

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:-

- AMBS main scheme was handed over on 19 December 2018
- Coupland 3 teaching spaces was opened on 14 January 2019

Finance Committee commended the Directorate of Estates & Facilities on the excellent progress on the capital programme

Updates on existing projects:-

Redacted – restricted information

Jodrell Bank Discovery Centre – First Light Pavilion Redacted – restricted information – First stage tenders have been received in line with forecasted costs. Kier have been appointed for the second stage tender period after careful review of their financial stability. Tender risks remain through the next period.

Chemistry LTM & Vent Works Redacted – restricted information – Tendering is being performed on a phase-by-phase basis in order to de-risk the project, this may control the price pressures associated with this complicated project.

Other updates:-

Redacted – restricted information

2. Residences Strategy Business Case Update

Received: A report on the University's Residences strategy that sets out further financial analysis and shows the impact of an updated Residences Strategy alongside the University's 5 year plan. Diana Hampson (Director of Estates & Facilities) attended for this item.

Noted: Finance Committee noted that there are several large student residence investments across the city by external investors, currently proceeding through planning. It also noted the significant uncertainties around future home and overseas students due to Brexit and the Governments review of higher education. It needed to understand more about the future market for student accommodation across the city in relation to both capacity and rentals before in could make a balanced decision to invest versus other critical priorities. Finance Committee requested this analysis be added to a further paper outlining the options for funding the Residences strategy hopefully to be presented after some of the external risks may have crystallised.

Finance Committee also requested consideration of whether there were other partnership or joint venture options for financing this investment that would lie between the options of retain or sell.

Approved: Finance Committee approved the three recommendations in the paper that the University:-

- Obtains external advice on borrowing options
- Continues to work on the McDougall business case and updates the financial model after receipt of the feasibility study
- Reports back to Finance Committee in May 2019 with the advice on borrowing and the detailed feasibility for the McDougall development.

Action: Implement the recommendations approved by Finance Committee.

Prepare a paper for the May 2019 meeting of Finance Committee identifying the options for funding the Residences strategy along with a clear description of the future market capacity for student accommodation and pricing across the city. This should include a sensitivity analysis relating to student number risks.

(Both Actions: Director of Finance and Director of Estates & Facilities)

Finance Committee requested tours of the teaching/research buildings and residences that require significant expenditure to improve their current undesirable state to get a broader perspective of the estate. **(Action: Director of Estates & Facilities)**

3. Actions Consequent

Noted: Finance Committee noted the list of actions consequent.

4. Minutes

Received & confirmed: The minutes of the meeting held on 7 November 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. Both of these were formally carried out by Chair's action subsequent to the meeting.

5. Actions from 7 November 2018 meeting

Noted: Finance Committee noted the updates on the actions from the meeting on 7 November 2018.

6. University Financial Sustainability

Received: A paper continuing the discussion on the key threats to the University's financial forecast over the next 5 years and related scenarios.

Noted: Finance Committee agreed that this was an unprecedented time of risks facing the HEI sector. Brexit, pensions, Augar and China were all uncertain which may crystallise in the near future. As a consequence, a review of all the key risks and progress on the saving opportunities was timely.

Finance Committee noted that the University executive has to be agile and be able to respond quickly if some of the largest risks crystallise together.

Finance Committee outlined its view as:-

- It supported and commended the work undertaken by the University to produce this paper.
- It proposed that the Executive remain mindful of the risk and as a consequence, consider and prioritise investments fully and in a wide context before proceeding. That is not to stop all investment, but to reduce the risk appetite until there is greater certainty.
- To consider the opportunities holistically rather than in isolation and provide values/ranges of the downsides to the strategic projects to better quantify the risks.
- Consider the setting up of revolving credit facilities. It was noted that cash is not an immediate risk, but it would be prudent to investigate the flexibility of setting the facility up.
- Continue to hold the discussions throughout the organisation, outlining the financial challenges and requesting that employees engage with and understand these risks and the steps that might become necessary to mitigate them.

Action: The Executive needed to provide the Board and the Finance Committee with its best current view of the of the high level 5 year plan, an upside and a downside view with appropriate commentary. Significant investment decisions should be considered in the context of this best current view. This 5 year plan and scenario analysis will be presented to the Board at the February meeting and a further update prepared for Finance Committee in May. (**Action: Director of Finance**)

7. Finance Report

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

- 2017/18 Financial Commentary submission to OfS
- Management accounts schedule
- 2019/20 Budget and 5 Year Plan Contribution Targets – in the papers, Finance Committee was asked to approve. But, Finance Committee did not consider their responsibility was to approve thus they noted the contribution targets.
- Guaranteed Minimum Pensions
- Paterson rebuild update – Finance Committee reiterated its support for the building, but only within the financing available and the mandate of **Redacted – restricted information**
- NorthWest EHealth Limited (NWEH) update
- UMIST Ventures and the decision that the University should assume responsibility for the legacy pension liability.
- Manchester UNESCO City of Literature
- Masdar Building : Option to tax for VAT purposes
- Audit of Research Income for quality related charity support funding

- USS Update

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

- 2019/20 Budget Assumptions

8. December 2018 Management Accounts and 2018/19 Q1 Forecast

Received and noted : The management accounts for December 2018 and the Q1 forecast outturn for 2018/19.

9. University response to UUK Consultation

Received: A paper detailing the University's response to the UUK consultation on the proposed recovery plan and schedule of contributions relating to the 2017 USS actuarial valuation. This had already been approved on behalf of Finance Committee by the Chair under Chair's action.

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

There is another consultation on the 2018 USS actuarial valuation. This will be approved initially by Finance Sub Committee then be approved by the Chair of Finance Committee on behalf of the committee, under Chair's action, before being approved by the committee at the May meeting.

Action: Approve submission of University's response to UUK consultation on the 2018 USS actuarial valuation under Chair's action. (**Action: Chair of Finance Committee**)

10. Review of the Policy for Socially Responsible Investment

Received: A report on the Socially Responsible Investment Policy (SRIP) which contains recommended changes to the policy.

Noted: Finance Committee noted that, in November 2018, Investment Sub Committee agreed that Finance Committee should review possible screening options for fossil fuel **Redacted – restricted information**

Finance Committee noted the report on the SRIP.

Approved: Finance Committee approved the University instructing its current investment managers to divest from and negatively screen investments in companies that derive more than 5% of their revenue from thermal coal and oil sands.

Finance Committee approved the following changes to the Policy for Socially Responsible Investment:

- Insert the following under 'Judicious acquisition':
 - The University will not invest in companies in the tobacco industry
 - The University will not invest in companies that derive more than 5% of their revenue from thermal coal or oil sands

Action: Implement changes approved by Finance Committee. (**Action: Director of Finance**)

11. **Updated UMI3 Management Services and Governance Agreement**

Received: The updated UMI3 Management Services and Governance Agreement.

Noted: Finance Committee noted that this had been approved by Finance Sub Committee at its meeting in December 2018.

Approved: Finance Committee approved the updated UMI3 Management Services and Governance Agreement.

12. **2017/18 TRAC Return**

Received: The University's commentary on the 2017-18 TRAC results. Rachel Emmott, Head of Costing & Research Finance, attended to present this item to Finance Committee and answer any questions.

Noted: ***Redacted – restricted information***
Finance Committee **noted** the 2017-18 TRAC results and also **noted** that the return was formally approved at Audit Committee on 5 February 2019.

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

14. **Dates of remaining 2018-19 meetings**

- 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