

APPROVED Minutes



FINANCE COMMITTEE

25 September 2023

Present: Ms Caroline Johnstone (Chair), Mr David Buckley, Ms Philippa Hird, Ms Hannah Mortimer 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).

Apologies: Dr Reinmar Hager and Matt Atkin (Director of Planning)

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: 21 June 2023

Received: the minutes of its 21 June 2023 meeting.

Noted:

- a) Discussions were ongoing with the BSF team to arrange a date for a tour of the facilities.
- b) The Fuel and Power Review was ongoing. The threshold for the entitlement to reduced rate for VAT was greater than 60%, currently the University fell just under for South Campus, therefore, this was being reviewed further and may be discussed with HMRC.
- c) Paterson completion had been achieved and the building was now occupied.
- d) Whilst it was too early in the academic year to report on International Student entry, there were encouraging signs that there had been some diversification in the spread of countries.

Approved: the minutes of its 21 June 2023 meeting.

2.2 Matters Arising

Received and Noted: the Matters Arising/Action Log.

2.3 Chair's Action: Chemistry Phase 3

Received and Noted: a report on the Chair's action taken to approve the Chemistry LTM Refurbishment Project – approval to proceed with Phase 3. The higher costs

to date had been covered by contingency, however as they continued to increase there would be further review before proceeding to the next phases.

Agreed: to endorse the Chair's action taken to approve the Chemistry LTM Refurbishment Project – approval to proceed with Phase 3.

2.4 Finance Committee Terms of Reference and Membership 2023/24

Received: the Finance Committee Terms of Reference and an update on current membership.

Noted:

- a) That an additional member to fill the vacancy was in the process of being appointed.
- b) There was discussion about the President and Vice-Chancellor's position as a full member of the Committee. This had been the long-standing arrangement and she was a full member of the Board. It was suggested that this was considered against practice across the sector.

Action: to consider the President and Vice-Chancellor's position as a full member of the Committee and review against practice across the sector. **RSCOO/ Governance Office**

2.5 Finance Committee Forward Agenda 2023/24

Received and Noted: the Finance Committee Forward Agenda for 2023/24

Action: to have a discussion with the Chair on further items for the Forward Agenda. All members to provide any input/suggestions. **CFO/Deputy Director of Finance/ Governance Office**

3 Update on 5 Year Plan and Budget following Cyber Incident

Received: an update on the ongoing response to the cyber incident and an update on the impact on the 5 Year Plan and Budget.


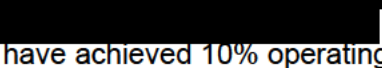


Approved: the update to the 5 Year Plan and Budget.

4 Year End Management Accounts (July 2023)

Received: an overview of the year end management accounts.

Noted:

- a) 
 Excluding strategic projects and demolition costs, we have achieved 10% operating cash generation compared to income.
- b) Whilst Home student income had decreased, there was an increase in international student income.
- c) There are many areas where we were both ahead and below budget – the results include £18m higher cost of living payments but conversely funding body grants and other income were significantly ahead of budget. The Committee spent some time reviewing the overall bridge presented by the management team and understanding one off versus potential ongoing impacts.
- d) Pension adjustments showed the USS favourable to budget as a consequence of the deficit repayments and lower staff cost base. The GMPF actuarial calculations show the scheme as a pension asset however the University cannot recover this asset and hence an actuarial loss adjustment of £14.5m has been made to take it back to £nil asset / liability (consistent with 2021/22). The University was working with GMPF to de-risk the holding.
- e) Members commented on:
 - i. The fluidity of the finances related to the residences programme going forward. It was noted that this was due to a number of upfront costs, e.g. demolition costs, which were being taken from revenue, the majority of costs would be met from capital going forward.
 - ii. That whilst all of the University's surplus would be reinvested back into funding strategic and other projects, the level of these investment demands outstripped the levels of surplus and cash being generated e.g. to fund projects such as Zero Carbon, the need to respond to the LTM issues across the estate and the residence programme. This was an important message when communicating results - external funding would be sought as appropriate (see the funding strategy update paper) but continuing to improve our surplus position is an important focus for the University.

5 Going Concern Assumptions

Received: an overview of the Going Concern assumptions.

Noted:

- a) A number of scenarios had been developed and updated to reflect, for example, the impact of the cyber incident.
- b) Proposed mitigations included cutting strategic expenditure. Members queried whether this was achievable given the level of strategic spend on headcount. It was reported that the current level of vacancies within the University as well as the level of fixed term contracts would assist in this area.

Approved: the proposed scenarios to be modelled for the purposes of assessing going concern.

6 University Funding Strategy

Received: an overview of the University's funding strategy.

Noted:

- a) Members welcomed the report and the clarity provided on the University's funding strategy. It was suggested that it would be a useful overview for the Board alongside the update on the residences programme. The Committee endorsed the current borrowing constraints and liquidity requirements [REDACTED] [REDACTED] which suggests headroom for additional borrowing of no more than [REDACTED] excluding the Revolving Credit Facility (currently not used) or [REDACTED] including the RCF.
- b) There were ongoing discussions with Moody's about the potential implications of the DBFO model on the University's credit rating and whilst it was likely that there may be a small shift in the rating, this would only impact if the University chose to secure additional borrowing itself. The University's rating was still mostly impacted by the UK sovereign credit rating.

Agreed: to support the University's funding strategy.

Action: to discuss presentation of the paper to the Board. **RSCOO/CFO/Governance Office**

7 HESA and Russell Group 2021/22 Financial Benchmarking

Received: a report on the financial benchmarking for 2021/22.

Noted: Members suggested that comparison with selected Post-92 institutions in specific thematic areas could be useful. However, it was noted that they had different challenges that would make overall comparisons difficult. It was suggested that comparison with Greater Manchester based universities might be useful.

Action: to consider whether some comparisons with Post-92 institutions would be useful in some areas, particular those within Greater Manchester. **Deputy Director Finance/ Director of Planning**

8 Endowment Budget for 2023/24

Received: a proposed endowment budget for 2023/24.

Noted:

- a) There was over £200m in the University's endowments which needed to be appropriately managed. There were specific clauses in some endowments which dictated how they could be used. The Total Return process would also be used to ensure that best use was made of all the endowments.
- b) Members asked whether there was a clear understanding of the processes across the University, and it was acknowledged that staff changes meant that this may not be fully clear, therefore the Finance team would be consulting with colleagues to ensure this. It was noted that there was specific coding and approval embedded with Finance systems and the issue was with underspending on the funds rather than misspending.

Approved: the endowment budget for 2023/24.

Action: to provide more understanding on the processes being established in future reports. **Deputy Director of Finance**

9 Update on Residences Programme

Received: an update on the residences programme.

Noted:

- a) Since the last meeting there had been some soft market testing, a demolition contractor had been appointed for Owens Park and refurbishment had been completed on Oak House.
- b) The cost consultants had provided some revised costings. It had been agreed to go out to market for 2,300 beds initially with the option to raise to the 3,300 beds if and when appropriate.
- c) The first stage of expressions of interest was now out to the market.
- d) The outline planning was with the City Council with a planning decision expected in early 2024.
- e) Members comments included:
 - i. The likely number of bidders for the project. Due to the size of the project, it was considered likely that there would be one overall bidder with a number of contractors underneath.
 - ii. The potential timescale for some level of confidence on likely costs. It was considered likely that bidders may not commit to a single figure up front and therefore there would be an agreed figure for the first phase costs with a mechanism developed for agreeing further costs. It was hoped that the developers would identify potential cost savings as part of the consultation process, however it was likely that there would be trade-offs needed to meet any savings.
 - iii. The potential impact of the reduction in the number of beds. The team would be meeting with the Students' Union to discuss these issues. It was noted that the reduced number was for this initial procurement exercise, and it was hoped that the full number of beds would be achieved by the end of the project.
 - iv. The need to ensure that the Board had clarity on the process as it progressed and understood the complexities involved.

10 Strategic Change Summary Report

Received: an overview of latest position on the Strategic Change projects.

Noted:

- a) The snapshot of the projects was from before the cyber incident, higher importance would be placed on IT programmes going forward.
- b) Benefits gained to date included an improved experience for students and improvements in staff use of the systems.
- c) The full impact of the cyber incident on strategic projects was not yet known. Each programme had been asked to prepare a plan by the end of October for internal management debate.
- d) Members comments focused on the need to provide clear evaluation and data on improvements and the benefits gained from the change programmes, particularly as most benefits are non-financial. It was commented that the lack of benefits targets and tracking was highly unusual, and it is important governance for the University to address this. It was reported that the new Director of Transformation had been tasked with looking at the benefits realisation data.

Action: to add a discussion on the tracking and presentation of benefits realisation data to the forward agenda. **Director of Planning/ Director of Transformation**

10.1 Update on Finance Transformation Programme (FTP)

Received: an update on the latest position of the FTP.

Noted:

- a) There had been some progress but there remain concerns about the timescale. A schedule of dates had been developed to track progress on the plan.
- b) A concern remained on the IT resource available due to the response to the cyber incident.
- c) Members asked about the Ernst and Young (EY) assurance report and it was confirmed that it had proved valuable as it had unearthed some issues that were now being worked through.
- d) Work was ongoing on the development of the culture within Finance and the alignment of the Finance and IT teams. It was noted that the CFO and the Director of IT Services were aligned, and their direct reports had clarity on their roles, this now needed to be spread throughout both teams.

11 Treasury

11.1 Treasury Annual Report

Received: the Treasury annual report and request for approval of an amendment to the bank mandate.

Noted:

- a) A bank account had been established for Cost of Living payments to students to enable tracing. However, there was a concern on the number of bank accounts the University had overall.
- b) A change was proposed to the current bank mandate: *to permit either two A signatories or one A and one B signatory to approve a payment*. It was noted that A signatories included the RSCOO, CFO and Deputy Director of Finance. B signatories included a range of senior Finance Staff. Members were supportive of the change but suggested that further consideration was given to this arrangement to ensure further protection (i.e. having a line manager and their reportee signing one payment). It was noted that a record of the supporting evidence was always prepared for each document but that it would be reviewed. It was also noted that the Uniac internal audit plan for 2023/24 included a review of the Treasury Management Policy.

Agreed: to support the change in the bank mandate in principle subject to a review of the arrangements.

Action: to ensure the bank mandate arrangements were included in the internal audit review of treasury. **CFO**

11.2 Treasury Management Policy

Received and Noted: an updated Treasury Management Policy for 2023/24, with minor amendments following a full review in 2022.

Approved: the updated Treasury Management Policy for 2023/24

12 UMSS Actuarial Valuation

Received: an overview of the UMSS actuarial valuation.

Noted:

- a) The scheme was now closed to new members but was still expensive to the University.
- b) Work was being undertaken with the trustees to further develop the investment strategy to reduce future risk and they were now looking to areas such as zero carbon investments.

Approved: to approve the report.

13 Tax Strategy

Received: an updated Tax Strategy for 2023/24.

Noted:

- a) Amendments related to minor changes to reflect the complexity of tax regulations in all countries. Members commented that the covering paper possibly suggested rather more significant wording changes than was in fact the case.
- b) Members asked about the position of payroll within People and OD rather than Finance. Whilst this was not unusual in the sector, it was under review.
- c) Members asked about the potential overseas tax risks. It was confirmed that there was low level of risk in the University's exposure to overseas tax regulations but still a risk as countries change their rules.

Approved: an updated Tax Strategy for 2023/24.

14 Pension Matters

Received: an overview of pensions governance and the proposed Pensions Committee.

Noted: There was general support for the establishment of the Pensions Committee, however members requested that further consideration be given to the governance arrangements and the roles of the Chair of the Board and Chair of Finance Committee in responding to consultations.

Action: to give further consideration to the governance arrangements and the roles of the Chair of the Board and Chair of Finance Committee in responding to consultations. **CFO**

14.1 Response to USS Consultation

Received and Noted: The University's response to USS AV23 Technical Provisions.

15 Investment Sub-Committee Report

Received: a report on items considered by Investment Sub-Committee in June 2023.

Noted:

- a) That Investment Sub-Committee considered the Investment Beliefs and Objectives and Investment Strategy and recommended to Finance Committee and the Board that the current investment beliefs and objectives were retained and that an update to the investment strategy for the endowment investment portfolio be approved.
- b) That Investment Sub-Committee approved:
 - 2022 Responsible Investment Report

- Minor changes to the Investment Sub-Committee Terms of Reference.

Agreed: To recommend that the Board approves retention of the current investment beliefs and objectives and the update to Investment Strategy.

16 Dates of Meetings in 2023/24

- Wednesday 8 November 2023, 11am, followed by joint meeting with Audit & Risk Committee at 1pm.
- Monday 5 February 2024, 1.30pm
- Tuesday 23 April 2024, 2pm
- Wednesday 3 July 2024, 10.30am