

Approved by Chair



CONFIDENTIAL

Board of Governors

**Minutes of the fifty-ninth meeting held on
Thursday 27 September 2012**

- Present:
- Clive Jones – in the Chair (except for minute 789)
 - Syed Ali
 - Kathy Castle
 - Kay Dudman
 - Katherine Farr
 - Emir Feisal
 - Malcolm Gillies – Vice-Chancellor
 - Rob Hull
 - Maureen Laurie
 - Tony Millns – in the Chair for minute 789 only
 - Mark Robson
 - Dianne Willcocks
- In attendance:
- Paul Bowler, Deputy Chief Executive
 - Sean Connolly, Director, Strategic Programme Office
 - Mark Harris, Deputy University Secretary (Board)
 - Lyn Link, Director of Human Resources
 - Peter McCaffery, Deputy Vice-Chancellor
 - Pam Nelson, Director of Finance
 - Alison Wells, University Secretary (until minute 794.3)
 - Jonathan Woodhead, Executive Officer
 - Steve Egan, HEFCE (until minute 794.3)
 - Richard Shaw, KPMG (external auditors)
(until minute 794.3)

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Karen Dukes, PwC (internal auditors)
(until minute 794.3)
Glen Babcock, PwC (until minute 794.3)
Chris Pillar, PwC (until minute 794.3)
Amy Gibson, Development Office (until minute 792)

787 Apologies for absence

Apologies for absence were received from Ann Minogue and Daleep Mukarji.

788 Declarations of interest

The Board noted Mark Robson's interest as a member of the Board of HEFCE and the interests of Clive Jones and Mark Robson in the posts of Chair and Vice-Chair of the Board respectively.

789 Election of Chair and Vice-Chair

Tony Millns (Chair of the Governance Committee) took the Chair.

Clive Jones was proposed and seconded as Chair for the coming year. There being no other candidates he was declared elected.

Mark Robson drew the Board's attention to article 8 of the University's Articles of Association, which permitted the Board to appoint up to two vice-chairs. He suggested that, particularly in view of his HEFCE commitments, the Board might find it helpful to take advantage of this provision, if not immediately then at some future date. He offered to withdraw from the meeting while the Board discussed the matter. The Board was grateful for this reminder, but declined his offer and agreed that for the time being it would not appoint a second Vice-Chair, although it might wish to do so at some point in the future.

Mark Robson was proposed and seconded as Vice-Chair for the coming year. There being no other candidates he was declared elected.

Clive Jones then resumed the Chair.

791 New custodian for The Women's Library (BG 59/7.1)

Amy Gibson outlined the consultation process that had been undertaken in developing the criteria for the Selection Committee to consider and the range of groups that had contributed to the discussion. Paul Bowler reported that he had spoken to staff of The Women's Library earlier in the day and had outlined to them the proposal to transfer the collections and staff to the London School of Economics.

The Board noted the advantages of the proposal in that the collections would gain a dedicated reading room and exhibition space, would be more readily accessible to researchers and the public, and would have the benefit of LSE's considerable curatorial and digitisation experience. The staff, it was reported, would be eligible to transfer to the LSE under TUPE rules.

It was suggested that a final decision should be deferred until the November Board meeting, to allow for a further period of reflection. Concern was then expressed that, having properly delegated the scrutiny work to the Selection Committee, on which not only the Board but many other key stakeholders had been represented, allowing for further delay was both unnecessary and may even be detrimental to the transfer. The wishes of the LSE in respect of a prompt announcement after the Board meeting were also noted.

Kay Dudman then presented an open letter from the Save The Women's Library Campaign which had been handed to her as she arrived. With the Chair's agreement, Syed Ali tabled a substantial petition which he had been asked to deliver to the Board.

The Selection Committee's recommendation was then put to the vote. The Board approved by 10 votes to nil with two abstentions the proposed transfer of the Women's Library Collection and the Women's Library staff to the LSE subject to satisfactory conclusion of the due diligence exercise by the end of the year. It was further agreed, for the information and reassurance of Governors, that a copy of the full LSE bid document should be circulated to the Board.

DCE

Action: Paul Bowler

792 Minutes of previous meetings (BG 56/1.1-1.3)

The minutes of the meetings held on 4 July, 16 August and 3 September 2012 were approved as correct records.

793 Matters arising

793.1 Risk management reporting (minute 780 refers)

A query was raised about the frequency with which the Board should be updated on risk management, given the sudden escalation of risk represented by the HTS licence revocation. Whilst detailed oversight of risk management was part of the Audit Committee's remit, it was agreed that the Board should be updated by e-mail following the monthly meeting of the Executive Group as Risk Committee. SC

Action: Sean Connolly

793.2 International Review (minute 769.5 refers)

The Vice-Chancellor reported that continuing work on the International review had been held in abeyance, in light of the difficulties with the HTS licence but that it would be recommenced in due course.

793.3 Financial scenarios (minute 784.4 refers)

The Board noted that the Chairs of the Audit and Finance and Resources Committees had not had the opportunity of reviewing the scenarios.

794 UKBA licence revocation and future scenarios

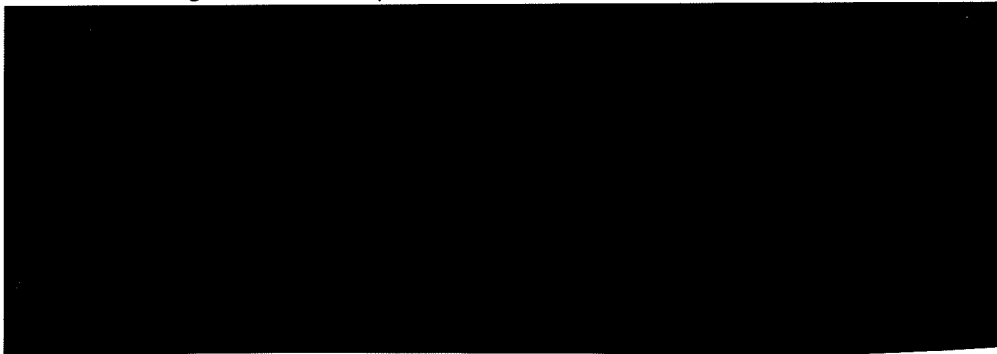
794.1 Report on application for judicial review and interim relief (BG 59/2.1)

The Vice-Chancellor noted that media commentary on the matter of the revocation of the University's HTS licence had largely focused on the impact of the decision on individual students, their anxieties and personal hardship. While this was both clearly true and commendable, it appeared that an element missing in the publicity and commentary was a sense of the strength of the institution's case in making its application for leave to apply for judicial review.

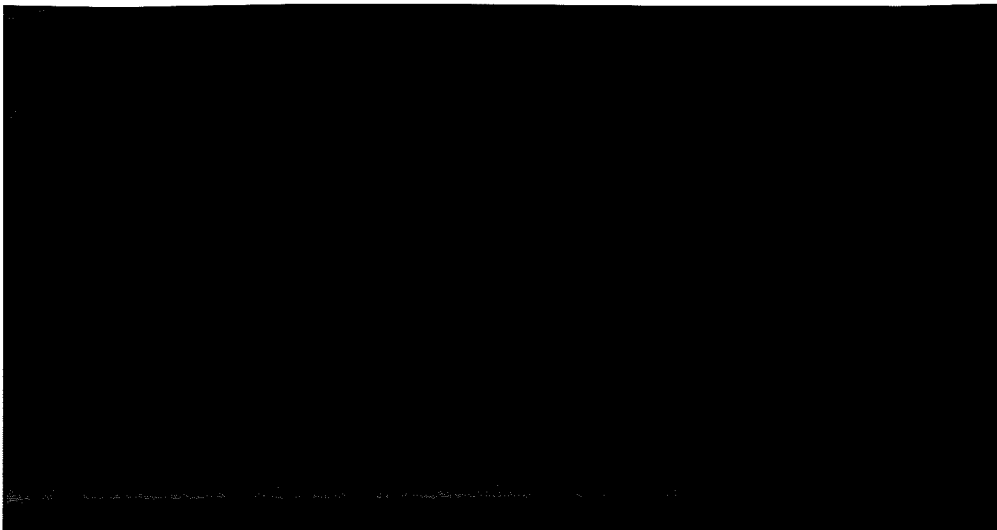
The Vice-Chancellor reminded the Board that the University's application had focused on the legality of the UKBA's decision in relation to the rule and also the fairness and proportionality of their actions. He noted that the UKBA had audited the University in March and May 2012, but had provided no written report or response to either audit until 16 July, in the correspondence announcing the suspension of the University's licence (subsequently revoking it on 29 August). This lack of any meaningful formal written response from the UKBA had been consistently drawn to the attention of HEFCE in the Vice-Chancellor's relevant reports. The Agency had, however, given verbal feedback on the first audit, to which the University had replied in writing without receiving subsequent confirmation that those replies had adequately addressed the matters raised informally by UKBA staff.

794.2 Review of strategic options (BG 59/2.2)

Karen Dukes and Glen Babcock introduced PwC's review of strategic options for the University. They outlined the potential advantages and disadvantages of various options:



Part minute redacted on grounds of commercial confidentiality (s.43(2)); upheld by the ICO



[REDACTED]

Part minute redacted on grounds of commercial confidentiality (s.43(2)); upheld by the ICO

[REDACTED]

The Board noted PwC's view that, on the data provided to them so far, the likely deficit seemed manageable. There was interest in and discussion of the proposal from PwC to establish a Programme Management Office, to drive and deliver change, led and supported by the Board. The Board noted the importance of maintaining appropriate accountabilities between a PMO, the Executive team and the Board.

A number of further points were made in the discussion around PwC's report, including:

- The likely size of the budget deficit and the reliability of the figures;
- The reputational damage already done to the University and how quickly that reputation might be restored;
- What had been agreed thus far with UKBA which would permit the University to teach international students;
- Help for students wishing to transfer to other institutions and for those who, having decided to transfer out, subsequently changed their minds;
- The impact of the revocation on numbers of British and EU students applying to the University;
- The importance of business process redesign to the future of the University;
- The future of the shared services initiative;
- HEFCE's support for action taken by the University in the interests of students and in the wider public interest.

The Board then considered the way forward in terms of legal action. Judgment in the case had not yet been handed down as a number of detailed operational points were being argued out between the University and UKBA. One possibility was that a negotiated settlement might be reached with UKBA and judicial review thereby avoided. Another was that the outcome of the judicial review, which it was understood might be heard in Spring 2013, might be appealed. In any case the University would be

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able to reapply for its HTS licence in March 2013, although it was understood that UKBA might take around three months to pronounce on the application.

The Board also noted open letters from UCU and Unison.

Having considered all the points made in a wide-ranging discussion on the PwC review, the Board concluded:

- that it should focus on the option of continuity with cost reduction, but not to the exclusion of other options;
- that the University should continue its work preparing for judicial review;
- that it would be desirable for the University to regain its HTS licence;
- that at the next Board meeting there would be a clearer picture of student recruitment and the financial position (including repayments to HEFCE)
- the Programme Management Office proposal should be progressed quickly;
- that the business process redesign/shared services initiative should be reactivated immediately and cost savings started as soon as possible.

Following discussion, the Board:

- Requested further work by Pam Nelson with PwC on the budget and financial scenarios, PN

Part minute redacted on grounds of commercial confidentiality (s.43(2)); upheld by the ICO

- [REDACTED]
- agreed to hold another meeting in 3-4 weeks' time, at which PwC would present an updated report, and requested the Secretary to arrange this.

Action: Pam Nelson; Alison Wells

The Chair also asked Governors to take some time to reflect on the character and mission of the institution in advance of the next Board meeting. He noted the institution had had an extremely challenging couple of years and that its relatively new Board had been confronted with many difficult decisions and issues to address, but that it was clear that going

forward would be even tougher for the University and that the Board and Executive alike would need to be both resilient and committed.

Steve Egan reiterated HEFCE's support for action taken in the students' and the public interest and stated that he appreciated Governors' care and attention in exercising their legal responsibilities as directors and trustees.

The Board expressed its thanks to PwC for their work.

794.3 Financial scenarios (BG 59/2.3)

The Board noted the forecasts and their underlying assumptions, which had been used by PwC as part of their review. In particular it noted that PwC's work was based upon projections formed before the High Court decision of 21 September.

794.4 Revised University budget 2012-13 (BG 59/2.4)

Pam Nelson presented a revised draft budget showing an operating deficit of £13.4m compared to a surplus of £10.8m in the original budget for 2012/13. She requested approval for the revised budget as a working budget only, to allow time for full revisions and a further formal budget submission.

The Board approved the revised budget as a working budget only and subject to a further revised budget at its meeting in 3-4 weeks.

795 Matters from the Vice-Chancellor

795.1 Vice-Chancellor's general report and Quarterly Report to HEFCE (BG 59/3)

The Vice-Chancellor presented his report. There were no questions.

795.2 Business Process Redesign and Shared Services Initiative (BG59/4)

The Board noted that it had been decided to pause work on the initiative while other work on the UKBA absorbed management time and energy. It was now agreed that work on the initiative should be resumed immediately.

796 Student Governor's report (BG 59/5)

Syed Ali presented a report and drew the Board's attention to students' positive comments about the University when being interviewed in the media about the UKBA licence revocation. He suggested, however, that the Students' Union could have done more and been more effective had it been an independent body.

The Board noted the proposed timeline for the Students' Union achieving independent status (as required by law) and restated its commitment to supporting the SU in this regard.

The Board agreed that this matter should proceed and the Vice-Chancellor undertook to see if the proposed timeline could be hastened.

797 Management information to 31 July 2012 (BG 59/6)

The Board noted the draft year-end management information, showing an operating surplus of £7m, which it had also considered during its discussions on the PwC review earlier in the meeting. The Board also noted that the University had met all the financial performance indicators monitored by HEFCE.

The Board noted that there was a risk relating to the number of staff paid on invoice rather than through the payroll. The Board was informed that such payments were scrutinised within the Payroll Office.

A specific query was raised about bad debt provision which the external auditors would be looking into during their annual audit, which was about to commence.

798 Academic matters

798.1 Student number control – Clearing 2012 (BG 59/7.2)

The Board noted that at the date of this paper there was a projected shortfall of around 1000 students on the University's 2012/13 SNC target of 4612, in which respect LMU was in a similar position to a number of other universities. Clearing would remain open until 01 October and January 2013 entry to some undergraduate courses was being planned, which would help to reduce the SNC shortfall further.

798.2 Task Force, clearing house and displaced international students (BG 59/7.3)

Peter McCaffery presented a paper. Key points were:

- that the University was now able to resume teaching many of its international students;
- that three-quarters of the international student losses were in the Business School and the Faculty of Life Sciences and Computing; and
- that the University had won a concession from UKBA that benefited some 576 students who were within 6 months of completion;
- that a financial support package was in place to cover students' visa fees, fee differentials between courses and institutions, and students' out-of-pocket expenses.

'Clearing house' arrangements had been set up for 939 students affected by the revocation. 372 of these had not yet responded to contact from LMU and were being contacted again by e-mail and text message.

Peter reported that the Task Force had held five meetings, notes of which had been published by HEFCE.

799 Annual report on HR activity, 2011/12 (BG 59/8)

Lyn Link presented a report. Governors expressed some concern at the apparently high rate of staff sickness, averaging 9.5 days per full-time staff member in the year 2011/12. Lyn reported that a benchmark for the sector was due to be published later in the year.

800 Risk management report (BG 59/9)

Sean Connolly presented a report and outlined the proposed refining of the risk categories from five to four, namely:

- core business
- sustainability
- systems
- values

The Board noted that the Audit Committee had considered this proposal at its recent meeting and had recommended that the Board be asked to approve the revision together with a revised Statement of Risk Appetite at its meeting in November.

The Board's attention was also drawn to Risk 4, failure to achieve financial sustainability, which had been raised to the highest possible residual risk rating of 25. The mitigating actions had been revised.

801 Closure of offices in India and Bangladesh (BG 59/10)

The Board noted that, prior to the UKBA decision about the University's HTS status, it had been decided to close the offices in India and Bangladesh. However, banks in those countries had requested evidence of a formal Board decision before they would agree to close the University's bank accounts there.

The Board therefore resolved:

- To close the India Office;
- To close the India Office bank account with Standard Chartered (number [REDACTED]);
- To close the Bangladesh Office; and
- To close the Bangladesh Office bank account with Standard Chartered (number [REDACTED]).

Account numbers redacted; upheld by the ICO

802 Any other business

The Board noted that this was scheduled to be the last meeting for Maureen Laurie and Kay Dudman, both of whom had expressed a willingness to continue to serve as members of the Board while the University worked through the present circumstances. The Board requested the University Secretary's Office to advise how this might be done within the current governance framework.

Univ
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Action: Alison Wells

803 Date of next scheduled meeting

Thursday 29 November at 5pm.

804 Close of meeting

There being no other business, the meeting closed at 7.59pm.

Certified to be a true record:-

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Chair, 5 November 2012