

THE UNIVERSITY OF MANCHESTER

FINANCE COMMITTEE

Minutes of 17 July 2020

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

Present: Dr John Stageman (Chair), Mr Edward Astle, Professor Steve Jones, Professor Dame Nancy Rothwell (for agenda items 1-7, and item 8 until 1157 hrs) and Mr Richard Solomons.

In attendance:, John Cunningham (outgoing Director of Finance) Robert Fraser (Chief Financial Officer), 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), Chris Trask (Deputy Director of Finance) and John Marsh (Senior Governance Manager) (minutes).

Apologies: Dr Neil McArthur.

1: Welcome and Declarations of Interest

Agreed: that henceforth members' declarations of interest would be recorded for Finance Committee in a manner consistent with other Board of Governors' committees.

Noted: USS Consultation - the introduction of new arrangements relating to debt monitoring, and to priority on secured debt: that Mr Edward Astle was currently the Chair of the CUC Pensions Group.

2 Minutes of 17 June 2020

Agreed: to approve the minutes of the June 2020 meeting subject to the updating of details for Mr Richard Solomons' declared interests.

3 Matters Arising/Action Log

Noted: the Matters Arising Update.

Agreed:

- a) that while the Research Applications and Awards data that had been provided to Finance Committee following discussions at the Committee's June 2020 meeting was helpful, it would more valuable for the Committee to receive regular reports of the trajectory of the Research pipeline against target, and provide an indication of money that the University could draw down, which could offer scope for the establishment of a KPI regarding the Research pipeline; **Action: Chief Financial Officer and Deputy Director of Finance**
- b) to include the Review of Delegations of Authority in the Action Log. The review was being coordinated by the Governance Office and would provide clarity regarding financial and governance aspects of delegated authority. **Action: Senior Governance Manager**

4 Management Accounts: June 2020

Received: the June 2020 Management Accounts.

Noted:

[Redacted]

- Restricted Information**
- b) while the Accounts followed the recent favourable trend in relation to the budget, income had continued to be adverse in respect of fee income from halls of residence, catering outlets, cultural institutions and research contribution due to the impact of the Pandemic;
 - c) the University had been advised by its insurance broker not to make a claim in respect of the recent fire in the AV Hill Building.

5 Forecast Outturn 2019/20 Period 11 – June 2020

Received: the Period 11 Forecast Outturn.

Noted:

- a) [Redacted]
- Redacted – Restricted Information**
- b) the cost of the University Voluntary Severance Scheme had been key in the change in underlying contribution. Engagement to date with the scheme had surpassed expectations, and options to extend the timeframe for the scheme were being considered;
- c) [Redacted]
- Redacted – Restricted Information**
- d) the forecast was a University only, underlying position and excluded the impact of the revised schedule of contributions for the USS pension scheme. It also excluded the impact of significant subsidiary movements related to some subs activity being brought into the University, the impact of furlough income and insurance income related to the Paterson fire;
- e) [Redacted]
- Redacted – Restricted Information**

6 Report of the Director of Finance

Received: the report of the Director of Finance.

Noted:

- a) an update regarding North West E Health (NWEH);
- [Redacted]
- Redacted – Restricted Information**

7 Budget 2020-21 and Financial Plan and Loan Financing Strategy

Received: an update on Financial Budget Planning and Loan Financing Strategy.

Noted:

- [Redacted] **Redacted – Restricted Information**
- b) [Redacted] **Redacted – Restricted Information**
- c) that while the impact of the Pandemic in the short term presented additional liquidity challenges, the structural deficit position was in existence pre Pandemic, caused by flat fees for Home/EU students, a growing deficit in full costs of research and a sharp escalation in pay and pension costs. The effect of the Pandemic was that the plans to improve financial health and resilience needed to be more ambitious, and be delivered at a quicker pace;
- d) since the June 2020 Finance Committee meeting the further development of the baseline budget had been informed by:
- i. the outputs from the initial work undertaken by Faculties and Professional Services to identify a minimum [Redacted] **Redacted – Restricted Information** reduction (base case) through to [Redacted] **Redacted – Restricted Information** (worst case);
 - ii. current year financial performance;
 - iii. the latest available information on student number applications, offers and acceptances;
 - iv. latest positions in respect of hall room bookings, subsidiaries and the re-opening of the campus;
 - v. recent UK Government announcements on a support package for University Research;
 - vi. the latest overall outlook in terms of the COVID-19 impact on Universities;
- e) that the recognised trade unions were currently opposed to any reductions in pay and pausing of increments. [Redacted] **Redacted – Restricted Information**
- f) in discussion, the following points raised by members:
- i. concern that the University may be significantly into academic year 2020-21 before actions to address financial challenges commence, with particular concern should the quantum of financial challenge be higher than currently anticipated;
 - ii. the importance of clarifying:
 - A. the strategic efficiencies and savings that had been identified pre COVID-19 in relation to budget proposals, and the scope of whether any such measures could be recovered in 2020-21 or beyond;
 - B. [Redacted] **Redacted – Restricted Information**
 - C. anticipated likely levels of debt/deficit in the medium term;
 - D. potential synergies between loan/credit options and applications to access these facilities;
 - E. the impact on, and activity by, Faculties in terms of budget financial planning;
 - iii. the importance of taking a strategic approach to Faculty savings, and the suggestion that this theme could be considered via a future Planning and Accountability Conference;
 - iv. that efficiency and saving measures across the University should be strategic as well as operational;

- v. that it may be helpful to extend the closing date for the University Voluntary Severance scheme;
- vi. that nuanced communication to the wider university community was essential regarding the budget and financial measures;

[REDACTED]

Redacted – Restricted Information

- h) the CCFF would be open until at least 22 March 2021, and accessing the scheme would provide a cost effective means of providing the University with liquidity for up to a 12 month period for each issuance of Commercial Paper within the aggregate limit of [REDACTED] **Redacted – Restricted Information**
- i) as well as obtaining assurance that the CCFF is not captured in Private Placement covenants, consideration would also need to be given as to how any potential Revolving Credit Facility (RCF) covenant suite might treat CCFF debt in covenant definitions;
- j) the University's RCF engagement process had been extended to [REDACTED] **Redacted – Restricted Information** additional banks, and it was anticipated that a clubbed (multi-bank) facility would be required;
- k) the University had progressed with the appointment of Private Placement (PP) advisors to support the renegotiation of the existing PP covenants in order to provide maximum headroom to raise short term debt in support of working capital needs in the event of a worst case income reduction scenario.

Agreed:

- a) to recommend the proposed budget and financial plan to the Board of Governors on the following basis:
 - i. that the Budget Financial Planning and Loan Financing Strategy paper be presented together;
 - ii. that a short headline summary/commentary highlighting key themes, simplified overview of variables, and changes is presented to the Board of Governors;
 - iii. that the Budget is presented as a prudent budget, with the intention to present a final budget later in calendar year 2020 once the scale of International student recruitment became clearer;
 - iv. key financial planning measures are highlighted;
 - v. that the Board are asked to note that strict financial measures have been introduced and will be retained for 2020-21, and to endorse SLT's activity to plan measures to address staff costs in relation to student numbers, and the delivery of strategic plans to address structural efficiencies at the University;
- b) that October 2020 Finance Committee focuses on strategic and operational measures developed during Summer 2020, and that such measures are also included on the forward agenda/business schedule for 2020-21 Finance Committee meetings;
- c) that the University's application to the CCFF should continue, and that engagement with RCF should also proceed at pace;

[REDACTED]

Redacted – Restricted Information

8 USS consultation - the introduction of new arrangements relating to debt monitoring, and to priority on secured debt

Received: an oral update from the Chief Financial Officer regarding the July 2020 USS Debt Monitoring Framework consultation, and August 2020 consultation on Technical Provisions.

Noted: Finance Committee's grave concern regarding proposals that would increase the cost of the USS scheme to member institutions in respect of service costs and deficit contributions, while also establishing constraints on borrowing and binding members to a long term membership commitment of 30 years.

Agreed: that Finance Committee would formally approve the University's response to the Debt Monitoring Framework consultation, and the August 2020 consultation on Technical Provisions. **Action: Chief Financial Officer**

Secretary's note: the University's response to the Debt Monitoring Framework consultation was approved by e-mail correspondence during July 2020.

9 Interim Adjustments to Financial Procedures

Received: adjustments to University Financial Procedures to help control expenditure during the Coronavirus (COVID-19) Pandemic.

Agreed: to approve the adjustments detailed in the paper regarding Income and Banking, Expenditure, and Salaries, Wages and Other Personal Payment.

10 Christabel Pankhurst Institute Update

Received: a progress report on the Christabel Pankhurst Institute.

Noted:

- a) that the Institute's primary focus would be on digital and advanced materials technologies applied to improvement in health, and it would promote needs-led health technology research and provide end-to-end support for rapid translation into practice;
- b) that Finance Committee welcomed the clarity provided by the update regarding the governance and structure of the Institute.

11 Additional business raised in the meeting

Noted:

- a) that the University was exploring options to utilise UK Government funding for progressing the fit out of MECD. Variables relating to this had been explored by Capital Planning Sub-Committee, and feedback was awaited on options;
- b) Finance Committee's warmest thanks to its outgoing Chair, Dr John Stageman, on the occasion of his final meeting of the committee, for his care and dedication in the leadership he provided to Finance Committee.