

THE UNIVERSITY OF MANCHESTER

FINANCE COMMITTEE

Minutes of the 6 May 2020 meeting

due to the Coronavirus (COVID-19) Pandemic the meeting took place by video-conference

Present: Dr John Stageman (Chair), Mr Edward Astle, Mr Kwame Kwarteng, Dr Neil McArthur, Professor Dame Nancy Rothwell and Mr Richard Solomons

In attendance: Louise Bissell (Head of Tax and Financing), John Cunningham (Director of Finance) Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Ms Caroline Johnstone (incoming Chair of Finance Committee), 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).

1: Welcome and Declarations of Interest

Noted:

- a) Finance Committee welcomed Caroline Johnstone to her first meeting. Caroline would attend the remaining meetings of the academic year prior to assuming to role of Chair at the start of academic year 2020-21;
- b) Finance Committee's thanks to the Finance Department for its collective endeavour in developing proposals for the University's financial response to the Pandemic;
- c) that no new declarations of interest were made to the following:

<i>Dr John Stageman</i>	<i>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</i>
<i>Mr Richard Solomons</i>	<i>Trustee, Mission Motorsport Advisor, Ennismore International Management Ltd Chairman Rentokil Initial plc Member of Aston Martin Lagonda Global Holdings plc</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</i>

*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 5 February 2020

Agreed: to approve the minutes of the February 2020 meeting.

3 Minutes of the informal joint meeting of Finance Committee and Audit and Risk Committee, 14 April 2020

Agreed: to approve the minutes of the informal meeting.

4 Matters Arising/Action Log

Noted: that a significant number of actions had been superseded by the circumstances of the Coronavirus (COVID-19) Pandemic.

Agreed: that options would be identified to enable Finance Committee to engage with the Summer 2020 UUK consultation on USS. (**Action: Deputy Director of Finance and Senior Governance Manager**)

5 Capital Programme Update

Received: the May 2020 Capital Programme Update.

Noted:

- a) that major capital projects and capital for Long Term Maintenance (LTM) had been reviewed to consider which projects could be paused over the next critical, two year period. The majority of the capital projects on the Master Plan were so far advanced that deferred cost savings would not be significant and, in some cases, would cost more to pause than to continue. Pausing the main MECD project would trigger force majeure clauses, which the University would be liable for. The MECD contractor had suggested a 12 week delay to the project due to a reduced workforce on site. This would mean that occupation of MECD for teaching in September 2021 would not be possible, and that on this basis, workplace fit out and move readiness projects/costs could be deferred by 12 months, deferring expenditure of approximately £20M. Such an approach would however result in overall increased inflationary costs, and the timing of completion would need to be cognisant of dual running costs and financial liabilities for the North Campus site;
- b) the Chemistry refurbishment project would be extended to cover a 7-8 year timescale, but this would result in additional costs over the period. Implications for addressing issues with the fume extraction system in the building were being reviewed with the Department and MSU to determine if there were any specific concerns with extending the programme;

- c) capital projects with significant external funding would continue to go ahead.

6 Management Accounts (March 2020) and Forecast Outturn 2019/20 Period 8 (March 2020)

Received: the Management Accounts (March 2020) and Forecast Outturn 2019/20 Period 8.

Noted:

[Redacted]

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- b) the March 2020 Management Accounts reflected the normal patterns of expenditure that had been prevalent prior to the UK lockdown. It was anticipated that the impact of the Pandemic would be more visible in the April 2020 Management Accounts;
- c) due to uncertainty regarding eligibility for the Coronavirus Job Retention Scheme, the University was not currently including furlough activity in its forecasting;
- d) while positive feedback had been received from students regarding tuition fee payment plans, it may be prudent for the University to review its provision for bad debt against the background of the Pandemic;

[Redacted]

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- f) it would be helpful to discuss further voluntary pay measures and messaging regarding the University's financial position at the Committee's June 2020 meeting.

7 Report of the Director of Finance

Received: the report of the Director of Finance which included a suite of recommendations for further work to examine unlocking the available endowment funds to assist in managing the financial challenges presented by the Coronavirus Pandemic.

Noted:

- a) updates on the following themes:
 - i. COVID-19 crisis: market update;
 - ii. University of Manchester Innovation Centre Ltd (UMIC) and Manchester Innovation Ltd (MIL);
- b) appropriate due diligence, including full business cases and clear approval processes would be conducted regarding the use of unlocked endowments.

Agreed: to approve the following recommendations to unlock available endowment funds:

- a) revisiting projects being funded from the merged endowments;
- b) potentially utilising the unused available portion of those same merged endowments for the balance that is yet uncommitted;
- c) borrowing 10% of the permanent capital from the merged endowments (as permitted under Charity Commission regulations);
- d) reviewing the terms of the Simon Fund by examining all of the Fund's original paperwork and liaise with the Charity Commission to ascertain if any options existed for its use.

(Action: Director of Finance and Head of Tax and Financing)

8 Coronavirus Financial Planning and Financing: Approach to re-setting the Budget: Re-set of budget 20/21 and future year targets due to the impact of COVID-19

Received: a paper setting out the proposed approach for the re-set of budgets and targets at University level and across each of the main budget areas, taking full account of the on-going scenario work and the emerging consensus from recent discussions with SLT and the Board as to the broad direction of travel in the short term.

Noted:

- a) that although dialogue with the UK Government was ongoing regarding the provision of QR assistance, it would be prudent not to include potential QR assistance in assumptions to re-set the budget for 2020-21 and financial plan;
- b) the actual extent of the financial challenge facing the University would become clearer later in the calendar year;
- c) that it would be helpful to embed the University's target adjustments summary (appendix 2 to the paper) in future iterations of the Management Accounts and re-forecasting. **(Action: Deputy Director of Finance)**

Agreed:

- a) to endorse the University's approach to re-setting the budget for 2020-21 based on the following assumptions:

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- b) to review the assumptions and income projections for the outer years of the University's Five Year Plan, noting that these assumptions and projections had been formed pre-Coronavirus Pandemic. **(Action Director of Finance)**

9 Borrowing Recommendations as a result of the COVID-19 Crisis

Received: two proposals (the COVID-19 Corporate Financing Facility (CCFF) and a Revolving Credit Facility (RCF)) to Finance Committee in respect of the type and quantum of short-term borrowing the University should secure, if possible, in response to the COVID-19 crisis.

Noted:

- a) the COVID-19 Corporate Financing Facility (CCFF) had been launched on 23 March 2020 by HM Treasury and the Bank of England and provided additional help to firms to bridge through COVID-19 related disruption to their cash flows. CCFF offered very cheap borrowing at a likely rate of around 30 basis points or 0.3% interest and the University had the flexibility as to the amount it drew down from that facility;
- b) CCFF borrowing must be repaid within 364 days but there was apparent opportunity of drawing down a further facility to repay the first issue the day before it was due to be repaid. This was an option provided the second issue was still treated as short-term debt and therefore not counted in the University's debt covenants, and would be subject to confirmation by the Finance Department;
- c) the University's eligibility for CCFF was currently unclear, on the grounds it was a public undertaking. Significant lobbying was being undertaken by BEIS and DfE to both the Bank of England and HM Treasury to include universities as eligible for CCFF and a response was expected very soon. To date, none of the universities who had applied had been formally accepted as eligible but none appeared to have been rejected either;
- d) it was currently proposed to consider an RCF concurrently with the CCFF, but if the CCFF was available to the University, then the RCF would not be committed to until a later date due to its cost;
- e) longer term borrowing would be required (post CCFF) with an anticipated term of four to five years;
- f) if the University was deemed to be ineligible for the CCFF then it would automatically need to immediately revert to the option of a RCF. The level of borrowing might need to be lower because of the constraints of the University's Private Placement covenants.

Agreed:

- a) on the assumption that the University is eligible, to approve the proposal that the University immediately applies to access the COVID-19 Corporate Financing Facility (CCFF);
- b) to approve that the University progress in parallel the securing of a Revolving Credit Facility (RCF) to enable repayment of the CCFF at the end of its term, and in the event that the University is not eligible for CCFF;
- c) that further modelling should be undertaken by the Finance Department to determine a specific quantum and time-frame for short term credit facilities. Modelling to be informed by the following points raised in discussion:
 - i. the merit of having a facility of at least three to five years' duration;
 - ii. the need for clarity of communications and messaging regarding the University's need to access the CCFF and RCF;

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- iv. the current low cost and ready availability of credit to institutions such as the University, who held good credit ratings;
- v. alignment and compliance with the conditions of the University's Private Placements;
- vi. that Finance Committee was currently supportive of applications for credit facilities of up to approximately [REDACTED] **Redacted – Restricted Information** in both CCFF and/or RCF;
- vii. that while the University would incur charges for an undrawn facility, the level of headroom the University would require via a facility was currently unclear. It was suggested that risks of overshoot and undershoot in terms of a final

- quantum may not be symmetrical, and that additional headroom provided by a higher level of facility could prove helpful;
- viii. that the final quantum accessed via CCFF and RCF should not jeopardise the University's 'going concern' status;
- d) that final approval of quantum and timeframe for CCFF and RCF should be made by the Board of Governors:
- i. either at its 20 May 2020 meeting, or
 - ii. if a decision was required prior to this date, via Chairs Action, or approval by the Committee Chairs Group, with the decision subsequently reported to the Board.

10 Investment Sub-Committee (ISC) Report

Received: the report of the Investment Sub-Committee meeting of 16 April 2020.

Noted:

- a) that ISC had recommended the updated Socially Responsible Investment Policy (SRIP) to Finance Committee, for onward endorsement to the Board of the Governors for final approval;
- b) the updated SRIP set out the University's approach to Socially Responsible Investment and specifically addressed the University's investment position in response to the climate crisis.

Agreed: to approve, and recommend for presentation for final approval by the Board of Governors, the revised Socially Responsible Investment Policy.

11 UMIP Premier Fund

Received: an update on the UMIP Premier Fund.

Noted: the update on the UMIP Premier Fund (UPF), and that a recommendation as to the preferred course of action in relation to the Fund would be presented to Finance Committee following its consideration by Finance Sub-Committee on 19 May 2020.

Agreed: to delegate authority to the Chair of Finance Committee to approve any recommendations regarding UPF should a decision be required prior to the Committee's June 2020 meeting.

12 Endowment Restructure Project (Phase 2)

Received: as part of the 2nd phase of the Endowment Restructure Project and due to significant economic challenges created by the coronavirus outbreak specific endowment restructure proposals which could be strategically important to the financial position of the University.

Noted: that the proposals concentrated on the unlocking of permanent capital and releasing these funds to be available for use, either as part of a merged fund or as separate endowments.

Agreed:

- a) the transfer of further endowments into the merged funds created in 2016 (comprising both the capital and accumulated income);
- b) the re-categorisation of a number of endowments from permanent to expendable, which have not failed or determined, following further research into the original terms of each gift.

13 Commercialisation of Graphene/2-D Materials: Update

Received: an update following Finance Committee's decision in principle (February 2020) to develop the Manchester Graphene Company (MGC) as a specialised accelerator company.

Noted:

- a) work had progressed to develop the concept and to support the first tranche of spin-outs. The Coronavirus Pandemic had prevented sufficient interaction with potential investors and delayed technical work in the companies because of lab closures, and therefore prevented development of the full business case;
- b) the objectives that had been established for MGC and its anticipated share structure.
[Redacted] **Redacted – Restricted Information**
- c) dialogue with UK Government regarding support for MGC was ongoing;
- d) the enhanced clarity that the update provided to Finance Committee regarding investment, structure and offer, and the expertise of the CEO and Shadow Board;
[Redacted] **Redacted – Restricted Information**
- f) Finance Committee would continue to receive updates on MGC's progress.

14 University Benchmarking Analysis

Received: financial benchmarking analysis for the University of Manchester against the remainder of the Russell Group.

Noted: direct comparisons with a peer group of Edinburgh, Imperial College, UCL and Leeds had been included in the analysis on the basis of similarity of size and operations.

15 Contracts and Supplier Payments in response to COVID-19

Noted: a briefing paper jointly prepared by the Central Procurement Office and the Directorate of Legal Affairs & Board Secretariat (DLABS) regarding Procurement Policy Note (PPN) 02/20 which had been issued by the UK Government in March 2020.

16 Items deferred from February 2020 Finance Committee

Received:

- 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.

Noted: the items deferred from the February 2020 Finance Committee meeting, and in particular the following:

- a) University Tax Matters: that this was a helpful report, and would be welcomed on an annual basis by Finance Committee;
- b) Satellite Entities Review:
 - i. the Review had provided helpful clarity regarding the University's legal, staffing and reputational commitments regarding its satellite entities, and that the themes raised by the Review merited further consideration;

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Agreed: Satellite Entities Review: that the University Head of Tax and Financing and the Chair of the Board of Governors, and the Chair of Finance Committee would meet to discuss risk areas highlighted by the Review, mechanisms for appraising trustees of their responsibilities, and clarifying the separate responsibilities of Audit Committee and Finance Committee. **(Action: University Head of Tax and Financing and Chair of Finance Committee)**

17 Additional Business Raised in the Meeting: Interim Adjustments to Financial Procedures

Noted: that as an element of interim adjustments to University Financial Procedures, the President and Vice-Chancellor had acted under delegated authority from the Board of Governors to suspend the embargo against personal address deliveries.

Agreed: to endorse the suspension, which would be reported to the Board of Governors at its 20 May 2020 meeting.