

Approved minutes



The University of Manchester

FINANCE COMMITTEE

6 April 2022

Present: Ms Caroline Johnstone (Chair), Mr Edward Astle, 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), Carol Prokopyszyn (incoming Chief Financial Officer (observer)), and Kate Brown (Governance Manager) (minutes).

In attendance for:

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

1 Welcome

Noted:

- a) The incoming Chief Financial Officer, Carol Prokopyszyn, was attending the meeting as an observer. She will take office on 6 June 2022.
- b) The outgoing Interim Chief Financial Officer, John Cunningham, was attending his last meeting of Finance Committee. The Chair thanked John for his considerable contribution to Finance Committee and to the University and for his care and support for the Finance Team.

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 19 January 2022 meeting of Finance Committee.

4 Matters Arising and Forward Agenda

4.1 Matters Arising

Received: the Finance Committee Actions Log

Noted:

- [REDACTED]
- b) There had not been a report on research finances and pipeline for some time, therefore a report was requested as soon as possible. It was noted that the Government commitment to growing research capabilities outside the South-West would likely create opportunities for the University.
 - c) Members emphasised the need to consider student feedback when developing the residences strategy, particularly when considering the costs of providing pastoral care against the benefits this had for the student experience. It was confirmed that the residences strategy would consider all elements of the residences including pastoral care and long-term maintenance.
 - d) Members requested further clarity on the value of the site being allocated to Biobank. It was reported that the University was now pursuing options that would not require a hand over of the land. An update on the proposal would be provided shortly.
 - e) The University had submitted a response to the Universities UK short consultation on the UCU proposal to conclude the USS 2020 valuation.
- [REDACTED]

4.2 Forward Agenda

Received: the Finance Committee Forward Agenda 2021/22.

Noted: the Forward Agenda would continue to be developed.

5 Key Risks for the University Resulting from the Ukraine Situation

Received: a report on the actions being taken to mitigate the short-term risks associated with the invasion of Ukraine.

Noted:

- a) The significant financial risks around energy costs. [REDACTED]
- [REDACTED]

- [REDACTED]
- b) The retendering process was being considered alongside the options related to the zero carbon projects.
 - c) The significant financial and operational costs related to zero carbon meant that it was unlikely that the University would meet its target in this area, in the current circumstances. Options would need to be kept on the table to ensure that the University could benefit from emerging technology in future years.
 - d) The Chair requested that consideration was given to having assurance process that Governors either did not have links to Russia or had not been sanctioned by the Government due to those links. The Register of Interests would be reviewed for such links and any concerns would be followed up.
- [REDACTED]

Action:

- i) To check on Governors Russia related sanctions or links, potentially through the Register of Interests. **Registrar, Secretary & COO/ Governance Office**
- ii) To provide clarity on the approval routes and financial thresholds for the various committees. **Registrar, Secretary & COO/ Governance Office**

6 Scenario Financial Planning Update and Financial Outlook

Received: a report on the outputs from updated financial scenarios and sensitivities, principally in respect of overseas fee income reliance (and, in particular, the concentration of overseas students from one region) and the potential impact from any prolonged period of high inflation.

Noted:

- [REDACTED]
- c) The University proposed a long term objective to reduce the relative proportion of recruitment from China to 50% of the international recruitment by the end of the planning period. However, this would require investment in new geographical markets. Executive members believe it was unlikely that there would be sudden decline in Chinese recruitment but there was the likelihood of a decline over time.
 - d) The high level of inflation meant that there was likely that the cost of living award could be higher than that allowed for into the five-year plan.
 - e) It was clear that there was likely to be high inflation for at least one year potentially two. This will need to be considered within the next five-year

plan and budget for 2022/23. Increases in cost of living, salary progression uplifts, USS contributions and NI increases would not be removed once inflation decreased so would need to be factored into considerations.

- f) Faculties had been asked to land their budgets at the level approved in the five-year plan. The likely higher inflation rates were not yet considered but had been noted in the Professional Services submission.
- g) The University's capacity to increase income was limited, with home fees capped at current levels, already eroded in real terms, and therefore the focus should be on faculties and PS absorbing these inflation challenges in order to deliver to the same target.

[REDACTED]

- i) A 10-year horizon was being developed for the Board Strategy Day to outline potential options.
- j) Members commented:
 - i. The impact of high inflation may mean that University was unable to meet the minimum surplus needed to be able to fund beyond the current plans. Therefore, some members believe a tough budget round was needed as well as consideration given to different approaches.
 - ii. Concerns about the delay in the SEP and the potential that it would not deliver all the savings. A further detailed update was requested.
 - iii. Inflation, in context of the University's assets would increase the value of assets. However, it was noted that assets were only useful in this sense if they were able to be borrowed against as security which the University was unable to do. The University does not revalue its assets.
 - iv. There needed to be careful consideration of strategic and capital programmes and the options available to the University. Deferring of projects may be preferable [REDACTED]. The University needs to be clear about its options and how they are presented.

7 Report of the Interim Chief Financial Officer

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

Noted:

- a) Review of Residences funding models – three quotations for debt advisors had been received and an appointment will be made in week commencing 11 April 2022. Financing options would be submitted to the Committee at the 22 June 2022 meeting.
- b) Moody's Credit Opinion – overall the opinion was unchanged with a few adjustments on liquidity.
- c) USS – the University metrics for the USS debt monitoring framework had been completed. The University has not exceeded any metrics in 2020/21 and does not expect to in the current financial year.

[REDACTED]

- [REDACTED]
- e) There needed to be clarity on the specific areas in which the University made surplus or losses. It was acknowledged that the current chart of accounts design created some difficulties in this area. As part of the Finance Transformation Project the chart of accounts had been redesigned to enable more transparent reporting.

Action:

- (i) To consider whether a briefing on TRAC would be useful for committee members. **Deputy Director of Finance.**
- (ii) To consider further how the Committee might have further insight into financial returns from different areas of the University. **Chief Financial Officer/ Deputy Director of Finance**

8 Q2 Financial Forecasts and Management Accounts

Received: the Q2 Financial Forecasts and January and February 2022 Management Accounts.

Noted:

- [REDACTED]
- c) Returners for FSE and Humanities had increased in Q2, whilst had decreased in BMH.
 - d) The issues in monitoring resource in CapEx were being resolved to ensure reporting for Q3.
 - e) The increase in SCSC projected spend [REDACTED] was commented on. This forecast was considered unlikely and there was a need to ensure that project leaders were encouraged to meet budgets.
 - f) Depreciation had increased by £6m due to parts of MECD now being open and utilised which was not in the budget.
 - g) The budget review would need to understand the current commitments and spend rate.
 - h) The University had a long track record of performing better than budget and forecast outturn which made it difficult to communicate the future challenges.

Action:

- (i) To clarify reasons for decrease in returners in BMH. **Deputy Director of Finance**
- (ii) To clarify the capital component type, e.g. structure/IT/building, related to the depreciation results for MECD. **Deputy Director of Finance**

9 Update on Financial Policies Review Work

Received: an update on the work to review Financial Policies.

Noted: policies with older approval dates would be reviewed quickly to ensure they were updated to the current context.

Action: policy approval dates to be reviewed. **Deputy Director of Finance**

10 Strategic Change Update

Noted: SCSC's original baseline budget was [REDACTED]; the latest forecast was [REDACTED] spend to the end of February 2022.

10.1 Humanities Size and Shape Outline Business Case

Received: the Outline Business Case for the Humanities Size and Shape proposals, including an initial ask for £3.8m to support the 2022/23 intake.

Noted:

[REDACTED]

- b) The Faculty is looking to move into new geographical markets and to embark on new programmes, in order to deliver the growth. This contributes to the increased marketing resources outlined in the paper.
- c) In relation to the additional space, it was expected that there would be a subsequent funding request for Estates feasibility costs in a few months' time as this required input from the Estates Strategy work on the hybrid working pilot. The full over-arching business case was expected in April 2023.
- d) Members commented:
 - i. Clarification was requested on the estates funding requirements. It was clarified that the options were being reviewed to ensure that the appropriate sort of space was provided for the types of students recruited.
 - ii. Students were already concerned about overcrowding in common areas, e.g. the library, and this needed to be considered alongside the accommodation of additional student numbers.
 - iii. Per the agreement at the 19 January 2022 Finance Committee meeting, early business case proposals were now coming forward for initial funding and before the full business case was fully developed, as it potentially commits the University to a certain direction of travel. Also given some projects were multimillion pounds, there was a likelihood that they could spend significant funds in fully developing the business case. It was recognised that, although it was not possible in this case, it was helpful to see the case in the round irrespective of the originating sub-committee (i.e. SCSC or FCPSC) and there should always be clarity on where and when the funding was approved.

Approved: the £3.8m draw-down against the project's £25m SCSC allocation.

10.2 Strategic Change Summary Report

Received and Noted: the Strategic Change Summary Report outlining status of projects that were under the purview of Finance Committee.

10.3 Student Experience Programme Update

Received: an update on the Student Experience Programme.

Noted:

[REDACTED]

- d) Cohort three in the People and Structure work stream would go ahead as planned and would enter consultation at the end of April, noting however there were no planned redundancies as part of this cohort. This was the final people change and would relieve some uncertainty for staff.
- e) Members commented:
 - i. The level of independent review was queried. Whilst there had been some level of independent review from Uniac, further reviews would be sought.
 - ii. The programme was important to the University, therefore there needed to be a revamp to ensure that it could be fully implemented.
 - iii. In the student feedback to Governors the need to improve and maintain the student experience was emphasised. Independent benchmarks on the student interface were suggested. Implementation of PEAM was crucial for the improvements in the student experience. However, this was a complex project within its own right.

Action:

- i) To ensure that the £6m financial benefits were tracked. **Director of the Transformation Programme**
- ii) To ensure that there was appropriate independent assessments of progress. **Director of the Transformation Programme**

10.4 Update on actions from the Finance Transformation Business Case

Received and noted: an update on the actions from the Finance Transformation Business Case that had now been completed.

10.5 Summary of 4 February 2022 Strategic Change Presentation to Board Members

Received and noted: a summary of the Strategic Change Presentation to Board Members.

11 Capital Programme Report

Received: the March 2022 Capital Programme Report.

Noted:

- a) The current environment meant that both the procurement of consultants and retaining staff was challenging. This was causing delay in projects.
- b) The supply chain was also becoming an issue with both inflation in costs and timing of delivery.
- c) The Centre for Radiochemistry Research (CRR) project was going through the safety case and it was hoped that proposals would be submitted to the next meetings of FCPSC and Finance Committee. There were likely to be cost increases due to the safety case and the supply chain.
- d) Decant and move plans for MECD were in development with the first moves now underway.
- e) The equipment and infrastructure risks related to Paterson were being worked on. The issues included late instruction of equipment placement and interface with the infrastructure e.g. gas escape pipes. The build was going well and the April 2023 move in date was expected to be met. There may be opportunities for viewing progress shortly.
- f) A report on Zero Carbon concluded that the cost of meeting the commitments was likely be c£1b between now and 2038. Options would be submitted to the Committee in due course and it was agreed that a very creative and holistic approach would be required. Members strongly encouraged understanding any no regret spend which could be done in the short term.
- g) Workshops were being held on the development of the Estates Strategy.

11.1 Deep dive on Pankhurst

Received and Noted: a deep dive report on the Pankhurst Institute.

12 ID Manchester Update

Received and noted: an update on ID Manchester.

13 Update on Endowment Investment Strategy Review

Received: an update on progress with the Endowment Investment Strategy Review.

Noted: the review would be submitted to the 22 June 2022 meeting as part of a joint meeting with Investment Sub-Committee.

14 Date of Next Meeting

Noted: the next Finance Committee meeting would be held on Wednesday 22 June 2022 at 9am, followed by a joint meeting with Investment Sub-Committee at 12pm.

15 Any Other Business

15.1 Moody's Annual Credit Opinion

Received and Noted: the report on Moody's Annual Credit Opinion.