

Confirmed minutes

The University of Manchester

BOARD OF GOVERNORS

Friday, 27 November 2009

Present:

Mr Norman Askew (in the Chair),
President and Vice-Chancellor, Dr Stuart Allan, Dr Wiebke Brockhaus-Grand, Ms Debra Dickson, Mrs Gillian Easson, Professor Peter Eccles, Professor Colette Fagan, Professor Luke Georghiou, Dr Kamie Kitmitto, Dr Keith Lloyd, Dr Anne McBride, Mr John McGuire, Dr Alison Qualtrough, Mr Peter Readle, Mr Anil Ruia, Dr Brenda Smith, Ms Kathleen Tattersall, Councillor Roy Walters and Mr Gerry Yeung. (20)

By invitation: The Deputy President and Deputy Vice-Chancellor.

For unreserved business: Mr Gabriel Hassan, General Secretary, University Students' Union.

In attendance: The Registrar and Secretary, the Deputy Secretary and the Director of Human Resources.

1. Minutes

Confirmed: The minutes of the meeting held on 5 October 2009.

2. Matters arising from the minutes

There were no matters arising from the minutes.

3. Chairman's report

Noted:

That the Chairman informed the Board of Governors that the Search Committee to appoint a Vice-President and Dean in the Faculty of Engineering and Physical Sciences had completed its deliberations and that Professor Colin Bailey, the interim Vice-President and Dean of the Faculty, had been offered the position.

4. Secretary's report

There were no substantive matters of report to the Board of Governors from the Secretary on this occasion.

5. Management Letter and Report from the External Auditors

Received: On recommendation from the Audit Committee, the Management Report and Management Letter from the External Auditors (Deloitte LLP) for the year ended 31 July 2009.

Reported:

- (1) That the Management Letter covered issues arising from the audit work with respect to the financial performance and position of the University, internal controls (including risk management) and audit and accounting issues.

- (2) That a review of internal audit arrangements had allowed the External Auditors to reach the view that reliance could be placed on the work of the Universities Internal Audit Consortium (Uniac), meaning that there was no requirement to duplicate this work.
- (3) That, following completion of the external audit, Deloitte LLP anticipated that they would be able to indicate that the Accounts of the University complied with the HEFCE Statement of Recommended Practice and gave a true and fair view of the University's affairs as at 31 July 2009.

Noted:

- (1) That the Chair of the Audit Committee indicated that the Committee had received the Management Letter and accompanying Report from the External Auditors (Deloitte LLP) on the Draft Accounts at a late stage (and also received by the Committee) for the period ended 31 July 2009, and that the Management Letter had been revised since the meeting. This revision recognised the action taken by the University since the merger to redress problems in the internal control environment, and included a general management response in addition to specific management responses to each of the observations made within the Management Letter. The issues raised demanded the support of the senior management team to drive changes in the control environment, and the general management response provided evidence of this commitment.
- (2) That the University acknowledged that some re-centralisation and structural changes would be required in order to secure greater efficiency in the financial control environment, and in preparation for anticipated changes in the economic environment.
- (3) That the Management Letter and the University's responses to it would be important documents in the year with which to hold the University to account and monitor progress, as the University sought to improve its financial control environment in preparation for public funding austerity.

Resolved: To approve, as required by the HEFCE Code of Practice on Audit and Accountability, the onward transmission of the Management Letter to the HEFCE Assurance Service.

6. Letter of Representation

Received: The Letter of Representation, provided in connection with the audit of the Financial Statements undertaken by the External Auditors, for the year ended 31 July 2009.

Resolved: That the Letter of Representation be approved by the Board for return to the external auditors.

7. Financial Statements

Received: The audited Financial Statements for the year ended 31 July 2009, and the recommendation from the Finance Committee that they be approved.

Reported:

- (1) That the Chairman of the Finance Committee reminded members of the Board of Governors of the overriding imperative to return a surplus in the year to 31 July 2009, both pre and post exceptionals. In this context, the Chairman of the Finance Committee was pleased to report an outcome that was ahead of the anticipated position. The operating surplus, before exceptional items, of £16.8m, compared with £0.2m for 2007/08, was well ahead of expectations and confirmed the successful delivery of the University's financial plan. In addition to the significant improvement in the operating results, available cash resources at July 2009 increased by £73.4m to £167.8m, but much of this was already committed. However, he reminded members of the Board of Governors that one year could not be considered in isolation and that the University remained committed, irrespective of external economic conditions, to continue operating with a surplus, and that in doing so, it would seek to retain the capacity to invest strategically.

- (2) That the financial risks associated with the University of Manchester Superannuation Scheme (UMSS) and the national, University Superannuation Scheme (USS), the University's main defined benefit pension schemes, remained significant. Of the five schemes in operation at the University, USS and NHSPS were both multi-employer schemes in which it was not possible to identify the assets and liabilities of the schemes attributable to the University. Under FRS17, the deficit position amounted to £87.1m, confirming the concerns expressed in the previous accounting year.

Noted:

That the Chairman of the Finance Committee sought representation from the President and Vice-Chancellor regarding any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the University to conduct its business, and therefore on the financial results as presented. The President and Vice-Chancellor provided this confirmation, citing the written representations received from the five primary budget holders within the University, namely the Vice-President and Dean of each Faculty and the Registrar and Secretary.

Resolved: That the Board confirm:

- (1) That it was not aware of any actual or potential non-compliance with law and regulations that could have a material effect on the ability of the University to conduct its business and, therefore, on the results and financial position to be disclosed in the Financial Statements for the period ended 31 July 2009.
- (2) That the Financial Statements for the period ended 31 July 2009 be approved for onward transmission to the Higher Education Funding Council for England (HEFCE), and that they be also forwarded to the General Assembly for comment in accordance with Statute IX.8(b).

Forwarded to the General Assembly

8. Five-Year Forecasts

Received: The Five-Year Forecasts, on recommendation from the Finance Committee, and prepared for submission to HEFCE.

Reported:

- (1) That the forecasts had been prepared by the University in line with the manner described by the President and Vice-Chancellor in June 2009. The forecasts being submitted in this planning round were not prepared on the same basis as they had been in the prior year. A detailed budget for 2009/10 had been prepared as usual, and rolled forward for 2010/11, and there was confidence that these could be delivered accurately. In providing forecasts for 2011/12, 2012/13 and beyond, however, the University had emphasised that the figures supplied were notional reflecting assumptions about which there was much less confidence.
- (2) That this implied that the University's cash position would require close monitoring in anticipation of tough financial conditions. In terms of the University's income sources, the projections for research grant and contract income were the most uncertain beyond 2010, as public, charitable and industrial sources of funding could be limited over the next few years.

Resolved: To approve the onward transmission of the Five-Year Forecasts to HEFCE.

9. President and Vice-Chancellor's report

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

Received:

- (a) A report of the President and Vice-Chancellor to the Board of Governors, which was ordered to be bound for reference.

- (b) The recommendation that the Board of Governors notes the wish of Professor Alistair Ulph to retire on 30 September 2010, and wishes to place on record the deep appreciation and admiration it feels for the magnificent contribution he has made as a Vice-President and as Dean of Humanities to the consolidation of the Manchester merger and to the emergence of the new University as a major international institution well on the way to realising its ambitious *Manchester 2015* Goals.

Reported:

- (a) That the President and Vice Chancellor provided an update on the 2009 round of Operational Performance Reviews (OPRs), which had been proceeding well. In each OPR the spirit had been frank yet collegial, and in terms of both relevance and accuracy the data on operational performance was of a quality that allowed the confident analysis of performance against plan. As a result, the 2009 round of OPRs had been effective in mapping areas of good practice and poor performance across the University, and in providing a basis for evaluating performance against the key priorities identified in the strategic and operational plans of the activity centres concerned. A singular aspect of the 2009 OPRs had been the canvassing in each OPR of the threats and opportunities likely to confront the University as a result of a deteriorating public funding environment following the next General Election. The OPR process forms the basis of the annual *Stock Take Report*, which the President and Vice-Chancellor would present to the Board's Planning and Accountability Conference in March 2010.
- (b) That the Planning and Accountability Conference would be dominated by consideration of the emerging external funding climate and the plans being put in place in the University to manage the attendant problems. The President reminded members, however, that the dual purpose of the Conference within the University's Planning and Accountability Cycle was for Senior Management:
- i) To provide the Board with a detailed annual "stock-take" of performance against Plan over the previous year – in this case 2008-09; and
 - ii) To advise the Board in relation to priorities for the forthcoming year, together with recommendations for revision of the *Manchester 2015 Agenda*.

The Conference has traditionally been divided into two related sections, with Day One providing Board members with the opportunity to respond to the *Stock Take Report* and other detailed reports from management on performance against plan the previous year, and Day Two focusing on re-planning for 2009-10 and beyond. For 2010, the President indicated that the Board may wish to attenuate the retrospective aspect of the Agenda to create more time for scenario analysis and contingency planning.

- (c) That a new, thoroughly revised version of the University's Strategic Plan, *Towards Manchester 2015* had been issued recently with the title, *Advancing the Manchester 2015 Agenda*. This version of the *Agenda* was unchanged in breadth and vigour, and maintained the essential focus of the vision of making Manchester one of the finest universities in the world by 2015, and thereafter building on that achievement. As Board members were aware, The Plan had nevertheless been substantially re-shaped, and was now organised around three core goals and six enabling goals, and tied to a carefully chosen array of key performance indicators (KPIs), many of which might readily be benchmarked against comparator international universities.
- (d) That an international benchmarking exercise comparing the University's current resource base with those of a group of leading national and international institutions was presented within the President and Vice-Chancellor's report. Board members were asked to regard the analyses presented in the Appendix as indicative only for two reasons. Firstly, because much further research remains to be completed before some of the comparisons may be regarded as plausible, let alone accurate; and secondly, because the performance areas benchmarked do not at this stage correlate closely with the University's primary Key Performance Indicators

(KPIs). In relation to research performance, the University was still in the process of developing a satisfactory “benchmarking” approach to the preferred KPI – *research power*. In the meantime, the Jiao Tong “World Universities Ranking” remained the best available benchmarking tool in relation to research power. This exercise was considered valuable, however, as a first step towards the kind of benchmarking exercises that would henceforth become a routine part of annual *Stock-Take Reports* to the Board of Governors.

- (e) That at its July Meeting, the Board was provided with a substantial Report entitled, *Guiding the University of Manchester Through Uncertainty*. The Report set out the approach The University would adopt to scope the external environment, frame planning assumptions and develop contingency plans in anticipation of major public funding austerity over the next few years. Among other measures, the Report noted the establishment of a Board of Governors’ Monitoring Group charged with the responsibility of liaising closely with Senior Management as contingency plans are developed and, as appropriate, implemented. Recognising the uncertainty of future economic conditions, the Senior Executive was not only developing a set of “base case” forecasts that reflect the financial scenarios considered most likely to develop over the next five years, but was placing these “base case” estimates within a wider spectrum of funding scenarios by using *sensitivity analysis* to determine the degree of variance that might reasonably be expected between base case, best case and worst case scenarios – both in relation to each individual planning assumption and, aggregatively, in relation to overall *best* and *worst* case possibilities. These financial scenarios would become primary planning tools within the University, and the basis for contingency planning. The detailed development work currently underway would be reported to the Board of Governors in March 2010, although even then the planning assumptions upon which they are based will remain in many respects conjectural. Only when a new Government unveils its spending plans (probably in an Autumn Budget Statement in 2010) was it anticipated that senior managers would be able to form a clear picture of the actual funding scenarios that will have to be managed.
- (f) That the President and Vice-Chancellor reported that final student figures (registrations) would not be available until after the official HESES census date of 1 December, but that early indications showed that the University had managed to hold domestic and EU undergraduate student enrolments below the level at which the University would have become liable for HEFCE sanctions for over-enrolling, noting that was no easy task in a situation involving a number of imponderables, including new UCAS processes and uncertainty about student enrolment and re-enrolment rates during an economic downturn. In relation to international student enrolments, all that it was possible to say at the time of making his Report was that current data on the numbers of students who have registered and paid fees indicated enrolment outcomes were substantially ahead of target. A further report would be made in the New Year.
- (g) That the “Academic Ranking of World Universities” carried out annually by the Institute of Higher Education in China’s Shanghai Jiao Tong University, was generally regarded by research-led universities around the world as the most reliable of international rankings. Given the importance the Jiao Tong Index as a barometer of the University’s progress it was disappointing that in the 2009 Rankings the University has slipped one place from 40th to 41st. This may reflect nothing more significant than the University’s advance by a remarkable eight places in 2008 was an exaggerated adjustment in a single year, and that a move from 48th to 41st over two years was more consistent with the normal evolution of the Index. Alternatively, the 2008 outcome may have reflected the pre-RAE2008 “bunching” of research appointments and publications as the University sought to maximise its RAE performance. Reluctant to accept either suggestion as an explanation, the President and Vice-Chancellor had asked Professor Rothwell and the Associate Vice-Presidents (Research) to examine the 2009 outcome and to consider in the process whether there are further initiatives that we might sensibly take to facilitate a resumption in 2010 of Manchester’s impressive progress up the “World Universities Ranking” since 2004.
- (h) That Professor Alistair Ulph (Vice-president and Dean of the Faculty of Humanities) had indicated his wish to retire on 30 September 2010. The President and Vice-

Chancellor commented that Professor Ulph had been outstandingly successful in his roles as Dean of the Faculty of Humanities and University Vice-President, and would be sorely missed. Preparations for the open advertisement of the Vice-President and Dean of Humanities position were underway. The appointment process was expected to be completed in good time for the beginning of the next academic year.

- (i) The President and Vice-Chancellor reported to the Board in February 2009 on the intention of the Government to develop a policy framework for Higher Education over the next ten to fifteen years. On 3 November 2009 the Secretary of State for Business, Innovation and Skills, Lord Mandelson, had launched The Higher Education Framework *Higher Ambitions*. A summary of the key features of the Framework and the 17 proposals it contained which had been prepared by Universities UK was provided to members. In launching this framework Lord Mandelson foreshadowed an independent review of higher education funding and student finance, thus fulfilling the commitment made by the Government during the Commons stages of the Higher Education Act 2004 to review the operation of variable tuition fees after these had been in force for three years. On 9 November 2009 the Rt. Hon. David Lammy, Minister of State for Higher Education and Intellectual Property announced the appointment of Lord Browne of Madingley to chair this review. The review would have six other members chosen for the breadth and depth of their experience and expertise. These were Michael Barber, Diane Coyle, David Eastwood, Julia King, Rajay Naik and Peter Sands. The Review would take evidence from within higher education and from other interested parties, and will involve an Advisory Forum to be convened by the Chair. The Review was expected to report by the Autumn of 2010 with recommendations coming forward in 2011. Any changes implemented following the Review would come into effect in the academic year 2011/12 at the earliest.
- (j) That in the absence of Dr David Barker, the President and Vice-Chancellor provided a short report on matters in relation to Compliance and Risk. There were two matters raised. The first concerned the accident statistics presented at the last Board meeting and which had not changed substantially following the completion of the quarter. Secondly, he reported that as of 12th October, under the Safeguarding Vulnerable Groups Act, the University has a new legal "duty to refer" to the Independent Safeguarding Authority any occurrence where an individual causes harm to a child or vulnerable adult. Discussions had taken place to ensure that, in the event of such an occurrence being considered through existing staff and student disciplinary processes, there is a communication to the Head of Compliance and Risk, who will review and co-ordinate any communication with ISA.

Resolved:

That the Board of Governors noted the wish of Professor Alistair Ulph to retire on 30 September 2010, and placed on record the deep appreciation and admiration felt for the magnificent contribution he had made as a Vice-President and as Dean of Humanities to the consolidation of the Manchester merger and to the emergence of the new University as a major international institution well on the way to realising its ambitious *Manchester 2015* Goals. The Board wished Alistair and Nanette a long and happy retirement.

(2) **Report to the Board of Governors on exercise of delegations**

Reported:

(a) **Grant of the title of Professor Emeritus**

Acting on behalf of Senate and the Board of Governors, the President and Vice-Chancellor had approved the conferment of the title of Professor Emeritus on the following:

Professor Richard Abadi, Professor of Visual Science in the Faculty of Life Sciences
(from 1 November 2009)

Professor Peter Aczel, Professor of Mathematical Logic and Computing Science in the School of Computer Science (from 1 October 2009)

Professor Tudor Rickards, Professor of Creativity and Organisational Change in the Manchester Business School (*from 1 October 2009*)

(b) Representatives on outside institutions

Acting on behalf of the Board of Governors, the President and Vice-Chancellor had approved the appointment or the re-appointment of the following:

Manchester High School for Girls	Mrs Diana Kloss, re-appointed for the period 1 September 2009 to 31 August 2013.
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(c) Other authorisations on behalf of the Board

(i) Acting on behalf of the Board of Governors, the Acting President and Vice-Chancellor had approved the addition to the list of the University's authorised signatories, for the purpose stated:

Mr Chris Petty, General Counsel (for the purpose of signing contracts and agreements).

(ii) The Registrar and Secretary had granted permission for the Director of Whitworth Art Gallery to dispose of a number of items of furniture within the collection, following a review by the Gallery. The furniture would be disposed of either through transfer to another public collection, or where this is not possible, sold through auction. In the latter circumstances, then any funds raised would support the purchase of art in line with the Gallery's Acquisition Policy. The majority of furniture, which included chairs, tables and display cabinets, were of relatively low value, and were unlikely to be displayed by the Gallery in the foreseeable future.

(d) Seal orders

Pursuant to General Regulation VII.4, the Common Seal of the University had been affixed to the instruments recorded in entries no. 914-924, Seal Register 1.

10. Board committee reports

(1) Finance Committee (12 November)

Received: A summary report and minutes from the meeting of the Finance Committee held on 12 November 2009.

Reported:

(1) That the Registrar and Secretary reported that he and the Chairman of the Trustees of the USS pension scheme would be speaking with the Pensions Regulator on 17th November 2009 to confirm that all the issues relating to the 2007 valuation had now been resolved.

(2) That Finance Committee approved the replacement of the existing pensions guarantee by a guarantee secured on properties to the value of £50m, noting that the contingent security guarantee will not reduce or constrain the University's ability to dispose of properties in the future.

(3) That the Finance Committee noted an updated summary identifying earmarked and free funds as at end of July 2009. Of the closing cash balance of £168m, identified earmarked cash totalled £90.4m. In addition, some £51m of research income was deferred, suggesting it had been received in advance of costs being incurred. The Director of Finance had subsequently been informed that a further £10m has been committed to a new building for cancer research. The balance of only £16m was very low, being approximately two weeks pay bill.

- (4) That there was considerable uncertainty about future levels of HEFCE and Research Council funding; funding of pension deficits; potential costs of restructuring; and the requirements of the “green” agenda in relation to future funding of capital projects via HEFCE. This could have serious impact on the cash position and because of the uncertainties surrounding years 3 to 5 of the 5 year Forecasts, the Director of Finance expressed concern regarding the lack of robust long term forecasts for cash.
 - (5) That the Finance Committee approved the write-off of £216k of irrecoverable debt covering the period to June 2009.
 - (6) That the Finance Committee received the financial statements for the year ended 31st July 2009. The accounts were recommended for acceptance by the Board of Governors and the President and Vice Chancellor and the Chairman of the Board of Governors would sign them on behalf of the University prior to submission to the Funding Council.
 - (7) That the Finance Committee approved the Five Year Forecasts and recommended them for acceptance by the Board and submission to the Funding Council.
 - (8) That Dr Keith Lloyd (chairman of SUSC) reported that the annual accounts for the University’s subsidiary companies had been approved at its meeting on 12th October 2009, with the exception of MBSW Ltd, MBSI Ltd and MICL. The outstanding issues in relation to MBSI Ltd had been resolved and the accounts approved at the meeting of SUSC on 12th November 2009. However, there remained unresolved issues in relation to MBSW Ltd and MICL which required further work before the accounts could be signed off.
 - (9) That Finance Committee requested clarification of the capital approval process under which they would be asked to review and formally approve the projects for the Learning Commons (£10m) and the School of Chemical & Analytical Sciences (£10m).
- (2) **Audit Committee** (16 November)

Received: A summary report and minutes from the meeting of the Audit Committee held on 16 November 2009.

Reported:

- (1) That the Committee received a report on a new quality assurance process governing the submission of TRAC returns. The executive management of the University would be considering the University compliance checklist well before the deadline for submission, and the Audit Committee would receive a short report on the outcome its next meeting.
- (2) That the Committee considered a draft of the Annual Report of the Audit Committee. The Report had been compiled in a form that was consistent with the guidelines issued by HEFCE in its Code of Practice on Audit and Accountability, and included a resumé of the work of the Internal and External Auditors to date, and of other significant matters considered by the Committee.
- (3) That the Committee considered the Management Letter and accompanying Report from the External Auditors (Deloitte LLP) on the Draft Accounts (and also received by the Committee) for the period ended 31 July 2009, which recorded the key features of the audit, and contained details of specific observations arising, and the way they had been treated in the Accounts.
- (4) That the Committee received and approved a revised Statement on Corporate Governance, as presented within the Financial Statements.
- (5) That the Committee resolved to recommend to the Board that the External Auditors, Deloitte LLP, should be re-appointed for 2009/10.

Resolved:

- (1) To approve the re-appointment of Deloitte as external auditors of the financial statements for the year ending 31 July 2010.
- (2) To approve the revised Statement on Corporate Governance for inclusion within the financial statements and onward transmission to HEFCE.
- (3) To approve the Report of the Internal Auditors and its onward transmission to HEFCE.
- (4) To approve the Annual Report of the Audit Committee and its onward transmission to HEFCE.

(3) **Risk Committee** (16 November)

Received: A summary report and minutes from the meeting of the Risk Committee held on 16 November 2009.

Reported:

- (1) That the Risk Committee recommended that no significant amendments to the existing Policy were needed and that the Board approve the Health and Safety Policy for 2009-10.
- (2) That the Committee noted that arrangements were in hand to introduce a more structured induction programme for Heads of Schools and to consider ways in which relevant university policies and procedures were better communicated to and understood by staff at all levels.
- (3) That the Committee agreed that it would undertake, over a number of meetings, a more detailed review of the strategic risks that had been identified by senior management.
- (4) That the Committee requested a written report on progress against recommendations made in Professor Coggon's provisional report.

11. **Report from the Senate** (from the meeting held on 4 November 2009)

Received: A summary of matters discussed at the meeting of the Senate held on 4 November.

Noted:

- (1) That the Vice-President (Teaching & Learning) gave a presentation and update to members on developments within Teaching and Learning.
- (2) That the Senate received a report from the Deputy President and Deputy Vice-Chancellor on the research profiling exercise underway.
- (3) That the Senate had approved, with minor amendment, a policy on consensual relationships, which had been developed in consultation with the Head of the Student Support Office, and the campus trade unions and prepared following the recommendations arising from a case heard by the Office of the Independent Adjudicator (OIA).

Resolved: To approve the policy on Consensual Relationships.

12. **Report from the Planning and Resources Committee** (from the meeting held on 10 November 2009)

Received: A summary of matters discussed at the meetings of the Committee held on 10 November.

Noted:

- (1) That the Committee considered the following: 2008-09 Year-end Management Accounts; Financial Statements for the year ended 31 July 2009; Five-year Financial Forecast 2008-09 to 2012-13; a summary of the University's debt position as at September 2009; and the draft Management Accounts as at 30 September 2009.
- (2) That the Committee considered the draft statement on Corporate Governance for inclusion in the Financial Statements.
- (3) That the Committee received an update on the Jodrell Bank Discovery Centre Project.
- (4) That the Committee received an update on current registrations, noted that the student and staff HESA returns had been submitted on time, and endorsed the Annual Monitoring Statement and proposed Corporate Planning Statement response.

Taken as read and signed as a correct record on 8 March 2010