

BOARD OF GOVERNORS

FINANCE COMMITTEE

1030, Tuesday 12 September 2017, Room 0.32, St Andrew's Court

MINUTES

Present: Mark Readman, Chair of Finance Committee
Jenny Crighton, External Governor
Anne Lambert, External Governor
Professor Graham Galbraith, Vice-Chancellor
Baldev Laly, External Governor
Jane Hoskins, External Governor
Professor Nairn Wilson, External Governor

Clerks: Adrian Parry, Director of Corporate Governance
Helen Malbon, Senior Governance Officer

In attendance: Dr Liz Bartle, Deputy Director of Finance
Vicky Bruce, Financial Controller, (Minute 11)
Anna Clodfelter, Chief Executive of UPSU (Minute 16)
Professor Paul Hayes, Pro Vice-Chancellor (ESE) (Minute 7)
Anita Randell, Insurance Office, (Minute 6 vii - xii)
James Thompson, President UPSU
Dr Jenny Walden, Staff Governor (Minute 5 to 8)
Emma Woollard, Director of Finance

1 WELCOME, APOLOGIES, DECLARATION OF INTERESTS AND QUORACY

- i) Committee received and noted apologies for absence from Bishop Christopher Foster, External Governor and Dr Mohamed Hassan, Staff Representative;
- ii) The Chair welcomed new External Governor Jenny Crighton;
- iii) Declarations of interest: Professor Nairn Wilson noted that he was a Director of a Specialist insurance company and this might be material under agenda item 6 Annual insurance report. Baldev Laly had previously recorded that he was involved in a property development business in Portsmouth.
- iv) The Director of Corporate Governance confirmed that the Committee was quorate and could proceed to business.

2 MINUTES

The minutes of the meeting held on 28 June 2017 were confirmed and signed as a correct record.

3 MATTERS ACTIONED SINCE THE LAST MEETING OR UNDER CONTINUING CONSIDERATION

Seven items were noted without further comment. Discussion took place on two items:

- i) The November 2016 Finance Committee meeting and the January 2017 meeting of the Board had approved expenditure for the development costs, procurement and implementation of a new student record computer system. A joint meeting of the Finance and Estate and IT Committees would take place in December 2017 to make a recommendation for the award of the contract to a named supplier. Proposed dates would be circulated outside the meeting;
Action: Senior Governance Officer
- ii) Committee noted that cladding on the Greetham Street Hall of residence tower would be replaced in summer 2018 because it had failed the Building Research Establishment (BRE) 135 test. However, the building had been assessed as safe for occupation during 2017/2018 by Hampshire Fire & Rescue Service due to the inclusion of sprinklers, smoke extract systems and appropriate alarms. The hall was owned by Unite so was covered by their insurance. The procurement of works to refurbish Burrell House Hall of residence had been put on hold in case it was required for students in the Autumn 2017 term. Cladding on Catherine House residence tower had passed the BRE test prior to use in the construction but would be sent for a re-test.

4 MATTERS ARISING

There were no matters arising.

5 TERMS OF REFERENCE, MEMBERSHIP AND COMMITTEE BUSINESS

The Chair noted that each Board committee was required to review its constitution annually. This was to satisfy itself that it had discharged its terms of reference over the past year and that its terms of reference remained relevant to its work in the future. In discussion Committee:

- i) Noted the assessment for the year 2016/2017 and was assured that it had discharged its terms of reference where appropriate. A correction to the date of the UPSU account report received in section two was noted; it should refer to 2015/2016 not to 2014/2015;
- ii) Agreed the terms of reference as presented were appropriate for 2017/2018 with one amendment. It was agreed that there may be circumstances when it would be useful to have a nominated Deputy Chair in order that approvals between meetings could be made when the Chair was indisposed due to other commitments. The Director of Corporate Governance agreed to contact eligible candidates to seek a volunteer for the role of Deputy Chair. The amended terms of reference would be recommended to the Board on 11 October 2017:

Action: Director of Corporate Governance

- iii) Agreed the indicative work programme for 2017/2018.

6 REPORT FROM DIRECTOR OF FINANCE

Emma Woollard, Director of Finance, introduced her report on issues not covered elsewhere on the agenda. In discussion it was noted:

i)– vi) Confidential items

- vii) Anita Randell, University Insurance Officer, provided an overview of insurance cover and claims during 2016/2017;
- viii) The University's insurance was procured as part of the London Universities Purchasing Consortium (LUPC) insurance scheme which comprised of 44 institutions;
- ix) Details of key insurance claims were noted;
- x) Insurers continued to work with the University Occupational Health nurses to provide private treatment (e.g. physiotherapy) for Staff with muscular/skeleton injuries that occurred at work. Similar support to students was considered on a case by case basis;
- xi) The University purchased cover for activities associated with the Dental Academy from outside of LUPC due to the specialist nature of this risk. The majority of specialist providers no longer offered cover on a "claims occurrence" basis but instead had moved to a "claims made" wording. The University would prefer to have a claims occurrence policy and it was suggested that consideration might be given in future years to purchasing cover from the Scottish Medical and Defence Union because it could offer such a policy;
- xii) Committee thanked Anita Randell for the report which was noted for information.

7 STUDENT RECRUITMENT 2017/2018 – **confidential item**

8 EXCEPTIONAL AND URGENT APPROVALS

Adrian Parry, Director of Corporate Governance, introduced a paper on proposals for dealing with exceptional and urgent approvals. Key points noted were:

- i) At the meeting held on 28 June 2017, it had been agreed that the Director of Corporate Governance should identify possible mechanisms to enable exceptional and urgent approvals to be considered between meetings. This was because, in some circumstances, decisions could not be deferred to the next meeting of the Committee and were not suitable for action under the Chair's delegated authority;
- ii) The Committee currently did not have any formal mechanism other than use of the Chair's delegated authority to enable it to take decisions for exceptional and urgent approval outside scheduled meetings. Therefore a formal resolution of the Committee was required to make this variation permissible;

- iii) Committee agreed that where possible, the Executive should provide advance notice at Committee meetings of any decisions that may require exceptional and urgent approval, including an explanation to justify why this could not be submitted to a scheduled meeting. In such instances, the Committee would agree whether this decision should be considered under the Chair's delegated authority or whether it should be considered as an exceptional and urgent approval;
- iv) If due to unforeseen circumstances, the Executive had been unable to provide advance notice of a decision that was required between meetings (for example, if a key contractor went out of business) then the Chair and the Clerk would consult and agree the most appropriate approval method;
- v) Following discussion it was agreed that the Committee as a whole should be asked to consider and agree such decisions via a virtual meeting or via correspondence. Recommendations would be approved if a simple majority of members were in favour;
- vi) The same level of detail and evidence would be required for exceptional and urgent approvals as for standard Committee paper approvals;
- vii) Committee agreed to trial this approach during 2017/2018 and to conduct a review in summer 2018 to ensure it was fit for purpose;

Action: Director of Corporate Governance

9 RISK REGISTER EXTRACT

Adrian Parry, Director of Corporate Governance, introduced a paper on the items within the Corporate Risk Register that were financial in focus. Key points noted were:

- i) The corporate risk register was formally considered by the Audit and Quality Committee on a quarterly basis and by the Board of Governors on a six monthly basis. Other committees of the Board of Governors reviewed the relevant extract at the beginning of each academic year;
- ii) Committee noted the three items identified in the extract of the Corporate Risk Register contained within the report and agreed they were representative and relevant.

10 CORPORATE GIFTS AND HOSPITALITY

Adrian Parry, Director of Corporate Governance, introduced a paper detailing proposed amendments to the Policy for Receipt of Corporate Hospitality and Gifts by Members of Staff and Governors of the University. Key points noted were:

- i) The Finance Committee last approved the policy in January 2016 and its full formal review would take place in January 2019. In the meantime, two small amendments were required;
- ii) The existing policy was written prior to the adoption of formal approaches to sponsorship by the University;
- iii) It was agreed that paragraphs 5 and 24 of the policy be amended. A sentence would be added to paragraph 5 stating that exceptions could be agreed by the

University Executive Board at a corporate level. Paragraph 24 would be amended so that the approval of the Director of Corporate Governance was not required if the corporate activity had previously been agreed by the University Executive Board;

- iv) The Director of Corporate Governance would make the necessary changes and arrange for the publication of the revised version;

Action: Director of Corporate Governance

11 TREASURY MGT POLICY APPENDIX ONE ANNUAL REVIEW

Vicky Bruce, Financial Controller, presented information on counterparty ratings and limits which formed appendix one of the Treasury Management Policy. This section of the document was presented annually to Committee following review. Key points noted in discussion were:

- i) The last full update of the Treasury Management Policy was in November 2014. A full review was underway to incorporate the proposed changes in investment strategy that were required as a result of the approved financial strategy to finance the Estates masterplan. The updated Treasury Management Policy would be presented to Finance Committee for approval in November 2017;
- ii) There were no changes to the approved instruments nor to the minimum credit ratings or deposit periods;
- iii) During the year to 31 July 2017 there were three changes to the current approved counterparties and their respective limits;
- iv) In the event that the cash balances available for investment exceeded the overall capacity of £132m, then the cash would be distributed proportionately between the approved counterparties to ensure any risk was spread. This was in accordance with the existing Treasury Management Policy;
- v) Committee accepted the review.

12 COLLECTION OF DEBT REPORT

Liz Bartle, Deputy Director of Finance, introduced a paper summarising the position of outstanding debt. Committee noted that £334k of tuition fees, £155k Hall fees and £745k of non-student debt was outstanding. The team was congratulated on achieving such a low proportion of debt.

13 SINGLE TENDER ENDORSEMENT

Liz Bartle, Deputy Director of Finance, provided details of a single tender approved by Chair's action on 4 September 2017. Committee endorsed the action to purchase specialist engineering equipment.

14 PROVISIONAL YEAR END UNIVERSITY MANAGEMENT ACCOUNTS
2016/2017

Liz Bartle, Deputy Director of Finance, introduced the provisional University Management accounts for 2016/2017. Key points noted in discussion were:

- i) The draft surplus for the year was £14.3m, £1.3m less than the June 2017 forecast; this reflected the higher than expected Local Government Pension Scheme (LGPS) staff cost adjustment;
- ii) This surplus figure was pending external audit that would include discussion of various accounting issues, including accelerated accounting depreciation for the Langstone Halls of Residence;
- iii) The brought forward (1st August 2016) net book value for the Langstone site was £11.8m. If this was written off by 31st May 2018 (when students vacate, so the end of the site's useful economic life) the impact on the current year's accounts would be an additional depreciation charge of £6.4m. This would reduce the 2016/17 surplus to £7.9m;
- iv) The remaining £5.4m (£11.8m less £6.4m) would be written off in the 2017/2018 accounts. This was a very significant adjustment and had not yet been actioned as it was, pending discussion internally and with external auditors;
- v) Committee noted the provisional accounts and thanked the team for the clear presentation of the figures. The Financial Statements would be presented to the October 2017 Committee meeting.

15 PROVISIONAL YEAR END SUBSIDIARIES MANAGEMENT ACCOUNTS
2016/2017

Liz Bartle, Deputy Director of Finance, introduced the provisional subsidiary company Management accounts for 2016/2017. Key points noted in discussion were:

- i) Overall as at 31 July 2017 the subsidiary companies had delivered income of £2,549k which was £161k below budget. However, expenditure was £2,374k and therefore £15k under budget, there by delivering a surplus of £175k which was £146k below budget.
- ii) The surplus was £8k lower than the forecast provided on 30 June 2017;
- iii) **Confidential item;**
- iv) **Confidential item;**
- v) The variance to budgeted income for the Waterhole Bar in the Student's Union building was noted. Following discussion it was agreed that the UPSU President should work with the Director of Estates and Campus Services to propose a budget for refurbishments to the UPEL Board.;
- vi) Committee noted the provisional accounts and thanked the team for the clear presentation of the figures. The Financial Statements would be presented to the October 2017 Committee meeting.

16 UPSU BUIDGET 2017/2018

Anna Clodfelter, the Chief Executive of UPSU presented the budget for 2017/2018 which had been approved by the UPSU Finance and Risk Committee and adopted by the UPSU Board of Trustees and Portsmouth Student Union Trading (PSUT) Board of Directors. Key points noted in discussions were:

- i) The approved 2017/2018 budget was a deficit (£62,049) with a core budget deficit (£2,049) and a further deficit in reserves allocation (£60k) that includes legal costs and £25k student project development fund;
- ii) The University block grant to UPSU had risen in line with inflation to £1.182 million;
- iii) Committee noted the budget and thanked Anna Clodfelter for attending.

17 COLLABORATIVE PLANNING MGT INFO SOFTWARE UPDATE

Liz Bartle, Deputy Director of Finance, provided an update on the introduction and use of the Collaborative Planning Management information software. The successful implementation of the software was noted.

18 HEFCE MEMORANDUM OF ASSURANCE AND ACCOUNTABILITY

Committee noted the amendments made by HEFCE to the Memorandum of Assurance and Accountability.

19 HEFCE CIRCULARS

Committee noted that publications and circulars were found on the HEFCE website at: <http://www.hefce.ac.uk/>

20 NEXT MEETING

The next meeting would take place on Tuesday, 10 October 2017 from 1000 to 1200.

21 DELEGATION OF AUTHORITY TO CHAIR

Committee agreed to give the Chair delegated authority to take Chair's action over the summer to approve any necessary items.

James Thompson reminded Governors of the invitation from UPSU to attend a Memorial Cup Charity Rugby match on 28 September 2017.