

APPROVED minutes



FINANCE COMMITTEE

19 January 2022

Present: Mr Edward Astle (Acting Chair), Dr Reinmar Hager, Ms Philippa Hird, Dr Neil McArthur, 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), and Kate Brown (Governance Manager) (minutes).

In attendance for:

Capital Programme items: Diana Hampson (Director of Estates and Facilities).

UK Biobank Coordinating Centre: John Holden (Associate Vice-President for Major Special Projects)

Finance Transformation Programme: Jill Roberts (Business Lead FTP) and Michael Robinson (Programme Manager FTP)

Apologies: Ms Caroline Johnstone

1 Welcome

Noted: That in the absence of the Chair (Ms Caroline Johnstone) Mr Edward Astle was acting as Chair for this meeting.

2 Declaration of Interests

Noted:

- a) That Professor Dame Nancy Rothwell was a member of the Board of UK Biobank (Item 6).
- b) That there were no other declarations of interest in relation to the agenda.

3 Minutes of the Previous Meeting

Agreed: To approve the minutes of the 8 November 2021 meeting of Finance Committee.

4 Matters Arising and Forward Agenda

Received: The Finance Committee Actions Log and Forward Agenda.

Noted:

- a) It has been discussed by the Acting Chair and the President and Vice Chancellor that an initial list of priorities be presented to the Board of Governors' at the Strategy Day in May 2022, noting that the more developed list would not be completed until the summer.
- b) The updated Schedule of Delegated Authority was long awaited and should include both delegations and appropriate thresholds for decisions as well as address satellite entities.

5 Capital Programme Report

i) Capital Programme Report

Received: The January 2022 Capital Programme Report.

Noted:

- a) Manchester Museum Courtyard – the tendering process was underway for the exhibition cases.
- b) Pankhurst – [REDACTED] It was not likely that the delays would cause any real issues for the University in terms of staff accommodation.
- c) Chemistry building – was progressing through a Safety and Security Review. The capital cost for the CRR project was not yet known and would need to be considered alongside the other priorities. Whilst the University was strong in radiation research, external funding could not be guaranteed.
- d) Booth Street East – this would be considered alongside the other priorities.

ii) Deep dive on Paterson Redevelopment

Received: A deep dive report on the Paterson Redevelopment.

Noted:

- a) Whilst there no major issues, there were some concerns around BRU and equipment costs.
- b) The project was not under the University's direct control, it was controlled by The Christie. However, there was a good relationship between the University and The Christie.
- c) Whilst there was confidence that the [REDACTED] gap in funding would be closed, it may be that the University needed to find [REDACTED].
- d) The Committee considered that the deep dive report was very helpful and provided good insight on the project.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

iv) Project Review of Inflationary Risk in Respect to Capital Projects

Received and Noted: A review of inflationary risk to capital projects.

6 UK Biobank Coordinating Centre

Received: an outline Business Case for the provision of land to the UK Biobank Coordinating Centre.

Noted:

- a) UK Biobank were currently based in Stockport and had an ongoing relationship with the University.
- b) Whilst the President and Vice-Chancellor was a member of the UK Biobank Board, they had made the bid to move to Manchester prior to her joining the Board.

[REDACTED]

Action: To provide clarity on the full opportunity cost to the University (i.e. value including development potential) in the context of other strategic priorities.

Associate Vice-President for Major Special Projects

Approved:

- i. That a Full Business Case should be developed to assess development and funding options for the former McDougall Centre site and detailed costs/benefits for UoM, and identify a preferred solution.
- ii. That a draft Memorandum of Understanding should be worked up with the MRC and UKB. This will need to be agreed by all parties as a requirement for UoM providing space for the new facility.

Agreed: To recommend that an update on the UK Biobank Coordinating Centre should be provided to the Board of Governors on 16 February 2022.

7 ID Manchester Update

Received and noted: an update on ID Manchester.

8 CFO Update Report

Received: an update report from the Interim Chief Financial Officer.

i) October Management Accounts and Q1 Forecast Position

- a) The Q1 forecast showed a positive position.
- b) The revised budget had been produced incorporating the increased student recruitment. However, there was a small decrease in returning students compared to the position previously forecast.
- c) The Q2 forecast was currently being prepared and would be presented at the next meeting.
- d) There was an increasing risk in respect of student returners for semester two given the prevalence of the Omicron variant.
- e) There were inflationary risks with the recent announcement of the 30 year high in inflation and no indication as yet as to whether this would be a temporary situation.
- f) The Finance and Capital Planning Sub-Committee (FCPSC) had considered a proposed response to the energy crisis and approved the start of the tender process for an electricity supplier. Green energy initiatives would add to the energy costs.

ii) Update on Northern Gritstone

- a) FCPSC had considered and approved a working capital loan request from Northern Gritstone which was being reported to Finance Committee for information.
- b) The loan is intended to cover the period to 31 December 2022 should their first investment raise be delayed or unsuccessful.
- c) The request reflects the longer period before the close of fundraising, but this is still forecast for this Spring 2022.
- d) The following was noted:
 - Potential expansion of parts of the eligible investment scope across the North. The founder universities were comfortable with this proposal.
 - A proposal to amend the founder universities veto on an IPO after the five year moratorium was expected shortly.
 - The commitment to not raise funds beyond the hard cap of £500m.

iii) 2022/23 Budget Guidance, Targets and Five Year Plan Assumptions

- a) Additional overlays on the five year plan included:
 - International students and diversification
 - Research
 - Capital and funding plan
 - Inflation and other external factors.
- b) Importance of seeing the savings being embedded including £20m from Professional Services and staff savings in the faculties. These were within the five year plan and would be tested in the planning cycle.

iv) UKRI FAP Audit Report

- a) Audit and Risk Committee would fully consider the report and monitor implementation of the action plan.

Funding Strategy and Revolving Credit Facility

Received: a discussion paper on the proposed funding strategy and proposals for the Revolving Credit Facility.

Noted:

- a) That the paper was excellent and was welcomed by the Committee.
- b) That providing for debt repayment should be included in the objectives of the financial sustainability framework.
- c) The super KPI should be supplemented with additional KPIs on liquidity and borrowing to draw out the risk view and appetite of the University.
- d) Members noted that the proposed KPIs were higher risk than the average for peer universities, that such higher risk helped support the high strategic ambitions of the University, but that it was important given the many uncertainties facing the University and the sector that overall risk exposure and appetite be regularly reviewed.
- e) The KPI of borrowing as % of new income. Members questioned the appropriate level of borrowing for the University and it was suggested that the level should be driven by the reason for borrowing and ensuring that the debt was serviced.
- f) There needed to be a set of principles on borrowing whether for areas that generated income or that supported the core business of the University.

- i) Given the current level of funding uncertainty and risk (including the on-going pandemic risks), it is still considered prudent to maintain the RCF for the time being, but to keep under regular review. However, given the stronger financial performance to budget in 2020/21 and in the current financial year, there is not a strong case to extend the RCF by a further year if there were additional arrangement fees. It is also difficult to justify maintaining the facility at £250m; particularly bearing in mind the carrying cost of non-utilisation of circa £800k per annum.
- j) In recent discussions a potential opportunity has emerged for a bilateral facility with one of the club Banks that could replicate the existing facility at a reduced credit level of £150m (or less) and allow an extension of term to January 2025 with no additional arrangement/extension fee and potentially keener pricing in respect of the margin and the commitment fee.

Approved:

- (i) The direction of travel in respect of the financial sustainability framework, including the supporting KPIs in respect of liquidity and borrowing, and the principles of the overall funding strategy for longer term investments.
- (ii) The reduction in the size of the RCF facility to £150m
- (iii) To pursue the potential option of moving the RCF to a bilateral facility

10 Residences Project - Funding Options and Request for Seed Funding

Received: a proposal for seed funding to explore options for funding the residences strategy.

Noted:

- i) Members requested further information about the provision of student accommodation across the sector and on the demographics of students which might impact the requirements of accommodation.
- ii) The University needed to be clear on its offer to students in terms of accommodation. University owned accommodation provided the opportunity to provide pastoral care and develop a sense of community for students which was rarely replicated in private accommodation.
- iii) Members questioned whether full ownership was required in order to provide pastoral care etc., and whether this was the best use of the university's debt capacity given the many other core strategic priorities, noting that an off balance sheet solution would have to be found for half the proposed rooms given the debt capacity outlined in the previous paper. They thus suggested that partnership and creative financing options should continue to be explored.
- iv) It would be important to avoid new accommodation falling into the poor condition of some of the current accommodation by ensuring sufficient allocation of maintenance funding going forward.
- v) More clarity was needed on the different price points that would be available under the proposals, as affordability was an important issue for students alongside the support provided in university accommodation.
- vi) The current funding request would allow the University to move forward with the feasibility study and work with the planning authorities to develop the next stage of the project.

Action: To respond to the above points, and to provide further context on student accommodation developments from other universities in future papers. **Director of Estates and Facilities.**

Approved: the commencement of professional team appointments, design development work, student engagement, site surveys and investigations along with the preparation of Business Case Documents associated with the Fallowfield Campus proposals [REDACTED], noting that this would keep open all the funding options outlined in the paper.

11 OfS Annual Financial Return 2021 Workbook and Commentary

Received and Noted: the OfS Annual Financial Return 2021 workbook and commentary. The paper was not discussed by the Committee, but a separate briefing was offered to members if requested.

Approved: the submission of the OfS Annual Financial Return 2021 workbook and commentary.

12 Finance Transformation Programme Updated Business Case

Received: the updated business case for the Finance Transformation Programme.

Noted:

- a) The change of sponsor and other factors had allowed the refresh of the programme and provided better focus on wider strategic change within the directorate.



- c) The management and flow of data across University systems would be reviewed improving the interfaces between systems.
- d) Whilst a cloud based system would not be pursued at this stage, customisations within the premise-based system would be kept to a minimum to ensure that a transition to cloud base would be possible at a later stage. This would be assisted by the transformation of processes and systems across the University with planned transformation programmes in HR and Estates.

Action: To receive an update on the three residual actions noted in the papers at a future Finance Committee meeting following the March gateway review.

Business Lead FTP and Programme Manager FTP

Approved: that the full budget [REDACTED] be made available for the Finance Transformation Programme subject to an expectation of minimum customisation of systems to enable a level of future-proofing and transition to cloud based systems as appropriate in the future.

13 Research and Innovation Centre in Graphene and 2d Materials

Received and Noted: a report on the developing partnership with Khalifa University on a Research and Innovation Centre in Graphene and 2d Materials.

14 Strategic Change Summary Report

Received: A report on strategic change projects.

Noted:

- a) A set of project handbooks for those projects at or beyond Outline Business Case had been provided in the Reading Room for committee members' reference.
- b) The report provided an overview of all change projects demonstrating the size and shape of the portfolio.
- c) There were currently two red RAG reports:
 - SEP – stage 3 design and plan was currently delayed.

- IT modernisation project –a number of ITS major incidents prior to Christmas had impacted on the resourcing of a key dependent project, the ATOM project, upon which this project was reliant.
- d) The financial benefits for SEP and Reshaping PS had been populated in the table with the latest known information provided by the Executive Sponsors. In relation to the Reshaping PS financial benefits, these were noted an indicative value at this stage. The value would be refined as the projects within its scope developed their business cases. Hence, this figure would be updated as the business cases were brought forward to Finance Committee. All other projects without a value shown in the respective cell were noted not to be contributing any financial benefits.
- e) The non-financial benefits were being aligned to the Strategic Dashboard metrics which would be refined further, once the Strategic Dashboard metrics had been approved by Board in the coming months.
- f) A light touch process for small projects with more in depth reporting on larger projects was suggested. It was reported that proportional governance for projects was already in place with subgroups being granted the provision for approval up to £1m.

15 Investment Sub-Committee Update

i) Investment Beliefs and Objectives

Received: a report outlining the revised Investments Beliefs and Objectives.

Noted:

- a) The Investment Belief and Objectives had last been reviewed in 2019.
- b) The review had been assisted by the University's Investment Advisors Mercer.

[REDACTED]

- e) References to the Policy for Socially Responsible Investment had been amended to the Policy for Responsible Investment.
- f) [REDACTED] Whilst higher rates could be achieved as a publicly funded institution the University needed to remain cautiously risk adverse.
- g) It was reported that academic evidence showed that active fund management did not generate higher funds than passive management. The University had moved 50% of its investments to passive funds.

Agreed: to recommend approval of the revised Investments Beliefs and Objectives to the Board of Governors.

ii) Investment Sub-Committee Terms of Reference

Received: revised terms of reference for Investment Sub-Committee.

Approved: the revised terms of reference for Investment Sub-Committee.

iii) Update on the meetings held on 15 July 2021 and 15 December 2021

Received and Noted: summaries of the Investment Sub-Committee meetings held on 15 July 2021 and 15 December 2021.

16 Dates of Future Meetings

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

Finance Committee

- Wednesday 6 April 2022, 2pm
- Wednesday 22 June 2022, 9am (Investment Sub-Committee to follow)