

THE UNIVERSITY OF MANCHESTER
FINANCE COMMITTEE
Minutes of the Meeting held on 7 November 2018

Present: Dr John Stageman (Chair), Mr Paul Lee, Dr Neil McArthur, Mr Richard Solomons (via telephone), Professor Dame Nancy Rothwell, Ms Fatima Abid, Mr Edward Astle, Mr Steve Dauncey, Mr Patrick Hackett

In attendance: Mr Chris Trask, Mr Craig Sykes (Secretary), Mrs Diana Hampson (for items 1, 2 and 3) and Mrs Gemma Mossop (for item 2)

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

<i>Dr John Stageman</i>	<i>Chair of Trustees, LifeArc Chair, CELS/BioNow Ltd Member of MRC Translational Medicine (CiC) Committee, MRC Chair of Major Awards Committee Biomedical Catalyst, Innovate UK Member of Institute of Infection EAP, Liverpool University Chair, CRUK Drug Discovery EA, Newcastle University Retired Research & Development VP, AstraZeneca plc</i>
<i>Mr Richard Solomons</i>	<i>Trustee, Mission Motorsport Advisor, Ennismore International Management Ltd</i>
<i>Mr Edward Astle</i>	<i>Vice-Chair, Shannon Trust Non-Executive Director and Chair of the Audit, Risk & Compliance Committee, Openreach</i>
<i>Professor Dame Nancy Rothwell</i>	<i>Co-Chair, Council for Science and Technology Member of Greater Manchester Local Enterprise Partnership Chair, Corridor Manchester Deputy Lieutenant, Greater Manchester Lieutenancy External Consultancy, GSK Member of Northern Powerhouse Partnership Board Member of National Council, The Academic Study Group Participation in evaluation of the scientific quality of clinical research in Sweden (2012-15), Swedish Research Council Patron, Support and Help IN Education (SHINE) Board member/Trustee, UK Dementia Research Institute Director, Russell Group Member, Cancer Research UK</i>
<i>Mr Steve Dauncey</i>	<i>Director of NorthWest Universities Purchasing Consortium (NWUPC)</i>
<i>Mr Steve Dauncey & Mr Patrick Hackett</i>	<i>A number of directorships in the University of Manchester companies as required to ensure appropriate governance</i>

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:-

- Students Union - Additional Floor Space and LTM Works Project
- Coupland 3 (phased completion)
- Chemistry Phase 1 (Loading Bay and Nitrogen works)

Finance Committee were informed that the existing £36.6m of contingency may reduce going forward. An update will be provided at the next meeting.

A new risk has been added for the following projects which are currently out to tender with contractors:

- First Light Pavilion (FLP) at Jodrell Bank
- Manchester Museum Courtyard (MMC) Project
- Chemistry LTM Project

The Manchester construction market is very buoyant and costs are increasing due to a shortage of labour associated with the high demand.

Finance Committee commended the work done by the Directorate of Estates & Facilities.

Updates on existing projects:-

Alliance Manchester Business School Redevelopment and Hotel and Executive Education Centre (£85.3m) – The forecast project cost (excluding allowances for claims) is £93.1m. The potential for additional claims from the M&E contractors would be covered by the contingency. However following completion there is potential for the University to recover some of the additional costs incurred from the design team (through the Developer).

The project is very close to completion and the fit out is going well. The process of moving staff back into the building is underway.

Chemistry LTM & Vent Works (£41m) – This is a complicated, multiphase project. The original phase 1 works have now been handed over to the school.

Fallowfield Residences Redevelopment – Phase 1 (£91.05m) – This project is going well and there are no current concerns.

Jodrell Bank Discovery Centre – First Light Pavilion (£19.6m) – This project is now going out to tender.

Manchester Engineering Campus Development (£422.6m) – This is currently on target and the project team has begun to look at the occupation strategy to move staff from the North Campus to the new building.

Other updates:-

University Place – Redacted – restricted information

Dementia Research Institute – £5m the University received as part funding of the cost of the Institute does not have to be spent until 2021.

Action: Finance Committee to receive an update on the level of the contingency at the next Board meeting. (**Action: Director of Estates & Facilities**)

2. Residences Strategy Update

Received: A report on the University's Residences strategy was presented by Steve Dauncey (Director of Finance). The report addressed the issues raised by Finance Committee at the September meeting. Diana Hampson (Director of Estates & Facilities) and Gemma Mossop (Corporate Accountant) attended for this item.

Noted: Given the current climate within the HEI sector, the Board noted the headroom in terms of gearing and covenants if funds were raised to self-finance and retain the residences and develop North Campus. However, any financing should be considered in conjunction with the Five Year plan.

The University involvement in the North Campus project is proposed to be as an associate investment with an equity stake of between 20% and 49% and this will be achieved by using existing assets.

The views of the ratings agency should be sought on the proposal.

Approved: The Board approved to proceed to feasibility study whilst keeping a watching brief on the risks impacting on the University.

Action: Contact ratings agency to obtain their views on the proposal. (**Action: Director of Finance**)

3. Paterson Redevelopment Update

Received: An update on the Paterson redevelopment.

Noted: Finance Committee had previously agreed that £125m should be the upper limit for the cost of the rebuild and Steve Dauncey stated this mandate had been raised to the Christie Hospital and other stakeholders.

Finance Committee noted the improving position on VAT regarding the redevelopment.

The Christie is prepared to guarantee additional funding of £12m into the redevelopment if the University would be prepared to underwrite an additional £3m of fund raising.

Finance Committee remained open minded on whether or not the University should underwrite the additional £3m.

It was confirmed that the University and CRUK will have the first call on the space in the new building. The Christie will take up any remaining space.

Finance Committee requested the removal of the Paterson redevelopment from the Capital Programme report as it is not a University led project and Finance Committee also requested a copy of the signed MoU.

Action: Finance Committee members to receive a copy of the signed MoU. (**Action: Director of Finance**)

Paterson redevelopment to be removed from the Capital Programme report but the Finance Committee to be kept informed of developments. (**Action: Director**)

of Estates & Facilities)

4. Actions Consequent

Noted: Finance Committee noted the list of actions consequent.

5. Minutes

Received & confirmed: The minutes of the meeting held on 19 September 2018 were confirmed as an accurate record of the meeting. Finance Committee also approved the minutes to be made publically available according to OfS guidelines.

6. Actions from 19 September 2018 meeting

Noted: Finance Committee noted the updates on the actions from the meeting on 19 September 2018.

7. 2017-18 Financial Statements

Received: The University's Financial Statements for 2017-18.

Actions: Any minor typographical errors will be corrected in the final print version. (**Action: Director of Finance**)

Recommended: Finance Committee approved the 2017-18 Financial Statements as an accurate record and recommended them for approval by the Board of Governors at its meeting on 21 November 2018. This was formally carried out in the joint meeting held with Audit Committee that followed this meeting.

8. Finance Report

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

- The high level budget timetable for 2019-20
- The new style management accounts for September 2018. Finance Committee appreciated the clarity and brevity of the report and noted that more detail will be provided at various times throughout the year.
- 2016-17 TRAC Benchmarking – it was noted that institution own-funded research refers to research without external funding.
- Endowment project update - Finance Committee noted the confirmations received from the Charity Commission and that the Tax and Financing team are now progressing with the various actions that arose out of that meeting.
- Thomas Ashton Institute – Finance Committee noted FSC's approval of the fEC recovery rate for the remaining programme/projects for the Institute.

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

- The proposed treatment of the John Rylands Research Institute (JRRI) funds to release £1.6m to general funds and a further £6.9m to the expendable John Rylands Library General Fund. Finance Committee

agreed that a visitor centre at the John Rylands Library was not a priority for the University at this time and the expendable fund could be used to support the Institute's operation.

9. Five Year Plan Size and Shape

Received: An updated five year plan paper which details the key risks and mitigating options to the University's financial position.

Noted: The Finance Committee welcomed this explicit and uncomfortable analysis of the financial risks to the University at this time. It was also pleased to see some analysis of how the University might react if some of the worst scenario's came to pass. The Finance Committee noted that home student fee income rates represented one of the most significant risks to the University's financial position pending the outcome of the Auger Review. In addition, increased USS pension costs and delayed OBL growth is unfavourably impacting on the University's cashflow projection.

Finance Committee requested that a consideration of the risks and mitigating actions becomes a standing item on the agenda in order to consider responses once the longer term funding picture begins to clarify.

Actions: Include a Five Year plan risk and options paper as a standing item on the agenda. **(Action: Secretary to the Committee)**

10. University response to UUK Consultation on USS Joint Expert Panel proposals

Received: A paper detailing the University's response to the UUK consultation following the publication of the proposals from the Joint Expert Panel for the USS scheme.

Approved: Finance Committee supported the approval of the Chair, via Chair's action, for the University's response and noted its submission to UUK.

11. NorthWest EHealth Ltd update

Received: An update on the position of NorthWest EHealth Ltd (NWEH).

Redacted – restricted information

12. Programme Management Board 2017-18 Year End Dashboard

Received: A report outlining the financial benefits realised in 2017-18 from the M2020 programme.

Noted: The Finance Committee commended the Finance team for this clear update report and noted its contents. It commented on the relatively slow progress of the plans to build up the Universities provision of 'on-line' external courses. Finance Committee requested regular updates on progress with the M2020 programme which is an essential part of the Universities plan to create additional financial headroom.

Action: Updates on progress with the M2020 programme to be provided to Finance

Committee. (Action: Director of Finance)

13. Subsidiary Undertakings Sub Committee Report

Received: The unconfirmed minutes of the meeting of the Subsidiary Undertakings Sub Committee held on 11 October 2018.

Noted: Finance Committee noted the unconfirmed minutes.

14. Investments Sub Committee Report

Received: The unconfirmed minutes of the meeting of the Investments Sub Committee held on 11 October 2018.

Noted: Finance Committee noted the unconfirmed minutes.

15. Any Other Urgent Business – there was no other urgent business

16. Dates of remaining 2018-19 meetings

- 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