

APPROVED Minutes



FINANCE COMMITTEE

31 January 2023

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

Present for items 13-18: Ms Philippa Hird

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 Prokopyszyn (Chief Financial Officer), and Kate Brown (Governance Manager) (minutes).

In attendance for:

Item 11.1: PJ Hemmaway, Director of IT

Item 11.2: Adèle MacKinlay, Director of People and Organisational Development

1 Welcome and Declarations of Interest

Noted:

- a) There were no declarations of interest in relation to the agenda.

2 Committee Business:

2.1 Minutes of the previous meeting: 9 November 2022

Received and Noted: the minutes of its 9 November 2022 meeting.

Approved: the minutes of its 9 November 2022 meeting.

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:

- Forecast update
- Funding strategy overview
- USS workstream update
- OFS return
- UKRI
- PKF extension of auditors' contract

Noted:

Funding Strategy

- [REDACTED]
- b) Separate and external financing would need to be secured for the residences project with potential DBFO or Joint Venture approaches still being considered.
 - c) The Chair suggested that there were some innovative funding strategies being created in the commercial sector that the University could consider. The Committee recognised the importance of the student experience in any residences funding.

USS/Pensions

- [REDACTED]
- f) Low cost options for staff were being considered.
 - g) There were ongoing discussions about the responsibility for the USS moving from UUK to UCEA.

4 Finance Transformation Programme Update

Received: an update on the Finance Transformation Programme.

Noted:

- a) There had been a number of issues and risks throughout the programme, particularly with regards to the integrations with other systems. Understanding the University's IT architecture would be crucial to this and other future change programmes.
- b) The replanning process was ongoing; however, it was hoped that the programme could be fully delivered within 12-18 months of the original date. KPMG had been appointed to provide external assurance on the replan.
- c) Members were concerned at another reset in the programme, whilst recognising its complexity – it was useful that support for the current system will continue beyond the previous expected end date - members also asked about the assurance on managing risk and commented on the balance between focusing on the risk assessment and achieving the delivery date. The external view and also the new programme leadership team will be important to provide assurance for the Board that the reset plan will be achieved.

5 October 2022 Management Accounts

Received: the October 2022 Management Accounts

Noted:

- [REDACTED]
- b) The outcome of any pay settlement would only have a small impact on the current year forecast.
- [REDACTED]
- d) Members commented or asked questions on:

- i. The likelihood of an improvement in forecast surplus. This was identified in the trend analysis and members noted that budget holders tended to be prudent, especially early in the financial year. It was also impacted by delays in spending due to filling vacancies later than anticipated and projects starting later.
 - ii. The reaction of staff and students to the Cost of Living payments. Payments to staff had been well received with a small amount given to staff above grade 9 in the second payment. Payments to students had also been well received. The second payment to students would go to those most in need, the categories for which were currently being considered.
- e) An updated forecast would be presented to the Committee in April 2023.

6 Extension of the Revolving Credit Facility (RCF)

Received: a proposal to extend the RCF for a further twelve months.

Noted:

- a) Members supported this proposal, noting that this provided an important level of financial headroom for the University. It had been reduced to £150m in 2022, on the basis of balancing headroom and annual cost of the facility.
- b) Whilst there was both an annual cost and fee for the extension, this was balanced with the financial security it provided the University.

Agreed: to recommend approval of the extension of the RCF to the Board.

7 Subsidiaries Report for the year ended 31 July 2022

Received: the annual update on subsidiaries.

Noted:

- a) There was now a clear line between the Finance Committee and the Audit and Risk Committee (ARC) responsibility in terms of subsidiaries. Finance Committee would focus on the forward look and the benefits that the subsidiary would bring to the University. ARC would consider risks related to the subsidiary.
- b) The level and detail of reporting in this area would continue to be refined.

8 University Investments - Task Force for Climate Related Financial Disclosures (TCFD) Report For The Year Ended 31 July 2022

Received: the TCFD report on the University endowment investment portfolio.

Noted:

- a) As part of its Policy for Responsible Investment, the University committed to adopting the TCFD supplemental guidance for asset owners by 2022. This report was currently voluntary and **covered only the University's endowment investment portfolio**. A further review of the report by the team was recommended in order to ensure that it was really clear that the report was just covering the University's endowment investment portfolio. Several other suggestions were made by Committee members.
- b) The University was currently pursuing a net zero carbon target rather than absolute zero due to the limited of number of investment products available with absolute zero options. It was expected that this may change in the future as these requirements become more widespread.
- c) The scale of work involved in preparing such reports, in particular if this was expanded to cover the whole University.

Agreed: to recommend approval of the revised report to the Board.

9 Treasury Annual Report

Received: an annual report on the University's treasury.

Noted:

- a) This will become a recurring report and will be presented in the Autumn from 2023 onwards.
- b) The Treasury Management Policy included the process for approval of deposits [REDACTED]
- c) Changes to the Treasury Management Policy would be proposed included dealing with rising interest rates.
[REDACTED]
- e) It was acknowledged that resourcing of the treasury team was currently limited and was being reviewed.
- f) Members commented on:
 - i. The limits and due diligence on challenger banks.
 - ii. Consideration of short dated gilt funds to replace cash. Whilst this was not currently within the Treasury Management Policy, it could be considered.

10 Strategic Change Projects Report

Received: an update on Strategic Projects.

Noted:

- a) A close eye was being kept on the interdependencies between projects, in particular the Finance Transformation Programme (FTP) and the Student Experience Programme (SEP).
- b) In early February, the SEP successfully delivered the first element of a major technology release which will lead to significant improvements at the start of the next academic year in the area of Programme Enrolment (PE). The programme enrolments process was not currently fit for purpose and had received complaints from students impacting NSS. Therefore, the implementation of PE is expected to lead to students experience benefits.
- c) The Red rating on the People & OD programme related to the original intention to present the Outline Business Case (OBC) to this meeting. However, as the gateway process had determined the programme to not yet be ready to request approval, the OBC had been moved and would now come forward to the June Finance Committee meeting.
- d) International Student Diversification reporting line had changed to come under Planning & Resource Committee's purview via the International Committee to more appropriately assure its content.
[REDACTED]
- f) The same team from KPMG would review both FTP and Evolve plans. Members supported this activity as being helpful to get an external view on the programmes.

Action:

- i) FTP Revised plan to be submitted to the June Finance Committee meeting alongside the P&OD Transformation outline business case. **Relevant Executive Sponsors –**

Chief Financial Officer and People & OD Director /Director Transformation Programme

- ii) Evolve and SEP business cases to be submitted to the April Finance Committee meeting. **Director of IT and Registrar, Secretary and Chief Operating Officer RSCOO / Director Transformation Programme**
- iii) The maintainable benefits visualisation graphic from PA Consulting to be shared with Committee members ahead of the April meeting for comment and feedback. **Director Transformation Programme**

11 Project Updates

11.1 IT Modernisation Phase 1 Programme Closure Report

Received: the closure report for Phase 1 of the IT Modernisation Programme

Noted:

- a) This programme originated in the previous strategic planning period. The project had now announced its closure. Other ITS sponsored programmes of work were now ongoing such as Evolve, ADA and Atom.
- b) The programme had delivered a number of benefits to the University including MS 365 and multi-factor authentication. The importance of these in enabling the University to pivot to remote activity during the pandemic was acknowledged.
- c) The IT leadership Team was being strengthened including the appointment of a Chief Information Security Officer.

Agreed: to endorse the closure report.

11.2 People & Organisational Development Transformation Progress Update

Received: an update on progress with the People & Organisational Development Transformation Programme.

Noted:

- a) This is an introductory paper ahead of the Outline Business Case (OBC) to be presented in June.
- b) This programme represented the implementation of the People and OD Strategy approved by the Board in July 2022.
- c) Work was ongoing to articulate the scope in each of the identified areas.
- d) Members asked about the involvement of colleagues in the consultation. The programme built on the consultation as part of the P&OD Strategy and had a programme board with a range of colleague represented.
- e) The Strategic Change Sub-Committee had oversight of current spending on the programme to ensure it kept within the approved level of 10% of its total allocation per the scheme of delegated financial authority approved at the September FC meeting.

12 Capital Programme Report

Received: the January 2023 Capital Programme Report.

Noted:

- a) Business Cases for Booth Street East and Dalton Ellis were to be considered by PRC on 7 February and would be forwarded for Chair's action to ensure that external funding could be spent by the deadline.

- b) Manchester Museum and Pankhurst were both on track and due to be handed over in February.
- c) Paterson was on track for a March handover. A funding request was looking to cover the shortfall in funding.
- d) Further development on the design for the Centre for Radiochemistry Research (CRR) within the Chemistry building was paused until the safety case was concluded.

Action:

- i) To arrange a session to update members on ID Manchester. **Director of Estates and Facilities.**
- ii) A discussion on LTM would be scheduled for the June Finance Committee meeting. **Director of Estates and Facilities.**

13 UoM Gas and Power Contracts

Received: an update on these contracts, including the corporate Power Purchase Agreement (cPPA) and recommendations for the finalisation of the University's gas and electricity contracts.

Noted:

- a) The University's current gas and electricity contracts were due to expire in March 2023. However, as geopolitical events during 2022 saw suppliers close their trading desks to new business due to uncertainties in the market, this delayed the ability to tender for new suppliers. Following the relaxing of this position in late 2022, the University was able to go out to tender. However there had been a limited number of tender responses with only one electricity (REGO) potential supplier identified.
- b) Both the gas and electricity contracts were critical as these would be out of the current fixed cost arrangements by end of March 2023.
- c) A Renewable Energy Guarantee of Origin (REGO) contract provided some carbon benefits.
- d) The recommendation was to lock in rates to July 2023 and then to review the process going forward via a risk workshop.
- e) Members suggested that consideration be given to locking in the contract beyond July and encouraged considering the potential to lock in for two or even three years.

Agreed:

1. To endorse the Chair's action taken, due to the urgency in the timeline, to recommend approval to the Board (via Chair's action) the finalising and sign-off of the gas contract [REDACTED] with SEFE Energy (formerly Gazprom) as soon as practicable.
2. To recommend to the Board (via Chair's action due to the expected need to contract in early Feb) that the University finalises and signs the electricity (REGO) contract with EDF [REDACTED]
3. To recommend approval to the Board that, once both contracts are in place, the University locks-in its energy prices across both utilities for the exposed period Apr 23 – Jul 23, whilst market conditions are favourable (since Oct 22, electricity prices have dropped circa 40%, and gas prices circa 60%, for the delivery period Apr 23 – Jul 23). This will offer us some price security for the remainder of the 22/23 financial year.

4. To recommend approval to the Board of the 10-yr cPPA contract with NTR plc [REDACTED] subject to the completion of satisfactory due diligence on the supplier, for which approval will be sought at the Finance Committee on 19 April 2023.

Secretary's Note: Following the meeting, the Chair of the Board approved the recommendations by Chair's action to allow the contracts to be signed promptly.

14 HESA Estates Management Record (EMR) Report 2020/21

Received: the HESA Estates Management Record (EMR) Report 2020/21.

Noted:

- a) The lag in data collection meant that this report covered the beginning of the pandemic.
- b) Highlights included:
 - i. The University currently had the largest estate; however, this included those buildings which would be handed over to ID Manchester.
 - ii. The University was in the lower quartile for condition of the estate. This result would likely improve once buildings were handed over to ID Manchester. However, this did mask the deteriorating condition of specific areas (such as estate programme in early 2000's).
 - iii. Property spend was at the lower end of the scale for maintenance and CapEx. [REDACTED]
- c) Members asked about the building condition outcome given the number of new buildings. It was noted that there was a wide range of conditions within the University's buildings from new builds to Victorian buildings.

15 Request for Power of Attorney for Signature of University Spinout Investment Documents

Received and Noted: a request for Power of Attorney for Signature of University Spinout Investment Documents for CTX.

Agreed: to recommend to the Chair of the Board of Governors that approval be given for the University to execute the Power of Attorney for CTX.

Secretary's Note: Following the meeting the Chair of the Board approved the Power of Attorney by Chair's Action.

16 Recommendation on the Sale of Shares in a Spinout Company [REDACTED]

Received: a recommendation on the Sale of Shares in a Spinout Company [REDACTED]

Noted:

- a) This was long standing spin-out for which, due to a recent settlement, the share price had risen.
- b) Members questioned the rationale for not holding onto the shares. It was a long standing policy of the University to not hold onto spinout company shares over a long period. The current shares for [REDACTED] had been held for c.20 years. Spinout shares were not necessarily those that would be held onto for dividends – therefore, the University would need some return on their investment in terms of the sale.
- c) Members agreed to approve the disposal of shares in this instance. It was requested that work was done to develop a more agile process for the approval of sale of shares for spin-out companies.

Approved: [REDACTED]

Action: to develop an updated policy on the sale of shares in spin-out companies. **Chief Financial Officer/ Deputy Director of Finance**

17 Urwick Library – Appointment of Trustee

Received and Noted: a recommendation for the appointment of trustee for Urwick Library.

Agreed: to recommend the draft Urwick Library Scheme for approval by the Board of Governors, in order for the Charity Commission to appoint the University as trustee of the Urwick Library.

18 Dates of 2022/23 meetings:

Noted: the dates of the next meetings:
Wednesday 19 April 2023, 2pm (In person)
Wednesday 21 June 2023, 9am (In person)