|  |  |
| --- | --- |
|  |  |

Senate

**Subject: Governance & Operations in relation to Financial Matters (Excluding Audit Committee)**

**Origin: Director of Finance**

**Executive Summary:** Following a review by the Director of Finance, recommendations are being submitted to Council in November to establish a Finance Committee. The proposed new committee would replace the existing Performance Monitoring Group and Treasurer’s Committee.

**Action Required:** Senate are asked to **CONSIDER** proposals to improve financial governance and **AGREE** the following recommendations to Council:

* That a new joint committee of Senate and Council, entitled the Finance Committee, be formed from 1 January 2011 with terms of reference and membership as shown in Appendix 1.
* That the existing Performance Monitoring Group and Treasurer’s Committee be disbanded from 1 January 2011.
* That the terms of reference of Operations Committee be amended with effect from 1 January 2011 as shown in Appendix 2 a
* That Operations Committee remains a joint committee of Senate and Council working in parallel with the Finance Committee.

**Background**

The majority of universities have a Finance Committee. At Loughborough financial responsibilities are discharged currently via three committees as follows:

Treasurer’s Committee, a committee of Council, which has responsibility for:

* Treasury management
* Investment policy
* Borrowing policy
* Procure preparation of annual accounts( not audit)
* Financial Strategy approval to council

Performance Monitoring Group (PMG), a joint committee of Senate and Council which has responsibility for:

* Monitoring performance of University quarterly against targets set in business plan and budgets within context of 5 year financial plans

Operations Committee, a joint committee of Senate and Council, which has responsibility for:

* Set priority areas for investment
* Advise on financial and physical implications of academic developments
* Develop and recommend to council business plan and budget
* Major project approval
* Departmental reviews
* Staffing and other financial controls
* Student number target approval
* Tuition fee recommendations
* Steer Value for Money programme

**Potential Gaps in existing governance**

To comply with accepted best practice there are some gaps in governance and some duplication of responsibilities between these committee roles and responsibilities.

Gaps:

* Annual accounts review prior to submission to audit committee
* Financial performance overview against 5 year plans
* Lay challenge of budget and plans pre council

Operational efficiency opportunities available:

* To reduce the amount of meetings in total
* Improve the lay scrutiny of financial matters
* Improved focus of finance responsibilities in preparation for dealing with the financial challenges ahead

The Director of Finance proposes the combination of PMG, Treasurer’s and some of Operations Committee’s responsibilities into a Finance Committee whilst retaining Operations Committee to review operational financial performance and controls.

It is proposed that the Finance Committee will be joint committee of Senate and Council and that Operations Committee remains a joint committee of Senate and Council working in parallel.

This proposal was supported by Operations Committee at its meeting on 11th October 2010.

**Draft Terms of Reference, Composition and Membership for the proposed Finance Committee are attached in Appendix 1**

**Draft Revised Terms of Reference for the revised Operations Committee are attached in Appendix 2.**

**Details of the proposed business cycle for the new committees are attached at Appendix 3.**

**Business Cycle Considerations/Timescale for change**

It is proposed that, subject to approval, the new committee arrangements will commence from January 2011.

Given the time dependence of some of the responsibilities of the Finance Committee there is a need to plan the business cycle further in coordination with the Operations Committee, particularly in relation to the approval of the annual accounts and budget prior to Council.

The role and responsibilities of Audit Committee is not affected by the proposed changes.

Senate is asked to **CONSIDER** proposals to improve financial governance and **AGREE** the following recommendations to Council:

* That a new joint committee of Senate and Council entitled the Finance Committee be formed from 1 January 2011 with terms of reference and membership as shown in Appendix 1.
* That the existing Performance Monitoring Group and Treasurer’s Committee be disbanded from 1 January 2011.
* That the terms of reference of Operations Committee be amended with effect from 1 January 2011 as shown in Appendix 2 a
* That Operations Committee remains a joint committee of Senate and Council working in parallel with the Finance Committee.

Author – Caroline Walker  
Date – 25th October 2010  
Copyright (c) Loughborough University. All rights reserved.

**Finance Committee Appendix 1**

**Terms of Reference**

1. To oversee the development and implementation of the University's financial strategy:
   * + 1. To monitor KPI’s together with the quarterly financial performance of all underlying activities (research, teaching, enterprise and advancement) and budgetary units against budget and five year rolling forecast
       2. To manage cash and investments and to review regularly the Treasury Management Policy
       3. To review borrowing requirements and recommend borrowing policies and financing arrangements to Council

(iv) To review the University’s annual capital plan, setting a framework for decisions on major projects by Operations Committee

1. To monitor the University’s delivery against targets of financial savings within the financial plan
2. To review the overview staffing plans in support of the financial plans
3. To review and recommend revenue budgets and five year forecasts
4. To approve financial policies and financial regulations
5. To advise Council on the appointment of bankers, insurance brokers and other financial specialists and to review their performance periodically
6. To monitor the University’s financial safeguarding of assets and if necessary make comments to Council
7. To review the performance of University subsidiary companies
8. To scrutinise and recommend the annual financial statements of the University to Council
9. To meet at least four times a year and to report to Council after each meeting

**Constitution**

Joint committee of senate and council

**Secretary**

Planning office

**Chair**

Vice Chancellor

**Composition**

Provost (Deputy Chair)

Director of Finance

Chief Operating Officer

Pro-Vice- Chancellor for Teaching

Pro-Vice- Chancellor for Research

Pro-Vice Chancellor for Enterprise

1 Dean of School

Honorary Treasurer

3 or 2 lay members of Council

**Operations Committee Appendix 2**

**Proposed Revisions to Terms of Reference**

1. To advise Senate on the future academic developments of the University, having particular regard to the financial and physical implications of such developments.

2. To develop detailed annual business plans and budgets within parameters agreed by the University’s Finance Committee.

3. To approve the relevant stages of major projects within guidelines approved by Council and, in particular, to establish appropriate management and independent review arrangements for major projects involving the Finance Committee as appropriate.

4. To institute operational reviews of cost centres as considered appropriate to ensure the effective performance of the University in the light of its strategic objectives.

5. Within the context of the budget agreed by the Finance Committee and Council, to be responsible for staffing levels in academic and other sections of the University and to delegate as appropriate to subsidiary bodies or officers the day to day responsibility for staffing decisions .

6. To approve student intake and population targets having taken into account all relevant factors including the budget parameters set by the Finance Committee

7. To approve allocations from contingency funds within the agreed budgetary framework.

8. To consider and make recommendations to Council concerning the level of fees for tuition and research supervision for all registered students of the University and for the validation of academic courses in other institutions.

9. To report regularly and routinely to Senate, and Council.

10. To ensure implementation the University's VFM programme within parameters agreed by the Finance Committee.

11. To consult Senate on all issues of academic policy in accordance with Statute XIII before making recommendations to Council.