



Finance Committee

7 October 2020, 10:00am

Minutes

Present Members:

Ms Sarah Whitney (Chair); Professor Michael Arthur; Mr Mintoo Bhandari; Professor Lucie Clapp; Dr Andrew Gould; Baroness Valentine.

Observer:

Ms Carol Paige

In attendance:

Mr Phil Harding, Director of Finance and Business Affairs

Ms Margaret Lloyd, Head of Financial Assurance and Planning

Ms Kate Pearce, Finance Director, Central & Professional Services

Ms Fiona Ryland, Chief Operating Officer

Mr Matthew Swales, Director of Finance, Services & Reporting

Ms Sarah West, Deputy Registrar and Head of Undergraduate and ITE Admissions

Officer(s):

Ms Wendy Appleby, Secretary to Council

Ms Anne Marie O'Mullane, Committee Secretary

Part I: Preliminary Business

1. Operation of the Meeting

- 1.1. As a result of the Covid-19 pandemic, it was not possible to convene a meeting in person of Finance Committee. Therefore, members of Finance Committee were participating in a video conference, using tools that enabled all members to see and hear each other simultaneously. Chair's action would be used after the meeting to ratify the decisions.

2. Declarations of Interest

- 2.1. The Chair reminded Finance Committee members of their obligations to declare the nature and extent of their interests (direct or indirect) in any proposed or existing transaction or arrangement with UCL.

- 2.2. Ms Carol Paige indicated that she had an interest in Item 3: Matters Arising from the Minutes – Co-options to Finance Committee, as she was mentioned in the proposals set out in the paper.

3. Constitution and Terms of Reference of Finance Committee

- 3.1. Finance Committee considered the Terms of Reference, Constitution and Membership of the Committee for 2020-21.

4. Minutes of the meeting held on 26 August 2020 and 16 September 2020

- 4.1. Finance Committee approved the minutes of the meeting held on 26 August 2020.
- 4.2. Finance Committee approved the minutes of the meeting held on 16 September 2020.

5. Matters Arising

Update on latest Covid-19 cases and operation of Temporary Operating Model

- 5.1. Arising from minute 4.1, 26 August 2020, Financial Sustainability Update, the Provost provided an update on the latest number of Covid-19 cases among staff and students both off and on-campus and the operation of the Temporary Operating Model.

Proposals for Co-options to Finance Committee

- 5.2. Ms Carol Paige departed the meeting for the duration of this item. Arising from minute 11, 26 August 2020, Discussion of Co-option onto Finance Committee, the Chair of Finance Committee set out the proposal for a set of co-options to the committee. The following key points were made during the presentation:
- a. The co-option proposals had been prompted by a number of considerations:
 - i. Finance Committee would undertake a complex and heavy workload over the next two to three years. These would include items on liquidity and financing options and the overall strategic real estate portfolio.
 - ii. Dr Andrew Gould, Baroness Valentine and Professor Lucie Clapp's terms on Council would finish on 30 September 2021. The loss of their experience and expertise would be keenly felt at a time when Finance Committee would undertake an increased burden of work.
 - b. Exempt from publication, please see confidential minute.
 - c. The co-option of Professor Patrick Haggard to Finance Committee was proposed. Professor Haggard had finished his term on Council and his membership of Finance Committee on 30 September 2020. His co-option would provide continuity and experience. Recent discussions at the

Governance Working Group and Finance Committee on the balance of membership of Finance Committee had centred on the need for expertise on the assessment of the academic impact of business cases. Professor Haggard had demonstrated such an ability to bring these perspectives through in committee discussions.

- d. The co-option of Ms Carol Paige to Finance Committee was proposed. Ms Carol Paige, Democracy, Operations and Community Officer, Students' Union UCL had been an observer on Finance Committee since 1 October 2019. Ms Paige has accrued substantial expertise on student issues due to her sabbatical role, which had proven invaluable to the Finance Committee.
- e. The set of proposals came as a package to achieve balance between academic and non-academic members as well as to address a variety of needs for the committee.

5.3. The following key points were made during the discussion:

- a. Exempt from publication, please see confidential minute.
- b. Finance Committee members welcomed Professor Haggard's contribution to Finance Committee as he had demonstrated a balanced judgement. It was suggested that Professor Haggard's co-option to Finance Committee should be reviewed on an annual basis given the Governance Working Group was considering the optimum approach to address the recommendation made by the Commission of Inquiry on the membership of Council committees.
- c. Finance Committee members welcomed Ms Carol Paige's co-option to Finance Committee. Her performance as an observer had been outstanding.
- d. It was suggested there should be a short note on how the process for proposing the names of the individuals proposed was arrived at, which would be available for release should there be queries in the future.
- e. It was suggested that co-opted external members should be subject to the same appraisal process as Council members.

5.4. Finance Committee:

- a. Agreed that it was essential that Finance Committee enhanced its ability to manage effectively the complexity of this work and that additional expert contributions were needed that would be provided by the proposed for co-options.
- b. Agreed to recommend to Council that Ms Carol Paige be co-opted as a member of Finance Committee for the duration of her term on Council.
- c. Agreed to recommend to Council that Professor Patrick Haggard be co-opted to Finance Committee, for no more than three years, reviewed annually.
- d. Exempt from publication, please see confidential minute.

Refurbishment of Endsleigh St Property

- 5.5. Exempt from publication, please see confidential minute.

Part II: Strategic Items for Discussion

6. Confidential: Financial Update (1-03)

- 6.1. Exempt from publication, please see confidential minute.
- 6.2. Exempt from publication, please see confidential minute.
- 6.3. Exempt from publication, please see confidential minute.

7. Draft Results for 2019/20 (1-04)

- 7.1. Mr Phil Harding, Director of Finance and Business Affairs, introduced the paper, which set out the draft unaudited, pre-consolidation results for the financial year to 31 July 2020. The following key points were made during the presentation:
- a. The surplus pre-exceptionals was £62m, £7m ahead of Forecast 2 (F2) but below the budget surplus of £72m. Exceptionals included Transforming Our Professional Services (TOPS) of £13m and a USS pension liability credit, which represented a partial reversal of the 2018/19 charge. The end of year cash position was £81m ahead of F2.
 - b. The total Faculty contribution of £395.1m represented a £3.5m outperformance against the F2 position. Total Professional Service/Vice-Provost Office expenditure was higher than the previous year but represented an underspend against F2 of £7.1m. There had been a £3.4m overspend against F2 for corporate activity costs.
 - c. The assessed impact of Covid-19 in the last four months of 2019/20 had been set out in Table 4 of the paper.

- 7.2. Finance Committee received the Draft Results for 2019/20.

8. Confidential: Budget 2020/21 refresh – framing the financial outcomes (1-05)

- 8.1. Exempt from publication, please see confidential minutes.
- 8.2. Exempt from publication, please see confidential minutes.

9. Acquisition of Residential Freeholds (1-06)

- 9.1. Mr Matthew Swales, Director of Finance, Services and Reporting, introduced the paper, which proposed exercising a £21m option to acquire the freehold

interests in four existing residential properties (Astor College, Ifor Evans Hall, Langton Close and Schafer House) and draw a historic financing arrangement on those properties to a natural close. The following key points were made during the presentation:

- a. The financing element of the deal was structured as a series of annual rental payments followed by a single repayment of capital at maturity in exchange for the return of the freehold set to run over 25 years to April 2021.
- b. The value and timing of these deposits was such that, after fixed interest of 8.94%, the balance on the account by April 2021 would be equal to the remaining outstanding loan balance, allowing a natural close to the financing arrangement. This financing arrangement had played out as planned.

9.2. During the discussion the following key points were made:

- a. In response to a query on why the call option should be exercised at this stage, the Director of Finance, Services and Reporting advised that the call option could only be exercised every five years and the funding gap would only grow due the fixed interest rate. UCL could only access the funds for the particular purpose of re-acquisition of the freeholds.

9.3. Finance Committee:

- a. Approved the acquisition of the freehold interests for an option price of £21m, on the basis that the payment was fully funded by a ring-fenced security deposit and comes at no cash cost to UCL.
- b. Approved the serving of an Option Notice to Lloyds, as a binding obligation to effect the transaction, at the earliest reasonable opportunity.

Part III: Other Business for Approval or Information

10. Draft Finance Committee Business Plan (1-07)

10.1. Finance Committee received the draft Finance Committee Business Plan for 2020/21.

10.2. Finance Committee agreed that an additional meeting of Finance Committee should be scheduled in late March due to the long gap between the January and May 2021 meeting. This meeting could focus on the student accommodation strategy and the strategic real estate as an initial discussion prior to further consideration at future Finance Committee meetings.

10.3. A programme of briefings would be developed by the Secretary of Finance Committee. Briefings would include liquidity and the financial model, capital markets and the strategic real estate portfolio.

11. Follow-up Note on Master Vendor Contract (1-08)

- 11.1. Finance Committee received the follow-up note on the Master Vendor Contract, which was produced to respond to questions raised during the Finance Committee meeting, 26 August 2020.

12. Confidential: Investments Committee Annual Report (1-09)

- 12.1. Exempt from publication, please see confidential minutes.

13. Date of the Next Meeting

- 13.1. The next meeting of Finance Committee was due to take place on Friday 13 November 2020. The meeting would be held virtually.

Anne Marie O'Mullane
October 2020