

THE UNIVERSITY OF MANCHESTER

FINANCE COMMITTEE

Minutes of the 5 February 2020 meeting

Present: Dr John Stageman (Chair), Mr Edward Astle, Dr Neil McArthur, Professor Dame Nancy Rothwell and Mr Richard Solmons (by video link).

In attendance: Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), David Soutter (Director of Finance), Chris Trask (Deputy Director of Finance) and John Marsh (Senior Governance Manager) (minutes).

In attendance for Capital Programme Update: Diana Hampson (Director of Estates and Facilities).

Apologies: Mr Kwame Kwarteng.

1: Welcome and Declarations of Interest

Noted:

- a) Finance Committee's happiness at the return to the University of the Deputy President and Deputy Vice-Chancellor, Professor Luke Georghiou;
- b) that no new declarations of interest were made to the following:

Dr John Stageman

*Chair of Trustees, LifeArc
Chair, CELS/BioNow Ltd
Member of MRC Translational Medicine (CiC) Committee;
InnovateUK
Chair of Major Awards Committee Biomedical Catalyst.
Chair, CRUK Drug Discovery SAB, Newcastle University
Retired Research & Development VP, AstraZeneca plc*

Mr Richard Solomons

*Trustee, Mission Motorsport
Advisor, Ennismore International Management Ltd
Chairman Rentokil Initial plc
Member of Aston Martin Lagonda Global Holdings plc*

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 Patrick Hackett

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

2 Minutes of 13 November 2019

Agreed: to approve the minutes of the November 2019 meeting, subject to the amendment of minute 2.1, to recognise that Finance Committee had requested that it receive the business case and evidence base for the Pankhurst Project. **(Action: Senior Governance Manager)**

3 Matters Arising/Action Log

Noted:

- a) the importance of progressing the Residential Strategy following the informative site visit members had made to Fallowfield in December 2019. Work done by the Finance team had identified a potential figure [REDACTED] **Redacted – Restricted Information** in the University's investment portfolio to support this Strategy;
- b) the Capital Investment Plan would be considered at the May 2020 Finance Committee meeting along with and as part of the Budget and Five Year Plan and the longer term indicative financial plan;
- c) dialogue was ongoing with Manchester City Council regarding planning consents for student residences. The basis of many of the University's objections to private sector planning applications was the limited provision of appropriate communal and pastoral facilities which supported student wellbeing. The University continued to emphasise the importance of planning consents complying with the UK Student Accommodation Code;
- d) scenario planning which took account of a wide range of views which reflected the diversity of the student population could helpfully inform the Strategy, and identify optimal investment opportunities for the University;
- e) recognising that detailed investment proposals relating to student residences could not be separated from the overall University Investment and Budget and Financial Strategy, that the May 2020 Finance Committee would receive an update on student residence proposals, which provide an overview of the anticipated level of demand over the next 10-15 years, and the capacity of the University to deliver against these proposals; **(Action: Director of Finance and Director of Estates and Facilities)**
- f) further discussion at the March 2020 Planning Conference would also helpfully inform proposals.

4 Capital Programme Update

Received: the February 2020 Capital Programme Update and a progress update on the Estates Strategy 2030.

Noted:

- a) the current status of current Capital Projects, including:
 - i. Chemistry LTM and Vent Works. [REDACTED]; Redacted – Restricted Information
 - ii. Fallowfield Residences Redevelopment Phase 1, which had now been completed;
 - iii. Jodrell Bank Discovery Centre – First Light Pavilion, for which contracts had been exchanged;
 - iv. MECD, for which the main construction works were due to complete in January 2021, and the contingency figure had been reduced, but remained in excess of the risk assessment. Finance Committee was advised of January 2020 Senate’s discussion of academic workspace allocation in MECD, and concerns raised by some members of staff in the Faculty of Science and Engineering;
 - v. Manchester Museum Courtyard Project, for which the early works were progressing well;
 - vi. Pankhurst Project Centre;
 - vii. Sir Henry Royce Institute, which would be completed during February 2020;
- b) that legal proceedings had commenced in relation to University Place;
- c) that the Directors of Estates and Finance were currently satisfied that the main contractor [REDACTED] Redacted – Restricted Information was credit worthy and stable;
- d) that the Directorate of Estates and Facilities was working on the preparation of the Estates Strategy 2030 and an updated Masterplan. It was anticipated that the draft Strategy would be considered by Capital Planning Sub-Committee in Spring 2020;
- e) following extensive consultation with staff and students, a list of the known projects that Faculties and Professional Services believed should be prioritised to support their activities had been prepared. [REDACTED] Redacted – Restricted Information
- f) evidence from peer institutions suggested that initial current estimates for the cost of estate activity to achieve zero carbon targets may need to be revised upwards along with possible additional operational costs;
- g) four key projects – the Library, the Stopford Building, student residences, and carbon reduction – had been identified;
- h) that it was essential for a high level of alignment between the University’s Capital Plan and the Budget and Financial and Investment Strategy, and that it was possible that the University may be required to re-finance at a future point of less favourable, higher interest rates. Decisions regarding capital projects and investments must also take account of cash flow constraints;
- i) the University was well positioned to make significant contributions to zero carbon activity through its research and the development of new approaches, applications and innovations.

Agreed:

- a) that it would be helpful for Finance Committee to receive a broad overview of the medium to long-term financial position of the University which highlighted options for financial flexibility, including endowments and increased debt; (Action: Director of Finance)
- b) to organise a site visit by Finance Committee members to MECD; (Action: Director of Estates and Facilities)
- c) that post-completion reviews of capital projects presented to Finance Committee should be high level in format, and could usefully benefit from considering themes such as timescales and timing, benefits realisation, costs, capital inflation, efficiency and environmental impacts.

5 Management Accounts: December 2019

Received: December 2019 Management Accounts.

Noted: that the accounts demonstrated a positive position relative to budget, with favourable variances on spend to date.

6 Q1 Forecast (November 2019)

Received: Q1 Forecast (November 2019).

Noted:

- a) the format of the clear report, including the helpful risks and opportunities section;
- b) research grants had been affected by export control issues. A number of cost pressures had been identified in relation to major projects such as the Student Experience Programme;
- c) publication of the Q2 forecast was imminent, and would show an improvement;
- d) impacts of the Coronavirus outbreak on the University's financial position included undersubscription to, and in some cases, cancellation of AMBS courses, and a decline in the number of applications to the English Language Centre. 250 undergraduate and PGT, and 120 PGR students had been unable to return from China for the start of the new semester;
- e) further industrial action by UCU was anticipated to have the potential for a negative impact on the University's financial position;
- f) a successful asset transfer from Higher Education Careers Service Unit Ltd (HESCU) would be included within underlying contribution, and therefore have a positive impact on underlying contribution which was not currently reflected in the Q1 underlying forecast;
- g) in response to concern regarding the slower pace of forecasting compared to major private sector entities, Finance Committee was advised that forecasts are available to the Director of Finance within 7 days of quarter end and a monthly forecasting process would be introduced, which may mitigate the difficult estimating of uneven pattern of income and expenditure which was typical for major research-intensive universities with high student numbers;
- h) that the value of forecasting would be enhanced if synergies were established between forecasts and remedial actions.

7 Report of the Director of Finance

Received: the Report of the Director of Finance.

Noted: the report, and specifically the following:

- a) the update on UMIP UPF Ltd to transfer the company's investment in the UMIP Premier Fund to the University;
- b) that all monies available withheld from staff salaries during November and December 2019 will be invested for the benefit of students across the University;
- c) that the OfS has entered into a consultation on implementing savings to the teaching grant budget;
- d) the update on the implementation steps taken as part of the revised Investment Strategy.

Agreed: that the Finance Committee will be provided with the cash impact to the University following the transfer of its investment in the UMIP Premier Fund and what the overall financial losses to the University from this have been. **(Action: Director of Finance)**

8 Investment Sub-Committee (ISC) Report

Received: the executive summary of business for 12 December ISC, and the minutes of the meeting.

Noted: consultation had opened on the University's Socially Responsible Investment Policy (SRIP). Initial responses had been positive, and valuable input had been provided to the Policy by the Students' Union.

Agreed: noting concerns regarding the ambiguous nature of ISC's remit and terms of reference, and its overlapping between governance and management structures of the University, to ask the Registrar, Secretary and Chief Operating Office to review the committee's terms of reference.
(Action: Registrar, Secretary and Chief Operating Officer)

9 Commercialisation of Graphene/2D Materials: 'realising the potential'

Received:

- a) a proposal to create a new entity (Manchester Graphene Company, MGC) to complement UMI3 and to provide a specific focus to enhance commercialisation of graphene and other two-dimensional materials;
- b) tabled at the meeting (filed with the minutes), a schematic, illustrating pathways from graphene IP and application opportunities to benefit.

Noted:

- a) the contextual background to the proposal. It was clear that the University was not currently fully realising the commercial potential of graphene and its unique position as the 'Home of Graphene';
- b) expert advice had indicated that the opportunities for external investment and commercialisation of graphene would be significantly enhanced by establishing a new commercial organisation, and that the University was at a tipping point as commercial applications were growing exponentially;
- c) an overview of the relationship between the proposed MGC and UMI3 (to be relaunched as University of Manchester Innovation Factory);
- d) strong support for the proposal from the Greater Manchester Local Enterprise Partnership, the Leader of Manchester City Council, and the elected Mayor of Greater Manchester;
- e) Finance Committee's confidence in the proposed governance arrangements for MGC, and the nominee for its Chair;
- f) Finance Committee's support for the anticipated soft benefits of the proposal which included realising the University's strategic goal of being Europe's most innovative university, contribution to Innovation District Manchester, the establishment of opportunities for student internships and graduate employment, and significant job creation and prosperity to the region;

Redacted – Restricted Information

Agreed: to approve in principle the action identified to establish the new entity, subject to detailed discussion with lay members of the Committee which addressed concerns and queries raised regarding:

- a) the proposed business model and its supporting assumptions;
- b) the extent of investor confidence and interest/willingness to commit to the project;
- c) contingency planning, and clarity on the scale of investment and support that the University could provide.

10 Resource and Budget Summary - Student Experience Programme – Phase 2a

Received: the resource and budget summary for the Student Experience Programme.

Noted:

- a) that both Planning and Resources Committee and Staffing Committee had endorsed the proposal to move to the next stage of the Programme;
- b) the Programme's contingency funding had been included in the 5 Year Plan. The Programme was recognised as high risk. Strategic Change Sub-Committee had recommended increased contingency in mitigation;
- c) the full business case was available in the Diligent Reading Room, and the Programme had been scheduled for discussion at the 19 February 2020 Board meeting.

Agreed:

- a) noting that Strategic Change Sub Committee was also supportive of proposals, and that the Programme was included within the 5 Year Plan, to approve the Programme Budget;
- b) that for similar future projects and programmes, it would be appropriate for Finance Committee to be asked to approve an overall financial envelope, and then receive reports by exception.

11 China Centre Office Move

Received: a proposal to explore the legal and status benefits of relocation alongside commissioning a more detailed design proposal.

Agreed: to approve the proposal.

12 Paterson Fire

Received: details of the full and final settlement figure offered by Zurich Insurance in relation to the Paterson Building Fire.

Agreed: to approve the acceptance of the full and final settlement figure offered by Zurich Insurance.

13 Merged Endowments Funding Spending Policy

Received: the updated policy which clarified the duties and responsibilities of trustees.

Agreed: to approve the update policy.

14 Finance Committee Terms of Reference

Received: revised proposals for the Committee's Terms of Reference which had been informed by discussion at the November 2019 meeting.

Agreed: noting points raised in discussion regarding the appropriateness and wording of clause 1 (c), to defer endorsement of the revised terms of reference, and consider an updated proposal at the May 2020 meeting. **(Action: Director of Finance and Senior Governance Manager)**

15 Updated Finance Sub-Committee Terms of Reference

Agreed: to defer endorsement of the updated terms of reference, pending the Registrar, Secretary and Chief Operating Officer's review of the terms of reference of Investment Sub-Committee.

16 5 Year Plan and Assumptions

Received: the key principles, approach, targets and assumptions for the budget and planning round.

Noted:

[REDACTED]

Information

- d) scenario planning and discussions at the March 2020 Planning Conference would helpfully inform decisions regarding ensuring the University's financial sustainability;
- e) Moody's had issued an updated report on the University's credit worthiness;
- f) a period of building cash balances and growing cash generation would be crucial for returning to the market for finance at a preferential rate;
- g) the Board's continued support for SLT-led change and transformation programmes would be helpful in addressing the efficiency of the organisation.

Agreed: To review key assumptions which drive the future surplus in terms of how successful we have been in delivering contribution on them to date and hence what ramp up is required to achieve the targets within the 5YP. **(Action: Director of Finance)**

17 Closure

Noted: the meeting concluded at 1343 hrs.

Agreed: to defer consideration of the following agenda items to the May 2020 meeting:

- a) Transparent Approach to Costing Returns: TRAC and TRAC (T);
- b) University Tax Matters year ending 31 July 2019;
- c) Request to Convert Bioxydyn Debt to a Loan;
- d) Satellite Entities Review;
- e) Endowment Impact Report 2018-19;
- f) Endowments Project.