

APPROVED Minutes



FINANCE COMMITTEE

9 November 2022

Present: Ms Caroline Johnstone (Chair), Mr David Buckley, Ms Sam Bronheim, Dr Reinmar Hager, Ms Philippa Hird, and Professor Dame Nancy Rothwell

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), Diana Hampson (Director of Estates and Facilities), Carol Prokopszyn (Chief Financial Officer), and Kate Brown (Governance Manager) (minutes).

In attendance for:

Item 10.1 the Research Lifecycle Business Case: Chris Taylor Associate Vice President, Digital Strategy and Innovation, and Rob Haines, RILP Programme Director and Head of Research IT,

Item 10.3 Flexible Learning Business Case: Dan George, AVP Teaching Learning and Students, and Lara Melville, Programme Manager, Flexible Learning Programme.

Apologies: Mr Richard Solomons

1 Welcome and Declarations of Interest

Noted:

- a) This would be Richard Solomons' last meeting of Finance Committee, in his absence the Chair expressed thanks for his important contribution to Finance Committee during his tenure on the Committee and his support to her personally on becoming Chair.
- b) There were no declarations of interest in relation to the agenda.

2 Committee Business:

2.1 Minutes of the previous meeting: 21 September 2022

Received and Noted: the minutes of its 21 September 2022 meeting.

Approved: the minutes of its 21 September 2022 meeting, subject to the following amendments:

- a) Minute 5.k.ii should be amended to state 'the University had limited ability to raise pay.'
- b) The following items should be added to the actions:
 - i. Item 5.k.iii – to include the overlay of costs of unfunded projects and income opportunities.
 - ii. Item 5.k.iv – to include modelling of moderate risks in consideration of the China income reduction risks.

Actions:

- i. To amend the minutes as specified. **Chair/ Secretary**
- ii. To consider the future membership of the Committee. **Chair/ Chair of the Board**

2.2 Matters Arising

Received and Noted: the Matters Arising/Action Log.

3 Report of the Chief Financial Officer

Received: an update report from the Chief Financial Officer including:

- An update on the Finance Transformation Programme
- Moody's credit rating, following downgrade of UK sovereign debt
- Impact of the recent financial market instability on University of Manchester Superannuation Scheme (UMSS)
- Management Accounts for 2 months to 30 September 2022

Noted:

UMSS



- c) The trustees expected that the investment strategy may need to be revised. The impact of the Government's mini budget will play into this. It may mean the University needs to pay more into the scheme in future.
- d) Members requested clarification on governance, the Liability Driven Investments (LDI) and leverage available. It was confirmed that it was the trustees' responsibility to manage the position, but they were able to consult (and did so in a constructive way) with the employer. It had been agreed not to make any significant changes to the UMSS investment strategy until there was more stability in the markets.

Energy Contract

- e) The University has a fixed energy contract that is due to expire at the end of March 2023. The tender timeline for the contract had now been established and it was confirmed that the University had to adhere to this timeline – it would be very tight to complete this in the time available and there was little room for flexibility if market conditions change.
- f) The contract would be five years but in a 3+1+1 format which would allow for flexibility in the later years, except for the CPPA which would be fixed.

Action: to monitor the UMSS position and provide regular updates to the Committee.
CFO/ Deputy Director of Finance.

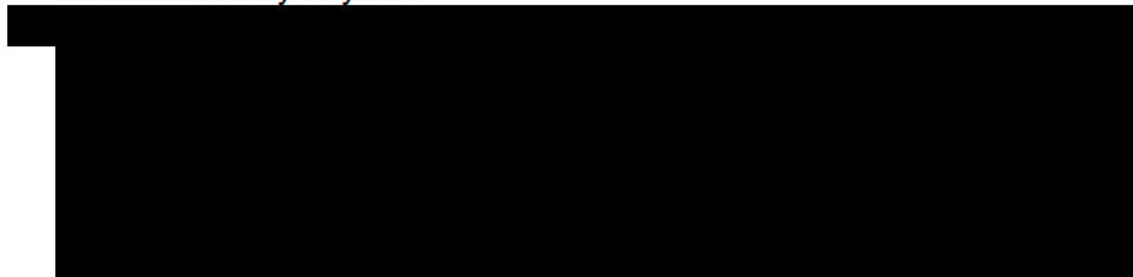
4 Year End (July 2022) Financial Statements:

Received:

- Summary of key points
- Draft Financial Statements for the year ended 31 July 202
- Financial Review

Noted:

- a) The Chair reminded members that, as the University has bonds on the stock exchange, the Statements must remain confidential until they are publicly published.
- b) The Finance Committee had reviewed the management accounts at its 21 September 2022 meeting.
- c) The reconciliation with the management accounts included the subsidiary results which had only a small impact on the overall results.
- d) The deficit was attributable to the USS change in the deficit recovery plan which had been extended by 10 years.



- f) The University's balance sheet position was improving and was now in a net current asset position.
- g) Due to the short adjustment period after July, there are always likely to be potential adjustments to the UMSS asset values.
- h) MECD depreciation had initially been calculated from completion date rather than in-use date.
- i) Members commented on:
 - i. The lengthy list of unadjusted audit differences. It was noted that this year's list was slightly longer than previous years but was not considered a major issue and due mainly to the timing of the results.
 - ii. The amount of detail in the Going Concern narrative disclosures in the financial statements and suggested that this could be streamlined.
 - iii. The level of RCF drawdown available and it was clarified that any drawdown from the RCF would not breach loan covenants.

Agreed: that Finance Committee has:

- Reviewed the Financial Statements.
- Reviewed and is comfortable with the Going Concern Review.
- Reviewed the narrative disclosures as regards financial results.
- Reviewed the reconciliation with the management accounts and considered the adjustments.

Agreed: to report to the Audit and Risk Committee that Finance Committee had reviewed the Financial Statements in line with their terms of reference.

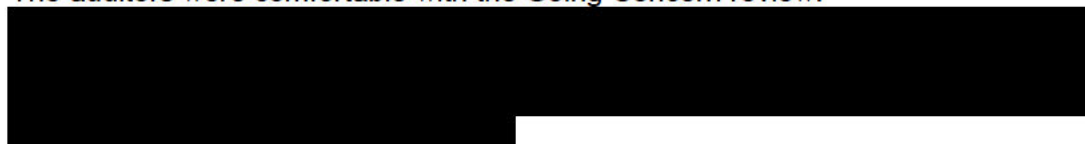
The Audit and Risk Committee would formally forward the Statements for approval by the Board of Governors, based on discussion at the joint meeting.

5 Going Concern Review for the Year Ended 31 July 2022

Received: the Going Concern Review for the Year Ended 31 July 2022.

Noted:

- a) The auditors were comfortable with the Going Concern review.
- b)



- c) The RCF currently runs to March 2025, consideration will be given to an extension and a proposal submitted to the Committee in early 2023.

6 OfS Annual Financial Return

Received: an update on the status of the OfS Annual Financial Return 2022 Workbook. The process for providing assurance as to the completeness and accuracy of the report was summarised for the Committee.

Noted:

- a) That the OfS Annual Financial Return was aligned with to the 5-year plan.
- b) It was suggested that the narrative included reference to:
 - i. UMSS Pension LDI issues.
 - ii. Background on ID Manchester.
- c) Members commented on:
 - i. [REDACTED]
 - ii. The purpose of the report and the burden of its completion. It was reported that it was a requirement of registration with the OfS and there was unlikely to be any political implications of the report. Discussions between the Russell Group and the OfS had highlighted specific issues with the report and there were to be further discussions.

Approved: the proposed process for approval of the Return.

Agreed: that the Return be recommended for approval by the Board of Governors, and for the Board to delegate authority to the Accountable Officer (the President and Vice-Chancellor) to finalise submission to the OfS, with any significant amendments to be noted at Finance Committee in January 2023.

7 HESA 2020/21 Financial Benchmarking

Received: a report on HESA 2020/21 Financial Benchmarking.

Noted:

- a) Whilst the report had provided some useful information for internal conversations, due to the delay in reporting it was provided only for information.
- b) The report showed a reduction in business income which was related to:
 - i. Pausing of work with business partners during the pandemic, whilst other institutions with connections to vaccine development had received an uplift.
 - ii. Loss of business income from Chinese partners.

8 Strategic Change Portfolio Summary Report

Received: the Strategic Change Portfolio Summary Report

Noted:

- a) The report includes the Sponsor submitted RAGs gathered from the project's highlight reports.
- b) The potential risks impacting all areas of activity included:
 - i. Strike action.
 - ii. Network/wi-fi issues impacting access of the offshore partners on FTP.
 - iii. Staff vacancies remain high in all areas.
 - iv. Inflation.
 - v. Ongoing issues in sourcing IT equipment.

- c) It was clarified that the IT Modernisation project phase 1 was now in its closing stages and originated from the previous strategic planning period. The Evolve IT Stabilisation project was a separate more recent project that was now in its mobilisation phase. A business case for funding of the Evolve case would be submitted in due course.

9 Update: Review and Realignment of Strategic Change Projects

Received: an update on the review and realignment of Strategic Change Projects.

Noted:

- a) The main aim of the overall Strategic Change portfolio was to improved staff and student experience. Limited financial benefits are projected at this time. Prioritisation of projects had been realigned to the IT stabilisation criteria.
- b) There is further work to be done in re-prioritising projects, and this was proving quite challenging in the context of affordability and availability of resources. A workshop was planned for November 2022.
- c) Whilst a number of student-benefitting projects had been paused, a number of the projects progressing were the building blocks to enable the student-benefitting projects to be developed on solid foundations. It was acknowledged that, in the past, the University had focused on front-end activity without ensuring that the back-end fundamentals were in place. The realignment was intended to ensure that the correct foundations were in place.
- d) It was clarified that paused projects were not of lesser priority – more that there was a required sequencing.
- e) Members commented on:
 - i. The volume of work required to implement and monitor the change programmes given the amount of change required and the finite capacity to do so. [REDACTED] some members of the Committee were concerned at the size and complexity of the programme.
 - ii. The balance of change work going on across the University between that being directed in the centre compared to that directed in the faculties. It was clarified that involvement of the Deans in the central oversight and assurance groups meant that there was good awareness at faculty level, however, given the size of the institution, it was likely that activity in small areas would be more difficult to have oversight on by the centre. However, over recent years there was increasing awareness of change activity across the University.

Action:

- i. To consider the 'so what question' ensuring that the outcomes and benefits (financial and non) of the totality of the portfolio is demonstrated and so that its constituent projects can be seen (and prioritisation of projects is visible) in this context. **Deputy President and Deputy Vice-Chancellor/ Director Transformation Programme**
- ii. To provide clarity on when improvements (e.g. in the student experience) were likely to be achieved, to enable the University, the Committee and the Board to track progress and implementation. **RSCOO (as Exec Sponsor) / Director Transformation Programme**
- iii. To consider communications to students and staff to explain the changes in the programme and the reasons for the sequencing. **RSCOO (as Exec Sponsor) / Director Transformation Programme**

10 Strategic Change Project Approvals

10.1 Research and Innovation Lifecycle Programme Phase 2: Outline Business Case

Received: the Research and Innovation Lifecycle Programme (RILP) Phase 2 Outline Business Case.

Noted:

- a) RILP2 was intended to maintain research competitiveness of the University and to deliver a set of digital research facilities. Examples of projects included data management strategy, computing infrastructure, skills and workforce development, and the research funding lifecycle.
- b) Themes had not changed dramatically from RILP Phase 1. Areas delivered by Phase 1 included a cloud-based facility for sensitive data storage, an image viewer for humanities, and a supported tool for surveys.
- c) Members commented on the heavy IT use within this project. It was clarified that due to the nature of the research IT functionality, the research IT resource was separate to the central IT resource, which supported delivery of this project.

Agreed: to endorse ahead of Full Business Case development and Board of Governors approval a funding request [REDACTED] to develop the programme's Full Business Case. It was also acknowledged that there was an increase in the funding allocation that SCSC holds in relation to RILP2 [REDACTED]
[REDACTED]

10.2 Humanities Size and Shape: Initial Estates Funding

Received: An interim funding request ahead of Full Business Case submission for estates related activities required in 2023, [REDACTED]

Noted:

- a) The current estates forecast for this project [REDACTED] was based on the stage one developments and therefore was at an early stage and could change once the intrusive work was done to ascertain the position.
- b) There were IT, business change and inflation costs that were currently unknown and which would be clarified at the Full Business Case submission, but it was expected that it could currently be met within the overall allocation [REDACTED]
- c) The full Business case will come forward for approval in April 2023.

Agreed: to endorse the interim funding request [REDACTED] (in addition to previously approved [REDACTED]) ahead of Board of Governors approval.

10.3 Flexible Learning Programme: Full Business Case

Received: the Flexible Learning Programme Full Business Case.

Noted:

- a) The University's future vision in 2020 had set out the requirement for more flexible and digital learning provision and the response to the Pandemic had sped up the shift to digital learning. It was expected that both current and future students will expect a digital and flexible programme to prepare them for the new working world.

- b) Operating costs were included in budget for the additional e-learning technical and support requirements. These would be reviewed as developments progress. There would also be increases in license costs in the short term, but which would bring cost savings in the longer term.
- c) Members commented on the need to ensure future proofing to meet the changing needs and requirements of students in terms of the amount of in person and digital support required. It was agreed that this was an important consideration for the project to respond to the changing HE environment in terms of lifelong learning initiatives or on campus provision as needed.

Agreed: to endorse the full business case [REDACTED]

[REDACTED] head of Board of Governors approval.

11 Capital Programme Report

Received: the November 2022 Capital Programme Report

Noted:

- a) [REDACTED]
- b) The Residences Strategy was being developed with the advisory team and they were exploring the best methods for engagement with students. The economic backdrop and rise in interest rates would have to be considered.
- c) A £3.5m capital bid had been received for refurbishment of teaching labs in Stopford building. This funding would replace that allocated in the plan.
- d) Following a tour of Stopford building undertaken by the Chair, there was discussion about the current state of the building and future plans. Overall refurbishment of Stopford was not included in the current plan; however, the building was reaching end of life and there would need to be consideration of this within the next plan.
- e) It was agreed that both the carbon zero plans and likely building utilisation would feed into a much wider review of future estate masterplan.
- f) The Students' Union Representative commented on the need to provide maximal study and student spaces within buildings to encourage student activity on campus.

Action: to consider a session for members with the estates team to explore the evolving long-term vision for the estate. **Registrar, Secretary and Chief Operating Officer**

12 Chemistry LTM Refurbishment Project

Received: a report on the Chemistry LTM Refurbishment Project

Noted:

- a) In October 2021 Finance Committee had approved [REDACTED] for the refurbishment of floors 4 and 5. This work had gone well.
- b) It was proposed to award the contract for the next phase to the current contractors Henry Bros, a good working relationship had been developed and in the current economic climate it was considered that going out to market for this work would be a risk. Procurement had approved this process.

Approved:

- i. To enter into a direct award construction contract under the Crown Commercial Services (CCS) Framework with Henry Brothers for Phase 3 (floors 2 and 3) of the Chemistry building, [REDACTED]

13 Treasury Management Policy

Received: a revised Treasury Management Policy.

Noted:

- a) Members commended the work done to develop this complete revision and updated policy – a number of examples of treasury policies in other institutions and commercial organisations had been reviewed for best practice.
- b) Members requested clarity on the control over subsidiaries not borrowing independently. It was clarified that accounting for the majority of subsidiaries was handled internally and the CFO was a director for all subsidiaries. Therefore, the Finance Team were able to monitor effectively.
- c) There would be an annual report presented to the Committee to provide oversight on compliance with the policy.

Approved: the revised Treasury Management Policy.

14 ID Manchester Update

Received and Noted: an update on ID Manchester.

Action: to provide a standard summary outline of ID Manchester with each update paper going forward. **Director of Estates and Facilities.**

15 Dates of 2022/23 meetings:

Noted: the dates of future meetings:

Tuesday 31 January 2023, 2pm (Zoom – to be re-considered)

Wednesday 19 April 2023, 2pm (Zoom – to be re-considered)

Wednesday 21 June 2023, 9am (In person)