



FINANCE COMMITTEE

Thursday 2 July 2015

MINUTES

PRESENT:

Mr Simon Melliss (*Chair*)

Professor Michael Arthur
(*President and Provost*)
Mr Ven Balakrishnan
Dr Stephanie Bird
Dr Ben Booth
Professor Sue Hamilton

Mr John Morgan
Dr Gill Samuels
Professor Alan Smith
Mr Richard Smothers
Professor Alan Thompson
Ms Sarah Whitney

In attendance: Ms Wendy Appleby (Registrar); Ms Nicola Arnold (Director, Financial Control and Analysis); Mr Andrew Grainger (Director of UCL Estates); Mr Phil Harding (Director of Finance and Business Affairs); Ms Valerie Hogg (Director, Financial Planning and Strategy); Mr Omar Khan (Student Observer); Mr Rex Knight (Vice-Provost (Operations)); and Dr Marguerite Nolan (Secretary to Finance Committee).

Apologies for absence were received from Dr Liam Graham and Dame DeAnne Julius.

Key to abbreviations used in these Minutes:

FC	Finance Committee
HEFCE	Higher Education Funding Council for England
HESES	Higher Education Students Early Statistics Survey
I&E	Income and Expenditure
IoE	Institute of Education
QR	Quality Related Research Funding
TRAC	Transparent Approach to Costing

Preliminary Formal Business

1. DECLARATION OF INTERESTS

- 1.1 **Noted:** Any member of the Finance Committee who had (or who knew of a family member who had) a material, personal, financial or other beneficial interest in any item on the agenda was requested to declare that interest at the beginning of the meeting in order that such declaration could be recorded in these Minutes. No such interests were declared.

2. MINUTES OF THE PREVIOUS MEETING

- 2.1 **Approved:** The Minutes of the previous meeting of the Finance Committee held on 26 March 2015 were approved and signed by the Chair.

3. MATTERS ARISING FROM THE MINUTES FC 5-47 (14-15)

- 3.1 **Received:** The report on Matters Arising from the last meeting at FC 5-47 (14-15).
- 3.2 Minute 4.3 - It had not been possible to provide a report outlining the fixed and non-fixed income and costs for the last five years for this meeting of the Finance Committee however a report would be provided for the next meeting in the autumn term 2015.
- 3.3 Minute 17 - It was agreed to provide a progress update on the Alan Turing Institute for the next meeting of the Finance Committee in the autumn term 2015.

Matters for discussion

4. FINANCIAL UPDATE FC 5-48 (14-15)

- 4.1 **Considered:** The Committee gave detailed consideration to the Financial Update at FC 5-48 (14-15). This report provided a forecast of the financial results for 2014-15 based on actuals for eight months of the financial year to 31 March 2015. The Director of Finance and Business Affairs drew the Committee's attention to the financial headlines included in the report. It was noted that the forecast surplus for 2014-15 was £22.5m which was 1.96% of expenditure as compared to the target of £29.2m surplus (2.5% or expenditure).
- 4.2 The Committee discussed the performance of the academic schools as outlined in the tables on p. 15 and p. 18 and feedback was received from the Director of Finance and Business Affairs on the reasons for the negative variances. It was noted that work was continuing to close the gap and work towards the budget for 2014-15.
- 4.3 Feedback was sought as to what was included in the forecast figure of £17.9m of other costs in other activity as included in the table on p. 17. It was agreed to provide a breakdown of these costs to the Finance Committee.
- 4.4 The Committee discussed the 1.01% forecast growth in research income for 2014-15 as compared to 9% in the budget for 2014-15. It was noted that the budgeted percentage had been over-optimistic and that it was also a timing issue relating in part to the Research Excellence Framework.

4.5 **Resolved:** That the Financial Update at FC 5-48 (14-15) be noted.

5. FINANCIAL FORECASTS

FC 5-49 (14-15)

5.1 **Considered:** The Committee gave detailed consideration to the Financial Forecasts report at FC 5-49 (14-15). This included a note on Financial Sustainability, the 2015 Financial Tables and a Commentary on the forecasts to 2017-18. UCL is committed to achieving financial sustainability, which means providing a sufficient level of financial resource on an ongoing basis to deliver the academic outcomes defined in UCL2034. This, in turn, requires a level of cash generation that supports a programme of investment in academic development and in UCL's infrastructure, both physical and digital. Therefore, a target of 5.5% of surplus of income has been set to be achieved by 2017-18 and sustained thereafter.

5.2 The Committee discussed the table on p. 50 which gave a list of propositions to improve the operating surplus in 2017-18 and the projected improvement that could be achieved and feedback was provided by the Director of Finance and Business Affairs. The next step would be to complete road-testing of the proposals to improve the operating surplus with Heads of Department and leadership teams and this was underway.

5.3 The Committee discussed the staff student ratio, the balance between teaching, research and enterprise, and the need to achieve the appropriate balance and manage the student experience. It was noted that this would be considered as part of the planning process and all aspects would be taken into account.

5.4 The Committee discussed the table on p. 48 which gave the surplus achieved by Russell Group universities in 2013-14, including UCL. A question was raised as to whether the UCL capital programme should be slowed down in order to achieve savings and increase the surplus in the short-term. It was noted however, that the Senior Management Team had made the judgement that a delay in the capital programme would jeopardize the delivery of UCL2034. The Committee highlighted the importance of UCL achieving its surplus target in order to invest in its estate, IT and staff and remain sustainable and competitive.

5.5 **Resolved:** That the Financial Forecasts report at FC 5-49 (14-15) be recommended to Council for approval at its next meeting on 9 July 2015.

6. BUDGET 2015-16

FC 5-50 (14-15)

6.1 **Considered:** The UCL Budget 2015-16 at FC 5-50 (14-15). The Institute of Education (IoE) had been consolidated into UCL budget numbers. The IoE had merged with UCL on the 2nd December 2014 and therefore only 8 months of activity was included in the 2014-15 forecast figures that were used for comparative purposes. The UCL target had been originally based on a 3.5% surplus on an estimated projected income of £1.186bn which equated to a £41.5m surplus target. The delivered budget was projecting a £1.299bn income figure which would increase the surplus target to £45.4m.

6.2 The Director of Finance and Business Affairs drew the Committee's attention to the following risks and opportunities as outlined in the budget:

- i) Student Recruitment and Tuition Fee Income;
- ii) Research Grant Overhead Recovery;
- iii) Staff Cost Control;
- iv) Capital Programme and Estates Operational Budget;
- v) IOE Merger Impact;
- vi) HEFCE funding.

6.3 With regard to the table on p. 72, it was proposed that in future reports to the Finance Committee the HEFCE grant income should show separately the teaching and research elements.

6.4 **Resolved:** That the UCL Budget 2015-16 at FC 5-50 (14-15) be recommended to the Council for approval at its next meeting on 9 July 2015.

7. HEFCE SUMMARY STATISTICS ON FINANCIAL RESULTS FC 5-51 (14-15)

7.1 **Received:** The HEFCE Summary Statistics on Financial Results at FC 5-51 (14-15). The statistics had been produced by the HEFCE from the annual accountability returns submitted by institutions in December 2014. The report benchmarked UCL against the Higher Education sector as a whole.

7.2 **Resolved:** That the HEFCE Summary Statistics on Financial Results at FC 5-51 (14-15) be noted.

8. TRAC FOLLOW-UP FC 5-52 (14-15)

8.1 **Received:** The Transparent Approach to Costing (TRAC) follow-up report at FC 5-52 (14-15). The Finance Committee had previously raised questions arising from the TRAC data that UCL produced annually. This report had been provided to address these questions.

8.2 **Resolved:** That the TRAC follow-up report at FC 5-52 (14-15) be noted.

Matters for approval or information
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9. NEW STUDENT CENTRE FC 5-53 (14-15)

9.1 **Received:** The business case for the New Student Centre at FC 5-53 (14-15).

9.2 The Chair noted the importance of maintaining the New Student Centre and the rest of the UCL estate in the future.

9.3 **Resolved:** That the business case for the New Student Centre at FC 5-53 (14-15) be recommended to the Council for approval at its next meeting on 9 July 2015.

10. BIDBOROUGH HOUSE, TORRINGTON PLACE RESTACK FC 5-54 (14-15)

10.1 **Received:** The business case for the Bidborough House, Torrington Place Restack at FC 5-54 (14-15).

10.2 The Committee endorsed the proposal in the business case for the adoption of agile working by Professional Services staff in Bidborough House and the restacked parts of Torrington Place to deliver a 20% increase in space utilisation.

10.3 **Resolved:** That the business case for the Bidborough House, Torrington Place Restack at FC 5-54 (14-15) be approved.

- 11. ASTOR COLLEGE REFURBISHMENT AND EXTENSION FC 5-55 (14-15)**
- 11.1 **Received:** The business case for the Astor College Refurbishment and Extension at FC 5-55 (14-15).
- 11.2 **Resolved:** That the business case for the Astor College Refurbishment and Extension at FC 5-55 (14-14) be recommended to the Council for approval at its next meeting on 9 July 2015.
- 12. CAPITAL PROGRAMME UPDATE FC 5-56 (14-15)**
- 12.1 **Received:** The Capital Programme update at FC 5-56 (14-15).
- 12.2 **Noted:** A major review of the Capital Programme would be undertaken over the summer with a report back to the Finance Committee in the autumn term 2015 to address the budget risk. This would include a review of contingency.
- 13. STUDENTS' UNION BUDGET FC 5-57 (14-15)**
- 13.1 **Received:** The Students' Union Budget for 2015-16 at FC 5-57 (14-15).
- 13.2 It was noted that the new General Manager of UCLU, who was appointed in May 2015, would be working to achieve a balanced budget in the next financial year. It was agreed to provide a progress update to the Finance Committee before the end of the 2015-16 financial year.
- 13.3 It was noted that the request for £160k in additional funding would need to be reviewed by the Director of Finance and Business Affairs before a recommendation could be made to the Finance Committee.
- 13.4 **Resolved:** The Committee resolved the following:
- a) That the Students' Union First Estimates for 2015-16, incorporating a grant from UCL comprised of £2.5m for UCLU and £210k for IOE be approved.
 - b) That the request for £160k in additional funding be considered by the Finance Committee at its meeting on 12 November 2015.
- 14. DEBT WRITE OFF FC 5-58 (14-15)**
- 14.1 **Received:** The proposed Debt Write Off at FC 5-58 (14-15).
- 14.2 **Resolved:** That the proposed Debt Write Off at FC 5-58 (14-15) be approved.
- 15. BANKING MATTERS FC 5-59 (14-15)**
- 15.1 **Received:** The changes to the Authorised Bank Signatories at FC 5-59 (14-15).
- 15.2 **Resolved:** That the changes to the Authorised Bank Signatories at FC 5-59 (14-15) be approved.
- 16. UCL FINANCING STRATEGY UPDATE FC 5-60 (14-15)**
- 16.1 **Received:** The Financing Strategy Update at FC 5-60 (14-15).
- 16.2 It was agreed to provide the Finance Committee with a schedule of UCL's cash flow forecast over the next five to ten years including revolving credit and other facilities.

16.3 **Resolved:** That the UCL Financing Strategy update at FC 5-60 (14-15) be recommended to the Council for approval at its next meeting on 9 July 2015.

17. HEFCE GRANT ANNOUNCEMENT FC 5-61 (14-15)

17.1 **Received:** The Committee received and noted the HEFCE Grant Announcement at FC 5-61 (14-15).

18. STUDENT TUITION FEES FOR 2016-17 FC 5-62 (14-15)

18.1 **Received:** The Committee received and noted the report on Student Tuition Fees for 2016-17 at FC 5-62 (14-15).

19. MEMBERSHIP OF THE FINANCE COMMITTEE FOR 2015-16

19.1 **Received:** The Committee received an oral report from the Chair of the Finance Committee on the membership of the Finance Committee for 2015-16. The constitution of the Finance Committee was currently being reviewed by the Council. This was part of a review of UCL's governance framework which Council was carrying out.

19.2 It was noted that Mr Ven Balakrishnan and Mr John Morgan would be standing down from the Finance Committee in September 2015. The Chair thanked Mr Balakrishnan and Mr Morgan for their very helpful contribution to the work of the Finance Committee.

20. COURTAULD BUILDING REFURBISHMENT FC 5-63 (14-15)

20.1 **Received:** The proposal for the Refurbishment of the Courtauld Building at FC 5-63 (14-15).

20.2 **Resolved:** That the Courtauld Building Refurbishment proposal at FC 5-63 (14-15) be recommended to the Council for approval at its next meeting on 9 July 2015 in principle at the current estimated cost with the acknowledgement that when the costs had been finalised there might be a requirement to gain Chair's Approval to the revised figures. It was also subject to the financial support from the MRC for the project being finalised and the MRC Prion Unit transferring to UCL.

21. DATES OF MEETINGS OF THE FINANCE COMMITTEE IN 2015-16

21.1 **Noted:** That meetings of the Finance Committee would be held on the following dates in 2015-16:

- 29 September 2015 at 10.30 a.m.
- 12 November 2015 at 10.30 a.m.
- 1 March 2016 at 10.30 a.m.
- 5 July 2016 at 10.30 a.m.

22. ANY OTHER BUSINESS

22.1 There was no other business discussed.

Dr Marguerite Nolan,
Secretary to Finance Committee,
July 2015