

APPROVED Minutes



FINANCE COMMITTEE

21 September 2022

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

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), Celina Pereira (Well-being and Liberation Officer, Students' Union), Carol Prokopyszyn (Chief Financial Officer), and Kate Brown (Governance Manager) (minutes).

In attendance for:

Item 8: Simon Merrywest (Director for the Student Experience)

Items 8 and 9: Steve Jordan (Deputy Director of Estates and Facilities)

1 Welcome and Declarations of Interest

Noted:

- a) Welcome to David Buckley, new member of the Committee.
- b) Apologies were received from Sam Bronheim, the new SU Union Affairs Officer, Celina Pereira was attending to represent the Students' Union.
- c) There were no declarations of interest in relation to the agenda.

2 Terms of Reference

Received: the revised Finance Committee terms of reference.

Noted:

- a) Following the Halpin review the terms of reference for both Audit and Risk Committee and Finance Committee have been reviewed.
- b) The consideration and endorsement of the Committee would be sought for projects over £10m or those under £10m that would have a significant reputational impact. Any projects over £20m would require board approval.

Agreed: to recommend for approval to the Board of Governors the revised Finance Committee terms of reference.

Action: to circulate the terms of reference with the inserted links. **Governance Manager**

3 Committee Business

3.1 Minutes of the previous meetings:

Received and Noted: the minutes of the 22 June 2022 meeting of Finance Committee and the joint meeting with Investment Sub-Committee also held on 22 June 2022.

Approved: the minutes of the 22 June 2022 meeting of Finance Committee and the joint meeting with Investment Sub-Committee on 22 June 2022.

3.2 Matters Arising

Received and Noted: the Matters Arising/Action Log.

3.3 Finance Committee: Forward Agenda 2022-23

Received and Noted: the Finance Committee Forward Agenda for 2022-23. This will continue to be developed.

3.4 Chair's Action: Major Cooperation in Support of a Research and Innovation Centre in Graphene and 2D Materials

Noted:

- a) The action taken by the Chair to approve the proposal for a major cooperation in support of a Research and Innovation Centre in Graphene and 2D Materials.
- b) The project was referred for approval by the Chair of Finance Committee despite the initial contract being for under £5m due to the profile and reputational impact of the project.

4 Report of the Chief Financial Officer

Received: an update report from the Chief Financial Officer.

Noted:

i) Year End 31 July 2022 Projected Outturn

- a) The management accounts were reviewed. [REDACTED]

ii) Finance Transformation Project

- a) Progress had been made on the Target Operating Model.
- b) Current risks are in testing and data migration but mitigations are in place.
- c) It was reported as still on track for implementation by August 2023.

iii) Moody's Credit Rating

- a) An update had been received following the assignment of ESG scores; the overall credit rating was unchanged at A1 Stable and the ESG rating was moderately negative. This was due to risks already identified in the University's risk register.

- b) The assumption in the Moody's Opinion that the government would act to resolve any liquidity stress for the University was questioned. It was noted that this was Moody's external view for all UK HEIs, and would not necessarily be the case or be deemed so by most banks in terms of lending.


iv) Energy Contract

- a) Whilst the government had announced some energy cost caps, it was unclear how this would impact the University as the government cap was likely to last only until April 2023 when the University's current fixed price energy contract ended.
- b) The University would be going to market for the energy contract to assess the options available including options for carbon initiatives.
- c) It was expected that a 10 year energy contract was likely to cost upward of £300m and would therefore be brought for Finance Committee approval.
- d) Members raised the following:
 - i. The risks attached to fixing at the current rates for a long term contract. It was considered that being without a fixed contract would be a larger risk.
 - ii. The costs and benefits of the potential additionality and that any implications related to long term contracts needed to be fully understood. It was noted that the market standard for CPPA with additionality was for a 10 year plus contract.
 - iii. Whether a break clause could be included within the contract to provide some flexibility for the University.

5 Five Year Plan

Received: the updated Five Year Plan.

Noted:

- a) The continuing change and uncertainty in the economic climate.
- b) The key risks and opportunities in the current economic climate included:
 - i. The over recruitment of students. However, there was uncertainty on visas or travel restrictions for international students which may impact arrivals.
 - ii. Inflation and rising energy costs. Potential support for the cost of living crisis for both staff and students was currently being considered.
- c) Themes from the faculties were being considered. Professional Services cost savings were being considered alongside investments to transform the systems and processes.
- d) In the budget process areas of potential additional value were identified which included:
 - i. Further repricing
 - ii. Teaching efficiencies
 - iii. Cost of recruiting students
 - iv. Further work on diversification
- e) Investment had remained unchanged from the report to the Board in July 2022.
- f) ID Manchester development continued; however, it was a more long term investment with no significant income in the plan period.
- g) The operating cash target of 9.8% had almost been achieved, there was a small gap which was expected to be covered within normal fluctuations. There was a larger gap to the 10% target in the later years. It was suggested that the 10% target is reviewed in the next iteration of the plan.
- h) The scenario analysis modelled risks to the University's cash position. 

- [REDACTED]
- i) The sustainability target had been moved to later years to recognise the timing of potential developments in respect of zero carbon projects. It was hoped that developments on carbon and other areas would reduce the required spending in sustainability going forward.

- [REDACTED]
- k) Members raised the following:
 - i. That staff/student ratios in some departments were expected to rise which may impact on NSS. Whilst teaching efficiencies impact on NSS had not been specifically considered in the scenarios, it was acknowledged that this impacted on staff workloads.
 - ii. That the underlying assumption on pay inflation was low. It was noted that the University, as with the rest of the sector, was subject to national pay negotiations and therefore had limited ability to raise pay outside of this.
 - iii. The amount of unfunded strategic and capital projects was a concern, and that there needed careful consideration of these. It was suggested that it would be helpful to have potential funding streams identified rather than having large amounts of unfunded projects outwith the plan.
 - iv. That the scenarios should include a more in depth look at potential China fee income issues, e.g. modelling a 10 or 20% reduction and highlighting potential mitigations.
 - v. Student experience/satisfaction was an important theme and spending within that context should be highlighted.
 - vi. Long Term Maintenance (LTM) backlog was currently only partially covered within the residences programme. The small amount identified for LTM in the plan would not bring the backlog to a reasonable level.

Agreed: to recommend for approval to the Board of Governors the Five Year Plan.

Action:

- i) To highlight spending on student experience/ satisfaction related areas within the plan. **CFO/Deputy Director of Finance.**
- ii) To include going forward a clear understanding of unfunded projects and income opportunities not in the base case five year plan – this might be by way of an overlay scenario. **CFO/Deputy Director of Finance.**
- iii) To include in future sensitivity analyses and scenarios, modelling of moderate reductions in income from any one country (compared to assuming 100% reduction in any one year). **CFO/Deputy Director of Finance.**

6 Endowments Budget

Received: a report on the proposed endowments budget.

Noted:

- a) The endowments had been restructured back in 2015/16 to reduce to the current number of endowments. Further restructures are being considered.
- b) Endowments are not being used to their full extent; faculties were being encouraged to use them, where appropriate. The merged endowments may be used to provide student support for the cost of living crisis.

- c) A process was in place to ensure that the merged endowments policy was followed, and merged endowments were being managed centrally.
- d) This report would now be presented annually alongside the main budget report.

Approved: the proposed endowments budget.

7 Going Concern Assumptions

Receive and Noted: a report on the proposed scenarios to be modelled for the purposes of assessing going concern.

Approved: the proposed going concern assumptions.

Action: to build in more targeted China fee income scenarios (in line with the Five Year plan paper). **Deputy Director of Finance.**

8 Residences Redevelopment Programme: Outline Business Case

Received: the Residences Redevelopment Programme Outline Business Case.

Noted:

- a) It was accepted that there was an urgent need to address the University's residences with both new developments and refurbishment of existing residences as appropriate.

- c) The student support and experience elements were crucial parts of the proposal including developing appropriate social spaces and hubs for community building and provision of integrated support.

- e) The current proposal to maintain a University provision of 8,000 beds was considered a little conservative, particularly with current capacity issues within Manchester. This would be considered further for the Full Business Case (FBC).
- f) Affordability was a key concern.

There would be consideration of the whole stock and current rental environment within the city as part of the FBC with a view that a range of price points must be maintained when looking at the portfolio as a whole.

- g) Student accommodation has one main entry point in the year – therefore, any delays to developments would push the opening back a year and further contribute to accommodation issues. The length of the timeframe for development meant that new residences would only be likely to open for the 2027/28 academic year.

The following points were made during the discussion:

- i) The Student Union representative presented a number of concerns:
 - i. Reduction in the number of affordable options.
 - ii. Lack of detail on potential bursaries and other financial support options for students.
 - iii. Financial impact on students, in particular international students who currently sought more expensive options for security and comfort and negatively impacting their financial situation.
 - iv. Reduction in the number of beds leading to an exacerbation in the current housing shortage in Manchester.
 - v. Impact on the student experience of more private involvement in the operation of student accommodation.
- j) In response, it was clarified that the current affordable rent levels had been influenced by the condition of the accommodation which would not be able to be maintained with any new development. In addition, even if the University was able to fully fund the scheme, it would not be viable to price all the new rooms at the same price as the stock it would replace. It was also noted that international students had indicated a preference for city centre locations which were not within the University's current stock of accommodation. Further review of affordability of accommodation would be considered within the next stage of the developments and outlined within the FBC.
- k) The risk of the current construction market on the ability to deliver the developments. It was considered that, due to the long timeframe for partner procurement and development, there was the potential for the construction sector to recover.
- l) Development of the support proposals needed to keep pace with thinking on student support across the sector and learning from good practice at other institutions.
- m) The potential spend on demolition and relocations [REDACTED] was not currently in the plan.

Approved:

- i. in principle, to proceed with a Design, Build, Finance & Operate (DBFO) model.
- ii. the funding drawdown for the appointment of the core adviser team, site surveys at Fallowfield and the possible backfill of roles for the internal project team, to enable the development of a Full Business Case (Gateway 3) for final approval in April 2023, and the commencement of the procurement process [REDACTED]

Action: to forward the proposal to the Board to endorse the recommendation of the further development of the DBFO model.

9 Capital Programme Report

Received: the September 2022 Capital Programme Report.

Noted:

[REDACTED]

- b) Chemistry LTM was going well and had to date not needed to utilise the contingency.

- c) MECD – now fully open and operational. 1,715 staff had now been moved into the building. 90% of occupants of North Campus had now been moved into MECD. The last financial risk was the wave tank which was funded by the faculty.
- d) The exit from North Campus was now at 20% cleared and closed with work progressing on the clearance and closure of 50% of the spaces.

- f) LTM update – 5 year plans for the residences and academic estate would be submitted to committees in early 2023.

Action: to provide an update on the backlog of LTM. **Deputy Director of Estates.**

10 Strategic Change Summary Report

Received: a report on Strategic Change projects.

Noted:

- a) A detailed review of the major projects would be submitted to November committee meeting.
- b) A briefing on IT strategy would be provided to the Board prior to the Board meeting on 5 October 2022.
- c) Resourcing was a concern, particularly for IT and generally. High vacancy rates were impacting both project development and day to day operations.

Action: to ensure appropriate space on the November agenda for discussion of strategic projects. **Director Transformation Programme/ Governance Manager**

11 Financial Regulations

Received: the revised Financial Regulations.

Noted:

- a) The Regulations had been revised to update and streamline as appropriate.
- b) Financial Procedures were in the process of being reviewed to align with the revised Regulations.

Approved: the revised Financial Regulations.

12 Request To Grant A Power Of Attorney

Received and Noted: a request to grant power of attorney to Myerson Trust Corporation Limited.

Agreed: to recommend that the Board of Governors:

1. agree to grant a Power of Attorney to Myerson Trust Corporation Limited to apply for a Grant of Beneficiary and to administer an estate for and on behalf of the University; and
2. delegate authority for Sinead Hesp, Director of Legal Affairs and Board Secretariat, to sign the PA11 form (which must be completed to grant the Power of Attorney).

13 Investment Sub-Committee report from 22 June 2022 meeting

Received and Noted: a report from the 22 June 2022 meeting of Investment Sub-Committee.

14 Dates of 2022/-23 meetings

Noted: the dates of meetings for 2022-23:

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

Tuesday 31 January 2023, 2pm (Zoom)

Wednesday 19 April 2023, 2pm (Zoom)

Wednesday 21 June 2023, 9am (In person)

15 Any Other Business

15.1 Visit to Chemistry

Noted: A visit to the Chemistry Building was being arranged for the Chair and members were invited to join the visit if they wished.

15.2 Committee Membership

Noted: the Chair was reviewing the spread of membership and skills on the Committee. Members were encouraged to submit any feedback.

15.3 Press Coverage on Student Accommodation Shortage

Noted: there had been a lot of press coverage of the student accommodation shortage in Manchester. It was reported that there had been 500 students who had an accommodation guarantee who had initially not been allocated accommodation in Manchester. This had now been resolved and all had been offered accommodation in Manchester. Places in the accommodation reserved in Liverpool had been held in case of need.