

APPROVED minutes



**FINANCE COMMITTEE**

**8 November 2021**

**Present:** Ms Caroline Johnstone (Chair), Mr Edward Astle, Dr Reinmar Hager, Ms Philippa Hird, Professor Dame Nancy Rothwell, Mr Richard Solomons, and Ms Melody Stephen.

**In attendance for all items:** Louise Bissell (Deputy Director of Finance), John Cunningham (Interim Chief Financial Officer), Beth Dodd (Director of the Transformation Programme), Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), John Marsh (Senior Governance Manager), and Kate Brown (Governance Manager) (minutes).

**In attendance for:**

**Chemistry Business Case and ID Manchester Project Update Report:** Diana Hampson (Director of Estates and Facilities).

**Apologies:** Dr Neil McArthur

**1 Welcome**

**Noted:** Philippa Hird and Reinmar Hager were welcomed to their first meeting.

**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 13 October 2021 meeting of Finance Committee.

**4 Matters Arising and Forward Agenda**

**Received:** The Finance Committee Actions Log and Forward Agenda.

**Noted:**



- b) The Forward Annual Agenda for the Committee was evolving and comments were welcomed.

**Action:** To include an expected date of completion and for reporting back to the Committee for items marked as 'on track'. (Governance Office)

## 5 Chemistry Business Case

**Received:** The Business Case for the Chemistry Long Term Maintenance (LTM) Refurbishment Project.

**Noted:**

[REDACTED]

- b) The Centre for Radiochemistry Research (CRR) had been removed from this Business Case due to ongoing design work and investigation of the security implications.

[REDACTED]

- d) In response to members queries on priorities and how they might assess where this project sat in the Universities priorities, both capital and strategic, the executive explained more of the history of the project, emphasised the current poor condition of the building and the risk to future student numbers and experience of not progressing the project at pace.
- e) A full update of estates planning was still in development, but it was likely that other projects would have to be delayed in order to complete the Chemistry project.
- f) The Chemistry building had benefited from a number of Government initiative funds over the years which had renovated various parts of the building. However, a more holistic view of the building was now being taken.
- g) Floors one to five needed improvements to infrastructure and facilities. It had been to tender three times with limited success and the Crown Services Framework had now been implemented and Henry Brothers are the preferred contractor.
- h) The Committee was now asked to approve option one which was the executive's recommendation, to refurbish floors four and five in parallel [REDACTED], with a projected saving of c£250k over option 2, to refurbish the 2 floors in sequence.
- i) Members queried whether consideration had been given to a new build Chemistry project and were advised that a new build would likely cost significantly more and in excess of £250m.
- j) In the detailed discussion of the proposals, lay members raised concerns about the increase in costs and the following points were agreed:
  - i. it was important that a review is undertaken to ensure that learnings from the Chemistry project to date inform other capital projects which risked escalation of costs;

- ii. recognition of the current challenging external context regarding increases in construction sector prices;
- iii. the Committee would welcome clarification regarding CRR costs, associated risks to delivery, and proposed mitigations; and
- iv. the Chair asked that the University review Finance Committee and Board approvals as costs had escalated since 2015.

**Approved:**

- a) The overall budget for the project [REDACTED] (excl. CRR), noting this was a forward projection for all future (and previous) phases of the project extending to 2027 (excluding CRR).
- b) To enter into a construction contract under the Crown Commercial Services (CCS) Framework with Henry Brothers for floors four and five of the Chemistry building (option1), [REDACTED]

**Actions:**

- a) To consider learnings for future capital projects.
- b) Review board and Finance Committee approvals through the life of the project.
- c) Clarify the CRR costs, associated risks and mitigations.

## **6 ID Manchester Update**

**Noted:**

- a) There had been good progress on the project since the last meeting.
- b) A target date for the finalisation of documents had been set as 26 November 2021. These would then be reviewed by the University and Bruntwood SciTech partners, with the expectation that the documents would be finalised and signed before the end of December 2021.

**Action:** To update on the project at the Finance Committee meeting on 19 January 2022. (Director of Estates and Facilities)

To invite new members of Finance Committee to attend the 29 November 2021 tour of University student residences (Director of Estates and Facilities).

## **7 Year End (31 July 2021 Financial Statements)**

**Received:**

- a) Summary of key points from the Financial Statements.
- b) Draft Financial Statements for the year ended 31 July 2021.
- c) Going Concern report.
- d) Subsidiaries report for the year ended 31 July 2021.

The Chair reminded members that, as the University had bonds listed on the UK stock exchange and was publicly traded, it was a legal requirement that the financial statements remained confidential until they were formally published.

The Audit and Risk Committee would formally forward the Statements for approval by the Board of Governors, based on discussion at the joint meeting.

**Noted:**

- a) Financial Statements:

[REDACTED]

- b. It was suggested that in future it would be helpful to highlight in annual Committee papers the operating surplus reported in the financial statements. The items adjusting the reported to the operating surplus were explained.
- c. The provision for the USS pension scheme was based on the net present value of the University's contractual commitment to pay the deficit contributions. It was noted and emphasised that if the new USS Schedule of Contributions was approved, this would impact on the 2021/22 Financial Statements with an increased liability [REDACTED]
- d. The US Department for Education required some additional disclosures which were currently provided as a final note to the accounts. The University's ability to administer US federal loans was dependent on the provision of this information.
- e. Lay members suggested that the length of the Going Concern statements in the narrative of the report be reduced. It was also suggested that the disclosures narrative could be reduced as other HEIs did not provide such detail in this section.
- f. It was suggested that the detail in the report of staff costs be reviewed to ensure alignment with the detail within the Remuneration Committee report.

[REDACTED]

- h. It was clarified that the software costs included in the intangible assets report (page 68 of the Statements) included software under development for HR and IT systems and may also include systems related to the student experience.
- b) Going Concern Report:
- a. The paper considered the impact of various scenarios, modelled on the University's surplus to consider finance headroom in the event of severe but plausible scenarios. These demonstrated that the University retained some headroom on cash flow even in the worst case scenario presented.

[REDACTED]

- c. The scenarios currently ran to 31 July 2023, and it is intended to run these scenarios to end of 2024/25 to aid the decision as to whether to extend the RCF.
- c) Subsidiaries Report:

- a. It was requested that a table be provided in future summarising the financial surplus from each subsidiary that agrees to the Financial Statements.
  - b. It was noted that the net surplus excluded subsidiaries that had closed over the financial year.
- [REDACTED]

The Chair thanked the Interim Chief Financial Officer, the Deputy Director of Finance and the Finance Team for their work on the Financial Statements.

**Actions:**

- d) To provide a table on the operating surplus in future reports. (Deputy Director of Finance).
- e) To provide a table in future reports summarising the financial surplus from each subsidiary. (Deputy Director of Finance).
- f) To review the disclosures made in the narrative including the going concern section for length. (Deputy Director of Finance).

**Agreed:** To report to the Audit and Risk Committee that the Committee had completed its work in reviewing the reported results, the going concern report and the subsidiaries report.

**8 CFO Update Report**

**Received:** An update report from the Interim Chief Financial Officer (CFO) including:

- a) The September 2021 management accounts and forecast.
- b) An update on the Government Budget and Spending Review.
- c) An update on the consideration of the University's overall financing/funding strategy and proposed next steps in respect of the Residences Investment Strategy.
- d) An update on the Finance Directorate.

**Noted:**

- a) Work was underway on the Quarter One substantive forecast and was expected to be completed in week commencing 15 November 2021.
  - b) Forecasting would be finalised after 9 November 2021 to allow any late student registrations to be included.
  - c) The research and innovation funding included in the Government Spending Review was welcomed with the expectation that some funding would be allocated to HEIs. It was noted that the University's strategic ambition aligned well with the innovation agenda.
  - d) The Government Budget did not include the Post-18 Funding Review, a response on this was expected in the coming weeks.
  - e) The 'run rate' column included in the Management Accounts indicated the year end amounts if the income and expenditure continued at the same rate.
  - f) Following the outcome of the Government Spending Review there may be some adjustments to the University's research income target.
- [REDACTED]

- h) The Committee would receive an update on the University Funding Strategy in January 2022.

- i) It was noted and discussed the importance that the work on the Residences Strategy explored hybrid and joint venture options which would provide the University with the opportunity to share costs whilst retaining some elements of control.

**Action:** To review the WonkHE modelling and provide a report to the next meeting (if considered appropriate) (Deputy Director of Finance).

## 9 Finance Transformation Project Update

**Received:** An update report on the Finance Transformation Project.

**Noted:**

- a) The Financial Transformation Project was currently in a reset phase with a number of options being reviewed. A later implementation date than August 2022 was now expected, with the implementation date now likely to be extended by a year. The cost risk and benefit analysis would be submitted to committees in early 2022.
- b) The Interim Chief Financial Officer commented that a good level of useful and important work had been completed in the project but that further work was required to ensure engagement with all user groups.
- c) A number of design decisions were now being revisited to understand the rationale and whether they were still valid. The On-premise versus cloud decision would be considered as part of this review. The rationale for all key design decisions taken would be included in the cost risk analysis in early 2022. It was noted that it was now more common for projects of this type to be cloud-based in other sectors.
- d) The project was also in the process of being aligned with the HR transformation project.
- e) Prior to the resetting activity, the project was forecasting a total cost to completion of ██████████ of which had already been spent. It was currently predicted that overall costs would be more due to the project timescales being extended. The project team would confirm this for the next committee meeting, noting the latest estimate was ██████████. However, the total cost to completion would be very much dependent on the chosen option which would not be known until the workshop on the 23 November 2021.
- f) A further update on the project would be presented to the 19 January 2022 Finance Committee. (Interim Chief Financial Officer as Executive Sponsor of the initiative)
- g) During detailed discussions and concerns raised by members, it was noted that Finance Committee approval of the project is still outstanding. It was recognised that recent changes in the Finance Team leadership are at the heart of the issues now being revisited. Members also reinforced questions in earlier Committee meetings around cloud solutions, which they see in many other organisations.

## 10 Strategic Change Summary Report

**Received:** A report on strategic change projects including September 2021 month end data.

**Noted:**

- a) Noting the report template which had been submitted at the last meeting, the report had now been populated with September month end data.

Following inclusion of the data, it was suggested that further amendments to the report may be helpful.

- b) Members requested that key information was required on financial benefits and phasing, including financial benefits to date and the financial benefits forecast attributed to each project. There was a preference for this benefits reporting ahead of and over and above the current Net Present Value information currently planned. It was noted that the benefits may be wider than just financial benefits and that some projects may not have any financial benefits and in which case this should be shown.
- c) Clarity was provided on the importance of the dependencies with other projects and that the projects within the scope of this report were also dependent on small projects, IT Modernisation being dependent on outputs from project ATOM was outlined as one example. It was also confirmed that the dependencies included were those on the critical path for delivery.
- d) A significant part of the portfolio of projects included systems that needed to be replaced as they would be at risk of failure and therefore may not have financial savings to declare on the report.

**Action:** To add further information on financial benefit actuals and forecasts to future reports which would replace the current NPV information and, if possible, include a way to report on non-financial benefits. (Director of the Transformation Programme)

## 11 Dates of Future Meetings

**Noted:** The dates of future Finance Committee and Investment Sub-Committee meetings:

### Finance Committee

- Wednesday 19 January 2022, 9.30am
- Wednesday 6 April 2022, 2pm
- Wednesday 22 June 2022, 9am

Investment Sub-Committee. All Finance Committee members are invited to attend.

- Wednesday 15 December 2021, 10am
- Wednesday 18 May 2022, 10am

It was suggested that the 22 June 2022 Finance Committee meeting be extended to include an Investment Sub-Committee meeting. The 18 May 2022 Investment Sub-Committee meeting would then be cancelled.

**Action:** To consider the extension of the 22 June 2022 Finance Committee meeting to incorporate the Investment Sub-Committee meeting. (Governance Office)