

FINANCE AND INVESTMENT COMMITTEE
22 September 2020

CONFIRMED MINUTES

Present:

Luke Savage (Chair)
Ben O'Neill

Shamima Akter
David Russell

Professor Colin Bailey

In attendance:

Dr Sharon Ellis [for minute
2020.005]
Ian McManus

Dr Nadine Lewycky
Louise Parr-Morley

Jonathan Morgan

Apologies:

Ade Adefulu

Isabelle Jenkins

Welcome and Apologies

2020.001 The Chair welcomed everyone to the meeting via video conference and noted the apologies.

Minutes of the meeting held on 25 August 2020 [FIC20/01]

2020.002 The Committee **confirmed** the non-confidential and confidential minutes of the meeting held on 25 August 2020.

Matters arising [FIC20/02]

2020.003 The Committee **noted** the matters arising from the meeting held on 25 August 2020.

Management accounts including first draft outturn 2019–20 [FIC20/03]

2020.004 *Minute 2020.004 is confidential.*

Research grants and contracts annual report [FIC20/04]

2020.005 The Committee **noted** the annual report on research grants and contracts for 2019–20. The Director of Research, Business Development and Commercialisation Services said that:

- [a] Research income had increased in 2019–20 on the previous two years. Covid had the effect of both increasing activity this year, and also in driving down applications as research staff re-focused on online teaching and clinicians had returned to clinics. Both applications and awards were down in the last four months.

- [b] A new awards management system meant that data was available in real time and was being used to support conversations with researchers about targeting applications at particular funders. As less research funding would be available from charities, we would focus on applying to funders such as the Wellcome Trust and the National Institute for Health Research. We were introducing policies to improve overhead recovery to maximise income from research grants.
- [c] The Committee asked how well Queen Mary researchers were positioned to be successful in a more competitive research funding environment. Although there would be less funding available from charities in the next few years, the UK government had committed to increasing spending on research and development as a percentage of GDP which would add a further £10bn per annum of funding.
- [d] A flexible research fund approach to reward researchers applying for grants with better overhead recovery had been introduced in August. Part of the overheads would be returned to researchers.
- [e] The Committee asked what impact the new data tracking measures would have on grant capture in the next two to five years. Having the data alone would not be sufficient to instigate improvements, but would be used to support instilling the right behaviours. Further work would be done to link research and innovation with the Education and EDI enabling plans. Going forward, support would be targeted on those researchers applying for bigger grants and on younger researchers.
- [f] Innovation targets were being developed and would include the number of new spin outs, disclosures and licensing. Changes would be made to the internal proof of concept funding to drive outcomes in support of the strategy, such as developing technology readiness for commercialisation or impact case studies for the Research Excellence Framework. The Knowledge Exchange Framework (KEF) would be used as a measure as it would benchmark our performance against other Russell Group universities. The Committee asked for the objectives and definition of success for QMI to be captured and brought back to the Committee in order to understand how the KPIs align with the objectives.
- [g] The Committee asked for greater clarity on which non-financial KPIs innovation activity was driving. University innovation did not usually generate significant income but underpinned collaborations with industry.

Action: [f], [g] Director of Research, Business Development and Commercialisation Services

Update on endowment investment [Oral report]

2020.006 The Committee **noted** the oral update on the management of the endowment investment fund. The Interim Finance Director said that:

- [a] She was progressing discussions with Stanhope consulting on our endowment investment portfolio. Stanhope had been asked to provide recommendations on maximising portfolio value and potential fund

managers for the Committee and Council in November. A small group would be appointed to review progress before final approval in January.

- [b] The Committee observed that the portfolio had performed better where Ruffer had delegated the management of funds to specialists, but where funds had been managed in house these had performed poorly. We should consider whether a fund manager uses specialists when looking for the next fund manager.

QMUL pension liabilities report [FIC20/05]

2020.007 The Committee **noted** the update on the university's pension liabilities. The following points were noted in the discussion:

- [a] The 2020 valuation of the USS and SAUL pension schemes were underway and would report in spring 2021. It was expected that there would be a step change in the contribution levels for employers and employees.
- [b] *Minute 2020.007[b] is confidential.*
- [c] There were no updates to the SAUL scheme during 2019/20 and the 2017 valuation and the employers' contributions remained in effect throughout the year. In the 2017 valuation, the scheme was in surplus and was 102% fully funded. The 2020 valuation advised that due to the links with the USS its covenant strength would be based on a tending to strong. It was expected to report a deficit following the 2020 valuation.
- [d] *Minute 2020.007[d] is confidential.*
- [e] In addition to the contribution rate changes and the value of the backlog deficit, the trustees were also seeking to strengthen the covenant by asking universities to sign up to a number of requirements. These requirements included *pari passu* for any new secured debt; monitoring of our financial position; and agreeing to remain within the scheme. We had pushed back against these requirements, in particular the *pari passu*, as it would constrain us financially going forward. Even with a stronger covenant, employer and employee contributions would rise to an unaffordable level.
- [f] We maintained our position that it was necessary to consider the benefits in order to keep the scheme affordable. However, we heard that the unions were not engaging in discussions as they believed that the scheme was not in deficit, the valuation was being carried out incorrectly, and members' contributions should not increase above 8%.
- [g] During the previous round of industrial action, the unions had positioned the USS in line with those for other public sector workers, but this was a misleading representation of how the scheme was funded. Students had supported the industrial action taken by the unions in the last two years which showed that there needed to be more transparency about how student fees were spent. The student member agreed to meet with the Interim Finance Director to improve understanding of the scheme among the student population.

- [h] The Committee noted that the opt out rate of 18% was high and that younger staff members were disproportionately affected by the high contribution rates. It was likely that older staff members would start leaving the scheme once they reached a higher pay bracket as benefits were capped at £58k. The current talks were considering creating different levels for contributions and benefits.

Actions: [g] Shamima Akter; Interim Finance Director

***Annual summary of bad debt write-offs [FIC20/06]**

2020.008 *Minute 2020.008 is confidential.*

Carbon Management Plan: annual report [FIC20/07]

2020.009 The Committee **noted** the annual report on the carbon management plan. The following points were noted in the discussion:

- [a] The Director of Estates, Facilities and Capital Development said that a Head of Environmental Sustainability had been recruited. Philippa Lloyd, Vice-Principal (Policy and Strategic Partnerships) was now chairing the university's Environmental Sustainability Committee. A draft environmental sustainability action plan based on the UN's sustainable development goals (SDGs) would be considered by the Senior Executive. Going forward, the Committee would receive updates on the environmental sustainability action plan.

[b] *Minute 2020.009[b] is confidential.*

- [c] Measures to mitigate against the spread of Covid-19 such as preventing the re-circulation of air in buildings and longer building opening times would have an impact on our energy efficiency in 2020–21.

- [d] The financial cost savings this year had been achieved largely due to the lockdown. It would likely have been an adverse year because of the utilities tariff.

- [e] The Committee commented on the high number of business miles that the university had travelled in 2019–20. This included academic staff travelling to China, to conferences and to conduct research, as well as PhD students.

- [f] The Committee commented that it was not clear the prioritisation or decision making framework was not clear. The Director of Estates, Facilities and Capital Development would arrange a meeting between Ben O'Neill and Philip Tamuno, the new Head of Sustainability, to discuss prioritisation for carbon management for reporting back to the next Committee meeting.

Action: [f] Director of Estates, Facilities and Capital Development; Ben O'Neill

***Draft agenda for the next meeting [FIC20/08]**

2020.010 The Committee **noted** the agenda for the meeting to be held on Monday 02 November 2020.

Any other business

Fee tracking [presentation]

2020.011 *Minute 2020.011 is confidential.*