

APPROVED Minutes



FINANCE COMMITTEE

19 April 2023

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

In attendance for all items: Louise Bissell (Deputy Director of Finance), 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 3: John Holden (Associate Vice-President for Major Special Projects)

Item 4.1: PJ Hemmaway (Director of IT)

Item 4.3: Simon Merrywest (Director for the Student Experience)

Apologies: Ms Sam Bronheim and Beth Dodd (Director Transformation Programme)

1 Welcome and Declarations of Interest

Noted: There were no declarations of interest in relation to the agenda.

2 Committee Business:

2.1 Minutes of the previous meeting: 31 January 2023

Received and Noted: the minutes of its 31 January 2023 meeting.

Approved: the minutes of its 31 January 2023 meeting, subject to the amendment of Ms Philippa Hird being 'present for items 13-18'; rather than 'in attendance for items 13-18'.

2.2 Matters Arising

Received: the Matters Arising/Action Log.

Noted:

- a) Action 1 – UK Biobank Coordinating Centre – information on the full cost to the University had been considered in the paper to the Board and the action was now closed.
- b) Action 3 – UK Biobank Coordinating Centre – benefit tracking was currently under internal discussion and was awaiting conclusion of the discussions with UK Biobank. An update would be submitted to a future meeting.

- c) Action 11 – Capital Programme - a session on the long term vision for the estate would be held in Autumn 2023 to ensure that information was available to enable an informed discussion.

2.3 Chair's Action:

Received: An update on action taken by the Chair since the last meeting including the approval of the following items:

- Booth Street East - long term maintenance project (£16.1m)
- Dalton Ellis Refurbishment - involves the full internal and external refurbishment of both the Graham and Ewings residential buildings on the Dalton Ellis campus (£14.7m).

Agreed: to endorse the approval of the two items approved by Chair's action since the last meeting. The Chair indicated that she had asked management to signal upcoming business cases and major approvals required to try to minimise requests for Chair's action on spend of this magnitude (see minute 15 below).

3 ID Manchester Masterplan and Site Development Plan: Gateway Approval

Received: an update on the ID Manchester masterplan.

Noted:

- a) This was presented to the Committee to approve the masterplan on behalf of the University to enable movement to the next stage of the project.
- b) The large scale and ambition of the delivery plan, for example, to be in the top three innovation districts in Europe and which would support a number of the University's objectives. This was a 10-15 year project, therefore it was expected that there would be changes along the way.



- f) There had already been a high level of interest in the project. There was also huge growth anticipated in Manchester. It was considered likely that Greater Manchester will become an investment zone which will have a large impact.
- g) Members comments included:



- [REDACTED]
- iii. Given the currently unoccupied buildings, the risk of squatters was questioned. Whilst this was a risk, it was diminishing as buildings were handed over to BST control and being monitored by their security.
 - iv. Independent assessment of rental values. This was an issue that was being considered and had been received for some of the buildings so far. This would continue to be monitored.
 - v. That the vision did not currently include teaching and learning. The potential for student placements and other student related collaborations was noted and would play a larger role as the project developed.
 - vi. The mechanism for stopping the project in the worst case scenario. The relationship with the JV partners would be critical to continue working together.

- [REDACTED]
- viii. The mechanism for resolution in the case of any fundamental disagreements between the JV partners. The initial process would be to try to resolve at the JV Board, if this was unsuccessful the issue would be raised through Senior Leadership, if there continued to be a disagreement an independent person would be appointed to adjudicate.

Agreed: to approve the ID Manchester (IDM) Masterplan and Site Development Plan (SDP).

Action: to consider a pre-Board deep dive session on ID Manchester possibly once a year with updates to Finance Committee twice a year. **Associate Vice-President for Major Special Projects/ Governance Office**

Action: to provide an overview on the process for any disagreements with the JV partners. **Registrar, Secretary & Chief Operating Officer**

4 Strategic Change Summary Report

Received: an overview report on the Strategic Change portfolio and the benefits roadmap.

Noted:

- [REDACTED]
- b) In the discussion of the University's 5 year plan in June there will need to be more clarity on the unfunded projects. There would also need to be assurance on delivery within the [REDACTED] funding.

Action: to provide more clarity on the unfunded projects for the discussion on the 5 year plan at the 21 June 2023 meeting. **Chief Financial Officer/Deputy Director of Finance.**

Action: to provide further assurance on the delivery of the strategic change programme within the [REDACTED] funding. **Deputy President and Deputy Vice-Chancellor/ Director Transformation Programme.**

4.1 IT Services Programmes Overview

Received: an overview of IT Services programme.

Noted:

- a) An overall picture of IT spend was provided outlining latest future spend across the three funding areas: capital, ITS Infrastructure and ITS Roadmap. Members requested further clarity on the level of spending to date.
- b) A review of ITS projects was being conducted and an updated roadmap would be produced by early 2024. This would also factor in further upgrades need in the next 10 years, e.g. FTP upgrade.

4.1.1 ADA Programme: Change Request

Received: a Change Request to amalgamate a number of existing inflight infrastructure projects so that they are now managed under one umbrella and included an increase to the existing funding allocations associated with the collection of projects [REDACTED] due to additional resourcing, consultancy fees, and inflation in hardware and Estates costs.

Noted:

- a) The ADA programme is delivering the transformation of IT infrastructure and tools.

- c) The original estimates for the project were not based on a full understanding of requirements. The increase is also reflective of inflation.

Agreed: to recommend approval of the change request to the Board.

4.1.2 Evolve Outline Business Case

Received: the Outline Business Case for the Evolve programme to provide the University with stable and highly available IT Services [REDACTED]

Noted:

- a) As a result of further scoping and definition work an additional allocation was requested. [REDACTED]

- b) A number of options were proposed and option 3 (developing a strategic solution but short of rebuilding the entire parallel infrastructure) was identified as the best option. This would develop and implement strategic solutions and ensure that tactical resolutions to immediate issues were aligned with this view.

- c) This would provide a foundational integrational environment for developments to 2030-2035 and the implementation of continual improvements. It would also allow a proactive response to outages and minimise disruption.
- d) Members commented on:
 - i. Whether option 3 would take the University as far as needed or if it just represented a stop gap. It was stated that it was considered the better option to ensure continuity of service as well as alignment with strategy.
 - ii. Whether the solution would be future proof (as far as possible) or was just to bring the University up to date. It was hoped that the projects would bring the University forward and allow further incremental benefits as developments progressed.
 - iii. Clarity on the Atom project – this was focussed on the people and processes and to decrease the number of outages. It would ensure that the right skills were available and that there was less reliance on specific individuals.

Agreed: to recommend approval of the Outline Business Case for the Evolve programme to the Board.

Action: an update on IT to be presented to the Board to focus on successes. **Director of IT/ Governance Office**

4.2 Humanities Size and Shape: Drawdown Request

Received: a further drawdown request [REDACTED] and a proposal for the deferral to the submission of the Full Business Case until November 2023.

Noted:

- a) The additional drawdown is to cover work needed prior to the Full Business Case. The move of the full business case approval point is not expected to impact on the Humanities Size and Shape critical path – it is to align the business case approval point to RIBA stage 4 (rather than RIBA stage 3) so there is less variation in the estimates.
- b) There was discussion about the level of spend before full business case. It was noted that the Outline Business Case had been considered by Finance Committee and had been approved, this request was to allow work to progress prior to Full Business Case
- c) Clarification may be needed on the process of approval including that practice approving drawdowns before full business case. Members queried whether there had ever been a case where the full business case had not been approved when earlier requests had been.

Agreed: to recommend approval of the drawdown request and the deferral to the submission of the Full Business Case until November 2023 to the Board.

Action: to have a discussion on the process for drawdown before FBC and the triggers for not approving at that stage. **Registrar, Secretary & Chief Operating Officer/ Director Transformation Programme**

4.3 Student Experience Programme (SEP) Updated Outline Business Case

Received: Student Experience Programme (SEP) Updated Outline Business Case

Noted:

- a) This is the early (outline) business case for the Student Experience Programme (SEP) following the first iteration of re-planning.
- b) Achievements of the programme to date included:
 - i. 2k+ roles transformed.
 - ii. £6m staff savings.
 - iii. Student record system upgraded.
 - iv. Self-service experience for students.
 - v. New application experience.

- [REDACTED]
- d) No further additional financial benefits were identified at this time, but these may be identified during further work. It was noted that the high level of student applications received by the University may provide an opportunity for further savings as processes were embedded into business as usual.
 - e) Members comments included:
 - i. How the completion of specific initiatives was identified. It was reported that initiatives had been packaged more discretely to add defined start and end times as well identifying criteria and benefits.
 - ii. It would be helpful to have a summary of the overall budget broken down into the different elements indicating the status of each. The financial benefits need to be more clearly identified.
 - iii. The work on assessment and progression and the impact of the industrial action on this. There was a large number of exam boards all with different working practices across the University which need to be streamlined and simplified.
 - iv. The Board's session on the student experience had identified feedback as a key issue for students. It was noted that development in this area was within the flexible learning project but also highly dependent on culture. There were improvements being made with departments focusing less on multiple assessments and more on providing feedback.
 - v. The importance of improved processes moving into business as usual. The transition to business as usual will pick up all work of the programme and ensure that it continued and was built on.
 - vi. Whether, once the project had moved to business as usual and the funding ended, project staff would transfer into the main staff base and how this would be balanced against cost savings. It was noted that with the large number of vacancies currently this was not a concern but would be kept under review.

Agreed: to recommend approval of business case for the Student Experience Programme (SEP) to the Board.

Action: to produce a summary of the overall budget broken down into the different elements indicating their status. **Registrar, Secretary & Chief Operating Officer/ Director of the Student Experience**

5 Report of the Chief Financial Officer

Received: a report from the Chief Financial Officer. Key topics included:

- UMSS actuarial valuation
- Update on University budget and five-year plan progress.
- Impact of Silicon Valley Bank failure

Noted:

- a) The Finance Transformation Plan replan would be presented to the Committee in June. There was a delay on the Oracle upgrade but otherwise the CFO was comfortable with the level of progress.
- b) The deficit in the latest UMSS valuation now sat at £91m. Negotiations with the trustees would be concluded over the next few months and would include agreeing the deficit recovery payments.
- c) Whilst there were no members at the University, there may be an indirect impact of the current status of the Teachers' Pension Scheme. It was significantly underfunded and, whilst the government had paid for schools, universities were not public bodies and therefore not covered. This would mainly impact the Post-92 institutions who were likely to be against any increase in payments as it would negatively impact them, and this may then impact the sector as a whole.

6 January 2023 Management Accounts and Latest Forecast Position

Received: a report of the January 2023 accounts.

Noted:

- a) The significant positive variance to budget [REDACTED] – a number of factors, including high level of vacancies (not positive in reality) as well as a recognition that the University budgets very conservatively.
- b) The high level of vacancies remained an issue and was expected to continue. It was noted that vacancy level used to be at 2.5%, mainly representing turnover, and was currently at 10%.

[REDACTED]

- d) Members commented on:
 - i. Whether the matched research contribution would likely return to zero. It was expected to do so, dependant on timing, although it may then be affected by other issues.
 - ii. Where and how targets were set for international student diversification and it was suggested that a deep dive in this area might be useful.
 - iii. Whether there were plans for future cost of living payments. The payments were not expected to be repeated but there were discussions on whether further action could be taken particularly to support students who were struggling.

Action: to arrange a deep dive discussion on international student diversification targets.
Registrar, Secretary & Chief Operating Officer/ Governance Office

7 Moody's Credit Opinion

Received: an update on Moody's Credit Opinion published on 10 February 2023.

Noted: that the opinion would be impacted by the residences funding strategy as this would represent additional debt and potentially impact the University's credit rating.

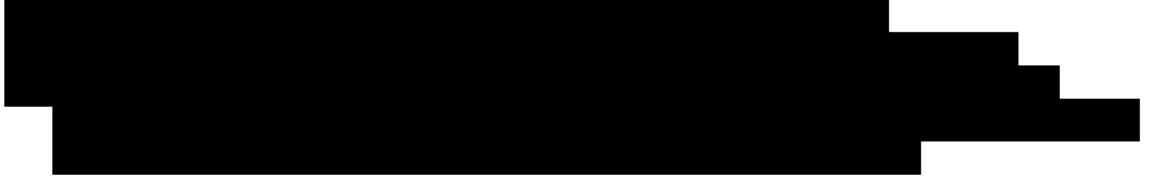
8 Satellite Entities: Update on Northern Gritstone

Received: the annual update on Northern Gritstone (NG) in accordance with the Satellite Entities framework. The Finance Committee's focus is looking forward and the potential

contribution of satellites to the University objectives and financial sustainability in the short, medium and long term.

Noted:

- a) University had a 2% shareholding in NG.
- b) Gritstone had a successful financial raise in 2022, including £30m from British Patient Capital. The related regulation changes would benefit the University in terms of protection.



Action: to provide further information on the financial impact of NG on the University.
Deputy President and Deputy Vice-Chancellor/ Deputy Director of Finance

9 Capital Programme Report

Received: the April 2023 Capital Programme Report

Noted:

- a) Level 5 of the Chemistry building had been handed over.
- b) The Museum had been completed with some snagging issues being addressed.
- c) Pankhurst had been handed over on 9 March 2023.
- d) Paterson was expected to complete on 19 April 2023. There was some work to do on operational readiness and moves were expected to start shortly. Members raised the issue of the funding gap and it was stated that this had been expected and was a concern. Methods to close the gap were being considered.
- e) The use of Booth St East for flexible learning projects was raised by members. It was noted that the flexible learning project had included funding for capital projects and the Booth St East project provided an opportunity for testing.
- f) A new format for the report is under development and is expected to be submitted to the June Finance Committee meeting.

Secretary's Note: Paterson had not completed on 19 April; completion was now scheduled for 28 April 2023.

10 Residences Redevelopment Programme: Project Update

Received: an update on the Residences Redevelopment Programme.

Noted:

- a) This update on the programme was presented to the Committee prior to recommendations being presented in June.
- b) Some enabling works had commenced and the University was engaging with planners.
- c) Refurbishment would allow Oak House to continue in use until the residence strategy was in development.



- e) The strategy was in two phases:
 - i. Fallowfield
 - ii. Whitworth Park – decision on this phase could be taken later once further information on supply and demand was known.

- f) Whilst the additional rooms were important, the pressing issue was in replacing the current stock.
- g) Members commented on:
 - i. The market conditions leading to the proposal of additional rooms. It was noted that both UoM and MMU had taken additional students over the pandemic which had led to higher demand and lower supply of student accommodation in the city. Recent changes to legislation meant that landlords were withdrawing from operating HMOs (Houses in Multiple Occupation) which was adding to the demand. Local authorities had tight control on student beds and some schemes had not been approved, the council were reviewing this. Every major city in the country had had issues with student accommodation in 2022.
 - ii. Whether there was a risk that the demand level would fall, noting that there was a demographic issue with a lower birth rate that was now impacting primary schools, however it would be another 13 years before this would impact universities. The University was working with the other local universities and the council to review the situation to ensure there was not an oversupply issue. The HMO sector was also expected to shrink further. There was also the potential to upsell to second and third year students if required. The demand and supply for the city need to be kept under close review.
 - iii. The level of engagement from the SU, and it was noted that there had been good discussion with the SU officers, and they were pretty well aligned with the strategy. Their main concern was in keeping rents as low as possible.

Action: to invite the new SU Union Affairs Officer to the June meeting. **Governance Office**
Action: to provide a visual diagram of the halls in future papers. **Director of Estates and Facilities**

11 Energy Contract

11.1 Energy Contract Update

Received and Noted: an update on the latest position of the University's energy contracts. Good progress had been made and members encouraged the University to look at fixing the pricing where possible.

11.2 cPPA contract Update: due diligence report on NTR

Received and Noted: the due diligence report on NTR the proposed energy supplier.

Agreed: to recommend approval of the due diligence report on the proposed energy supplier to the Board.

12 Suggested Revisions to Ordinance IX: Subsidiary and Other Undertakings

Received: Suggested Revisions to Ordinance IX: Subsidiary and Other Undertakings.

Noted:

- a) This formed part of a wider review of the University's Ordinance and Regulations; Ordinance IX relates to Subsidiary and Other Undertakings and requires some revisions to ensure the Ordinance aligned with current practice.
- b) Members requested clarification on:
 - the criteria referred to in the Ordinance.
 - that the role of Finance Committee in the governance of subsidiaries was not being removed.

Action: to provide further clarification on

- the criteria referred to in the Ordinance.
- that the role of Finance Committee in the governance of subsidiaries was not being removed.

Deputy Director of Finance

13 Update on Financial Policies Work

Received and Noted: an update on the ongoing work on updating financial policies. The Committee was assured that the policies were being reviewed.

14 Investment Sub-Committee report from 31 January 2023 meeting

Received and Noted: a report on the 31 January 2023 Investment Sub-Committee meeting.

15 Date of next meeting:

Noted: that the next meeting will be held on Wednesday 21 June 2023 at 9am.

Key items for discussion may include:

- Annual Budget - Operating Budget 2023-24 and 5 Year Plan
- Annual Budget - Capital Budget 2023-24 and Infrastructure Investment
- Residences Programme: Options Analysis and Procurement Strategy
- P&OD Transformation outline business case
- FTP Revised plan