

THE UNIVERSITY OF MANCHESTER
FINANCE COMMITTEE
Minutes of the Meeting held on 8 May 2019

- Present:** Dr John Stageman (Chair), Professor Dame Nancy Rothwell, Mr Edward Astle, Mr Steve Dauncey, Mr Patrick Hackett, Mr Paul Lee
- In attendance:** Mr Chris Trask, Mr Mark Gent (Secretary), Mrs Diana Hampson (for items 1 and 2) and Mrs Tracey Tarbatt (for item 1)
- Apologies:** Dr Neil McArthur, Mr Richard Solomons, Ms Fatima Abid

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

- Dr John Stageman* *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 SAB, Newcastle University
Retired Research & Development VP, AstraZeneca plc
- Mr Richard Solomons* *Trustee, Mission Motorsport*
Advisor, Ennismore International Management Ltd
- Mr Edward Astle* *Vice-Chair, Shannon Trust*
Non-Executive Director and Chair of the Audit, Risk & Compliance
Committee, Openreach
- Professor Dame Nancy Rothwell* *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
Member, UK Industrial Strategy Council
- Mr Steve Dauncey* *Director of NorthWest Universities Purchasing Consortium (NWUPC)*
- Mr Steve Dauncey & Mr Patrick* *A number of directorships in the University of Manchester companies*
Hackett *as required to ensure appropriate governance*

1. Summary of Business

Received and noted: Summary of Business to be covered at Finance Committee.

2. ID Manchester Project Update

Received: ID Manchester Project Update report prepared and presented by Diana Hampson (Director of Estates & Facilities) and Tracey Tarbatt (Senior Estates Surveyor).

Approved: Finance Committee approved the following recommendations made by the Board North Campus Working Group:

- The procurement strategy, documentation and process to reflect the desire for a partner who aims to hold a long term stake in ID Manchester.
- The University to retain optionality over whether it will remain invested in the assets for the longer term or exit on a phased basis during or post the development period.
- The University should seek commitment from the JV Partner to provide a) innovation space to support the intended ecosystem and ID Manchester Vision and b) space for the University to showcase its activities.

Noted: Finance Committee noted the following:

- The progress that had been made by the Board North Campus Working Group and the intention of a July 2019 launch for the formal procurement process.
- Although the financial projections show University receipts of £231m in the next ten years for land receipts and the share of development profit, the potential positive cash flow from the JV only commences in 2024/25.
- There will be further financial analysis undertaken on the option model, however this is on hold until progress is made on the short-term liquidity challenges.
- The risk register is split into two sections, one for the risk to the University in respect of the project and one for the project itself. The Finance Committee should maintain its focus on the latter.

3. Capital Programme Update

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: Finance Committee noted:

- Contingency available this period remains unchanged from last month.
- AMBS sub-contractor claims are on-going.
- Manchester Museum Courtyard Project – Estates are developing a new procurement strategy to reduce the contractor risk by separating new build and refurbishment elements. In addition, scope changes to reduce

costs are being considered. Some options being considered may actually augment the facility.

- Chemistry LTM project – **Redacted – restricted information**
[Director of Estates & Facilities explanatory note – A design review is in progress]
- Coupland 3 had been completed and was being used for teaching. However there has since been a major flood which has damaged teaching rooms. A claim is now in process with the insurers. Alternative accommodation need has been mitigated as teaching is mainly finished.
- Fallowfield Residences – On track to complete 700 bedrooms by September, with the remainder in January 2020. Feedback from students is positive.
- Pankhurst Project – Finance Committee were appraised of possible funding routes to develop the opportunity and sites on campus.

4. Actions Consequent

Noted: Finance Committee noted the list of actions consequent.

Action: Finance Committee requested that the items relating to the Bond and External Assurance on the Delivery of the Campus Master Plan were removed and that the items on Budget and Five Year Plan were combined. **(Action: Committee Secretary)**

5. Minutes

Received & confirmed: The minutes of the meeting held on 7 February 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 7 November 2018 meeting

Noted: Finance Committee noted the updates on the actions from the meeting on 7 February 2019.

7. University Financial Sustainability

Received: A paper illustrating potential actions to be considered in order to develop contingency plans to safeguard University financial sustainability.

Noted: Finance Committee recognised that external threats such as Augar, pensions and the cross subsidies required to perform scientific research are issues affecting all Universities. Finance Committee noted the need to develop a timed contingency plan and the potential actions that could be undertaken by the University as/if the risks materialised. Finance Committee noted further detailed work would need to be carried out prior to any decisions being made.

Finance Committee also noted:

- The potential range of impact of Augar on the University Finances.
- That both income and costs should be challenged and that remedy could not just focus on increasing income for the University to achieve its strategic mission.
- Radical decisions may need to be considered to improve the position against significant threats.

Action: Finance Committee requested that University Finance Sustainability is a standing agenda item. **(Action: Committee Secretary)**

The report should also include narrative and detail of expected key crystallising dates. **(Action: Director of Finance)**

Focus should be on the five year plan, which will then determine the level of further action that is needed. **(Action : Director of Finance)**

8. Finance Report

Approved: Finance Committee approved the following:

- The write off of **Redacted – restricted information** sponsored students' debt, equating to £339k and 15 students (note: already provided for).
- That the University agrees to a Flexible Apportionment Arrangement **Redacted – restricted information** in relation to UMSS to assume the pension liability as Replacement Employer. Finance Committee noted that negotiations were ongoing and that the Director of Finance was given a mandate to close the deal when he considered the terms were appropriate **Redacted – restricted information**
- That the University agrees to a Flexible Apportionment Arrangement with the International Society in relation to USS and UMSS, therefore taking over the pension liability as Replacement Employer.
- That the University agrees to a Flexible Apportionment Arrangement with the University of Manchester Innovation Centre Ltd (UMIC) and Manchester Innovation Limited (MIL) in relation to UMSS, therefore taking over the pension liability as Replacement Employer.
- The proposed re-arrangement of the MSP banking facilities.

Noted: Finance Committee noted the following:

- The possible significant increase in the USS deficit provision for the year ended 31 July 2019.
- The approval of a business case relating to Manchester being awarded UNESCO City of Literature status.

- That the University is currently undergoing an HMRC assurance and updated Business Risk Review.
- The opportunity for further equity investment in Manchester Science Partnerships (MSP) and the Finance Committee approved delegated authority to the Director of Finance on such matters to take it to the Investment Sub Committee.
- The latest audited results in relation to MSP statutory accounts.
- That the Finance Sub Committee received a new Business Plan from NorthWest EHealth (NWEH) and that the Director of Finance remains in discussion with the shareholder group.
- The update on the Residences Strategy and that approvals needed to be given by June 2019 for McDougall to be completed for September 2022 students. Finance Committee also noted that the University had no capacity currently to self-finance the investment needed.

In addition the Finance Committee noted an update on the Paterson redevelopment, in particular:

- **Redacted – restricted information** It was made clear that the Christie are responsible for any costs in excess of this value.
 - Finance Committee noted that:
 - Any UKRPIF monies are attributable solely to the University as part of their contribution.
- Redacted – restricted information**
[Director of Finance explanatory note: market rental will be charged for University space funded by the Christie – methodology to be determined]
- Finance Committee approved the increase of the University’s mandate to £150m from £125m for the whole project.

Action: A paper to be written detailing project risk, University risk and a summary of the timing. **(Action: Director of Finance)**

9. March 2019 Management Accounts including SIRF/Endowments and 2018/19 Q2 Forecast

Received and noted : The management accounts for March 2019 and the Q2 forecast outturn for 2018/19. Finance Committee commented that the new format of the accounts is welcomed and highlights the material items. Finance Committee noted that the year-end operating position is now expected to be more favourable than shown in the Q2 forecast, however the accounting surplus shown in the statements is expected to be more adverse due to movements on pensions and investments

Action It was commented that the forecast is out of date by the time it is presented to the Finance Committee. Therefore it was agreed that the forecast would be sent out to the members of the Finance Committee if there was a timing issue with meeting schedules. **(Action: Director of Finance)**

10. Sector 2017-18 Financial Statement Benchmarking

Received: A paper showing the sector 2017-18 Financial Statement Benchmarking.

Action: The Finance Committee noted the paper, although it was recognised that other metrics (for example, interest cover) could be useful. **(Action: Director of Finance)**

11. Investments Sub Committee Report

Received: The approved minutes and executive summary of the Investment Sub Committee on 19 February 2019 and the unconfirmed minutes and executive summary from 16 April 2019.

Noted: Finance Committee noted the minutes.

12. Pension Update

Received and Noted: A brief verbal update was given and noted by the Finance Committee.

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

14. Dates of remaining 2018-19 meetings

- Wednesday, 26 June 2019.
- Will start at 11am, scheduled for 2 hours and provisionally scheduled for Owens Committee Room, John Owens Building.