

**APPROVED** minutes

DRAFT – prepared by the committee secretary  
UNAPPROVED – signed off by the Senior Officer/Chair of the committee  
APPROVED – formally approved by the committee



The University of Manchester

**FINANCE COMMITTEE**

**21 April 2021**

**Present:** Ms Caroline Johnstone (Chair), Mr Edward Astle, Professor Steve Jones, Mr Kwame Kwarteng, Dr Neil McArthur, Professor Dame Nancy Rothwell, and Mr Richard Solomons.

**In attendance for all items:** Robert Fraser (Chief Financial Officer), Louise Bissell (Head of Tax and Financing), Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Chris Trask (Deputy Director of Finance), and John Marsh (Senior Governance Manager) (minutes).

**In attendance for item 5: Capital Programme Report,** Diana Hampson (Director of Estates and Facilities); **item 8: Strategic Planning Update,** Matt Atkin (Director of Planning), and for **item 13: Proposed Amendment to the Policy for Responsible Investment** Professor Nalin Thakkar (Vice President Social Responsibility).

**In attendance as an observer in support of the 2021 Governance Effectiveness Review:** Hanif Barma (Halpin Partnership).

**1 Welcome**

**Noted:** the Chair welcomed Hanif Barma (Halpin Partnership), who was observing Finance Committee in support of the 2021 Governance Effectiveness Review.

**2 Declaration of Interests**

**Noted:** that there were no declarations of interest in relation to the agenda.

**3 Minutes of the Previous Meeting**

**Agreed:** to approve the minutes of the meetings of 20 and 27 January 2021.

**4 Matters Arising**

**Noted:**

- a) That two briefing notes shared with Audit and Risk Committee in March and April 2021, regarding issues arising in respect of the appointment of external auditors had been uploaded to the Finance Committee Reading Room.
- b) The Finance Committee Action Log as of April 2021.
- c) Action 8: the Review of Delegations was on track for completion prior to the end of the academic year.

## 5 Capital Programme Report

**Received:** the April 2021 Capital Programme Report.

**Noted:**

- a) Updates regarding MECD, Pankhurst and Paterson. Recent overall progress for all three projects had been encouraging. Members were also updated on ongoing dialogue regarding sharing of costs regarding equipment gaps, and VAT recovery in relation to Pankhurst.
- b) The University had taken out Delayed Completion Insurance to cover costs for an extended stay at Alderley Park should contractual delays arise with the Paterson project.
- c) The Board of Governors would receive a briefing on ID Manchester on 4 May, which would be followed by a joint Finance Committee-North Campus Working Group meeting on 10 May to agree recommendations to the Board regarding the establishment of a joint venture with the preferred bidder.
- d) Analysis of the capital budget underspend [REDACTED] **Redacted – restricted information** information would be presented to June 2021 Finance Committee.
- e) Lay members expressed support for a more flexible use of office space to facilitate a hybrid working model, and recognised the potential of MECD in support of this.
- f) Chemistry LTM and vent works: a separate paper had been approved at the March FCPSC proposing an alternative project sequence and cashflow to bring forward works on the LTM project [REDACTED]

[REDACTED]  
**Redacted – restricted information**

## 6 Management Accounts and Forecast

**Received:** the February 2021 Management Accounts and Forecast.

**Noted:**

- a) That the March 2021 accounts and forecast were yet to be reviewed by FCPSC.
- b) The Forecast to date was [REDACTED] **Redacted – restricted information** favourable, [REDACTED] **Redacted – restricted information** of which was a favourable variance for tuition fees. Staff costs and OOE also had favourable variances, while an adverse

variance of [REDACTED] **Redacted – restricted information** for Other Income, was mostly caused by reduced income from halls of residence. Residential debts from students would start to be collected from May 2021 onwards.

- c) [REDACTED] **Redacted – restricted information**
- d) Discussion regarding: 1) the likelihood of a ‘hockey stick effect’ occurring at year end, and 2) the communication and reporting of a possible financial surplus. It was suggested that surplus after depreciation should also be reported.
- e) The rationale for the University achieving long-term financial sustainability would remain unchanged post-COVID.
- f) The budget for 2021-22 would include upside/downside scenarios. It was suggested that Finance Committee also challenge the Chief Financial Officer to address the lack of challenge in budget-setting and forecasting, and that the Committee conduct ‘deep dive’ analysis of specific themes in the Management Accounts.

## 7 **Moody’s Credit Opinion March 2021**

**Received:** Moody’s annual review of the University and updated credit opinion.

**Noted:**

- a) The University’s credit rating remained at A1 (stable).
- b) At present Moody’s used a bespoke methodology for cash measures, but were also in the process of reviewing their methodology for HE.
- c) Possible adverse implications for the University of a drop in credit rating [REDACTED]

[REDACTED] **Redacted – restricted information**

## 8 **Strategic Planning Update**

**Received:** an update on Strategic Planning, outlining the anticipated evolution of the Strategic Plan to July and October 2021, and the Reshaping of Professional Services.

**Noted:**

- a) Lay members’ preference for further discussion of the Strategic Plan at the June 2021 Finance Committee meeting, and more substantial discussion at the July 2021 Board Strategy meeting, prior to formal approval in October 2021.
- b) Suggestions from lay members that the Board discuss the University’s risk appetite at its July 2021 Strategy meeting, and that enhanced granularity was provided for the early years of the Five Year Plan, together with detail of the deliverability of efficiencies proposed in the Plan.
- c) It was anticipated that the Reshaping of Professional Services would focus on establishing an agile workforce and integrated process redesign. Activity would be informed by broader consideration of the University’s size and shape, and the development of a workforce plan.

## 9 **Oracle Transformation Project Financial Update**

**Received:** an update on the current estimated costs of the project and the areas which present the highest financial risk.

**Noted:**

- a) The timing of the project delivery was driven by the support deadline for the current Oracle finance system which expired at the end of December 2021. The project required a full rebuild to the chart of accounts and this had created the need to implement the new system as of 1st August 2022 (as making such a significant change to the finance ledger mid-year would be unworkable for the reporting and budgeting cycles).
- b) The current finance system was implemented in 2005 and had very limited use of automation in processes, many of which were inefficient and presented significant support issues. There was a lack of consistency in data between the finance system and feeder systems, and in many cases inherent problems with interfaces [REDACTED] **Redacted**  
[REDACTED] **Redacted**  
– **restricted information**
- c) The Chief Financial Officer advised members of his previous experience of comparable projects, including at other HEI.
- d) A Cloud-based approach was not recommended. Its functionality would be too basic with limited scope for customisation, and presented significant implications for research reporting. Furthermore, a Cloud-based approach would not be cost-effective, and could be challenging in terms of withdrawal. It was therefore appropriate for the University to retain control of its financial system, and mitigate potential risks.
- e) Members' views on hardware and dataset approaches, and the importance of ensuring that a robust implementation team was established.
- f) Experienced project managers had been recruited, and an Earned Value Management approach would be utilised for the project. Members who wished to receive further briefing/information regarding Earned Value Management were asked to contact the Governance Office.

**Agreed:** to approve the project in principle, noting that further clarity would be provided regarding the project's benefits and terms of reference. The project to be a standing item at Finance Committee meetings, with Audit and Risk Committee to provide input when necessary. **Action: Chief Financial Officer (and re: input from Audit and Risk Committee Chair of Finance Committee)**

## **10 USS Employer Consultation**

**Received:** an update on progress to date in the USS 2020 actuarial valuation, and the 2021 UUK consultation with participating employers.

**Noted:**

- a) The possibility of industrial action regarding the USS scheme was concerning.
- b) Lay members recognised the challenging nature of the current scheme, and the need to reconcile the need for changes to the scheme in terms of benefit reform and increased covenant support measures, with the objective of retaining staff membership.

- c) The University's response to the consultation would be approved by the Board of Governors on the recommendation of PRC and Finance Committee.

## **11 Pensions Update**

**Received and noted:** a summary of all University pension schemes, with a focus on the latest position for the Universities Superannuation Scheme.

## **12 Investment Sub-Committee**

**Received:** a report of the 24 February 2021 meeting of Investment Sub-Committee (ISC).

**Noted:**

- a) That approval of a short term change to the investment strategy and target asset allocation had been agreed by the Board of Governors at its March 2021 meeting.
- b) That ISC would be conducting a further review of its terms of reference prior to presentation to Finance Committee for formal approval.

*Secretary's note: proposals from Investment Sub-Committee regarding the Epidarex III Capital Fund were not considered in the meeting, and were therefore rescheduled for approval at the 23 June 2021 Finance Committee meeting.*

## **13 Proposed Amendment to the Socially Responsible Investment Policy**

**Received:** a proposed amendment to the Socially Responsible Investment Policy which outlined the enhanced rationale presented by Finance and Capital Planning Sub Committee to support the recommendation that nuclear weapons should be removed from the definition of controversial weapons in the Policy.

**Noted:**

- a) That Finance Sub Committee had previously recommended to Investment Sub Committee, and to Finance Committee, that nuclear weapons should be excluded from the definition of controversial weapons.
- b) At its October 2020 meeting, Finance Committee had deferred a decision, asking for 'consideration by appropriate executive committees of PRC and re-presentation to Finance Committee supported by an enhanced rationale.'
- c) While nuclear weapons were classified as controversial weapons, the Treaty on the Non-Proliferation of Nuclear Weapons (1968) did not prohibit their use, but rather limited the spread of nuclear weapons to the Nuclear Weapons states (USA, Russia, UK, France and China). The UK Government had also ratified the Treaty on the Non-Proliferation of Nuclear Weapons, which did not render their production and use illegal under UK law. Nuclear deterrence was part of UK's and NATO's strategy and the UK was committed to a minimum and credible deterrent. This was seen as key to deterring the most extreme threats to our national security and way of life, now and in the future. On this basis, it was proposed that nuclear weapons were removed from the definition of controversial weapons within the Socially Responsible Investment Policy.
- d) A diverse range of views were represented across the student community in relation to investment in nuclear power, armaments and the defence industry.

**Agreed:** subject to the regular review of the Policy, to recommend to the Board of Governors that nuclear weapons are removed from the definition of controversial weapons within the Socially Responsible Investment Policy and therefore companies that manufacture nuclear weapons will not be automatically excluded from the University's endowment investment portfolio.

#### **14 Satellite Entities**

**Received and noted:** an overview of the financial scale of the University's key satellite entities and an update on current performance.

#### **15 North West E Health (NWEH)**

**Received:** an update on the proposed investment into NWEH [REDACTED]

**Redacted – restricted information**

**Noted:** that dialogue with [REDACTED] **Redacted – restricted information** remained ongoing regarding the specific quantum and terms of their investment.

**Agreed:**

- a) That should a new offer be received by the University, to approve Chair's Action to be taken in relation to 1) the general terms of the investment into NWEH subject to satisfactory resolution of the issues set out in the paper, and 2) any changes to these terms or further clarifications as a result of on-going negotiations with the investor.
- b) [REDACTED] **Redacted – restricted information**

#### **16 Manchester Graphene Company**

**Received and noted:** an update on the plans for Manchester Graphene Company.

#### **17 Northern Gritstone**

**Received:** an update on the finalisation of the Framework Agreement with Northern Gritstone and the other two founder shareholders (the Universities of Leeds and Sheffield), and which addressed matters raised previously by Finance Committee.

**Noted:**

- a) That the Framework Agreement had been signed following Chair's action.
- b) Details as to the proposed internal governance arrangements would be put forward to Finance Committee in July 2021.
- c) That in lay members' opinion, Northern Gritstone was potentially worthy of public recognition by the UK Government and Research England.

#### **18 Endowment Impact Report for the Year Ended 31 July 2020**

**Received:** the Endowment Impact Report setting out the level of expenditure from the merged endowment funds for the financial year 2019/20 and the forecast committed expenditure for the future.

**Noted:**

- a) The [REDACTED] **Redacted – restricted information** remaining balance of merged funds not yet committed for spending.
- b) That it would be helpful for Finance Committee to consider specific aspects of the governance of endowments. **Action: Deputy Director of Finance**

## **19 Finance Committee Terms of Reference**

**Received:** proposals for revisions to the Committee's terms of reference.

**Noted:** that the Committee had previously considered its terms of reference in February and October 2020.

**Agreed:** to recommend for approval by the Board of Governors, the revised terms of reference of Finance Committee with the exception of proposed clauses 4b and 4k which would be further reviewed to ensure clarity between the responsibilities of Audit and Risk Committee and those of Finance Committee. **Action: Chair of Finance Committee and Senior Governance Manager**

## **20 Finance Committee Forward Agenda**

**Received:** the Finance Committee Forward Agenda for 2020-21, and for consideration, a proposed format for the Forward Agenda for 2021-22.

**Noted:**

- a) That feedback on, and proposed items for inclusion on the Forward Agenda for 2021-22 should be communicated to the Governance Office.
- b) That the proposed format could also be useful for the Board of Governors.
- c) That it would be helpful to clarify committees' responsibilities and remit in relation to post approval appraisal of business cases.

## **21 Additional Business Raised in the Meeting**

**Noted:** Finance Committee's warmest thanks to Chris Trask, Deputy Director of Finance, who was shortly to leave the University, and was attending his final Finance Committee meeting.