

APPROVED minutes



## FINANCE COMMITTEE

22 June 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), Beth Dodd (Director Transformation Programme), Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Carol Prokopyszyn (Chief Financial Officer), Richard Webster (Head of Financial Planning & Analysis) (Observer), and Kate Brown (Governance Manager) (minutes).

**In attendance up to item 13:** Diana Hampson (Director of Estates and Facilities)

### 1 Welcome

Welcome to Carol Prokopyszyn first meeting in post as Chief Financial Officer and Richard Webster (Head of Financial Planning & Analysis) as an Observer.

### 2 Declarations of Interest

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

### 3 Minutes of the previous meeting: 6 April 2022

**Agreed:** to approve the minutes of the 6 April 2022 meeting of Finance Committee.

### 4 Matters Arising

**Received:** the Finance Committee Actions Log

**Noted:**

- a) Members acknowledged the difficulty in forecasting. Improved reporting and forecasting methods were being reviewed by the Finance team.
- b) The Finance team were working on methods of reporting research income to the Committee, and it was expected that a paper would be presented to the next meeting.
- c) Some of the depreciation of MECD, c.£1m, was related to 2021.

### 5 Q3 Management Accounts and Forecast

**Received:** an overview of the April management accounts and Q3 forecast.

**Noted:**



- b) [REDACTED]
- c) Some spend on projects and maintenance was likely to be completed by July, but it was unlikely the staffing position would be recovered by year end.
- d) Members questioned the over-recruitment of students in 2021. It was acknowledged that this was due to the changes in A Level results which were not expected to occur in 2022. Fewer offers had been made for 2022 entry resulting in a slight decrease in Home acceptances for 2022.
- e) Home PGT numbers, whilst a decrease on 2021, were comparable to previous years. It was assumed that this related to the current jobs market and, whilst it may remain an issue in the next couple of years, it would likely settle down long term. International PGT numbers remained strong.
- f) The Finance team were reviewing the presentation of the results data and comments were welcomed. Initial comments from members suggested that insight into trends, comparisons to prior year and reasons for variances would be helpful.

## 6 2022/23 Annual Budget

### 6.1 Operating Budget

**Received:** the 2022/23 annual operating budget.

**Noted:**

- d) An update on the 5-year plan would be presented in the Autumn.
- e) Overseas income – China assumptions were questioned. Budgets were not currently built up by overseas country assumptions and this would be reviewed.
- f) Three significant changes in the budget assumptions:
  - i. Rephasing of strategic change projects.
  - ii. Better assumption on grants.
  - iii. Continuing volatility in energy costs.
- g) Overseas recruitment remained strong accounting for 61% of tuition fee income with approximately 50% of international students from China.
- h) Risks included:
  - i. High rate of inflation.
  - ii. Potential for pay awards to be higher than the latest UCEA offer level.
- i) In discussion members raised the following:
  - i. The significant reduction in budget surplus compared to the current year.
  - ii. The funding of research in comparison to other University activities. Whilst the importance of research for the University's reputation and income generation was acknowledged, however it was important to have clarity on its actual contribution to the budget. It was considered that the University required 6% growth in research year on year in order to maintain market position and faculties had been

encouraged to change the balance of research funding sources. The post-REF analysis would assist the review of this area.

- iv. [REDACTED]
- iv. Clarity should be provided on the investment in students. It was noted that investment in capital would benefit students in enhanced learning spaces and facilities. There would also be a large increase in the grant to the SU.

**Agreed:** to recommend approval of the operating budget to the Board of Governors.

**Action:**

- a) To review presentation of the budget to highlight budget v previous year's actual/forecast results, also to remind members of the targets. **Chief Financial Officer/ Deputy Director of Finance**
- b) To provide detail in the 5-year plan paper on how the University might reach the 10% target for long term sustainability. **Chief Financial Officer/ Deputy Director of Finance**
- c) To provide narrative on the investments in the student experience, research and staff. **Chief Financial Officer/ Deputy Director of Finance**

## 6.2 Capital Budget

**Received:** the 2022/23 capital budget

**Noted:**

- a) The paper reflected the priorities discussed at the Board Strategy Day and comprised of long-term maintenance (LTM), in flight projects, new estates projects and IT requirements.

[REDACTED]

- e) Supply chain issues may continue to have an impact on the budget going forward.

**Agreed:** to recommend approval of the capital budget to the Board of Governors.



**Action:** To provide an update on the LTM split between residential and non-residential, highlighting the residences that would be covered within the Residences Strategy. **Director of Estates and Facilities.**

## **7 UK Biobank Coordinating Centre**

**Received:** an update on the UK Biobank Coordinating Centre proposals.

**Noted:**

[REDACTED]

- b) Whilst many of the benefits would be intangible in reputation raising and collaboration opportunities, consideration should be given to the tracking of the benefits and return on investment.

**Action:** To consider methods for tracking benefits and reporting to the Committee at a relevant point. **Deputy President and Deputy Vice-Chancellor**

## **8 Interim Report on Funding Options for Student Residences Development**

**Received:** a report on potential funding options for the student residences project.

**Noted:**

[REDACTED]

- b) QMPF had been appointed as advisors and would assist with the financial modelling once there was clarity of the type and scale of the project.
- c) A project board, including Students' Union representatives, would provide the detail on the requirements for the residences and would be included in the Business Case due to be submitted in the Autumn.
- d) The LTM of the current stock would also need to be considered as part of the strategy.
- e) The timeframe for development meant that agreement by the Autumn was needed to be ready for occupancy by September 2026.
- f) In discussion members raised the following:
  - i. The University needed to ensure that, whichever type of partnership was pursued, it had the ability to ensure that the appropriate residences were developed for its students including pastoral care.
  - ii. A balanced portfolio could be considered, including splitting the project to allow for any future opportunities that might develop.

## **9 Report of the Chief Financial Officer**

**Received:** a report from the Chief Financial Officer including an update on the Finance Transformation Project (FTP) and benchmarking against peer institutions.

**Noted:**

- a) The new CFO highlighted her first impressions of the Finance team including their commitment to making improvements and the challenges they faced including data quality and links to other systems.

- b) The FTP was on track and on budget. Risks were being addressed. There was a large amount of work focused on the interfaces between systems and improving business processes.
- c) Benchmarking showed that the University had shown continued improvement in its performance against peer institutions.

## 10 Subsidiaries and Satellite Entities Update

### 10.1 Governance proposals

**Received:** an overview of proposals for governance of subsidiaries and satellite entities.

**Noted:**

- a) A governance framework was being developed for subsidiaries and satellite entities which included:
  - i. An early-stage concept approval process.
  - ii. Ongoing monitoring, especially for high-risk activities, and an annual report on financial performance and risk assessment.
  - iii. Exit processes.
- b) The processes would be incorporated into the Financial Regulations and Procedures and submitted for approval in the Autumn.
- c) Members stressed the importance of the approval and annual review processes to ensure clear accountability and transparency about these entities. A clear summary of all such entities would be helpful.

### 10.2 Northern Gritstone

**Received:** an update on Northern Gritstone.

**Noted:**

- a) Members welcomed the positive update on Northern Gritstone's performance at its First Close.
- b) British Patient Capital were currently doing due diligence and expected to complete sometime in July 2022.
- c) The first two investments had been made to University of Sheffield spin-outs with two more lined up for University of Manchester spin-outs.

### 10.3 Manchester Science Partnerships

**Received:** an annual update on Manchester Science Partnerships.

**Noted:**

- a) MSP currently did not distribute dividends. The University gains other benefits through collaborations and other links with the tenants on the main MSP campus.
- b) The University's 12.2% shareholding in MSP was accounted for as an Associate in the University's financial statements and was valued at as at 31 July 2021.
- c) MSP capital requirements were funded through debt not through a cash call from investors.



**Action:** To consider how to present the balance sheet aspects of subsidiaries and timing of Finance Committee review. **Deputy Director of Finance**

**11 Discussion – requirements for the review of the effectiveness of the capital programme**

**Noted:** Suggestions included:

- a) An annual overview of the full capital programme and provide deep dives into specific projects at relevant points.
- b) Consideration of what was delivered both in actuality and in comparison to the original objectives, and identify lessons learned for future projects.

**12 Capital Programme Report**

**Received:** an update on the capital programme.

**Noted:**

- a) Museum Courtyard – material supply issues had pushed back the completion date.
- b) Pankhurst – ongoing issues had pushed back the completion date and the contingency for the project had been exhausted.

[REDACTED]

- d) [REDACTED]
- e) The First Light Pavilion at Jodrell Bank had opened; congratulations were expressed to the team on the completion of the excellent facility.
- f) Members raised a query on the Chemistry and CRR projects. It was noted that the Chemistry project was being funded from LTM. The CRR project was essential to allow the University to continue to work in the Radiochemistry area.

**Action:**

- i. To provide an update and overview on the CRR project. **Director of Estates and Facilities.**
- ii. To arrange a visit for the Chair and other interested members to the Chemistry building. **Director of Estates and Facilities.**

**13 ID Manchester Update**

**Received and Noted:** an update on ID Manchester.

**14 Strategic Change Summary Report**

**Received:** a report on Strategic Change Projects.

**Noted:**

- a) The ongoing issues in IT resources and capability were affecting a range of projects and driving a reprioritisation of the portfolio.
- b) There were long standing issues with the IT infrastructure alongside the resourcing issues.
- c) The SEP had been refocused to deliver process and people changes that were not reliant on IT support. The final phase of the people changes would be implemented through the rest of 2022.

- d) Members commented on the potential impact on the student experience, particularly following concerns raised at the recent Board interaction with student representatives. There needed to be clear communication to students on the issues impacting the programme, what activities had been delayed and what alternative solutions would be put in place.

**Action:** To ensure that the student representatives from the Board interaction were provided with clear feedback on the concerns raised and the current position. **Registrar, Secretary and Chief Operating Officer/ Director Transformation Programme**

## **15 Scheme of Delegation – Financial Thresholds**

**Received:** a draft of the Financial Thresholds.

**Noted:**

- a) The draft was intended to ensure that there was more clarity on Financial Thresholds. Comments were welcomed on the Thresholds which would be submitted for formal approval in the Autumn.
- b) The £10m threshold for Finance Committee approval had been long established. The clear £20m threshold for Board approval was a new proposal.
- c) Members welcomed the clarity provided by the proposed Thresholds and made the following suggestions:
  - i. Provide a clear rationale for each level.
  - ii. Consider thresholds for:
    - the % of overall spend on a project
    - the proposal for a new brand area or country
    - the potential risk in a project.
  - iii. Provide case studies to illustrate potential risk or reputational thresholds.

## **16 Financial Regulations and Update on Policies**

**Received and Noted:** an update on the work to review financial policies including the Financial Regulations.

### **16.1 Anti- Corruption and Bribery Policy**

**Received:** a revised Anti-Corruption and Bribery Policy.

**Agreed:** to recommend approval of the revised Anti-Corruption and Bribery Policy to the Board.

### **16.2 Financial Regulations**

**Received:** a draft revised Financial Regulations

**Noted:**

- a) The Financial Regulations had been streamlined to be more concise.
- b) Comments were welcomed on the draft which would be presented for formal approval in the Autumn.

**Action:** To provide further comments on the draft revised Financial Regulations. **All members**

## 17 UMSS Benefit Rectification Matters

**Received:** an overview of the UMSS Benefit Rectification Matters.

**Noted:**

- b) Planning and Resources Committee had approved the proposals. It was clarified that the UMSS applied to staff below grade 6 and, aside from one member who was a trustee and stood down from the discussion, no member of PRC would be affected by the decisions.

## 18 Insurance Update

### 18.1 Cyber Insurance Update

**Received and Noted:** an overview of Cyber Insurance which was unlikely to be cost effective.

### 18.2 Insurance Annual Review

#### 18.2.1 Insurance Renewal 2022

**Received and Noted:** an overview of the 2022 insurance renewal.

#### 18.2.2 2023 Insurance Tender Strategy

**Received and Noted:** an overview of the 2023 insurance tender strategy.

## 19 Khalifa University

**Received:** an update on discussions with Khalifa University.

**Noted:**

- a) The draft contract had now been received from Khalifa University.
- c) The proposal was below the threshold for Board approval but would be reported.

**Action:** to consider the contract via the management committees and submit to Finance Committee via circulation over the summer. **Deputy President and Deputy Vice-Chancellor**

## 20 Dates of 2022/23 meetings:

**Noted:** Finance Committee meeting dates for 2022/23:

Wednesday 21 September 2022, 11am (Zoom)

Wednesday 9 November 2022, 11am (Followed by joint meeting with Audit and Risk Committee 1:00pm) (Zoom)

Wednesday 18 January 2023, 9.30am (In person) – this might be subject to change

Wednesday 19 April 2023, 2pm (Zoom)



Wednesday 21 June 2023, 9am (In person)

**21      Thanks**

**Noted:** Edward Astle, Neil McArthur and Melody Stephen were attending their last meeting of Finance Committee. The Chair thanked each of them for their contributions, support, their insight and work on the Committee.