



## Finance Committee

13 November 2020, 14:00pm

### Minutes

#### Present Members:

Ms Sarah Whitney (Chair); Professor Michael Arthur; Mr Mintoo Bhandari; Professor Lucie Clapp; Dr Alun Coker; Dr Andrew Gould; Professor Patrick Haggard; Ms Carol Paige; Baroness Valentine.

#### Observer:

Mr Ayman Benmati, Council Member

#### In attendance:

For Minutes 14-28: Mr Douglas Bertram, Governance Officer

For Minutes 14-28: Ms Elizabeth Francis, Director of Finance, Academic

For Minutes 14-28: Mr Phil Harding, Director of Finance and Business Affairs

For Minutes 14-28: Ms Margaret Lloyd, Head of Financial Assurance and Planning

For Minutes 14-28: Ms Kate Pearce, Finance Director, Central & Professional Services

For Minutes 14-28: Ms Fiona Ryland, Chief Operating Officer

For Minutes 14-28: Mr Matthew Swales, Director of Finance, Services and Reporting

For Minutes 14-28: Ms Sarah West, Deputy Registrar

For Minute 21: Mr Matthew Blain, Executive Director, Human Resources

For Minute 21: Mr Ian Galloway, Commercial Director

For Minute 22: Helen Fisher, Operations Lead, UCL East

For Minute 22: Professor Paola Lettieri, Academic Director UCL East

For Minute 22: Mr Duncan Palmer, Director of Estates Operations

#### Officer(s):

Ms Wendy Appleby, Secretary to Council

Ms Anne Marie O'Mullane, Committee Secretary

### Part I: Preliminary Business.

#### 14. Welcome and Operation of the Meeting

##### 14.1. The Chair welcomed:

- a. Dr Alun Coker to his first meeting as Finance Committee member.
- b. Professor Patrick Haggard to his first meeting as a co-opted Finance Committee member.

- c. Ms Carol Paige to her first meeting as a co-opted Finance Committee member.
- d. Mr Ayman Benmati, Students' Union UCL Education Officer, as observer to the meeting.
- e. Exempt from publication, please see confidential minute.

14.2. 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.

## **15. Update from the President and Provost**

15.1. The Chair of Finance Committee invited the President and Provost to provide an update on UCL's approach to managing the impact of Covid-19. Professor Arthur provided an update on Covid infections on campus and advised that UCL had registered interest in the Government testing scheme as part of the effort to get students home for Christmas from 3 December. The Treasury would decide on which institutions would be selected. The risks of high attrition rates and loss of accommodation income remained and indicators were being monitored closely. Staff surveys indicated that manageable workloads was an issue. It had been agreed that £25m would be released to recruit Teaching Fellows and Postgraduate Teaching Assistants to assist with the workload burden. £15m would be released before Christmas and £10m after Christmas.

## **16. Declarations of Interest**

16.1. 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.

16.2. Baroness Valentine indicated that as of 13 November 2020 she had become a board member of Value and Income Trust, which has an equity portfolio managed by Albion Capital Group LLP. Albion Capital Group LLP also managed the UCL Technology Fund.

## **17. Minutes of the meeting held on 7 October 2020 (2-01)**

17.1. Finance Committee approved the minutes of the meeting held on 7 October 2020, subject to the following three amendments:

- a. Minute 5.2.b: That the word 'Board' in the last sentence be amended to 'Board of the Canal and River Trust'.

- b. Minute 5.2.i: The final sentence should be amended to end with ‘real estate portfolio including student accommodation.’
- c. Minute 5.4.a: The final sentence should be amended to ‘The membership of co-opted members should be reviewed after one year if their proposed term was longer than one year’.
- d. Minute 5.4.c: Remove “reviewed annually”.
- e. Minute 5.4.d: Remove the final sentence.

## **18. Matters Arising**

### **Date of the March 2021 meeting of the Finance Committee**

- 18.1. Arising from Minute 10.2, 2020/21, where Finance Committee agreed that an additional meeting would be scheduled for late March 2021, it was noted that a date would be fixed following receipt of the Chair’s availability. The Committee Secretary would follow up on this matter.

## **Part II: Strategic Items for Discussion**

### **19. Annual Report and Financial Statements for the year ended 31 July 2020 (2-02)**

- 19.1. Mr Matthew Swales, Director of Finance, Services and Reporting, introduced the paper setting out a draft set of results for 2019/20. The following key points were made during the presentation:
- a. The draft Financial Statements were substantially complete. UCL had undergone an enhanced external audit this year to ensure that UCL remained a going concern and although the final audit report was not yet available, there were no indications of any material issues so far.
  - b. That the total comprehensive surplus for the year was £200.3m, which included movement on USS pension provision and consolidated gains on investments. The operating surplus was £53.5m (3.5%) and could be used to assess UCL’s underlying performance year-on-year. The comparable operating surplus as of 31 July 2019 was £86.8m.
  - c. UCL’s reported results for 2019-20 had been materially influenced by a significant movement in the value of the Universities Superannuation Scheme (USS) pension provision due to the most recent valuation in 2018 of the USS pension scheme. This had resulted in a credit to the Statement of Comprehensive Income and Expenditure to the value of £159.5m.
- 19.2. During the discussion the following points were raised:
- a. Finance Committee members questioned whether the material financial impact of Covid on financial performance in 2019-20 should be reflected in the Financial Statements commentary on page 8. The Director of Finance, Services and Reporting agreed this could be achieved, however, advised that 2019-20 performance was not far off of where it was

projected pre-Covid. The impact was expected to be represented more in the 2020-21 results, as this was where the impact of decreases in tuition fee income or student accommodation income would be felt, as well as incurred costs related to online learning, annual leave accrual, staff and student welfare and re-opening campus.

- b. In response to a query on the increase in the number of higher paid staff receiving remuneration over £100,000, the Director of Finance, Services and Reporting advised that this was largely the result of a change in the Office for Students disclosure rules which required market supplements such as London Allowance to be included in basic salaries. The inclusion of London Allowance meant that a number of staff who had previously fallen just below the threshold of £100,000 were now included. Finance Committee members asked for this to be made clearer in the commentary.
- c. In response to a query on the circumstances where loss of office applied, the Director of Finance, Services and Reporting advised that it applied to statutory redundancy, enhanced severance scheme, severance and voluntary arrangements. The figure of £196,000 reported was in line with expectations for a staff base of circa 16,000.
- d. There was a suggestion that the no detriment assessment policy should be explained, so that it could be easily understood by all audiences.
- e. That Theme 6, on page 7 of the financial statements should mention the names of the key clinicians who worked on the positive airways device for Covid, due to its global impact.
- f. A Finance Committee member questioned whether the right accounting policy was being used when assessing the depreciation in value of freehold and leasehold properties and asked when the last revaluation was carried out. Connected to the query on revaluation, there was a suggestion that there should be a clearer picture on whether there were assets that were surplus to operational use and could be disposed of. It was agreed that this matter would be reviewed by Finance Committee in 2021.
- g. In response to a question on the prominence given to the risks associated with the next USS valuation, it was confirmed that it was presented on page 12 of the Operating and Finance Review and in a note on the post balance sheet events where there were illustration on increases in scheme deficit.
- h. It was requested that greater reference should be made to Michael Spence joining UCL.

19.3. Finance Committee:

- a. Noted the responsibility for the statements was split between the Finance Committee and Council.
- b. Agreed that as the issue of UCL being a going concern was so important this year that Finance Committee delegated authority to the Chair to attend Audit Committee to cover this point.

- a. Approved the recommendation to Council that Council approves the Annual Report and Financial Statements for the year ended 31 July 2020.

**20. Office for Students (OfS) Annual Accountability Return (2-03)**

- 20.1. Mr Phil Harding, Director of Finance and Business Affairs, introduced the Annual Financial Return (AFR), which formed a part of the OfS Accountability Return. The AFR set out student number and financial projections from 2020-21 to 2024-25. The following points were made during the presentation:
  - a. The Annual Accountability Return was designed to demonstrate to the regulator that UCL could remain solvent and was managing its finances in line with its own financial plans. The AFR represented forecasts built up on a set of assumptions and does not constitute a plan.
  - b. Liquidity was projected to stay above the 30 days required by the OfS. The OfS did not consider undrawn liquidity in its calculations.
  - c. While the forecasts indicated that capital expenditure would peak this year with £310m and decline sharply thereafter, this reflected the current Capital Programme and was not expected in practice if additional long term financing was secured.
  - d. Student numbers were forecasted to stay relatively flat at 40,000 FTE. This took account of this year's increase in undergraduate numbers, the anticipated drop in EU students, and the building up of UCL East student numbers.
- 20.2. The following points were raised in discussion:
  - a. Following a question on the consequence of not meeting the projections set out in the AFR, the Director of Finance and Business Affairs reassured the Committee that the OfS would only take action if the projections showed UCL to be at financial risk.
  - b. In response to a query on the management of growth in student numbers the President and Provost advised that this was an Executive function, with the directions being put into action through the Student Number Planning process. The direction of the last few years had been to limit expansion on the Bloomsbury campus.
  - c. The projections in the return showed UCL to be in a good position prior to the arrival of the new President and Provost.
- 20.3. Finance Committee:
  - a. Agreed to recommend the Office for Students (OfS) Annual Accountability Return to Council for approval at its next meeting on 23 November 2020.

**21. Confidential: Budget 2020/21 refresh (2-04)**

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

21.2. Exempt from publication, please see confidential minutes.

21.3. Exempt from publication, please see confidential minutes.

**22. Confidential: Master Vendor Contract Approval Request (2-05)**

22.1. Exempt from publication, please see confidential minutes.

22.2. Exempt from publication, please see confidential minutes.

22.3. Exempt from publication, please see confidential minutes.

**23. Confidential: Facilities Management Model for UCL East (2-06)**

23.1. Exempt from publication, please see confidential minutes.

23.2. Exempt from publication, please see confidential minutes.

23.3. Exempt from publication, please see confidential minutes.

**24. Confidential: Options for Long Term Financing (2-07)**

24.1. Exempt from publication, please see confidential minutes.

24.2. Exempt from publication, please see confidential minutes.

24.3. Exempt from publication, please see confidential minutes.

**Part III: Other Business for Approval or Information**

**25. Finance Committee Business Plan 2020/21 (2-08)**

25.1. Finance Committee received the Finance Committee Business Plan for 2020/21.

**26. Confidential: Update on Woburn Square Acquisitions**

26.1. Exempt from publication, please see confidential minutes.

26.2. Exempt from publication, please see confidential minutes.

26.3. Exempt from publication, please see confidential minutes.

**27. Farewell to the President and Provost**

27.1. Finance Committee expressed their thanks and good wishes to the President and Provost on his retirement.

**28. Date of the Next Meeting**

28.1. The next meeting of Finance Committee was due to take place on Tuesday 26 January 2021 at 10:00am.

Sarah West  
November 2020