



FINANCE COMMITTEE

23 MARCH 2011

Any member of the Finance Committee who has (or who knows of a family member who has) a material, personal, financial or other beneficial interest in any item on the Finance Committee agenda shall declare that interest at the beginning of the meeting, and that declaration will be recorded in the Minutes of the meeting.

- MINUTES -

PRESENT: Ms Anne Bulford (Chair) Mr Ven Balakrishnan
Dr Bob Barber Dr Ben Booth
Mr Matthew Burgess Mr Mark Clarke
Professor Dame Hazel Genn Professor Malcolm Grant
Professor David Ingram Ms Susannah Lloyd
Mr John Morgan
Dr Andrea Townsend-Nicholson Sir Stephen Wall
Jonathan Wolff

IN ATTENDANCE: Ms Nicola Arnold Professor Stephen Caddick
Mr Andrew Grainger Miss Valerie Hogg
Mr Rex Knight Ms Liz Mooney
Professor David Price Mrs Alison Woodhams
Professor Michael Worton

Additional attendees:

Mr Colin Plank (Minutes 25 & 26) Mr Jack Foster (Minutes 34 & 35)

Apologies for absence were received from Professor Sir John Tooke

Key to abbreviations:

EMC	Estates Management Committee
EU	European Union
HEFCE	Higher Education Funding Council for England
OFFA	Office For Fair Access
QM	Quayle Munro
UCLB	UCL Business

16 **THE MINUTES**

Approved

16.1 The Minutes of the meeting, held on 26 January 2011 (previously circulated), were confirmed and signed by the Chair.

17 **MATTERS ARISING (EXCLUDING THOSE ALREADY ON AGENDA)**

Noted

17.1 There were no matters arising from the last meeting.

*** MAJOR ITEMS FOR DISCUSSION ***

18 UCL FINANCIAL UPDATE 2010-11

Received

18.1 Appendix FC 3/33 (10-11).

Noted

18.2 The above report.

Discussed

18.3 The **Director of Finance** gave an oral report. The main points were:

- The overall forecast shows an overachievement against budget of £2.7m. This was up from £400k in the last forecast with both the academic areas and support areas forecasting to be better than budget;
- Tuition fees were up £11m from budget and up £5m from previous forecast. All faculties were now exceeding budget and this had been driven by increased student numbers generally;
- A point to note was that the post graduate research numbers were up, which was due to the IMPACT scheme rolled out last year to attract increased numbers;
- The Research forecast was down £2.5m (of which £1.2m was a reduction in overhead), which made an overall improvement of over £6m since the last forecast. As predicted, the previous research forecast was overly pessimistic, and there could still be further improvements to end up close to budget;
- All other income lines show improvements as well;
- Costs in academic areas were forecast to be £8m above budget, consistent with income/activity increases. Staff costs would be underspent by £6m reflecting the tight controls on recruitment that were still in place, although there had been an increase in non-staff costs (where some departments were using shorter term contract staff to cover areas where a full time replacement was not necessary);
- The CSS areas had come in £700k ahead of budget. Only two areas were showing overspends – ISD had a very small overspend as a result of their restructuring programme taking longer to implement than originally thought – and Registry as the rollout of a postgraduate application fee had started later than assumed in the budget;
- The CIF allocation had all been spent;

- Debtors were not causing concern at present. General debt was slightly up but ageing had improved, with debt over 1 year halved to only £1.2m since the previous 12 months. Student debt was up slightly in financial terms but as a % of annual fee income down 2%;
- The cash actuals were marginally lower than what was reported last time. A new waterfall diagram had been introduced to try to report the changes slightly differently;
- The overseas operations would be reported on later in this Agenda, but were on track in terms of income and expenditure and cashflow.

Discussion

- 18.4 The **Director of Finance** also reported that an incentive scheme had been reintroduced so that faculties who over-perform would receive 50% of their overachieved surplus back subject to UCL's overall performance.
- 18.5 With regards to the tuition fees, UCL is working hard to avoid duplicate payments and fees are now visible to students on Portico. A communication had gone out in the Provost's newsletter to encourage students to use Portico.

19 **HEFCE GRANT ANNOUNCEMENT 2011-12**

Received

- 19.1 Appendix FC 3/34 (10-11) with Annexe 1.

Noted

- 19.2 UCL received details of its HEFCE Grant for 2011-12 on 14 March 2011 and the publication of grant details for all institutions on was issued on 17 March 2011.
- 19.3 The detailed UCL Budget for 2011-12 would be presented to the June 2011 meeting of the Finance Committee.

Discussed

- 19.4 The **Director, Financial Planning and Strategy** gave an oral update and explained how the grant for 2010-11 had been reduced prior to the 2011-12 grant adjustments being applied. Compared with the original grant announcement for 2010-11 there had been an overall cut of £6.1m (3%) to UCL's recurrent block grant. The teaching grant had been reduced by 8.3% (£5.7m) and the research allocation had been decreased by 0.4% (£0.4m). Furthermore, as expected, capital funding

(CIF 2) had been reduced by around 70% (£26m) p.a. This funding was not ring fenced so the allocation was not guaranteed over the 4 year period.

19.5 The Provost explained that the research allocation was funded from the Science Budget which had been ring fenced from the cuts imposed by the Government. This had therefore protected a greater proportion of UCL's block grant compared with the teaching intensive universities.

20 TUITION FEES 2012-13

Received

20.1 Appendix FC 3/35 (10-11) was a proposal for the home/EU undergraduate tuition fee for 2012-13.

Discussed

20.2 The **Vice-Provost (Operations)** gave an oral update. The proposal was for UCL to charge £9k for all home/EU undergraduate entrants from 2012-13 onwards. The above paper outlined the situation and summarised the proposals for England.

20.3 The main reasons for the proposal for UCL to charge £9k were the loss of the teaching grant for bands C and D and the decrease in bands A and B and the need to achieve financial sustainability. It was also proposed that it would be more beneficial for students for UCL to provide bursaries rather than set a reduced fee.

20.4 It would be important to manage student expectations by effective communication and ensure that investment in the student experience would be evident. UCL would be undertaking a number of transformative ventures over the next few years such as: a new BBA degree; investing in an estates plan; transforming facilities on the campus, student residences and accommodation and looking at developing facilities off site.

20.5 The quality of education would be maintained by recruiting and retaining quality staff and students, and new innovations in teaching and obtaining academic feedback will be developed (using KPI data to measure success).

- 20.6 There was a need for some contingency planning to be made in relation to ring-fenced funding, as this funding would no longer be guaranteed.

Recommended

- 20.7 The Finance Committee agreed to recommend to Council the proposal for UCL to charge £9k for all home/EU undergraduate entrants from 2012-13 onwards.

21 **ACCESS AGREEMENT**

Received

- 21.1 Appendix FC 3/36 (10-11).

To note

- 21.2 Institutions wishing to charge fees of more than £6,000 for new full-time home/EU undergraduate entrants from 2012-13 must have a new access agreement approved by OFFA. This agreement should set out how UCL intends to improve access and student retention for students from disadvantaged backgrounds.

Discussed

- 21.3 The **Vice-Provost (Operations)** gave an oral update. The above paper should be read in conjunction with the Tuition Fee proposal paper (Appendix FC 3/35 (10-11)). It was intended that the Access Agreement would underpin UCL's new Widening Participation Strategy, so this was more of a short term plan for 2012-13, and more ambitious proposals would be put forward in future years.
- 21.4 The Access Agreement builds on what UCL currently does and takes account of the increased fee. Families with low incomes would be targeted for bursaries and UCL would participate in the National Scholarship Programme. UCL already has a comprehensive outreach programme, but this would be expanded to include a programme of activities to be delivered throughout all stages of the student life cycle.
- 21.5 In terms of communication, UCL was working with schools to help them understand what the Access Agreement is and the implications of the changes to student finance. A simplified version of the above paper would be made available for distribution once this version was approved by the Office For Fair Access (OFFA).

- 21.6 Point to note: it was agreed that paragraph 7.4 would be amended to insert some further clarification of the targets.

Recommended

- 21.7 The Committee agreed to recommend the above Access Agreement to Council, subject to the amendment(s) to paragraph 7.4.

22 **FINANCIAL FORECASTS TO 2013-14**

Received

- 22.1 Appendix FC 3/37(10-11) with Annexe 1.

Noted

- 22.2 In November 2010 UCL submitted its financial results for 2009-10 and forecast for the period to 31 July 2011 to HEFCE, but opted to defer until April 2011 the submission of forecasts for the years 2011-12 to 2013-14, when it was hoped that the future funding position would be clearer.

Discussed

- 22.3 The **Director, Financial Planning and Strategy** gave an oral update. While the information regarding undergraduate fees, the Access Agreement and the block grant for 2011-12 was available, it would be difficult to make predictions beyond 2011-12 without knowing the details of any further cuts, student quotas and the residual teaching and postgraduate taught funding. The key forecast assumptions were listed at paragraph 7 of the paper, and were based on the information available at the current time. Line 14 of Annexe 1 shows the projected surplus – which is still short of target – so it may be prudent to start to look for additional sources of income.
- 22.4 There was a discussion regarding terminology around communications, and the need to associate ‘surplus’ with ‘cash flow required to fund investment’.
- 22.5 The pay award forecast of 1% for 2011 and 2% for 2012 was questioned, and it was suggested that this may be too low in relation to RPI. The Provost indicated that this was not an unrealistic forecast as the Government were suggesting a pay freeze at 0%.

- 22.6 There was a query as to whether a profit could be made on research funding, however it was explained that this was not possible as grants are awarded to fund specific research costs and expenditure is strictly monitored. We also faced a reduction in the full economic cost (fEC) element of Research Council grants.
- 22.7 There was a discussion about UCL Business; a more detailed discussion about UCLB would take place at a later meeting.
- 22.8 The Committee agreed that the above forecasts could be submitted to HEFCE in April 2011.

*** **OTHER MATTERS FOR DISCUSSION** ***

23 **UCL BLOOMSBURY MASTERPLAN UPDATE**

Received

23.1 Appendix FC 3/38 (10-11).

Discussed

23.2 There was not sufficient time to discuss this item; it would be brought forward to the June Finance Committee Agenda.

24 **UCL STUDENT ACCOMMODATION STRATEGY**

Noted

24.1 The Student Accommodation Working Group met for a second time on 4 March 2011 following the receipt of further advice from UCL's financial adviser Quayle Munro (QM).

24.2 QM conducted a 'Soft Market Testing' exercise with possible Joint Venture partners and an oral update was given at the Meeting.

Discussed

24.3 There was not sufficient time to discuss this item; a full report is expected for the June Finance Committee Agenda.

25 **POTENTIAL STUDENT ACCOMMODATION ACQUISITION**

Received

25.1 Appendix FC 3/39 (10-11) with Annexe 1.

Discussed

25.2 The **Head of Property** gave an oral update regarding the potential acquisition of the freehold interest in 103 Camlet Street (St Pancras) and a 'turnkey' contract with Student Housing developers Unbanest (who are acquiring a freehold interest from Camden Council). Finance Committee was asked to approve in principle and confirm support to Urbanest to through the planning process.

- 25.3 The Committee agreed that further investigation into this site could be progressed, but before the project could be approved a detailed paper including alternative options to access this accommodation and how it might fit into the overall UCL Estates strategy would be required. This subject would be brought forward to the June Finance Committee Agenda and further financial details would need to be provided.

***** MATTERS FOR FORMAL APPROVAL *****

26 UCL HOSPITAL TRUST - PROPERTY TRANSACTION

Received

26.1 Appendix FC 3/40 (10-11) with Annexe 1.

Discussed

26.2 As detailed in the above paper, the main change to the original deal related to the listing of the Middlesex Annex, the unwillingness of the UCLH Trust to agree an Option arrangement and confirmation that UCL would not wish to acquire the site for £18m in these circumstances. However, UCL has secured a right of pre-emption to acquire the site at market value up to 31 December 2015.

26.3 A request was made that for future transactions of this kind, it would be useful to be provided with forecast information and an illustration on what the impact would be on UCL's Income and Expenditure.

Approved

26.4 Finance Committee approved the amended terms of the property transaction with UCL Hospital NHS Foundation Trust.

27 TUITION FEES 2011-12

Received

27.1 Appendix FC 3/41 (10-11).

Approved

27.2 Finance Committee approved the tuition fee proposals for the Academic Year 2011-12.

28 **BANKING MATTERS**

28A **Authorised Signatories**

Received

28A.1 Appendix FC 3/42 (10-11).

Noted

28A.2 The above paper was a detailed list of account signatories, subject to the approval of Finance Committee. Two signatories are required for transactions exceeding £50,000 (one from List 'A' and one from List 'B').

Approved

28A.3 Finance Committee approved:

- The addition of Tim Perry, Director of Registry and Academic Services with effect from 1 May 2011.
- The removal of Chris Hallas, Registrar with effect from 1 May 2011

28B **National Westminster Bank**

Received

28B.1 Appendix FC 3/43 (10-11).

Noted

28B.2 Prior to Barclays Bank, UCL's bankers were National Westminster Bank. It was discovered that the authorised signatory mandate had not been updated by the bank and that the majority of the signatories are no longer with UCL. The accounts still active with Nat West are 00700053 (current-main) and 60072458 (current-services RBS Borrowing). In order for UCL to administer the accounts, the mandate requires amending.

28B.3 The above paper was a detailed list of account signatories, subject to the approval of Finance Committee. Two signatories are required for transactions exceeding £25,000 (one from Signing Group '1' and one from Signing Group '2').

Discussed

28B.4 The **Director of Finance** confirmed that no issues had arisen from this oversight and that procedures had been tightened up. She also explained that UCL had a loan with Nat West and that

one of these accounts would need to remain with Nat West until it had been repaid.

Approved

28B.5 Finance Committee approved:

- The following signatories to be removed from the ‘Signing Group 1’ with immediate effect:
 - Butcher M H, Deer P J, Dunk G, Gallyer M J, Hawkins K J, Huggins A K, Hunt N, Priestley H M, Roberts D H, Scully C, Speight P.
- The following signatories to be removed from the ‘Signing Group 2’ with immediate effect:
 - Ballantyne I, Bowtell K L, Coleman J L, Deer P J, Fincham A, Ponciano R, Waters R, Young R
- The following signatories to be removed from the ‘Undefined Signing Group’ with immediate effect:
 - J R, Hollier D, Lane R, Pollard A J, Roberts M B, Ruddling D
- The following be added to the ‘Signing Group 1’ signatories:
 - Grant M – Provost, Knight R - Vice-Provost (Operation), Grainger A - Director of Estates & Facilities, Nigel Waugh - Director of Human Resources
- The following be added to the ‘Signing Group 2’ signatories:
 - Woodhams A - Director of Finance, Arnold N - Director of

*** **MATTERS FOR INFORMATION** ***

29 **CAPITAL PROJECTS UPDATE**

Received

29.1 Appendix FC 3/44 (10-11).

Noted

29.2 The above report, which was the Estates & Facilities Division's Capital Projects Report, presented at the Estates Management Committee (EMC) meeting on 23 March 2011.

30 **INVESTMENTS COMMITTEE**

Received

30.1 Appendix FC 3/45 (10-11).

Noted

30.2 The minutes of the Investments Committee meeting, held on 1 November 2010.

Reported

30.3 The **Director of Finance** reported that the Investment Fund Manager contract had been tendered. The successful applicant was, by a unanimous decision, Sarasin & Partners.

31 **UCL BUSINESS PLC, SUBSIDIARY & ASSOCIATED COMPANIES**

Received

31.1 Appendix FC 3/46 (10-11).

Noted

31.2 The summary schedule, showing actual activity on the profit and loss account for the six months to 31 January 2011 for UCL Business (UCLB) and the active subsidiaries and associates it manages, the forecasts for the subsidiaries for the current financial year and the UCL Business metrics.

32 **FINANCE COMMITTEE MEETING DATES**

Noted

- 32.1 The final meeting of the 2010-11 session would take place on **Tuesday 28 June 2011**, 1230 - 1630 in the Malet Place Engineering Building, Room 1.20. **N.B.** This meeting will have an extended duration to incorporate the Agenda items brought forward from the March 2011 meeting.
- 32.2 Confirmed dates for 2011-12:
- Wednesday 23 November 2011, 1200-1400
 - Thursday 26 January 2012, 1000-1200
 - Thursday 29 March 2012, 1200-1400
 - Thursday 28 June 2012, 1000-1200

ALISON WOODHAMS
Director of Finance and Secretary to Finance Committee
31 May 2011