



Finance Committee

Held on Wednesday 6 November 2019 at 2.00 p.m. in the Council Room,
South Wing G12, Gower Street, London, WC1E 6BT

Minutes

Present Members:

Ms Sarah Whitney (Chair)
Professor Michael Arthur
Professor Lucie Clapp
Baroness Jo Valentine

Attendees:

Ms Wendy Appleby, Registrar and Head of Student and Registry Services
Mr Minto Bhandari, Member of UCL Council
Ms Francesca Fryer, Director of UCL Estates (for items 8 to 18)
Mr Phil Harding, Director of Finance and Business Affairs
Ms Carol Paige, Student Observer
Mr Adrian Punaks, Executive Director of Development (for item 6)
Mr Tom Rowson, TOPS Programme Director (for item 7)
Mr Matthew Swales, Director of Finance, Services and Reporting
Professor Nigel Titchener-Hooker, Dean of Engineering Sciences (for items 10 and 11)
Mr Martin Wedlake, Deputy Director of Strategy and Operations (for item 6)

Apologies:

Dr Andrew Gould
Professor Patrick Haggard

Officer:

Dr Marguerite Nolan, Governance Officer and Committee Secretary

Part 1: Preliminary Formal Business

1. Welcome, apologies and declaration of interests

- 1.1 The Chair welcomed members to the meeting. Apologies were reported as noted above. A quorum of the Finance Committee was present and due notice of the meeting had been properly given to all members of the Finance Committee.
- 1.2 Finance Committee members were obliged to declare the nature and extent of their interests (direct or indirect) in any proposed or existing transaction or arrangement with UCL, and each Finance Committee member present confirmed that he/she had no interest in any way in the proposed transactions to be considered at the meeting.

2. Minutes of the last meeting

2.1 **Approved:** The Committee approved the minutes of the last meeting of the Finance Committee held on 30 September 2019 subject to the following three amendments:

a) That the words 'and changed' be removed from the fourth sentence of minute 10.4.

b) That the words 'be changed' in minute 10.5b be amended to 'be reviewed'.

c) To remove the reference to the Financial Strategy Group in the last sentence of minute 6.1.

3. Matters Arising

3.1 At the last meeting of the Finance Committee it was noted that further work needed to be done to improve the quality and reduce the length of estates papers submitted to the Finance Committee (minute 9.4). The Chair reiterated that this action needed to be taken forward.

Part II: Items for Discussion

4. Annual Report and Financial Statements for the year ended 31 July 2019 (Paper FC 2-1, 2019-20)

4.1 **Considered:** The Committee considered the Annual Report and Financial Statements for the year ended 31 July 2019. The focus of the Finance Committee's review of the Financial Statements was on financial strategy and performance.

4.2 The Committee discussed the final consolidated results for 2018-19 as set out in the Financial Summary and the commentary in the Financial Review section of the Operating and Financial Review. The analysis of the performance isolated the impact of the pension provision movement and consolidated gains on investment to expose the underlying operating performance, which was a surplus of £86.8m, 6% of total income and £15.3m above the target.

4.3 The Committee considered the wording of the commentary on the USS Pension Provision in the Financial Review section of the report and in particular paragraph 2. It was suggested that the wording of the second paragraph could be reviewed or that additional commentary be provided to give further clarity. The Committee discussed the table in the Financial Review section which compared the results for the year ended 31 July 2019 and 31 July 2018. It was suggested that an extra paragraph could be provided to explain the content of the table. Members also put forward a number of other minor amendments to the report. As the external audit of the Annual Report and Financial Statements for the year ended 31 July 2019 was very near completion, it was noted that any of the suggested updates that could not be made to the report this year would be taken forward next year.

4.4 Feedback was sought on the loans granted to associated companies as included in the Notes to the Accounts. It was noted that the companies listed were governed

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by UCL Business (UCLB). This could be discussed at the next meeting of the Finance Committee on 31 January 2020 which would include an Annual Review of Financial Plans and Performance of UCL Business.

4.5 **Resolved:** The Committee recommended the Annual Report and Financial Statements for the year ended 31 July 2019 (Paper FC 2-1, 2019-20) to Council for approval at its next meeting on 21 November 2019, subject to the feedback received from members as outlined above.

5. **Office for Students (OfS) Annual Accountability Return** (Paper FC 2-2, 2019-20)

5.1 **Considered:** The Committee considered the Office for Students (OfS) Annual Accountability Return. This paper comprised the following:

a) A brief section explaining how the numbers in the draft OfS submission related to those previously reported to Finance Committee.

b) The draft submission to OfS requiring approval by UCL Council, comprising a commentary and the completed OfS templates.

5.2 **Resolved:** The Committee recommended the Office for Students (OfS) Annual Accountability Return (Paper FC 2-2, 2019-20) to Council for approval at its next meeting on 21 November 2019.

6. **Report from the Office of the Vice-Provost, Advancement** (Paper FC 2-3, 2019-20)

Exempt from publication

7. **Transforming Our Professional Services (TOPS) - Business Case update** (Paper FC 2-4, 2019-20)

Exempt from publication

8. **Estates Strategy - Capital Plan Extension** (Paper FC 2-5, 2019-20)

Exempt from publication

9. **Financial Strategy Funding Options** (Paper FC 2-6, 2019-20)

Exempt from publication

Part III: Other Business for Approval or Information

10. **169 Euston Road - acquisition** (Paper FC 2-7, 2019-20)

10.1 **Considered:** The Committee considered the 169 Euston Road - acquisition proposal for the Faculty of Engineering Sciences and the Faculty of the Built

Environment (Bartlett). The proposed acquisition would also release Hotelling Space in 90 Tottenham Court Road and provide a long term solution for Exam Operations, freeing up space at 3 Gower Place for refurbishment and other UCL use.

10.2 The Committee discussed the difficulty of making decisions concerning individual estates proposals while the UCL Estates and Residential Strategies were still being developed. The Provost and the Dean of Engineering Sciences gave feedback on the importance and urgency of this acquisition which would provide space for the growth of Computer Sciences. It was noted that at its meeting on 23 October 2019 the Estates Management Committee had considered this proposal in detail and had recommended it to the Finance Committee for approval.

10.3 **Resolved:** The Committee approved the 169 Euston Road - acquisition proposal as set out in Paper FC 2-7, 2019-20, including the following to be funded from the Interim Capital Fund:

a) The Committee approved the acquisition of space at 169 Euston Road on a 10 year lease with the option to purchase at the end of this period.

b) The Committee approved an increase in estates related rent, rates and running costs estimated at £14.7m over a 10 year lease.

c) The Committee noted Capital cost estimated at £1m to £1.5m to be updated following due diligence.

11. **School of Management - lease acquisition** (Paper FC 2-8, 2019-20)

11.1 **Considered:** The Committee considered the School of Management - lease acquisition proposal. This business case put forward a proposal to support the expansion of UCL School of Management and the 2U partnership within One Canada Square, Canary Wharf. Funding was sought for the acquisition of Floor 50, including property and fit out costs, and a renewal of UCL's existing lease of Floor 38. At its meeting on 23 October 2019, the Estates Management Team had considered this proposal and recommended it to the Finance Committee for approval.

11.2 The Committee discussed the long term location of the School of Management. It was noted that UCL was exploring Wood Wharf or UCL East as a long term option for the co-location of the School of Management. The Committee highlighted the need to have a back-up location plan to the current Canary Wharf proposal in case planning permission was not granted, due to the timescale of the expansion of the School of Management.

11.3 **Resolved:** The Committee endorsed the School of Management - lease acquisition proposal as set out in Paper FC 2-8, 2019-20. Due to the overall cost of the lease acquisition and fit out of Floor 50 as well as the renewal of the lease for floor 38, this proposal required Council approval. The Committee recommended the following to Council for approval at its next meeting on 21 November 2019:

- a) To approve a new lease for floor 50 and a co-terminus renewal lease for floor 38, the existing floor. Both leases will expire in March 2031, with a UCL only break option in February 2026.
- b) To approve the acquisition of floor 50, with annual occupancy costs of £2.0m per annum, comprising rent, business rates, service charge, estate charge, insurance and running costs.
- c) To approve the lease renewal of floor 38, which is due to expire in 2021, at an annual occupancy cost of £2.1m per annum, comprising rent, business rates, service charge, estate charge, insurance and running costs.
- d) To approve Capital funding of £7.8m from the Interim Capital Fund for the fit out of Floor 50, noting a potential £663k capital contribution from Canary Wharf.
- e) To note that the Capital funding is an estimate figure and not market tested. The capital figure will be confirmed to the Capital Programme Sub Committee in January 2020, once the property deal has been secured with Canary Wharf Group.

12. 1 St. Martin's Le Grand - ground floor lease (Paper FC 2-9, 2019-20)

- 12.1 **Received:** The Committee received the 1 St. Martin's Le Grand - ground floor lease proposal. This paper sought approval for UCL to secure a lease extension for 1 St Martin's Le Grand until 2029. The current lease was due to expire in 2022. At its meeting on 23 October 2019 the Estates Management Committee had considered this proposal and recommended it to the Finance Committee for approval. It would be funded from the property revenue budget.
- 12.2 **Resolved:** The Committee approved the 1 St. Martins Le Grand - ground floor lease assignment at the agreed premium of £780,000 as set out in Paper FC 2-9, 2019-20. This was subject to Council approving the proposed location of the Professional Services Hub at its next meeting on 21 November 2019.

13. Institute of Neurology (ION) / Dementia Research Institute (DRI) approval to award contract (Paper FC 2-10, 2019-20)

Exempt from publication

14. Capital Programme - end of year 5 report (Paper FC 2-11, 2019-20)

- 14.1 **Received:** The Committee received and noted the Capital Programme - end of year 5 report (Paper FC 2-11, 2019-20).

15. Finance Committee Business Plan for 2019-20 (Paper FC 2-12, 2019-20)

- 15.1 **Received:** The Committee received and noted the Finance Committee Business Plan for 2019-20 (Paper FC 2-12, 2019-20).

16. Action taken by the Chair of the Finance Committee since the last meeting (Paper FC 2-13, 2019-20)

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16.1 **Received:** The Committee received and noted the report on Action taken by the Chair of the Finance Committee since the last meeting (Paper FC 2-13, 2019-20).

17. Date of next meeting of the next meeting of the Finance Committee

17.1 **Noted:** That the next meeting of the Finance Committee would be held on Friday 31 January 2020 from 10.00 a.m. to 12.30 p.m.

18. Any other business

18.1 There was no other business discussed.

The meeting finished at 5.00 p.m.

Dr Marguerite Nolan
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