

**APPROVED Minutes**



**FINANCE COMMITTEE**

**5 February 2024**

**Present:** Ms Caroline Johnstone (Chair), Mr David Buckley, Mr Guy Grainger, Ms Philippa Hird, Dr Reinmar Hager, Ms Hannah Mortimer and Professor Dame Nancy Rothwell.

**In attendance for all items:** Matt Atkin (Director of Planning), Louise Bissell (Director of Financial Services), Professor Luke Georgiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Diana Hampson (Director of Estates and Facilities), Gemma Lyons (Head of Faculty Finance, FSE) (observer), Carol Prokopyszyn (Chief Financial Officer), and Kate Brown (Governance Manager) (minutes).

**In attendance for item 3:** John Holden (Associate Vice President, Major Special Projects)

**In attendance for item 4:** Tom Pattinson (Director of Transformation) and Richard James, (Head of Strategic Projects and Programme Delivery)

**1 Welcome and Declarations of Interest**

**Noted:** Guy Grainger declared that his employer, JLL, had been instructed by the University on the sale of St Peter's House. He is not involved in the sale.

**2 Committee Business:**

**2.1 Minutes of the previous meeting: 8 November 2023**

**Received and Noted:** the minutes of the 8 November 2023 meeting.

**Approved:** the minutes of the 8 November 2023 meeting.

**2.2 Matters Arising**

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

**Noted:**

- a) Action 1 – Biobank – A benefits tracking framework had been developed and would be reported at the appropriate time.
- b) Action 8 – Public Contracts Regulations – It was noted that the National Audit Office would be conducting a review of universities as public bodies. The review would likely report in 2025 and there should be some consideration about how this may impact the University.
- c) Action 9 – Update on Manchester Science Partnership - It was confirmed that other science parks or equivalent centres would be identified as benchmarks for comparison within the 2024 report.
- d) An update was provided on the Sunday Times recent reporting on international student entry grades which was a misrepresentation of the University's position. It focused on Foundation Year entry where the

University's policy is clear that it does not guarantee entry to the degree programme. The Committee discussed the strong academic requirements for students to pass the Foundation Year and progress to a full University degree programme. A Uniac review would be commissioned to ensure that the procedures were being followed correctly by all agents. There was a concern that this report might create further government intervention in international recruitment. However, a recognition that public debate about the future of higher education funding would be welcomed in a more appropriate context.

**Action:** To review a revised and refreshed Finance Committee Forward Plan at the next meeting. **Governance Office.**

### 3 ID Manchester and Regional Innovation Update

**Received:** an update on ID Manchester and Regional Innovation Update.

**Noted:**

[REDACTED]

- d) It was noted that the University was in a strong position with the JV partner and able to advocate for the focus on ID Manchester.
- e) Members raised the issue of the business property sector, highlighting the current concerns with the sector in the US. Whilst it was unknown what the impact on the future rental market might be, it was noted that sci/tech space was performing better than generic office space. Investing in the ecosystem upfront would be critical for the success of the project.
- f) The University was undertaking a Regional Innovation Review (RIR) which was expected to report in June 2024, providing a robust, independently-verified analysis of the University's current, and future potential role in driving the region's innovation ecosystem.

### 4 Approach to Change

**Received:** a presentation on the approach to change for major projects.

**Noted:**

- a) Five key areas of focus were identified to improve the delivery of strategic change in the university:
  - Portfolio shaping – Reviewing the portfolio to confirm alignment to the strategic plan, and key gaps in this regard/ demand that is currently unfunded, opportunities for reprioritisation and the balance of foundational vs transformational delivery in the portfolio.

- Approach to delivery – moving away from a “one size fits all” model, including greater use of continuous improvement, within a framework and different delivery methodologies to suit the context of a programme.
  - Decision-making and approvals – creating business cases and associated financial approvals more rapidly in the lifecycle of a project to create more clarity up front and reduce the subsequent process burden to enable more focus on delivery/ outcomes.
  - Reporting and benefits – Clearer portfolio-level reporting suitable for Executive and Board audiences: emphasis on outcomes, benefits/ measures (not process) and materiality/ exception reporting.
  - Design and delivery assurance – Greater application of best practice techniques in relation to clarity of accountability, peer review, readiness, and targeted use of external assurance and portfolio-level interventions where projects are not ready to deliver.
- b) Members stressed the importance of focusing on the destination, the outcomes and benefits (not process) and clarity of accountability. It was noted that it was unusual for a portfolio of this scale to have so little declared financial benefit, this needs attention, as well as much clearer articulation of non-financial benefits and there are some gaps in measurement which will need consideration (for example in relation to how staff satisfaction is currently measured).
  - c) The shift required from a people perspective and cultural issues (in relation to devolved decision making) that can impact the implementation of change, including considerations around incentivising behaviours, were acknowledged.
  - d) Members noted the challenge in relation to balancing foundational and transformational initiatives, and that greater clarity was required regarding the mix of these within the portfolio, which could identify future choices and decisions. It is likely that the current programme will need to be expanded to include much bolder transformational projects but there is still significant catch up foundational (infrastructure) catch up work to be completed.
  - e) Members endorsed the problem diagnosis, and the intent and broad direction of travel within the new approach, whilst emphasising the need to see specific examples in future Committees of how this approach is being applied.

## 5 Endowments

### 5.1 Endowments and the Adoption of Total Return

**Received:** an update on the adoption of Total Return and a proposal for the delegation of authority to Finance Committee to approve the relevant documentation.

**Noted:**

- a) The Board approved the adoption of Total return in July 2023 to ensure that the University was making the best use of the money that was donated, in line with donor wishes, if that was still possible.
- b) Due to the level of paperwork required to restructure each endowment, it was suggested that the Board delegated this responsibility to Finance Committee.
- c) It was clarified to members that each trust deed was very similar with only minor changes to clauses as required dependant on the original purpose of the endowment.
- d) The process for budgeting for and spending of the funds from all of the endowments was being reviewed and would be presented to a future meeting.

- e) Members asked a number of questions around the process of developing the plans, external advice taken and were assured on the robust approach taken.

**Agreed:** to recommend to the Board of Governors that delegated authority is given to Finance Committee to approve the relevant documentation for the adoption of Total Return and the proposed restructuring of some of the endowments, with the exception of any individual or merged endowments that are over £20m in value in accordance with the current Financial Thresholds.

## **5.2 Endowment Restructure Project (Phase 2): Endowments Transferred into Existing Merged Expendable Funds**

**Received:** a proposal to transfer a number of endowments into existing merged expendable funds.

**Noted:** These endowments were originally reviewed (and approved) as part of the restructure project in 2019/20 and further research was requested to ensure that the terms of the endowments would not preclude this. Whilst the pandemic had delayed this, the work had now been completed.

**Agreed:** to recommend to the Board to:

- Re-approve the moving of these funds into existing merged expendable funds subject to resolving any final queries.
- Approve the revised trust deeds and supplementary deeds.

## **5.3 New Merged Ashburne Hall Fund**

**Received:** a proposal for a new merged Ashburne Hall Fund.

**Noted:** There was a long history and associations with Ashburne Hall which had led to a number of endowments. The new merged fund would allow these to be managed more appropriately.

**Agreed:** to recommend to the Board to:

- Reapprove the merging of these ten funds into one new merged fund.
- Approve the new merged endowment trust deed.
- Approve the public benefit statement which sets out in more detail what the new fund can be used for.

## **6 Subsidiaries Report for the year ended 31 July 2023**

**Received and Noted:** a report on the University's subsidiaries 2023 year end results.

## **7 Shares in Spin-Out Companies**

### **7.1 Innovation Factory Proposal for Sale of Listed Shares in Spin-Out Companies**

**Received:** a proposal from Manchester University Innovation Factory (UMIF) for a procedure to sell listed shares in University spin-out companies.

**Noted:**

- a) There was little rationale for the University to hold onto shares in spin-out companies in perpetuity and a clear process was required to ensure that there were able to be sold efficiently at an appropriate point.

- b) The proposed process would allow shares to be sold promptly when the company reached IPO. There would be consultation with the company to ensure that it was an appropriate point for the sale.
- c) Members questioned whether policy to sell all shares, subject to consultation with the company, was appropriate and whether concerns would be raised about companies where the sale did not progress.
- d) The length of the sale window was also questioned with a 3 to 5 year period being suggested.
- e) Further work on the policy and the comparison with other institutions policies in this area was requested before returning to Finance Committee.

**Action:**

- (i) To further review the policy including the consultation process and the timeframe. **Deputy President and Deputy Vice-Chancellor/ CFO**
- (ii) To review other institutions policies on the sale of spin-out company shares. **Deputy President and Deputy Vice-Chancellor/ CFO**

## 7.2 Sale of [REDACTED] shares

**Received:** a proposal for the sale of the University's shares in the [REDACTED] spin-out company.

**Noted:** Given the discussion on the policy for sale of shares in spin-out companies (Minute 7.1), it was suggested to hold the consideration of the proposal for the sale of shares in the [REDACTED] spin-out company until the policy was approved.

**Action:** To return the proposal to the Committee once the policy has been reviewed. **Deputy President and Deputy Vice-Chancellor/ CFO**

## 8 University Investments - Task Force For Climate Related Financial Disclosures (TCFD) Report For The Year Ended 31 July 2023

**Received:** the Task Force For Climate Related Financial Disclosures (TCFD) Report on university investments for the year ended 31 July 2023.

**Noted:** This report only referred to the University's investments and not to University activity as a whole. This was not currently a mandatory report but provided transparency on the University's activity in the area of endowments investment.

**Agreed:** Subject to a number of amendments to the text to ensure clarity that the report referred the University's investments only and the role of the Board, the Finance Committee and Investment Sub-Committee in monitoring this activity, Finance Committee recommended the report to the Board for approval for publication.

## 9 November 2023 Management Accounts

**Received:** the P4 forecast management accounts.

**Noted:**

- a) It was reported that tuition fee income was slightly down in the forecast but heard that the January 2024 accounts showed slightly better results.
- b) [REDACTED]

- c) The student numbers for PGT Home students were slightly down but International PGT numbers were slightly increased. However, there was concern on how Government activity might impact the University's strategy on diversifying student numbers from China.
- d) There was no further information on any potential fine from the ICO related to the cyber incident at this time.

## 10 Universities Superannuation Scheme (USS) Actuarial Valuation 2023

**Received and Noted:** an update on the Universities Superannuation Scheme (USS) Actuarial Valuation 2023.

## 11 CFO Report

**Received and Noted:** an update from the CFO on the following:

- Revolving Credit Facility process for renewal.
- Update on VAT on fuel and power.
- Adjusted surplus calculation.

## 12 Update on Residences Programme

**Received:** an update on the latest developments of the Residences Programme.

**Noted:**

- a) Outline planning consent had been received.
- b) The procurement process was going well and the dialogue with the bidders was continuing.
- c) This process had raised the potential of other buildings being included in the DBFO which led to the inclusion of the demolition of Oak House and Woolton Hall. There was also ongoing investigation about the possible inclusion of the demolition and re-provision of the Limes within the scope of the DBFO project.
- d) Members highlighted the importance of the qualitative scoring of the bidders especially in relation to the student experience.
- e) The student voice had been included in developing the brief and there would be dialogue sessions including student representatives in the coming weeks.

## 13 George Kenyon Additional Scope Business Case

**Received:** the business case for additional work on the George Kenyon Building during the closure required for the re-cladding project.

**Noted:**

- f) Following the Committee's consideration of the re-cladding project, it was suggested that any additional works that could be conducted during the closure of the building for the re-cladding work should be considered.
- g) Members welcomed the consideration of the additional work (bathrooms, drainage, security and access, which would improve student experience) and questioned whether any further LTM work had also been considered. It was confirmed that this had been considered and that, it was felt only the proposed additional work could be completed within the timescale of 12 months closure of the building.
- h) These additional proposals will be developed, and buildability assessed, during the PCSA process with Henry Brothers.

**Approved:**

- i) The additional funding

- ii) Upon successful completion of the PCSA, the entering into a full construction contract with the contractor following tender appraisal.

#### **14 Corporate Power Purchase Agreement Contract**

**Received:** the Corporate Power Purchase Agreement (cPPA) contract.

**Noted:**

- a) This was a final update, which followed regular updates and discussions at the committee over the past year.
- b) Due diligence had been completed and, subject to resolution of the last few minor legal points, the contract was now ready for signing by the University.
- c) This agreement would make a huge contribution to the University's carbon targets.

**Agreed:** to recommend approval of the cPPA contract to the Board.

#### **15 Update on Financial Policies Work**

**Received and Noted:** an update on the work on reviewing financial policies and an overview of those coming forward for approval in the next few months.

#### **16 Investment Sub-Committee: Report on 4 December 2023 meeting**

**Received and Noted:** a report on the Investment Sub-Committee meeting on 4 December 2023, which had one main topic: the adoption of Multi-Asset Credit.

#### **17 Dates of Meetings in 2023/24**

**Noted:**

- Tuesday 23 April 2024, 2pm
- Wednesday 3 July 2024, 10.30am