

APPROVED Minutes



**FINANCE COMMITTEE**

**21 June 2023**

**Present:** Ms Caroline Johnstone (Chair), Ms Sam Bronheim, Mr David Buckley and Professor Dame Nancy Rothwell

**For Items 1-5** Dr Reinmar Hager

**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), Steve Jordan (Deputy Director of Estates and Facilities), Carol Prokopyszyn (Chief Financial Officer), and Kate Brown (Governance Manager) (minutes).

**As an observer:** Hannah Mortimer (incoming Student's Union Affairs Officer 2023-24)

**In attendance for:**

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

**Item 11.1:** Tracy Pinner (Head of People and Organisational Development Operations)

**Apologies:** Ms Philippa Hird and Diana Hampson (Director of Estates and Facilities)

**1 Welcome and Declarations of Interest**

**Noted:**

- a) Hannah Mortimer, the incoming Student's Union Affairs Officer 2023-24, was welcomed to the meeting as an observer in preparation for taking up the role in July 2023.
- b) That, following discussion at the Board, all items needed to include consideration of the Carbon Zero plan.
- c) There were no declarations of interest in relation to the agenda.

**2 Committee Business:**

**2.1 Minutes of the previous meeting: 19 April 2023**

**Received and Noted:** the minutes of its 19 April 2023 meeting.

**Approved:** the minutes of its 19 April 2023 meeting.

**2.2 Matters Arising**

**Received and Noted:** the Matters Arising/Action Log.

**3 Update on the cyber incident**

**Received:** an update on the latest position with the cyber incident and the finance related aspects.



#### 4 Annual Budget - Operating Budget 2023-24 and 5 Year Plan

**Received:** the proposed annual operating budget for 2023-24 and the 5-year plan.

**Noted:**

- a) The [redacted] cash generation metric was expected to be achieved from 2024/25 onwards which would significantly improve the University's financial sustainability. However, it was acknowledged that this level still restricted investment and there was significant unfunded revenue and capital investment.
- b) A price review of international student fees had led to the implementation of market driven pricing and an uplift in fees in some areas.
- c) A Task Group was being established to deliver the target of [redacted] research income growth pa. and maintain the margins (currently assumed to be lower than in the past).  
[redacted]
- e) A large part of the zero carbon plan remained unfunded. However, there was also a capacity issue of resource and expertise that would limit the extent to which the zero carbon plan could be implemented.
- f) Strategic spend comprised both the Strategic Change projects and now the Residences Programme (early stage spend including demolition costs). Spending on Strategic Change projects was expected to peak in 2024/25, largely due to the residences expenditure (which included Oak House demolition).
- g) Not all potential innovation income were captured as it was difficult to understand what these might achieve for the University. It was noted that the University tended to be prudent in its consideration of innovation and spin-out activity. A small number of deals accounted for 90% of the benefits in this area.
- h) Members comments included:
  - i) Clarification on the strategic investment funding and that demolition of the residences would be charged to revenue in the first year of the programme.

- ii) Key assumptions on the international student fee income, that the proportion of fee income from international would rise [REDACTED]  
[REDACTED] It was noted that detail in the plan was based on international v home fees; specific assumptions on different domiciles were not used – something to be addressed in future.
- iii) Whether there was potential for further increases in international student fee income. The Vice-President (Teaching, Learning and Students) was leading a review on pricing that would consider whether further movement was possible. It was acknowledged that there was potential risk in raising prices, however the University had always had high levels of applications. There was the potential for initiatives such as discounts or scholarships to be applied if there were areas of concern.
- iv) That, given the collecting bargaining process, pay costs could rise above the assumptions in the 5 year plans even without action from the University. However, there was concern from some areas of the sector that the pay increases were not affordable.
- v) The rate of vacancy “savings” included in the budget across the University was at c.5% overall. The plan still assumes more filled posts than the current run rate.
- vi) The potential additional financial opportunities over the next 5 years including the Campaign or income from spin-outs or licencing. It would be helpful to provide the Board with an overview of these areas.

**Agreed:** to recommend approval by the Board of the proposed annual operating budget for 2023-24 and the 5-year plan, subject to review of the impact of the cyber incident at the appropriate time (noting that this could be a substantial adjustment in some areas, such as strategic spend).

**Action:** to include a list of further opportunities within the paper for consideration by the Board.  
**CFO/ Deputy Director of Finance**

## 5 Annual Budget - Capital Budget 2023-24 and Infrastructure Investment

**Received:** the proposed annual capital budget for 2023-24.

**Noted:**

- [REDACTED]
- [REDACTED]
- [REDACTED]
- c) IT related LTM had been set at £2m, prior to the cyber incident.
- d) £5m was being set aside to support equipment match funding.
- e) The Centre for Radiochemistry Research (CRR) had been deprioritised in favour of focus on the condition of the Biological Services Facility (BSF). The BSF had recently been reviewed by external specialists which had identified major concerns. It was noted that there were likely external funding opportunities available for the CRR.
- f) The list of unfunded projects would be revisited in the autumn to ensure all potential projects were captured and that it was aligned with the Maintenance Strategy.
- g) Maintenance Strategy target of 80% of building at A or B condition could require [REDACTED] spend on LTM. [REDACTED]
- h) Members comments included:
  - i) Clarification on the funding requirements for the Residences Programme, [REDACTED]  
[REDACTED] It was noted that, as external funding was being sought for the residences, this was an indicative number for the plan

and would not be an issue. Plans for the Whitworth development were also likely to be on hold subject to a feasibility study.

- ii) The [REDACTED] the bond repayment had been an aspiration, however as repayment was not due until 2053, it was considered that these funds might be better placed in supporting investment. Nevertheless, repayment of the borrowings would have to be addressed and the Committee was concerned not to leave a legacy issue for future boards.
- iii) Clarification that funding for LTM and carbon zero works would be combined into a full plan for each building.
- iv) The opportunity for a structural review of the estate through the LTM projects. The LTM projects would allow the opportunity for a review of the use of space including consolidation of space and providing more student space. These will be considered in the individual business plans as they are developed.
- v) A one page summary of all the current unfunded projects (capital, strategic, revenue) was requested for the Board discussion and to track and provide clarity.

**Agreed:** to recommend approval by the Board the proposed annual capital budget for 2023-24, subject to review of the impact of the cyber incident at the appropriate time (noting that this could be a substantial adjustment in some areas).

**Action:** to arrange a tour of the BSF for Finance Committee members before the Board meeting in July if possible. **Deputy Director of Estates and Facilities/ Governance Office.**

## 6 Management Accounts

**Received:** the March 2023 accounts and the Q2 forecast and the April 2023 accounts.

**Noted:**

- a) The accounts showed that the University was at or around budget.
- b) The underlying contribution is forecast to be a surplus [REDACTED] less than budgeted.
- c) The financial impact of the cyber incident will be tracked and the best way of representing this in the accounts identified.

## 7 Report of the Chief Financial Officer

**Received:** the update report from the CFO.

**Noted:** a fuel and power review was being conducted with KPMG to review the University's risks regarding the VAT on fuel. An update would be presented to committees in September.

## 8 Residences Redevelopment Programme: Outline Business Case Update

**Received:** an update on the Outline Business Case for the Residences Redevelopment Programme.

**Noted:**

- a) Public consultations had been held as part of the planning process for the demolition phase and had had a broadly positive response.
- b) The Committee was being asked to support the start of the procurement stage for the DBFO partners and with the demolition site clearance. There was no requirement for a commitment to either the DBFO model or the partner at this stage and the options of either income strip or bond versions of the DBFO model will be kept open.
- c) The University taking on the site clearance and demolition stage would de-risk the project for the prospective partner as planning permission was required for the

demolition. Engagement with the city council had showed that they were comfortable with the demolition plans.

- d) The SU Union Affairs Officer commented that from a student perspective, the DBFO model appeared to be the best option to allow the University to retain an amount of control. It was also considered that the demolition process would be a visible sign that the programme is progressing.
- e) Members expressed concern about the impact of any fall in demand in the future. It was noted that, in the DBFO model, the demand risk would be with the partner not the University. It was suggested that this needed to be made clear when the paper was presented to the Board.
- f) Currently the University guaranteed accommodation for first year undergraduate and international postgraduate students, this could be expanded if at any point supply outstripped demand. It was noted that currently there was a low conversion rate for international postgraduate students taking up University accommodation places as the current stock did not meet their needs.
- g) 1,000 additional good value rooms had been secured for 2023-24 to help to ease the accommodation issues that had arisen in September 2023. It was noted that applications for accommodation had risen by 94% for international postgraduate students and by 50% for returning students.

**Agreed:** to recommend approval by the Board of the Outline Business Case (OBC) update.

**Action:**

- i) To provide clarity in the paper to the Board on the potential risks to the University of any fall in demand. **Director for the Student Experience/ Director of Estates and Facilities**
- ii) To include the location map (with key information such as number of beds in each hall etc) as an appendix to each residences paper going forward for ease of reference. **Director for the Student Experience/ Director of Estates and Facilities**

## 9 Maintenance Strategy

**Received:** a report on the current maintenance position including LTM.

**Noted:**

- a) Investigations have shown that the work is more complex than original thought which is making it difficult to produce accurate costs at this stage. Therefore, a further paper with costs of the LTM programme included will be presented to committees in the autumn.
- b) Further work was also required on the decant strategy to allow works to commence within buildings.
- c) Zero Carbon work would be included in any works programme on a building and consideration would be given to the potential of repurposing or demolishing and rebuilding buildings as appropriate.
- d) There was also difficulty in balancing the reactive (revenue funded) and preventative maintenance (capital funded) required across the campus and the impact on ongoing revenue funded maintenance activities such as painting. Members were concerned that preventative maintenance schemes should be implemented as soon as possible.

**Approved:** the target of 80% buildings at A or B condition level.

**Action:** to include further information on the proportions of reactive and preventative maintenance in the next paper. **Deputy Director of Estates and Facilities**

## 10 Capital Programme Report

**Received:** a new format report on the capital programme.

**Noted:** that Paterson had not yet achieved practical completion, this was now expected by 7 July 2023. However, this had not impacted the University's move into the building. The University had moved out of Alderley Park and the lease had ended.

## 11\* Strategic Change Summary Report

**Received:** an overview report of the Strategic Change portfolio.

**Noted:**

- a) There would be an impact on the Strategic Change portfolio due to the cyber incident, particularly where there was a heavy reliance on IT resources including changes to the IT programmes or where the technical environments in which projects were working in had been restricted.
- b) Members found the paper relating to the clarification on the processes of allocation and drawdown helpful. Although the Chair requested that this be revisited in the future so as to further understand if any changes leading to the Outline Business Case and Full Business Case submissions would be needed. This would be revisited in due course.

### 11.1 People & OD Transformation Programme Update and Interim Investment Request

**Received:** an update on the People & OD Transformation Programme and an Interim Investment Request [REDACTED] to enable progress to Outline Business Case.

**Noted:**

- a) This funding request takes the total funding to date to [REDACTED]
- b) The programme carries a [REDACTED] allocation across 3 projects:
  - a. [REDACTED] has been agreed by SCSC to be transferred to the P&OD operational budget to progress the 'Strategic Capabilities' project, reducing the overall allocation to [REDACTED]. This project will be overseen by the People Committee.
  - b. A further [REDACTED] has been approved by SCSC to undertake the 'Tactical' project. In relation to the query raised in the meeting re why SCSC have approved the [REDACTED] it was shared that as the project's cost to completion is [REDACTED] and therefore is under [REDACTED] scheme of financial delegation then SCSC had the delegated authority to approve.
  - c. The remaining allocation is therefore being reserved for the 'Strategic Infrastructure' Project. Therefore, as this project currently holds an allocation of [REDACTED] then it requires the approval of the Board of Governors per the scheme of financial delegation.
- c) The 'Strategic Infrastructure' project was reviewing the long term future of People and OD and the operating model and strategic technology required to support it.
- d) Whilst the programme would likely now be delayed further, given the strain on IT resources caused by the Cyber incident, the team were moving forward in looking at progressing activities which were not reliant on IT colleagues.
- e) Members comments included:
  - i. The spending included in the [REDACTED]. This would mainly cover staff time, a significant proportion of which would have been for IT which may not be used within the timeframe.

- ii. That once the Outline Business Case was presented to the Committee there needed to be additional clarity on the approvals already granted and at what level.

**Agreed:** to recommend for approval by the Board the interim funding request of [REDACTED] for the P&OD 'Strategic Infrastructure' workstream to enable it to progress to Outline Business Case. To be reported back regularly, and expected spend of much less as IT resource would not be available.

**Action:** to provide further clarity on the approvals already granted and at what level alongside the Outline Business Case. **Director of People & OD/ Head of People & OD Operations**

## 11.2 Finance Transformation Programme Update

**Received:** an update on the Finance Transformation Programme.

**Noted:**

- a) The new Programme Manager was now in post and was implementing a cultural reset with team and reviewing the scope of work over the next few months given the strain on IT resources. This immediate priority is to develop the plan to get to the 90-day plan.
- b) As IT resource is not available, some level of tasks ongoing for the Finance team such as data cleansing and process mapping.
- c) A further update will be provided in September as the 90 day period would have commenced providing a clearer view on the overall timeline.

**Action:** to provide a further update at the next meeting. **CFO**

## 11.3 International Student Diversification Project FBC

**Received:** the Full Business Case for the 'International Student Diversification' Strategic Project including the request for additional funding of [REDACTED] is requested to support the ISD scholarship offer and associated funding up to 2025-26.

**Noted:**

- a) This funding request takes the total funding to date to [REDACTED]. As the project is over [REDACTED] but less than [REDACTED] this means that it requires the approval of Finance Committee.
- b) Funding request will ensure yearly scholarships can be promoted as per the annual scholarship cycle and without delay to optimise scholarship promotion period to target international markets.
- c) Scholarships are a key part of the recruitment process for the target markets and particular countries were more sensitive to incentive schemes than others.
- d) An OfS letter had highlighted concerned with institutions' strategic dependence on specific countries. Whilst the University's finances were sufficient that this was not an immediate threat to its sustainability, there was likely to be increased regulatory overlay in this area.
- e) Diversification would also support the wider student experience providing more diverse classes. The project would also see recruitment of international students to a wider range of courses.
- f) There was likely to be an ebb and flow of international student recruitment over the period, due to various reasons including cultural and geopolitical developments.
- g) Whilst this has been formed as a project, it will run beyond the 5 year plan period and eventually become part of business as usual.

h) Members comments included:

- The reduction of China intake each year [REDACTED] It was noted that the University currently received a large number of applications from China and work would be done with agencies etc to reduce the number and improve the selection process.
- How scholarships were publicised. These would be highlighted through agencies and alumni associations and other contacts.
- Queries around when this would be seen as “business as usual” and reflected as lower tuition fees in the 5 year plans and budgets.

**Approved:** the full business case funding of [REDACTED] to support the ISD scholarship offer and associated funding up to 2025-26.

## 12 Endowments Total Return

**Received:** a proposal that the University adopts a policy of Total Return for its endowments.

**Noted:**

- a) This proposal builds on discussions held in 2020. It would allow the University to utilise some of the permanent capital from the endowments.
- b) External advice had been received from Eversheds and was now being obtained from specialist charity accountants.
- c) The adoption of Total Return has to be applied to each endowment individually and therefore individual resolutions will be required.
- d) If the money unlocked for an endowment as a consequence cannot be fully utilised in accordance with the endowment’s terms then it might be deemed to have partially “failed or determined”. Under the terms of the University’s Act of Parliament the University has the right to transfer some of those funds to an endowment with similar but broader terms.
- e) The adoption of Total Return was an opportunity to unlock the endowments and free up these funds for use by the University.
- f) A proposal on the specific methodology and the resolutions for each endowment will be submitted to committees in the Autumn.

**Agreed:** to recommend to the Board the adoption of Total Return.

## 13 Public Contracts Regulations

**Received:** a proposal that the University’s position as a Contracting Authority under the Public Contracts Regulations (2015) is considered by the Committee and the Board.

**Noted:**

- a) If this proposal is agreed then the residences programme would be the first project to use this route. It is likely it would only be used for large capital programmes and existing processes would continue for the bulk of procurement.
- b) Opting out of the Public Contracts Regulations needs to be done publicly on an annual basis.

**Agreed:** to recommend that the Board consider the University’s position as a Contracting Authority under the Public Contracts Regulations (2015).

**Action:**

- i) to add review of the position as a Contracting Authority under the Public Contracts Regulations to the regular items for the Committee and check if this can be by Finance Committee approval or would always need Board approval also. **CFO/ Governance Office**



- ii) to consider a presentation on the procurement team and processes for the future meeting. **CFO/ Governance Office**

#### **14 Satellite Entities: Update on Manchester Science Partnership**

**Received:** the annual update on Manchester Science Partnership in accordance with the Satellite Entities framework.

**Noted:**

- a) Members suggested that a comparison with other science parks would be useful. It was suggested that this would be considered and included in the report for next year if possible.
- b) Members also asked about the fit with ID Manchester. It was noted that the major shareholder in MSP was Bruntwood who was also the partner for ID Manchester and this provided further opportunities for collaboration.
- c) A workshop was being held in the next month by MSP to review the bigger picture regarding the Oxford Road Corridor.

**Action:** to consider the comparison to other science parks and include in the report for 2024.  
**Deputy President & Deputy Vice-Chancellor/ Deputy Director of Finance**

#### **15 ID Manchester and Northern Gritstone - Impact on the University Financial Statements**

**Received and Noted:** an overview of the impact of ID Manchester and Northern Gritstone on the University's balance sheet.

#### **16 Financial Thresholds**

**Received and Noted:** the revised financial thresholds for Planning and Resources Committee and Finance and Capital Planning Sub-Committee level and below.

#### **17 Insurance Annual Review**

**Received:** the annual insurance review.

**Noted:**

- a) The work that had gone into the risk mitigation and negotiating the premiums was acknowledged.
- b) The University was not covered for the cyber incident, this is due to reluctance from insurers to cover universities in this area.
- c) The insurance was in place from 1 June 2023, therefore the cyber incident had not impacted the implementation of the premium.

#### **18 Provisional Dates of Meetings in 2023/24**

**Noted:** the provisional dates for meetings in 2023-24:

25 September 2023, 2pm

08 November 2023, 11am, followed by joint meeting with Audit and Risk Committee, 1pm

05 February 2024, 2pm (TBC)

23 April 2024, 2pm

03 July 2024, 11am

Key items for discussion at the 25 September meeting may include:

- Endowment Budget for 2023-24
- Scenarios for going concern review – 18 month outlook
- Update on the impact of the Cyber incident on the Strategic Change portfolio

- People & Organisational Development (P&OD) Transformation outline business case
- Finance Transformation Programme (FTP) Update
- IDM update
- UMSS actuarial valuation

## **19 Any other Business**

### **19.1 Committee Papers**

**Noted:** that it would be helpful, particularly for new members of the Committee, to have a store of useful committee papers for reference (ID Manchester etc).

**Action:**

- i) to forward suggestions for useful reference papers. **All**
- ii) to consider the creation of a store of reference papers. **Governance Office**

### **19.2 Thanks to the outgoing Students' Union Affairs Officer and the Director Transformation Programme**

**Noted:** the outgoing Students' Union Affairs Officer, Ms Sam Bronheim, and the Ms Beth Dodd, Director Transformation Programme were both attending their last meeting of Finance Committee. The Chair thanked Ms Bronheim for her contributions to the Committee over the last year. The Chair thanked Ms Dodd for her support to the Committee and the Strategic Projects.