

The University of Manchester

BOARD OF GOVERNORS

Wednesday, 8 October 2014

Present:

Dame Sue Ion (in the Chair),

President and Vice-Chancellor, Mr Edward Astle, Ms Charlie Cook, Professor Ian Cotton, Mr Michael Crick, Professor Maggie Gale, Dr Reinmar Hagar, Dr Caroline Jay, Ms Iram Kiani, Mrs Christine Lee-Jones, Dr Neil McArthur, Professor Cathy McCrohan, Dr Pamela Sharma, Dr Brenda Smith, Dr John Stageman, Dr Angela Strank, Mr Andrew Spinoza, Professor Chris Taylor. (19)

In attendance: The Deputy President and Deputy Vice-Chancellor, the Vice-President and Dean of the Faculty of Medical and Human Sciences, the Registrar, Secretary and Chief Operating Officer, the Deputy Secretary, the Director of Finance, the Director of Human Resources, the General Counsel, Vice-President (Teaching, Learning and Students), and the Director of Development and Alumni Relations (in part).

Apologies: Mr Anil Ruia, Mr Stephen Dauncey, and Mr Robert Hough.

At the outset of the meeting, the Chair welcomed Mr Edward Astle, Professor Ian Cotton, and Professor Cathy McCrohan to their first meeting as members of the Board of Governors.

1. Declarations of Interest

Noted: The interests of the President and Vice-Chancellor as a Council Member of the Royal Society and as a Non-Executive Director of AstraZeneca plc, and for Mr Will Spinks as a member of the AHUA Executive, previously declared, were also noted.

2. Minutes

Confirmed: Subject to minor amendment, the minutes of the meeting held on 9th July 2014.

Noted: That, as the University did not routinely publish the supporting papers for meetings of the Board of Governors, the minutes provided full details of the background to the Board's discussions and were lengthy as a result. Recognising the Board's discussion, the Deputy Secretary undertook to reconsider the amount of detail included in order to provide a more concise record.

3. Matters arising from the minutes

Received: A report summarising actions consequent on decisions taken by the Board.

4. Summary of business by the Deputy Secretary

Received: A report prepared by the Deputy Secretary on the main items of business to be considered at the meeting.

5. Role of the Board of Governors

Received:

- (i) Statute VI of the statutes of The University of Manchester
- (ii) The Membership of the Board of Governors from 1st September 2014
- (iii) The Annual Programme of Work for the Board of Governors
- (iv) The outline Scheme of Delegations, proposed for adoption by the Board of Governors.

Noted:

- (1) That the Board received information on its primary responsibilities under Statute, its membership from 1st September 2014, the annual programme of work outlined, and on the use of the Board's delegated authority within the Scheme of Delegations brought forward by the Deputy Secretary.
- (2) That the Scheme of Delegations would include, in relation to the Board's financial and fiduciary responsibilities, reference to the delegation from Finance Committee to the Subsidiary Undertakings Sub-committee and its obligations as a Charity.
- (3) That the Scheme of Delegations would be further developed to include standing orders for the Board and Senate of the University.

6. Chairman's report

(a) Membership of Board Committees

Reported:

- (1) That a number of changes had been made to the membership of the Board's committees in order to address the departures of those members who had stood down from the Board at the end of the last session.
- (2) That Dr John Stageman had taken up the role of Chair of the Finance Committee and that Dr Angela Strank had joined the Committee, *vice* Mr Neville Richardson, both from 1 September 2014.
- (3) That Dame Sue Ion had joined the Awards and Honours Group, *vice* Mr Afzal Khan.
- (4) That Mr Paul Lee had joined the Staffing Committee, *vice* Mr Afzal Khan and Dr Reinmar Hager had replaced Professor Pamela Vallely, both from 1 September 2014.
- (5) That there was a vacancy for an independent (co-opted) member on the Audit Committee, *vice* Mr Alan Clarke, and that it was anticipated that this position would be filled by the November meeting.

(b) Uniac Audit Forum

Reported: That the annual Uniac Forum would be held on 18 November 2014 between 10am and 3.30pm and that all members of the Board and its committees were welcome to attend.

(c) Leadership Foundation Events

Reported: That the calendar of Leadership Foundation events was provided. Members can express interest in attending to the Deputy Secretary's office who will arrange bookings and transport. As in the previous year, places are limited, and any member attending on behalf of the Board should provide a report back to the Board at the next formal meeting in order to maximise value from the event(s).

(d) HEFCE Governance Briefing

Reported: That the HEFCE Governance Briefing would be circulated to members electronically from this point onward.

7. Secretary's Report

Received: A proposal to amend Regulation X, The Schools of the University. The paper was tabled at the meeting and copies were returned to the Secretary after consideration. This procedure, similar to that used for the discussion of honorary degrees, was followed as the paper contained sensitive information which could be damaging to the University's interests if disclosed prior to consideration. Mr Chris Cox, Director of Development and Alumni Relations joined the meeting for this item.

Reported:

- (1) That at the outset of the discussion, the Chair reminded the Board of the strict confidentiality that must be maintained in respect of this item, given the sensitivities in respect of the gift proposal and naming approval.
- (2) That such a proposal would not normally be brought forward for Board approval without prior consideration by Senate, but the timing of Board and Senate meetings was such that a decision from the Board was required ahead of consideration by the Senate. Similarly, the details of such a proposal would not normally be circulated in advance of the meeting, however, as the naming proposal and the acceptance of a significant had not yet received approval, strict confidentiality was being maintained until such time as a public announcement could be made and/or the decision had been communicated to the donor.
- (3) That the University has received a momentous philanthropic pledge of £15M for the future development of Manchester Business School from one of its closest friends and supporters over many years, Lord Alliance of Manchester, and his fellow Trustees of the Alliance Family Foundation.
- (4) That this commitment of £15M was the largest single gift commitment by a philanthropist or organisation in the history of the University, even allowing for inflation, including John Owens' gift to create Owens College.
- (5) That Lord Alliance and the Foundation have provided vital and highly strategic support to a range of priorities, both at UMIST and VUM, as well as to the merged University. Previous giving priorities have included the Alliance Centre for Management at UMIST, the Law School, our cultural assets, and international research partnerships across Life Sciences and Medical and Human Sciences.
- (6) That Lord Alliance has also had a close and long-standing association with the Business School. He was closely associated with the establishment of the Federal School of

Management created at the turn of the Century, the pre-cursor to the full service combined undergraduate, postgraduate and research entity that MBS became at the time of the merger of VUM and UMIST in 2004.

- (7) That in recognition of his advocacy, long-term philanthropic support and this landmark benefaction, the University wishes to add the family name Alliance to the School name, to become 'Alliance Manchester Business School' or 'Alliance MBS'.
- (8) That in adding the name of a key benefactor, MBS would become the 25th of the top 50 Business Schools in the FT's world rankings, including Cambridge and Oxford, to become a 'named' School. The gifts for the naming of the Business Schools at Cambridge and Oxford were £8M and £20M respectively. In line with naming agreements agreed at other universities, the re-designation would be permanent.
- (9) That the agreement and proposed new name of the School had been approved in principle by the President and Vice-Chancellor, the Vice-President and Dean of the Faculty of Humanities, the Head of Manchester Business School, and the Chair of the MBS Advisory Board, and was subject to approval by Senate and the Board of Governors.

Noted:

- (1) That although the naming proposal was permanent, the agreement reached with the Alliance foundation would provide for either party to withdraw the association in the event of significant reputational issues.
- (2) That the naming proposal was in line with legacies, bequests and gifts throughout the University's history regarding the naming of buildings and colleges.
- (3) That Lord Alliance had developed a close relationship with the School over time through his work in the region and through his business interests.

Resolved: That by general consent, noting the objection of one member of the Board of Governors and subject to the approval of Senate, the Board approved the proposal to amend Regulation X, The Schools of the University, renaming the Manchester Business School as the "Alliance Manchester Business School". The School would adopt the new name from 1 September 2015.

8. The Annual Report of Gift Oversight Group and the Report on the work of the Division of Development and Alumni Relations

Reported:

- (1) That Professor Ian Jacobs presented the annual report from the Gift Oversight Group to the Board of Governors was provided for consideration by the Board. Also provided was a progress report on the work of the Division of Development and Alumni Relations which was presented by Mr Chris Cox.
- (2) That the Gift Oversight Group (GOG) has held six meetings in 13/14 and considered over forty gift approaches of which thirty-nine had been approved and one had been declined. This was a 25% increase in the number of gift approaches considered by the Group compared to 12/13.
- (3) That all gifts of above £100,000 in value or any gift which will bring a donor's cumulative giving to £100,000 must go to the Group for consideration against criteria approved by

the Board. In addition, it is the responsibility of the Director of Development to ensure that any other gifts below £100,000 where he considers that any potential ethical or reputational issue may arise must also go to the GOG for review and consideration.

- (4) That the Group had the following membership:

Chair, Professor Ian Jacobs, Vice-President & Dean, Faculty of Medical & Human Sciences
Professor Kersti Borjars, Associate Vice-President (Teaching, Learning & Students)
Dr. Nick Merriman, Director of Manchester Museum.
Mr. Steve Mole, Director of Finance
Mr. Chris Petty, General Counsel
Prof Nalin Thakkar, Associate Vice-President (Compliance, Risk & Research Integrity)
Prof James Thompson - Associate Vice-President, Social Responsibility

Professor Nalin Thakkar was nominated and confirmed as Deputy Chair for the Group during the year. Professor Martin Humphries, Vice-President and Dean, Faculty of Life Sciences would take on the position of Chair of the Group from January 2015.

- (5) That the Group continued to be committed to identifying and considering key issues which could have a significant impact on their work. The topic of increased philanthropy-related discussions in countries where it is more difficult to carry out significant due diligence (due to language barriers, lack of information available in the public domain or other factors) was highlighted by the Group during the year.
- (6) That the Division of Development & Alumni Relations (DDAR) had started the process of researching external companies which specialise in providing global due diligence research relevant to the Group and this remains a core topic for review. Typically these companies have teams located worldwide with the capacity to research in many languages. Reports produced can provide structured, comprehensive background checks on an organization, its owners, operating and litigation history, as well as details of key management, decision makers and beneficial owners; providing insight on their background, track records, competencies, potential conflicts of interest and political and confirmed or alleged criminal links. They also analyse business conduct and reputation history and thorough searches are carried out to ensure any hidden risks are identified.
- (7) That this has been a significant year for the Gift Oversight Group with an increase in the frequency of meetings and also the number of gift approaches considered. It was also the first occasion when a gift approach was unanimously declined by the Group. The Group has continued to demonstrate its commitment to best practice in gift acceptance processes, which is reflected through the progress of the Group since last year and the continuous improvement of associated procedures. DDAR continue to be pro-active in providing comprehensive research and papers for the Group, identifying key areas of interest and providing informative philanthropic and wider updates.
- (8) Noting that this would be his last report GOG Chair to the Board, Professor Jacobs expressed thanks to my fellow Group members for the time and thought they have given to this vital procedure for the University. He noted that this contribution had made significant progress towards making Manchester one of the leading UK institutions in having worked through and developed effective guidelines and procedures in this area of activity in a manner which is entirely consistent with the University's values and its stated goals under Social Responsibility.
- (9) That within the Division of Development and Alumni Relations cash income from gifts doubled in 2013/14 to £19.5M, reaching ten times the level received at the time of the merger; the number of alumni making a donation rose by 12% to a new record of over

4,600; the number of alumni volunteering in specific ways for priority student experience projects rose for the second year running by over 50% to over 1,400; and the division saw a rise of 300% in the number of alumni engaging with us via social media.

- (10) That within the report, Chris Cox outlined that the Division's achievements presented was dependent on the quality of engagement with supporters and academic and student colleagues, and the impact that financial and volunteering support has across campus and beyond, as it was about statistical indicators, which were never an end in their own right. Secondly, engaging effectively with donors and alumni was a team exercise. Where progress had been made, this was as much to do with strong vision, leadership and energy from management, academics, and key alumni volunteer board members in the UK and globally, and student ambassadors and scholarship recipients, as it was attributable to the work of the Divisional team (proud though he was of the quality, energy and commitment of DDAR colleagues). Donors and volunteers also tended to give cash and time to specific programmes, so the quality of programmes at the University, developed and managed so effectively by academic and professional support service colleagues, remained pivotal in terms of encouraging both initial and repeat support.

Noted:

- (1) That the Board noted The Group and the mechanisms behind the Gift process appear to continue to make further strong progress from an already robust position. The due diligence process had been tightened further to provide a rigorous procedure for consideration of proposed donations. Within the process the Group were particularly focused on the motivation for and the purpose behind the Gift and also the identity of the individual; noting that fulfilling the latter can become particularly complex where a company masks an individual or, indeed, where an individual masks a company. Whilst a donor may occasionally request anonymity, the identity of the donor is always known to the Group. One donation had been rejected showing both the rarity of such circumstance, but also the fact that rejection had been applied within the Group's work.
- (2) That the process therefore continued to be refined and to improve. It was acknowledged that the Gift Oversight Group and its secretariat could only rely on information which has been volunteered or which is in the public domain and that therefore it could not foresee circumstances which come to light after the event. The system was therefore demonstrably robust and was taken extremely seriously by those involved in the oversight process.
- (3) That the Board were appraised of the approach and potential proposal that was rejected by the Gift Oversight Group, and the due process that had been conducted in respect of the gift accepted for each of these, details of the donors, associations, purpose and value of each gift was provided.
- (4) That further work might be undertaken by the Group, or similar body, concerning the due diligence processes conducted in relation to research awards and relationships.
- (5) That the board recorded its thanks to the staff within the Division of Development and Alumni Relations for their work and the success they had achieved over the year.

9. President and Vice-Chancellor's report

(a) The Report of the President and Vice-Chancellor to the Board of Governors

Reported:

- (1) That the President and Vice-Chancellor provided a comprehensive report to the Board of Governors. The report covered the University's work on progressing ambitions for the future, the student number position, student satisfaction surveys and the Shanghai Jiao Tong ranking.
- (2) That a detailed analysis of what it would take for the University to realise its ambitions has been carried out, benchmarking the university against leading universities. This has highlighted a number of the challenges to be faced and the bold actions necessary to achieve its goals.
- (3) That while the University compared favourably with the majority of the Russell Group, the analysis did highlight a gap between Manchester's performance and that of the leading UK institutions which are in the top 25 of the Shanghai Jiao Tong rankings. These concerned the quality of its research, the levels of Research Grant and Contract income, the profile of staff at the highest levels of research performance, and noted that teaching loads at the University were higher compared to other members of the Russell Group.
- (4) That the President and Vice-Chancellor presented detailed information on the steps underway to consider the measurement of its world ranking, the work to develop the University research strategy, the ongoing consideration of teaching, learning and the development of the student experience, the financial strategy, the profile of staff, and the University wider reputational ranking and profile.
- (5) That the work outlined would come together in a planned refresh of the University's Strategic Plan, Manchester 2020, during 2014/15. While Manchester 2020, which was published in 2011/12, sets the University's strategic direction up to 2020, within that trajectory, 2014/15 had always been seen as an important milestone in progress towards key targets. This, together with the forthcoming REF results, means that the coming year presents an excellent opportunity to review and refresh the University's strategy and to refine certain aspects. The next phase of the strategic plan for the University must build on the considerable progress made to date against our ambitions. It must also recognise some areas where achieving our goals looks challenging, and assess future opportunities and challenges. An important consideration will be how best to ensure core activities are excellent by standard benchmarks and /or truly distinctive to Manchester. These topics would be brought forward for discussion at the Planning and Accountability Conference in March 2015, and the University would launch the revised Strategic Plan in October 2015.
- (6) That the President and Vice-Chancellor updated the Board update Board members on the UG, PGT and PGR numbers. In so doing it was important to reiterate that while the majority of registrations will be completed in September, some students will continue to register throughout the cycle, particularly PGR students. The final registration numbers would not therefore be known until after the HESES census date of 1st December 2014. Professor Clive Agnew, as Vice President for Teaching, Learning and Students also provided detailed information on the University's student recruitment position.
- (7) That the University was likely to meet targets numbers for home/EU and international undergraduate students. In 2014, targets for home/EU students were set separately for

Medicine, Dentistry and Nursing. For the remainder there is a government student number control (SNC) for students who do not attain at least ABB or equivalent. The University anticipated that it would be comfortably within its SNC target.

- (8) That Home/EU postgraduate taught (PGT) student recruitment had continued to be a challenging. Applications increased with 6,708 applications by the end of August (6,399 last year) but acceptances fell by 2%. While recruitment of PGT students is always much more difficult to predict at this stage, the position was promising. The University will continue to review the portfolio of PGT courses in the light of recruitment in 2014.
- (9) That applications from Home/EU Postgraduate Research (PGR) students by end of August had risen by 17% while acceptances have fallen by 1%. Applications from international students had decreased by 4% while acceptances at the end of August were 3% ahead the previous year. At this stage of the cycle it was premature to provide an accurate indication of PGR numbers as they, in particular, continue to register through the cycle.
- (10) That the President and Vice-Chancellor provided an update for the Board on the proposals to develop the University Residences.
- (11) That the Chancellor of the Exchequer had previously announced, following the support awarded through the HEFCE Research partnership Investment Fund, the plans to build a £60m Graphene Engineering Innovation Centre on the campus. This would be partially funded with the support of £5m from the Technology Strategy Board, and by £30m from Madsar, the Abu Dhabi based renewable energy company owned by Mubadala.
- (12) The President and Vice-Chancellor provided an update on the appointment processes for the Vice-President and Dean of the Faculty of Engineering and Physical Sciences, and for the Vice-President and Dean of the Faculty of Medical and Human Sciences, which were both underway. The University was also seeking to appoint a Vice-President with responsibility for Public Policy and Affairs
- (13) That the President and Vice-Chancellor reported the proposal to close three academic programmes within Middle Eastern Studies, which had faced significant recruitment challenges over a period of years. Although Board approval for the closures was not required, the President had made the Board aware of the issue as there were sensitivities in respect of the closure and some concerns had been expressed. These matters were being progressed through the Faculty of Humanities.

Noted:

- (1) That the Board recorded its gratitude to all the staff involved in recruitment and admissions of students, centrally and in Faculties and Schools, for the contributions they have made to realising the 2014 student intake, especially given all the complexities and uncertainties associated with this year's admissions cycle.
- (2) That the Board discussed the use of Shanghai Jiao Tong measure, noting there were some issues in its continued use, and the previous steer from the Board to review its adequacy and coverage.
- (3) That the Board noted that the University's work in the field of Graphene was continuing to gain significant media coverage, notably the recent coverage in Intelligent Life (the sister publication to the Economist) and in the Financial Times.

- (4) That the results of the Research Excellence Framework would be published on 18 December 2014, with the results released to the University, under embargo, on 16th December.
- (5) That members of the Board of Governors will be added to the circulation list for “The University in the news”, the University’s daily round-up of media coverage, and the Deputy Secretary would ensure Board members received the recently published Heritage Brochure.

(b) Report from the Director of Finance

Reported: That the Director of Finance provided a report on the current operating position of the University and the ongoing work for the sign-off of the Financial Statements.

(c) Report to the Board of Governors on Exercise of Delegations

Reported:

- (1) That acting on behalf of Senate and the Board of Governors, and on the recommendation of the relevant Head of School and Dean of the Faculty, the President and Vice-Chancellor awarded the title of emeritus/emerita professor to:

Professor John Harris, Faculty of Life Sciences, with effect from 1 October 2015.

Professor Gale Owen-Crocker, School of Arts Languages and Cultures, with effect from 1 February 2015.

Professor Jacqueline Pearson, School of Arts Languages and Cultures, with effect from 1 September 2014.

Professor Michael Worboys, Faculty of Life Sciences, with effect from 1 August 2014.

- (2) That acting on behalf of the Board of Governors, and on the recommendation of the Dean of the Faculty of Engineering and Physical Sciences, the President and Vice-Chancellor approved the appointment of Professor Bruce Hamilton as Acting Director of the Photon Institute for the period 1 August 2014 until 31 July 2015.
- (3) That pursuant to General Regulation VII.4, the Common Seal of the University has been affixed to instruments recorded in entries 1458 -1494.

10. Board Committee reports

(a) Audit Committee

Received: A summary report and minutes of the meeting held on 22 September 2014.

Reported:

- (1) That following the audit an email was sent to cardholders in June and the Director of HR followed this up with each Dean and across the PSS. Subsequently, the Faculty Operations Managers had been asked to chase up responses and support the process. Although it was recognised that there were more follow-up work to complete a significant amount of the outstanding balances had now been evidenced. Changes in the supporting process had been

introduced and the University did not anticipate that similar balances would accrue again. The follow-up work had identified cultural and behavioural issues alongside weakness in the process, and the management actions identified would seek to raise awareness alongside the adoption of strengthened processes.

- (2) That as part of the ongoing audit, Deloitte reviewed the effectiveness of the design and implementation of key IT controls relevant to systems which have a material financial impact. Those systems included Oracle Financials, Campus Solutions, Resource Link, Kinetics and Calopus. Deloitte had identified a number of improvements within the audit. They found that the IT and Finance Teams had made progress over the year in improving the IT control environment, especially given the Oracle R12 upgrade undertaken in November 2013. Deloitte noted that the direction of travel had been good and that IT had received the observations more positively and had provided information and responses quickly. Deloitte would review the action taken and implementation as they finalised the external audit process.
- (3) That In reviewing the narrative documentation that accompanies the Financial Statements, the Corporate Governance Statement and Public Benefit Statement, the Committee suggested that the Public Benefit Statement but might be revised further and that its key points and messages articulated more clearly. A shorter more concise statement would be welcomed and might be developed with assistance from Communications and Marketing. The Committee resolved to revise the statement in line with the comments made and to forward them to the Board of Governors for consideration (both attached as Appendix 1 to the minutes).
- (4) That Uniac had completed twelve audits and reviews over the period. Of these, the Oracle R12 Upgrade Post-Implementation Review, the Endowments Review, the Treasury Management Implementation Review and the Review of Key Information Sets (a data assurance review) had all been clear, offering substantial assurance that the system of internal control and governance was effective (although potential enhancements may have been identified) and substantial assurance that the system of internal control is efficient and economic (although potential enhancements may have been identified).

In the course of the audit of the Implementation of Regulation XX (student engagement and attendance) in early 2014, Uniac were alerted to the need to ensure adequate audit coverage of the processes underpinning the management of engagement and attendance for taught off-campus students (undergraduate and postgraduate). This audit was carried out to provide assurance on the robustness of controls for managing the health, safety and wellbeing of the students studying and working abroad within the School of Arts, Languages and Cultures (SALC) and the International Programmes Office (IPO). Uniac's work identified additional control weaknesses, where improvements were required to ensure ongoing effectiveness (and efficiency) of the system for managing the health, safety and wellbeing of the students studying and working abroad.

Uniac had undertaken a review of IT Capacity Management, and a Review of IT Disaster Recovery. The IT Directorate is currently undergoing a significant change as part of its IT Transformation Programme. As part of the changes, new roles and accountabilities have been defined to address some of the current issues in the organisation. One of the new roles that has been approved for

recruitment is a Capacity and Availability Manager. This role will lead on and coordinate capacity management (CM) activity to deliver a capacity plan and forecast for the IT Infrastructure and manage and develop a capacity profile for all major IT services and systems. Uniac's findings therefore broadly aligned with the prior observations and expectations of the Director of IT and that are shaping the direction of the new IT organisation design that is currently being implemented.

- (5) That the Committee considered the draft internal audit annual opinion which is prepared for the Audit Committee and the Board of Governors, and provided to HEFCE each year. The opinion concluded that internal controls were generally effective and that the University had continued to develop the standardisation and consistency of operational processes and controls across the institution.

The opinion concluded that the University's governance arrangements were effective, and referenced the emphasis from the perspective of the Audit Committee and the Board of Governors to ensure that the internal control environment continues to develop and agreed action is implemented. The commitment to Assurance Mapping, Board training and the promotion of seminars and risk sessions also demonstrated a commitment to the development and improvement of governance arrangements.

The opinion concluded that the University's arrangements for Risk Management were generally effective and highlighted the systematic approach for the development and maintenance of a hierarchy of risk registers based upon the risk to the achievement of the University's strategic objectives. The opinion referenced the work undertaken on Assurance Mapping and the three strategic risks identified within this process where management and internal audit reviewed sub risks and documented and provided assurances on the controls in places.

Uniac had concluded that the University's data quality framework was effective, including the provision of an assurance in respect of Destination of Leavers, Key Information Sets, League Table Management, and the NHS Professional Education, Training and Development Quarterly Return.

Uniac had concluded that overall, the University continued to apply value for money considerations to its processes and activities, supported by strong awareness and vigilance within the senior management team.

- (6) That the Committee received a report from the Director of IT, on the University's Cyber Security work and on the IT transformation project. The Director of IT began by updating the Committee on IT Transformation Project currently underway. As previously reported, his initial impressions of the Directorate, had found some strong people with significant skills and experience and a largely stable IT platform, development and business linkages were rather weak. More importantly, the Directorate did not have a clear strategy and integration across systems and platforms was relatively poor. The Directorate's approach to service management was being strengthened, and that work allocations procedures were being revised. The current structure had fixed teams with over 250 different job specifications. The new model, to be adopted in December 2014, would build agile teams, where largely generic job specifications were the norm, enabling a more flexible approach as priorities change. This would also seek to introduce greater clarity around respective workloads, and pull responsibilities and oversight back to senior managers. All

of this work was being overseen by an IT transformation Board, led by Professor Rod Coombs.

- (7) That, as the meeting was interrupted, the Report on Procurement and the item on the Risk Registers would be taken at the November meeting. The Risk Registers, were, however, forwarded to the Board of Governors in line with routine reporting arrangements.

Noted: That although the Risk Map and Registers were not discussed at the meeting of the Audit Committee (due to interruption), they were discussed by the Board in relation to the depiction of movement and highlighting improvement achieved through mitigation. The Audit Committee should therefore reflect on this issue when the detailed registers are presented in January 2015.

(b) Finance Committee

Received: A summary report and minutes of the meeting held on 24 September 2014.

Reported:

- (1) That Finance Committee considered the latest update and noted that all projects remained on track and within budget, with the exception of the Whitworth Art Gallery where delays had arisen from environmental conditions and asbestos removal. The formal opening had been postponed until February 2015 and there were concerns regarding the contractor's ability to finish the project. The University had engaged legal representation to ensure any matters of dispute were handled correctly. It was possible that the project will exceed the original budget (£17m) by £1m.

There had also been some slippage on the MCRC project, with occupation delayed until early 2015. The contractor was forecasting significant overspends and considering a contractual claim against the University. The University was confident that there were no grounds for any such claim but as a precaution, additional specialist legal advice had been sought. There were no budgetary issues with the project and a healthy contingency remained.

It was also noted that the funding for the Graphene Engineering Innovation Centre (GEIC) had been confirmed and announced (UKPRIF £15m; Masdar, the Abu Dhabi-based renewable energy company owned by Mubadala, £30m; TSB £5m and £10m from other sources). Rafael Viñoly had been appointed as the architect.

The revised plan for the Biomedical Campus will be submitted in due course to CPSC and Finance Committee. It was noted that the plan will remain within the originally agreed budget.

- (2) That Finance Committee noted the latest report, including cash flow forecast. With the exception of the Whitworth Art Gallery, all projects remained within budget.
- (3) That an update on the latest triennial valuation of the UMSS pension scheme was considered. Finance Committee noted that no changes had been made to either employees or employers contribution rates and the University had increased its recovery contribution from £4.5m per annum to £6m per annum.

The triennial valuation of the USS scheme had taken place in March 2014 and the outcomes were currently under consideration. Proposals for changes to the scheme were expected to be announced in mid-November.

- (4) That the transfer of the University's Investment Portfolio had taken place in line with the approved strategy. The portfolio was now managed as follows:

Bonds 30% (index linked gilts 15% managed by BlackRock; 15% absolute return bond managed by Ignis)
Global equities 55% (split equally between Harris and Investec)
Property 15% (managed by BlackRock)

- (5) That Finance Committee considered the debt report for July 2014 and approved the write-off of a debt totalling £306k (€344k) arising from a Framework 5 funded project with the European Commission.

- (6) That the Moody's Annual Assessment Visit had taken place in September 2014 and it was expected that the University's credit rating of Aa1 stable will be confirmed. The next visit will take place in November 2015.

- (7) That Finance Committee approved a revised bank mandate with the NatWest Bank to take account of staffing changes in the Directorate of Finance.

- (8) That Finance Committee noted following key points from the management accounts for July 2014:

- The surplus for the year was £45.0m, which is £25.5m favourable to budget. This includes year end FRS17 pension adjustments of £14.4m so the underlying surplus is £30.6m compared with £36.7m last year (excluding loan break costs).
- Cumulative income for the year is £886.4m, up by £19.2m on budget (2.2%) and up £59.4m (7.2%) on last year.
- Research grant and contract income showed 7.1% growth from last year at £213.7m and exceeded budget by £7.6m.
- Pay costs (on a statutory basis) were £450.6m or 50.8% of income compared with £424.1m or 51.3% last year.
- Other operating expenses (on a statutory basis) were £327.0m (36.9% of income) compared with £299.4m (36.2% of income) last year.
- Closing cash balance was £427.4m, down just £10.2m despite significantly increased capex activity.
- Cash flow from operating activities at £60.0m compared with £53.7m last year and represented 133% of surplus (110% last year excluding loan break costs).
- Endowments at £174.3m were £5.1m up on last year after another volatile year in the markets.

11. Report from the Planning and Resources Committee

Received: A summary of matters discussed at the meetings of the Committee held on

Reported:

- (1) That members of the Planning and Resources Committee attended the Finance Sub-Committee meeting held on 17 June 2014. The meeting considered the 2014/15 budget and agreed to recommend the budget and five year plans for approval by Finance Committee and the Board of Governors. At its meeting on 8 July 2014, the Committee noted that Finance Committee had recommended the budget for 2014/15 and the five year plan for approval by the Board and subsequent submission to HEFCE, and that Finance Committee had also approved the recommendation to increase the budget for the Manchester Engineering Campus Development (MECD) project by £43.1 million including the central teaching block, giving a revised budget for the MECD project of £353 million. At the same meeting, the Committee considered a paper on Conversion to Financial Reporting Standard (FRS) 102 and Statement of Recommended Practice (SORP) 2014 and endorsed the recommendations. The Committee also considered the draft Management Accounts for the period ended 31 May 2014 and received the Minutes of the Finance Sub-Committee meetings held on 17 and 24 June 2014.
- (2) That at its meeting on 8 July 2014, the Committee considered a report summarising the data in the Destinations of Leavers from Higher Education Survey reporting on the destinations of 2012/13 graduates, using the Times methodology. The data would be used to measure progress for 2014 against the high level KPI: *“By 2020, to achieve a positive graduate destinations rate of at least 85% (as measured six months after graduation in the Destinations of Leavers from Higher Education Survey), ensuring that the University is ranked in the upper quartile of the Russell Group institutions on this measure.”* The Committee also received an update on applications for entry in 2014.
- (3) That at its meeting on 8 July 2014, following consideration, the Committee formally endorsed the transfer of MIMAS from The University of Manchester to JISC with a proposed effective date of 1 August 2014.
- (4) That at its meeting on 8 July 2014, the Committee considered a paper on University Intellectual Property (IP) Policy Revision and agreed to recommend the proposals to the Board of Governors for approval (attached as an Appendix to this Report).
- (5) That at its meeting on 8 July 2014, the Committee received the University Risk Map and Risk Register as at June 2014 and the Minutes of the meeting of the Risk and Emergency Management Group held on 25 June 2014.

Resolved: That the Board of Governors approved the proposals for the revision of the University’s Intellectual Property Policy.

12. Retirement of the Deputy President and Deputy Vice-Chancellor

Noted: That the Chair, on behalf of the Board of Governors, acknowledged the significant contribution to the work of the Board and the University made by Professor Rod Coombs, as Deputy President and Deputy Vice-Chancellor since his appointment to the role, noting that a special event to mark his retirement was being held immediately after the Board meeting.

Close.