaborative is based on (the figures showing from approximately £4m up to £11m. For the purposes of confirmation, the Associate Director – Financial Planning informed the meeting that the collaborative figures shown are based purely on international.

7.9 Base budget assumptions – Governors asked whether the budget assumptions are conservative or if not how are they best described. The interim Finance Director said that collaborative was pushed up as shown and a £2m of contingency was built into the base budget on cost and came out after the submission of a later version with £6m on digital capex and £5m on the estates capex.

7.10 The student numbers were reached based on the academic planning process and will be reviewed again next year. The pension assumption of 1% could worsen and is likely to be a delicate balancing act. Pay, historically along with the vacancy assumptions, is better than expected with an element of risk and opportunities.

7.11 Home undergraduate student numbers – Governors commented on the importance of the home undergraduate student numbers remaining a critical part of the budget setting process and saw visible signs of improvements to collaborative and international. Nonetheless, the home undergraduate student numbers shown appeared to be conservative and are expected to show an improvement next year with the undergraduate recruitment targets set being met.

**Financial Implications/Risk Analysis:**

7.12 The financial implications and risks were shown throughout the report and in the presentation.

**Recommendation:**

7.13 The outturn 2020/21, the budget 2021/22 and the 5 year plan are endorsed by the Finance Committee for the approval by the Board of Governors on 19 July 2021.

**Endorsement:**

7.14 The recommendations were endorsed as presented to the Finance Committee.

**8. Draft Programme of Business 2021/2022**

**Received:**

8.1 The Finance Committee's draft programme of business 2021/22 (FC 21/015).

**Action:**

8.2 That the programme of business is updated and made fit for purpose for the purposes of re-submission and approval in readiness for the academic year 2021/22.

**The JMSU Chief Executive Officer (CEO) joined the meeting**

**Information**

**9. JMSU Financial Update**

**Received:**

9.1 The report of the JMSU CEO and the interim Finance Director (executive summary only (FC 21/016)).

**Purpose:**

9.2 The report is presented to the Finance Committee for information.

**Reported:**

9.3 That the JMSU Trustees approved a 2020/21 operating deficit budget of £73k with a small surplus of approximately £24k on the back of activities not taking place throughout the current academic year due to the pandemic. There was overall concern about the impact on the student experience. Nonetheless, there is a positive surplus shown ending this year.

**Noted:**

9.4 Deficit budget and commercial opportunities - That next year's first budget round shows a significant deficit of approximately £158k and is not sustainable. Work has commenced in an effort to reduce that figure to approximately £90k or even further to £45k.

9.5 With the exception of the block grant Liverpool Student Media is the main source of income generation and is dependent on partnerships and access to the student market and Freshers' week.

9.6 Student experience and the Student Life Building – Plans will continue to take place in the best interest of the student experience depending on budget income and expenditure outcomes. Maximising the opening of the Student Life Building will also bring some much-welcomed access to new space, environment and fresh opportunities for facilitating student engagement.

9.7 Reinvestment of the surplus – Consideration will be given to reinvesting the accrued surplus to assist with balancing the expenditure in order to maintain the planned activities, but this plan of action is considered to be a short-term fix and is not sustainable.

**Financial Implications/Risk Analysis:**

9.8 There are no direct financial implications for the university associated with the report, as JMSU is a separate entity. There is reputational risk with potential financial association acknowledged by the JMSU and the university.

**Recommendation:**

9.9 That the Finance Committee note the contents of the report for information.

**The JMSU CEO left the meeting**

**10. Sensor City (Standing item)**

**Received:**

10.1 The oral report from the interim Finance Director.

**Purpose:**

10.2 To receive a brief update on the progress made pertaining to Sensor City.

**Reported:**

10.3 On the 50/50 partnership between the university and another HEI in the city and the next steps.

**Noted:**

10.4 That Sensor City is loss making with the pre-Covid-19 loss of £1m per annum requiring both HEIs to invest £500k each to ensure that it is maintained. The current position operationally is that the building is moth balled with some tenants moving into alternative premises. The few remaining staff members are furloughed. Governors were reassured that there is no potential grant clawback at this time while the building is moth balled.

10.5 While the building remains unoccupied, the subsidy is significantly lower; with a maximum of £200k for each of the HEIs concerned this year compared to what was spent in the previous year (£500k). Discussions are ongoing regarding the proposal from Sciointec and the possible transfer of membership.

**Comments/action:**

10.6 Lessons learned from the Sensor City project – Governors commented on the importance of receiving an update on the lessons learned from the Sensor City project when the time is right .

**Financial Implications/Risk Analysis:**

10.7 There were none in addition to what was detailed throughout the oral update.

**Recommendation:**

10.8 That the Finance Committee noted the contents of the oral update and await further information regarding the next steps.

**11. External Audit Plan 2020/21****Received:**

11.1 The oral report from the interim Finance Director.

**Purpose:**

11.2 To note the contents of the external audit plan presented at the last meeting of the Audit Committee held on 14 June 2021.

**Reported:**

11.3 That the external auditors presented to the Audit Committee the audit plan outlining plans to be taken forward for the current year's audits for the institution and its subsidiary companies.

**Noted/action:**

11.4 That the written report (AC 21/0014) will follow for the attention of the Finance , having been approved by the Audit Committee at their last meeting.

**Financial Implications/Risk Analysis**

11.5 The university is annually audited by an external organisation. The outcomes are received by ELT and the Audit Committee.

**Recommendation:**

11.6 That the oral update regarding the Audit Committee's approval is received by the Finance Committee for information.



## **12. Any Other Urgent Business Items**

### **Received:**

12.1 An oral update from the Interim University Secretary and General Counsel on the outcome of the re-tendering process for internal audit, external audit and tax.

### **Noted:**

12.2 Uniac was appointed as the internal auditors .External audit and tax will remain with KPMG.

## **13. Date and Time of Next Meetings**

### **Received:**

13.1 The academic year 2021/22 meeting dates (FC 21/017).

### **Noted:**

13.2 The next meetings of the committee will take place on:

- 18 October 2021
- 26 January 2022
- 14 March
- 15 June.

All meetings commencing at 5.00 pm – 7.00 pm unless otherwise advised.

## **PART 2 Confidential**

### **Approval**

## **14. Confidential minutes of the previous meeting**

### **Received:**

14.1 The confidential minutes of 8 March 2021 (FC 21/018).

### **Resolved:**

14.2 The confidential minutes of the previous meetings were agreed as a true and accurate record. These will be duly signed and dated by the Chair.

**The meeting closed at 6.38 pm.**

**Signed.....**

**Dated.....**

**Brian McCann**

**Chair of the University's Board of Governors' Finance Committee**