

Confirmed

THE UNIVERSITY OF MANCHESTER
FINANCE COMMITTEE
Minutes of the Meeting held on 19 September 2018

- Present:** Dr John Stageman (Chair), Mr Richard Solomons, Professor Dame Nancy Rothwell, Mr Edward Astle, Mr Steve Dauncey, Mr Will Spinks
- In attendance:** Mr Patrick Hackett, Mr Chris Trask, Mr Craig Sykes (Secretary), Mrs Diana Hampson (for items 1, 2 and 3) and Dr Simon Merrywest for item 2
- Apologies:** Dr Jon Lamonte, Mr Paul Lee, Dr Neil McArthur, Ms Fatima Abid

At the start of the meeting, the following interests were declared:

Will Spinks, the Registrar, Secretary & Chief Operating Officer, ceased to be a member of the USS Joint Negotiating Committee with effect from 31 August 2018 and became a non-executive Trustee Director of USS Ltd., which is a remunerated position, with effect from 1 September 2018.

Steve Dauncey, the Director of Finance, is now a director of the NorthWest Universities Purchasing Consortium (NWUPC).

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| <i>Dr John Stageman</i> | <p><i>Chair of Trustees, LifeArc</i>
 <i>Chair, CELS/BioNow Ltd</i>
 <i>Member of MRC Translational Medicine (CiC) Committee, MRC</i>
 <i>Chair of Major Awards Committee Biomedical Catalyst, Innovate UK</i>
 <i>Member of Institute of Infection EAP, Liverpool University</i>
 <i>Chair, CRUK Drug Discovery EA, Newcastle University</i>
 <i>Retired Research & Development VP, AstraZeneca plc</i>
 <i>Member/Chartered Chemist, Royal Society of Chemistry</i>
 <i>Fellow, Society of Biology</i></p> |
| <i>Mr Richard Solomons</i> | <p><i>Trustee, Mission Motorsport</i>
 <i>Advisor, Ennismore International Management Ltd</i></p> |
| <i>Mr Edward Astle</i> | <p><i>Vice-Chair, Shannon Trust</i>
 <i>Non-Executive Director and Chair of the Audit, Risk & Compliance Committee, Openeach</i></p> |
| <i>Professor Dame Nancy Rothwell</i> | <p><i>Co-Chair, Council for Science and Technology</i>
 <i>Member of Greater Manchester Local Enterprise Partnership</i>
 <i>Chair, Corridor Manchester</i>
 <i>Deputy Lieutenant, Greater Manchester Lieutenancy</i>
 <i>External Consultancy, GSK</i>
 <i>Member of Northern Powerhouse Partnership Board</i>
 <i>Member of National Council, The Academic Study Group</i>
 <i>Participation in evaluation of the scientific quality of clinical research in Sweden (2012-15), Swedish Research Council</i>
 <i>Patron, Support and Help IN Education (SHINE)</i>
 <i>Board member/Trustee, UK Dementia Research Institute</i>
 <i>Director, Russell Group</i>
 <i>Member, Cancer Research UK</i></p> |
| <i>Mr Will Spinks</i> | <p><i>Non-executive Trustee Director of USS Ltd</i>
 <i>Trustee, East Cheshire Hospice</i></p> |

Mr Steve Dauncey

Director of NorthWest Universities Purchasing Consortium (NWUPC)

Mr Steve Dauncey & Mr Will Spinks

A number of directorships in the University of Manchester companies as required to ensure appropriate governance

The Chair formally welcomed Mr Richard Solomons as a member of Finance Committee.

1. Capital Programme Report

Received: Capital Programme report prepared and presented by Diana Hampson (Director of Estates & Facilities).

Approved: There were no projects requiring approval at this meeting.

Noted: The following projects had been completed since the last meeting:-

- Jodrell Bank – SKA2
- Brunswick Park
- The AMBS Hotel Scheme is now open

There has been an increase of funds into the contingency.

Finance Committee noted the progress made on the buildings by the University and commended the work of the Directorate of Estates & Facilities.

Updates on existing projects:-

Alliance Manchester Business School Redevelopment and Hotel and Executive Education Centre (£85.3m) – It was noted that there is a financial risk given the University’s contractual commitment on the number of rooms that it will book.

The University took an active decision not to invest in the retail space within this development.

Jodrell Bank - SKA 2 (£16.2m) – There is a governance committee that meets to address all the aspects of managing the Jodrell Bank site including SKA 2. A representative of the University chairs this as well as having most of the representation on it. The governance of the site should be explained as part of the work on “other entities”.

Manchester Engineering Campus Development (£422.6m) – This is progressing well and a topping out ceremony is due to take place on 21 September. The risk profile of the project is decreasing as the project progresses.

Manchester Museum Courtyard Project (£11.2m) - The tenders for contractors for this project are due to be issued in October. A funding gap for the project remains but fundraising work continues.

Students Union - Additional Floor Space and LTM Works Project (£10.9m) – The project has been completed and handed over.

Other updates:-

University Place – No progress has been made with the insurer for one of the parties. The University has, therefore, served an adjudication notice on 4 September and a decision is expected within 35 days.

Purchase of site of former NatWest Bank – the University has a potential £5m investment from GMCA to contribute towards the refurbishment of Jabez Clegg to house the Pankhurst Institute. The intent is to use these funds for the purchase and the refurbishment of the former NatWest bank site to create the institute. This may include an extension at the back of the property. It is envisaged that all works will be externally funded. An additional £1m is being requested in a grant to be submitted shortly.

Deferred projects – currently, these are the Library refurbishment and extension and refurbishment of Coupland III. The Library project is considered the priority due to its importance to the student experience because of the increased need created by the decant from North Campus. Both projects are in the five year plan to restart in 2019-20 but this is subject to funding being available.

Action: The governance of the Jodrell Bank site should be explained as part of the work on “other entities”. **(Action: Registrar, Secretary & Chief Operating Officer)**

2. Residences Strategy Report

Received: A report on the University’s Residences strategy prepared and presented by Diana Hampson (Director of Estates & Facilities). Simon Merrywest (Director For Student Experience) attended for this item.

Noted: Finance Committee noted the change in the Residences strategy. Finance Committee were informed that, based on national data, accommodation is not one of the principle reasons for prospective undergraduate students making their initial choice of University in the UCAS process. However this changes at clearing as remaining accommodation available is typically not the best Universities have within their portfolio. It was noted that, on average, private sector student rents are 20% higher than the University charges.

To finance the preferred option presented internally, the University would have to raise funds **[Redacted-restricted information]**. Currently, the University is within the top quartile of universities for gearing. Further borrowing would bring it very close to the top.

Finance Committee stated that it strongly supported the Residences strategy but, due to the level of gearing, it needed a more detailed analysis of the strategy and its risks.

Finance Committee wanted to stress test the additional debt obligations alongside risk scenarios such as pension funding rises, reduced student fees and impacts caused by Brexit, in order to identify the headroom against all the major risks within the University’s business model. Possible mitigations and upsides should also be identified.

Action: The University to undertake a more detailed analysis of the Residences finance options that take account of all the uncertainties and opportunities that are likely to impact on the University finances. **(Action: Director of Finance, Director of**

Estates & Facilities)**3. Paterson rebuild**

Received: An update on the rebuild of the Paterson building including the latest versions of the Memorandum of Understanding and the funding paper.

Noted: Finance Committee agreed that, due to the fundraising and related project cost risks, £125m should be the upper limit for the cost of the rebuild.

Finance Committee was informed that a bid of £25m funding to contribute towards the rebuild of the Paterson building will be made to the UK Research Partnership Investment Fund (UKRPIF). Typically a UKRPIF bid needs to be for University premises however, there have been exceptions previously. These funds are not guaranteed and if not received would provide a significant funding shortfall to the project, therefore increasing the fundraising challenge for all three parties.

Finance Committee were informed that a direct contribution from the Department of Health is also a possibility although this opportunity is at an early stage.

Finance Committee also noted the uncertainty regarding VAT treatment. This could have a material impact on the financing of the project. Finally, there is uncertainty over planning permission. Any delays could have an impact on the revenue costs incurred by the University at Alderley Park. The University is discussing the cost associated with this with CRUK as part of the existing risk mitigation.

Finance Committee agreed that the University should set conditions for the Memorandum of Understanding (MoU). Firstly, effort should be made to convince Cancer Research UK (CRUK) to be more definite in its commitment to funding the project and, secondly, accountabilities as currently expressed in the draft MoU need to be clarified in that they appear to state joint and several liability for all three parties when this is a Christie project. The MoU should also specifically reference the 125 year lease that would be granted to the Institute

Action: Finance Committee members to receive a copy of the draft UKRPIF bid for information. **(Action: President & Vice-Chancellor)**

Within the MoU, governance arrangements for rebuild of Paterson building to be reviewed to clarify the University's position and its responsibility for risk. **(Action: Director of Finance)**

The President & Vice-Chancellor left the meeting at 12.15pm. The President & Vice-Chancellor was also absent for parts of the discussion on the Paterson rebuild. Finance Committee remained quorate.

4. Actions Consequent

Noted: Finance Committee noted the list of actions consequent.

5. Minutes

Minutes to be made publically available to meet OfS requirements

Received & confirmed: The minutes of the meeting held on 27 June 2018 were confirmed as an accurate record of the meeting. It was noted that the Board had accepted the budget but the five year plan had not been agreed. Finance Committee requested the five year plan come back for the November meeting and that given significant uncertainties a range of scenarios are forecast within the planning document.

Action: Present updated five year plan including forecast of scenarios relating to uncertainties to November meeting of Finance Committee. **(Action: Director of Finance)**

6. Actions from 27 June 2018 meeting

Noted: Finance Committee noted the updates on the actions from the meeting on 27 June 2018.

7. Incorporation of Subsidiary Undertakings Sub Committee into Finance Committee including review of Finance Committee Terms of Reference

Received: A paper outlining the proposal to cease the operations of Subsidiary Undertakings Sub Committee (SUSC) and incorporate its responsibilities into Finance Committee from 1st January 2019.

Noted: The Chair of Finance Committee outlined the proposals and the background to it. It is considered that the oversight of relevant subsidiaries and other bodies would now be more effectively and efficiently absorbed into the business of Finance Committee.

There were no other proposed changes to the Terms of Reference for Finance Committee.

It was also noted that the updated UMI3 Management Services and Governance Agreement will be presented at the November meeting of Finance Committee.

Approved: Finance Committee noted the support of Finance Sub Committee for the proposals for SUSC and the amended Terms of Reference for Finance Committee and approved these and recommended them for approval by the Board of Governors. It also noted that these changes would take effect practically from the 1st January 2019.

Action: Updated UMI3 Management Services and Governance Agreement to be presented at the November meeting of Finance Committee. **(Action: Director of Finance)**

8. Finance Report

Noted: Finance Committee **noted** the following updates:

- The status of the 2017 corporation tax return VAT on buildings.
- The status of the Museums and Galleries relief claim. That these should be cost relieving and not additional funding.
- The draft report from RCUK following its FAP audit in April 2018. The University's rating has improved to moderate assurance from limited assurance.

Minutes to be made publically available to meet OfS requirements

- The investment in Grafine Ltd.
- The renewal of the Boots framework agreement – Finance Committee commended the University’s negotiating team for their efforts.
- The acquisition of the former Nat West Bank, 323 Oxford Road for £1.7m.
- The proposed development of a set of finance principles. This is part of overall changes within the University on policy documents. These principles will be supported by the detail within procedures.
- Update on closure of subsidiaries.

Approved: Finance Committee **approved** the following:-

- NorthWest EHealth Limited – The three recommendations with regard to investment within the company were noted by Finance Committee, along with the recommendation that the University will not provide any further funds. Finance Committee noted the risk to the debt repayment plan with regard to the repayment of the outstanding VAT of £221k if a new investor is sought. Finance Committee requested that the NorthWest EHealth Limited Board should provide a detailed business plan which provides a strategy to turn around the financial position of the company. Finance Committee approved that NorthWest EHealth Limited seek further external investment.

Action: Request a detailed business plan and related investment memorandum from the NorthWest EHealth Limited Board. (**Action: Director of Finance**)

9. 2017-18 Year End Management Accounts

Received: The 2017-18 year end management accounts.

Noted: The underlying contribution for 2017-18 was £24.0m. It was noted that this was below the expectation set by the University for itself. The accounting surplus was £102.2m reflecting the impact of pension and investment adjustments.

There is an adjustment in 2017-18 for UMSS that impacts favourably on the contribution. There will be an adjustment for USS in 2018-19 that is highly likely to have a significant negative impact on the accounting surplus. Following the latest guidance from BUFDG and the Big 4 accountancy firms, this will not be accounted for in 2017-18 but it will be a note to the accounts. The USS trustees have committed to the Pensions Regulator that the USS valuation will be completed by February 2019. The legal deadline was June 2018.

The University is expecting a consultation from UUK regarding the recent Joint Expert Panel’s report. The University executive will liaise with Finance Committee members on the University’s response to that consultation.

It was noted that the communication on the year-end results will require careful wording and that this will focus on the underlying results.

There are no reported issues from the year-end audit to date.

Finance Committee noted the 2017-18 year end management accounts.

Actions: University executive to liaise with Finance Committee on responses to UUK consultation from the report of USS Joint Expert Panel. (**Action: Director of Finance**)

10. Any Other Urgent Business

- The University is submitting a bid at the end of September for c. £20m for a Dementia Research Institute to MRC/Alzheimer's Society/Alzheimer's UK. The University is to provide match funding of c. £10m. Chair's action will be taken by the Deputy President and Deputy Vice-Chancellor to approve the submission on behalf of Finance Sub Committee.
- Finance Committee noted the 6 year tender, worth £25m, to provide network services for the University. The proposal to outsource network services was in the IT programme. Finance Committee were satisfied that due process had been followed.
- This meeting marked the last Finance Committee meeting for Will Spinks prior to his retirement at the end of September as Registrar, Secretary & Chief Operating Officer. The Chair formally thanked Will, on behalf of Finance Committee, for his valued contribution whilst attending Finance Committee and wished him all the best for his retirement.

11. Dates of remaining 2018-19 meetings

- Wednesday, 7 November 2018
- Thursday, 7 February 2019
- Wednesday, 8 May 2019
- Wednesday, 26 June 2019
- All meetings will start at 11am, are scheduled for 2 hours and have been provisionally scheduled for Owens Committee Room, John Owens Building with the exception of November which will be held in Committee Room A on the Whitworth Corridor