

APPROVED minutes



## FINANCE COMMITTEE

13 October 2021

**Present:** Ms Caroline Johnstone (Chair), Mr Edward Astle, Dr Neil McArthur, Professor Dame Nancy Rothwell, Mr Richard Solomons, and Ms Melody Stephen.

**In attendance for all items:** Louise Bissell (Deputy Director of Finance), Beth Dodd (Director of the Transformation Programme), Professor Luke Georghiou (Deputy President and Deputy Vice-Chancellor), Patrick Hackett (Registrar, Secretary and Chief Operating Officer), Sinead Hesp (Director Legal Affairs and Board Secretariat) (minutes).

**In attendance for:**

**Capital Programme Report; Overview of the Current UK Construction Sector in Respect to Input Costs and Tender Prices; Residential Strategy and Funding Options; and ID Manchester Project Update Report:** Diana Hampson (Director of Estates and Facilities).

**The Strategic Plan:** Matt Atkin (Director of Planning).

**Apologies:** None

### 1 Welcome and thanks

**Noted:** the Chair welcomed the following to their first meeting of Finance Committee:

- a) new member: Melody Stephen (General Secretary of the University of Manchester Students' Union).
- b) Attendees: Beth Dodd (Director of the Transformation Programme) and for today's meeting, Sinead Hesp (Director of Legal Affairs and Board Secretariat) who was acting as secretary for this meeting,

and confirmed that Dr Reinmar Hager would join the Committee as the staff Board member.

**Noted:** the resignation of Robert Fraser as Chief Financial Officer; that recruitment planning for a replacement had commenced and that John Cunningham who had previously acted as an interim would take up that role again for 6 months.

The Chair offered the thanks and support of the Committee to the Deputy Director of Finance and the wider Finance team.

## **2 Declaration of Interests**

**Noted:** that there were no declarations of interest in relation to the agenda.

## **3 Terms of Reference and Membership**

**Received:** the Finance Committee terms of reference.

**Noted:** that the terms of reference had been extensively reviewed and agreed in April 2021 and would be further considered after the terms of reference of the Audit and Risk Committee had been reviewed (following the appointment of a permanent chair of that committee). The length of meetings would also be considered (with the possibility of increasing to 3 hour meetings but including the Investment sub-Committee).

## **4 Minutes of the previous meetings: 23 June and 15 July 2021**

**Agreed:** to approve the minutes of the meetings of 23 June and 15 July 2021.

## **5 Matters Arising/Action Log and Finance Committee Forward Agenda**

**Noted:** the Matters Arising/Action Log update, and the Finance Committee Forward Agenda.

### **6a Capital Programme Report (October 2021)**

**Received:** the October 2021 Capital Programme Report.

**Noted:**

- a) Chemistry LTM & Vent Works: Tenders were returned in August with 3 contractors bidding, but all bids over the pre-tender estimate. A full tender report will be prepared and issued in due course.

### **6b Overview of the Current UK Construction Sector in Respect to Input Costs and Tender Prices**

**Received:** a high-level overview of the current state of the UK construction market and effects this may have in the tender price submissions and output costs of University construction projects.

**Noted:**

- a) There was a need to consider the overall strategy and timing of the programme given economic and market conditions.
- b) The University was fortunate to be at this point in relation to its masterplan at this stage of the economic cycle given expected inflationary pressure, but there were issues to consider in relation to ongoing projects such as Chemistry. Delay may mean increased cost and it was important to consider the cost of capital versus asset utilisation and inflation/ gain.
- c) It was not expected at the moment that the Paterson project would be impacted.

**Action:**

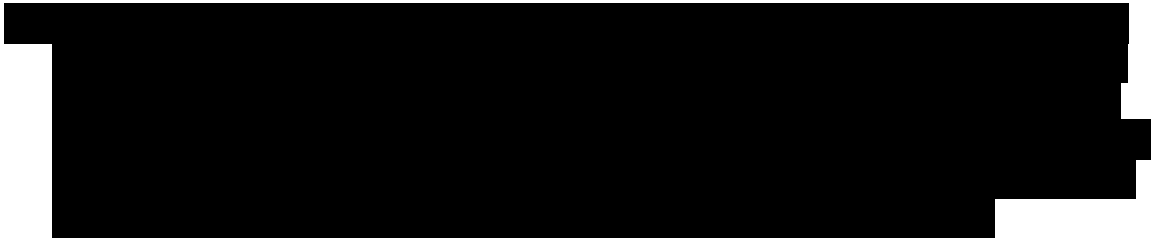
- a) A summary would be provided of the risks to next year's budget and the programme including a list of projects such as Pankhurst and Chemistry that might be impacted and what hedging has been done by the University (Director of Estates and Facilities)

## 7 Residential Strategy and Funding Options

**Received:** the initial strategy for the phased closure of existing residences and the provision of new student accommodation, including consideration of phasing/programme, leasing, funding and surplus land disposal elements.

**Noted:**

- a) The poor condition and unsuitability of elements of the residential portfolio in comparison to the sector.
- b) The need to close a number of Halls as they reach the end of their physical and economic life.
- c) The significant risk of undersupply of appropriate accommodation should closures not be mitigated
- d) The need for a clear funding strategy to develop additional new build student accommodation and to fund appropriately the long-term maintenance requirements of the retained accommodation.
- e) The desire to have a base number of rooms (proposed to be around 8k) owned and managed by the University to derive pastoral care benefits and market benefits (i.e. at an affordable rental point for students).
- f) Board members had been invited to a visit of the residences in November.

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- h) It was agreed that consideration would need to be given to the wider funding strategy for the University, the appropriateness of tying up capital and the current level of long term debt.
  - i) The Committee strongly supported the objectives, subject to further consideration of
    - i. supply and demand (including demographic changes and potential changes in international student trends);
    - ii. all options for funding this investment in residences; and
    - iii. the wider University Funding Strategy, which would necessarily involve prioritisation.

**Action:**

- a) A project team would be set up including the General Secretary of the Student Union (Director of Estates and Facilities).
- b) Further consideration should be given to the University Funding Strategy (short, medium and long term), including the possibility of external advice on funding. (Deputy Director of Finance).

- c) Further consideration to be given to the residences funding options. (Deputy Director of Finance and Director of Estates and Facilities).

## **8 ID Manchester Project Update Report**

**Received:** an update on the ID Manchester project, and a request for approval to proceed with activity to complete the legal agreements required to form a joint venture with Bruntwood SciTech.

**Noted:**

- a) KPMG had been instructed and provided an updated report on the financial standing of the JV partner which had also provided a letter of representation. [REDACTED]
  - b) The work on building a new financial model had shown some anomalies, but nothing of significance in relation to the agreed deal.
  - c) The minimum working capital/ equity condition was met.
  - d) The longstop dates had been tied into the gateway conditions in the Conditional Land Drawdown Agreement and provided protection.
  - e) In relation to governance of the JV, the key concern of Finance Committee was capacity of the University representatives. Assurance was provided that this would be kept under review.
- [REDACTED]

**Action:**

- a) Consideration should be given to inclusion of oversight into the Finance Committee annual plan of work and its remit / that of Audit and Risk Committee, noting the importance of not requiring over-reporting (Action: Governance Office)
- b) Convey to the JV partner concerns about the vacancy in a key role of the JV and the need for assurance about the timing for a replacement and the key skills requirements (Director of Estates and Facilities).

**Approved:**

- a) As the four conditions previously set by the Board had been met, the Committee approved the University to proceed with completion of the legal agreements required to form the joint venture with Bruntwood SciTech.

## **9 University Fundraising Campaign**

**Noted:** that the 13 October Board of Governors meeting would be preceded by a strategic briefing on the University Fundraising Campaign, which is also scheduled on the Board's agenda.

## 10 Year End Management Accounts

**Received:** the Management Accounts for July 2021 (Year End).

**Noted:**



## 11 Treasury, Borrowing and Covenant Update

**Received and noted:** a summary of the University's treasury arrangements, borrowing and covenants as of 31 July 2021, with prior year comparative information where required.

## 12 Scenarios for Going Concern (18 month outlook)

**Received:** a paper detailing the going concern scenarios that the Board would need to consider in order to conclude that the University is a going concern for the purposes of the 2021 external audit.

**Noted:**

- a) The Board must be sure that the University has enough liquidity to continue as a going concern for a foreseeable period of 18 months and requires assurance based on robust financial projections and sensitivity analysis applied, including challenging (severe but plausible) scenarios.



- c) Formal consideration of going concern would take place at the joint meeting with the Audit and Risk Committee in November 2021.

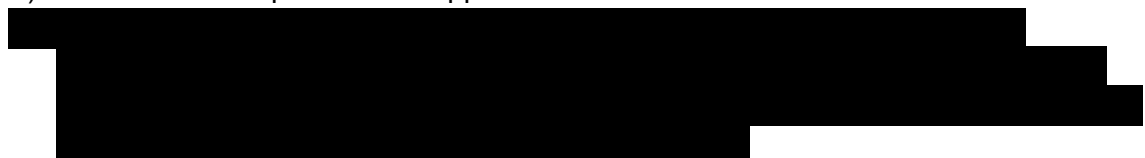
**Approved:** the proposed approach to assessing going concern.

## 13 The Strategic Plan

**Received:** the five year financial plan, including an update on progressing the strategic ambitions for the University set out in the Our Future strategic plan and the extensive review process following endorsement of the direction of travel by the Board in July 2021.

**Noted:**

- a) The actions being taken by Faculties and PS to further strengthen financial sustainability.
- b) The Strategic investment priorities, both funded and not currently funded.
- c) The Strategic Plan had to be considered against the backdrop of the unsustainable business model for research intensive universities. The plan had been developed in the absence of a change in the funding model, particularly sustainable funding for research.
- d) Members sought to understand the reliance assumed on international students and it was agreed that it would be helpful in future to highlight the percentage increase and reliance on international students and in those from particular markets.
- e) Investment was planned to support diversification.

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- g) The Strategic Plan should be considered as a direction of travel and would be reviewed regularly.
  - h) The risk appetite required to deliver the Plan.

**Approved:** the recommendation of the Strategic Plan (including financial plan, base case, revised measures of success and 2021/22 Operational Priorities) to the Board.

#### **14 Strategic Change Projects**

**Received:** an update on the Strategic Change portfolio, which included a draft sample report for potential use at future Finance Committee meetings, and a sample 'Project Handbook' which was intended as a reference document to provide context to projects within the scope of Finance Committee.

**Noted:**

- a) The sample report was helpful, and should include a similar report to the Capital Programme report to facilitate prioritisation as well as graphs showing trends.
- b) The importance of KPIs including Return on Investment and understanding the benefits including a consistent summary of costs/ benefits over time.

#### **15 Tax Strategy Update**

**Received:** an update on the University's strategy.

**Approved:** the University's Tax Strategy, subject to amendment of the wording relating to risk which might be considered too strong.

#### **16 Update on Students' Union Superannuation Scheme (SUSS)**

**Received:** an update on the proposed bulk transfer of the University of Manchester Students Union (UMSU) share of SUSS into UMSS [REDACTED]

**Noted:**

- [REDACTED]
- b) A fuller paper for approval would be presented to the Board in due course as Trustees, but Finance Committee was supportive of developing this proposal.
  - c) Work was ongoing with the Trustees of SUSS and UMSU.

## **17 Epidarex Investment Approval Process**

**Received and noted:** a paper which had been presented to 15 July Investment Subcommittee to address issues raised by Finance Committee at its May 2021 meeting regarding the decision process around the University's investment in the Epidarex Capital III Fund.

## **18 Future Meetings**

**Noted:**

- a) All Finance Committee Members are invited to attend Investment Subcommittee on Wednesday 15 December 2021 at 10am and Wednesday 18 May 2022 at 10am. It is proposed that in due course Investment Subcommittee could be brought together with Finance Committee.
- b) The November meeting of Finance Committee would include:
  - a. Year-end matters and the Financial Statements.
  - b. An update on the Financial Systems transformation project.
  - c. Approach to an overall review of financing strategy for the University and also Residences strategy in particular.
  - d. An update from the Interim Chief Financial Officer and the Deputy Director of Finance on the Finance Team and finance priorities.
  - e. Any updates required from the Director of Estates and Facilities on the Capital Programme.

## **19. Any other business**

**The meeting closed at 11.05am.**