



FINANCE COMMITTEE

Thursday 20 November 2014

MINUTES

PRESENT:

Mr Simon Melliss (*Chair*)

Professor Michael Arthur
(*President and Provost*)

Mr Ven Balakrishnan

Dr Stephanie Bird

Dr Ben Booth

Professor Sue Hamilton

Dame DeAnne Julius

Ms Gill Samuels

Professor Alan Smith

Mr Richard Smothers

Ms Sarah Whitney

In attendance: Ms Nicola Arnold (Director, Financial Control and Analysis); Professor Stephen Caddick (Vice-Provost (Enterprise and London)) [*for Minute 29*]; Mr Andrew Grainger (Director of UCL Estates); Mr Phil Harding (Director of Finance and Business Affairs); Miss Valerie Hogg (Director, Financial Planning and Strategy); Mr Omar Khan (Student observer); Mr Rex Knight (Vice-Provost (Operations)); Mr Nick McGhee (Secretary to Finance Committee), Mr Cengiz Tarhan (Managing Director, UCLB) [*for Minute 29*].

Apologies for absence were received from Dr Liam Graham, Mr John Morgan, and Professor Alan Thompson.

Key to abbreviations used in these Minutes:

FC	Finance Committee
HEFCE	Higher Education Funding Council for England
I&E	income and expenditure
MSI	Margin for Sustainability and Investment
OFR	Operating and Financial Review
UCLU	UCL (students') Union

Preliminary Formal Business

18 **DECLARATION OF INTERESTS**

Discussion

- 18.1 Any member of 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.

19 **MINUTES**

Approved

- 19.1 The Minutes of the meeting held on 23 September 2014 [*FC Minutes 1-17, 2014-15*] were confirmed by the Committee and signed by the Chair, subject to the amendment of Minute 5.3 as follows (underlined text inserted):

The update gave the full year financial position for 2013-14, subject to audit. The overall surplus was £34.5m, including £20.3m from disposals. This was ahead of the third quarter forecast, but the operating surplus showed a £4.7m negative variance against budget.

20 **MATTERS ARISING FROM THE MINUTES**

Received

- 20.1 APPENDIX FC 1/15 (14-15) – a note of matters arising from the last meeting.

Matters for discussion

21 **ANNUAL FINANCIAL STATEMENTS**

Received

- 21.1 APPENDIX C 2/16 (14-15) – UCL’s Financial Statements for the year ended 31 July 2014, with the 2014 HEFCE return at Annexe 1.
- 21.2 Details of a small number of audit adjustments to the financial statements were tabled at the meeting and would be filed with these Minutes at Annexe 2. The adjustments did not affect the substance of the balance sheet or the income and expenditure account.
- 21.3 Oral reports from the Chair and from the Director of Finance and Business Affairs.

Reported

- 21.4 The Chair reminded FC members that the Terms of Reference of the Audit Committee and the Finance Committee had been amended earlier in the year in order to clarify responsibilities in respect of the financial statements.
- 21.5 Deloitte had offered an unqualified opinion, with the management letter making two low-priority (level three) recommendations. Late in the auditing process the auditors had identified an issue in relation to guidance recently issued by the Institute of Chartered Accountants in relation to distribution from subsidiary accounts. It was expected that this would result in the incorporation of a note in relation to contingent liability.
- 21.6 Suggestions for amendments to the statements included: clarification on the meaning of ‘maintaining a sustainable estate’, and further detail on the Institute of Education merger (p.2); reference to the provision of bursaries and scholarships (p.6); a more unambiguous reflection of Council’s approval of the proposed development at the Queen Elizabeth Olympic Park (p.11); and clarification that the stated £120m per annum capital expenditure was over the medium term (p.12).

RECOMMENDED – to Council

- 21.7 **that the audited Financial Statements for 2014-15 be approved;**
- 21.8 **that the return at Annexe 1 be approved for submission to HEFCE.**

22 ANNUAL SUSTAINABILITY ASSURANCE REPORT 2013-14

Received

22.1 APPENDIX FC 2/17 (14-15) – the Annual Sustainability Assurance Report 2013-14.

22.2 An oral report from Phil Harding, Director of Finance and Business Affairs.

Reported

22.3 Targets had been set at the same level as in 2012-13. These would be reconsidered once new KPIs had been agreed in relation to the implementation of the 2034 strategy.

Discussion

22.4 It was suggested that the traffic-light data at Annexe 2 ought to indicate 'red' for discretionary reserves and 'amber' for staff costs as a proportion of income. In the latter case it was agreed that a target should be developed for the 2014-15 report based on comparison with other comprehensive, research-intensive institutions, rather than on the sector mean.

22.5 It was suggested that a sentence be incorporated into the report recording UCL's recognition of the need to generate a substantially higher MSI, and reflecting the fact that a plan for doing so was in place.

22.6 FC discussed the relationship between aspirational targets and realistic expectations. UCL was encouraged to make a public statement about these targets, once they had been settled, by including them in the OFR.

RECOMMENDED – to Council

22.7 **That the Annual Sustainability Assurance Report 2013-14 be approved.**

23 PROFORMA FINANCIAL INFORMATION

Received

23.1 APPENDIX FC 2/19 (14-15) – proposals for amendments to the format of proforma financial reports submitted to Finance Committee.

23.2 An oral report from Nicola Arnold, Director of Financial Control and Analysis.

Reported

- 23.3 It was proposed that I&E statements henceforth be split into three categories: core operational, research, and ‘other’. An additional level of granularity had been introduced in response to requests for information on ‘back office’ costs, for example in splitting out rents, utilities and maintenance, and in identifying the individual Professional Services divisions. It was also proposed that the way in which capital project information was submitted to FC be amended. Data would be presented to the next FC meeting in this new format.

24 ECONOMICS OF UNIVERSITY RESEARCH

Received

- 24.1 An oral report from the Chair.

Reported

- 24.2 Following receipt of a paper submitted to the last meeting [APPENDIX FC 1/08 (14-15)] it had been agreed that a separate workshop session on the economics of research would be arranged for those members interested in attending. The Director of Finance and Business Affairs would contact members about dates in due course.

<p>Matters for approval or information</p>

25 CAPITAL PROGRAMME UPDATE

Received

- 25.1 APPENDIX FC 2/20 (14-15) – a report of expenditure to date against the capital programme.

RESOLVED

- 25.2 That the Capital Programme update be approved.

26 FINANCING STRATEGY UPDATE

Received

- 26.1 APPENDIX FC 2/21 (14-15) – an update on UCL’s credit options, with a report from KPMG at Annexe 1.

Received

26.2 It was anticipated that specific proposals would be submitted to the FC meeting of 27 January 2015.

27 UCLU FINANCIAL STATEMENTS

Received

27.1 APPENDIX FC 2/22 (14-15) – annual audited financial statements of UCLU for the year ended 31 July 2014.

28 DATE OF NEXT MEETING

Received

28.1 The next meeting was scheduled for **Tuesday 27 January 2015** at 10:30am in the Council Room.

NICK MCGHEE
Secretary to Finance Committee
November 2014