



## FINANCE COMMITTEE

Thursday 12 November 2015

### MINUTES

*PRESENT:*

Mr Simon Melliss (*Chair*)

Professor Michael Arthur  
(*President and Provost*)  
Dr Ben Booth  
Professor Sue Hamilton

Dr Gill Samuels  
Professor Alan Smith  
Ms Sarah Whitney

*In attendance:* Ms Nicola Arnold (Deputy Director, Finance and Business Affairs); Mr Andrew Grainger (Director of UCL Estates); Mr Phil Harding (Director of Finance and Business Affairs); Mr Rex Knight (Vice-Provost (Operations)); Mr Mohammad Ali Mumtaz (Student Observer); and Dr Marguerite Nolan (Secretary to Finance Committee).

Apologies for absence were received from Dr Stephanie Bird, Dame DeAnne Julius and Mr Richard Smothers.

*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
UCLU	University College London Union

### Preliminary Formal Business

1a. **Welcome and apologies**

1a1. The Chair welcomed members to the meeting. Apologies from members were noted as listed above.

1a2. It was noted that this was the last meeting of the Finance Committee that Ms Nicola Arnold would be attending as she would be leaving UCL at the end of this term to take on a new role. The Chair thanked Ms Arnold on behalf of the Finance Committee for her very helpful contribution to the work of the Committee.

1b. **DECLARATION OF INTERESTS**

1b.1 It was noted that Dr Ben Booth's daughter was currently registered as an undergraduate student at UCL.

2. **MINUTES OF THE PREVIOUS MEETING**

2.1 **Approved:** The Minutes of the previous meeting of the Finance Committee held on 29 September 2015 were approved and signed by the Chair.

3. **MATTERS ARISING FROM THE MINUTES** **FC 2-1 (15-16)**

3.1 **Received:** The Committee received and noted the report on Matters Arising from the last meeting at FC 2-1 (15-16).

<b>Matters for Discussion</b>
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4. **FIXED AND VARIABLE INCOME AND COSTS –** **FC 2-13 (15-16)**  
**RESPONSE TO QUERIES RAISED**

4.1 **Considered:** The Committee considered the report on Fixed and Variable Income Costs at FC 2-13 (15-16). This provided responses to queries raised on Document 1-5 'Fixed and variable income and costs' at the last meeting of the Finance Committee on 29 September 2015. This item had been moved to item no. 4 on the agenda as the first item for discussion. The following key issues had been identified in the report:

- a) UCL research activity overall yielded a loss;
- b) Teaching activity had produced a growing surplus, but much of this had been driven by the increase in student numbers;
- c) Teaching home/EU students was broadly break-even and the increasing pressure in the UK/EU PGT market risked diminishing the return in real terms from these students;
- d) The surplus earned on 'Other' activities had increased over time but at a modest rate.

4.2 It was noted that the report highlighted important sustainability issues for UCL and in particular the significant negative change in the total research contribution in the last five years. Feedback was sought on the measures that were being taken to address the issues which the report highlighted.

4.3 It was noted that institutional sustainability was being addressed as part of the planning process and the size and shape project. The sustainability measures included in the financial forecast report and the budget for 2015-16, which were considered by the Finance Committee at its meeting on 2 July 2015, were being taken forward. UCL was also planning to expand

activities such as continuing professional development/executive education, consultancy and donation income.

- 4.4 It was agreed to provide a report on income and expenditure trends 2010-11 to 2014-15 for each faculty in the same format as the table in the paper.
- 4.5 It was agreed that it would be sensible to project the analysis forwards as a forecasting tool, taking into account the impact of the financial sustainability measures identified to support the implementation of the financial strategy.
- 4.6 It was agreed that the Director of Finance and Business Affairs would meet with Mr Richard Smothers and Ms Sarah Whitney to discuss the sustainability issues raised by this report.
- 4.7 **Resolved:** That the report on Fixed and Variable Income and Costs at FC 2-13 (15-16) and the action that was being taken to address the issues that this raised be noted.

5. **UCL FINANCIAL UPDATE, AND ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015** **FC 2-2a&b (15-16)**

- 5.1 **Considered:** The Committee considered the following reports at FC 2-2a&b 15-16):
- a) UCL Financial Update - November 2015;
  - b) Annual Report and Financial Statements for the year ended 31 July 2015.
- 5.2 It was noted that the Finance Committee was required to review the annual financial statements, particularly in relation to financial strategy and performance, whilst in their review of the draft Annual Financial Statements, the Audit Committee would be primarily concerned with the process of drawing up the accounts.
- 5.3 The Committee discussed Note 38 of the Accounts on the Pension Funds. The Director of Finance and Business Affairs gave feedback on changes to the calculation of pension liability which would come into effect in the 2015-16 financial year.
- 5.4 The Chair asked for the insertion in the Operating and Financial Review of a reference to the debt being raised by UCL to support the capital programme. This has now been added.
- 5.5 **Resolved:** The Committee resolved the following:
- a) That the UCL Financial Update - November 2015 at FC 2-2a (15-16) be noted.
  - b) That the Annual Report and Financial Statements for the year ended 31 July 2015 at FC 2-2b (15-16) be recommended to the Council for approval at its next meeting on 26 November 2015.

6. **REVIEW OF THE CAPITAL PROGRAMME** **FC 2-3 (15-16)**

- 6.1 **Considered:** The Committee considered the UCL Capital Programme Review at FC 2-3 (15-16). This was an interim report on the on-going review of the UCL Capital Expenditure programme from 2015 through to 2025.
- 6.2 It was noted that the refurbishment of Astor and Ramsay had been included as an addition to the programme, and it was agreed that at the next meeting there should be clarification of the agreed position for the handling of these significant refurbishments.
- 6.3 Feedback was sought as to whether the current Capital Programme was likely to continue

beyond ten years. It was reported that some slippage was likely but it was not expected to be significant.

- 6.4 **Resolved:** That the progress of the Capital Programme Review as set out at FC 2-3 (15-16) be noted.

7. **ANNUAL SUSTAINABILITY ASSURANCE REPORT** **FC 2-4 (15-16)**

- 7.1 **Considered:** The Committee considered the Annual Sustainability Assurance Report: December 2015 at FC 2-4 (15-16). This was an additional component to the accountability returns, which was introduced from 2012-13.
- 7.2 The Committee discussed the Key Performance Indicators (KPIs) as set out in Annex 2, together with the calculation of the Margin for Sustainability and Investment (MSI). It was noted that Annex 2 had been provided for information and only Annex 1 would be submitted to the HEFCE, following approval by Council. The Director of Finance and Business Affairs would review whether to include Annex 2 in the version of the report to be submitted to Council.
- 7.3 **Resolved:** That the Annual Sustainability Assurance Report: December 2015 (Annex 1), at FC 2-4 (15-16) be recommended to Council for approval at its next meeting on 26 November 2015.

8. **REPORT FROM THE DEVELOPMENT AND ALUMNI RELATIONS OFFICE (DARO)** **FC 2-6 (15-16)**

- 8.1 **Considered:** The Committee considered the report from the Development and Alumni Relations Office (DARO) at FC 2-6 (15-16). This provided an update on fundraising and supporter engagement activity, and the UCL Campaign.
- 8.2 The Committee noted the success to date of the ground-breaking partnership that UCL had developed with a growing number of retailers, including Iceland, Waitrose, Asda and Morrisons, who had agreed to donate funds from the 5p carrier-bag levy to UCL in support of a Dementia Research Institute at Queen Square.
- 8.3 It was proposed that in future fundraising reports a separate campaign progress table could be provided without the exceptional campaign contributions.
- 8.4 The Committee noted the importance of raising funds for scholarships and prizes as well as the other purposes as outlined in the report.
- 8.5 It was noted that since this report had been provided, further progress in fundraising had been made and this would be included in the report from DARO to the next meeting of Council on 26 November 2015.
- 8.6 **Resolved:** That the report from the Development and Alumni Relations Office (DARO) at FC 2-6 15-16 be noted.

<b>Other Business for Approval or Information</b>
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9. **FINANCING STRATEGY UPDATE** **FC 2-7 (15-16)**

- 9.1 **Received:** The update on Financing Strategy at FC 2-7 (15-16). This provided an update on the progress made with the European Investment Bank (EIB) relating to the documentation for

a long-term borrowing facility for up to 30 years.

- 9.2 **Resolved:** The Committee noted the update on Financing Strategy at FC 2-7 (15-16) and reaffirmed its decision to recommend to Council that UCL officers progress negotiations with the EIB to achieve a final set of contract documents for signing at the earliest opportunity and by the end of December 2015 if possible.
10. **UCL INSTITUTE OF IMMUNITY AND TRANSPLANTATION, PHASE II** **FC 2-8 (15-16)**
- 10.1 **Received:** The Business Case for the UCL Institute of Immunity and Transplantation, Phase II at FC 2-8 (15-16).
- 10.2 **Noted:** That the Director of Finance and Business Affairs would look into the possibility of zero-rating the VAT of £3.26m for this project.
- 10.3 **Resolved:** That the Business Case for the UCL Institute of Immunity and Transplantation, Phase II at FC 2-8 (15-16) be approved.
11. **REAL ESTATE INSTITUTE - HERE EAST 2** **FC 2-9 (15-16)**
- 11.1 **Received:** The Business Case for the Real Estate Institute - Here Ease 2 at FC 2-9 (15-16).
- 11.2 **Resolved:** That the Business Caser for the Real Estate Institute - Here Ease 2 at FC 2-9 (15-16) be approved.
12. **BENTHAM HOUSE REFURBISHMENT** **FC 2-10 (15-16)**
- 12.1 **Received:** The proposal for the refurbishment of Bentham House, Fifth Floor along with re-cabling of the network and power in the North Wing as set out at FC 2-10 (15-16).
- 12.2 **Resolved:** That the proposal for the refurbishment of Bentham House, Fifth Floor along with re-cabling of the network and power in the North Wing as set out at FC 2-10 (15-16) be approved.
13. **COURTAULD BUILDING** **FC 2-11 (15-16)**
- 13.1 **Received:** The proposal for the refurbishment of the Courtauld Building for the MRC Prion Unit enabling the Queen Square House redevelopment, as set out at FC 2-11 (15-16).
- 13.2 **Noted:** That the Director of Finance and Business Affairs would look into the possibility of zero-rating the VAT of £4.7m for this project.
- 13.3 **Resolved:** That the proposal for the refurbishment of the Courtauld Building as set out at FC 2-11 (15-16) be recommended to Council for approval at its next meeting on 26 November 2015.
14. **UCLU FINANCIAL STATEMENTS FOR 2014-15** **FC 2-12 (15-16)**
- 14.1 **Received:** The UCLU Financial Statements for 2014-15 at FC 2-12 (15-16).
- 14.2 **Resolved:** That the UCLU Financial Statements for 2014-15 at FC 2-12 (15-16) be noted.

15. **BANKING MATTERS** **FC 2-14 (15-16)**
- 15.1 **Received:** The report on Banking Matters at FC 2-14 (15-16). This paper sought approval for the opening of two new bank accounts.
- 15.2 **Resolved:** That the request to open two new bank accounts as set out at FC 2-14 (15-16) be approved, subject to Lists A and B under paragraph 1 being updated to remove the duplicated names.
16. **DEBT WRITE OFF** **FC 2-15 (15-16)**
- 16.1 **Received:** The report on Debt Write off at FC 2-15 (15-16).
- 16.2 **Resolved:** That the report on Debt Write off at FC 2-15 (15-16) be approved.
17. **RESEARCH AND DEVELOPMENT EXPENDITURE CREDIT (RDEC)** **FC 2-16 (15-16)**
- 17.1 **Received:** The report on Research and Development Expenditure Credit (RDEC) at FC 2-16 (15-16). This outlined the Research and Development Expenditure Credit, a new tax incentive scheme introduced by HMRC in 2013, and UCL's eligibility to make a claim for the 2014-15 financial year.
- 17.2 **Resolved:** That the recommendation that Finance Committee reconsider this matter in July 2016 and decide at that point whether to make a claim for the 2014-15 financial year, as set out at FC 2-16 (15-16), be approved.
18. **DATE OF NEXT MEETING OF THE FINANCE COMMITTEE**
- 18.1 **Noted:** That the next meeting of the Finance Committee would be held on **Monday 29 February 2016 at 9.30 a.m.** (and not on 1 March 2016 at 10.30 a.m. as originally planned).
- 18.2 It was agreed to arrange the dates of meetings of the Finance Committee for 2016-17 as soon as possible, based on the dates for this academic year. All members of the Finance Committee would be consulted concerning their availability to attend the meetings when the dates were being set for next year.
19. **ANY OTHER BUSINESS**
- 19.1 There was no other business discussed.

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