



## FINANCE COMMITTEE

23 September 2013

### MINUTES

*PRESENT:*

Mr Simon Melliss (*Chair*)

Professor Michael Arthur (*President and Provost*)

Mr Ven Balakrishnan

Dr Liam Graham

Dr Stephanie Bird

Mr John Morgan

Dr Ben Booth

Dr Gill Samuels

Mr Mark Clarke

*In attendance:* Ms Nicola Arnold (Director, Financial Control and Analysis); Mr Mohammed Zayyan Butt (Student observer); 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 Rex Knight (Vice-Provost (Operations)); Mr Nick McGhee (Secretary to Finance Committee).

Apologies for absence were received from Professor Sue Hamilton, Professor Alan Thompson and Sir Stephen Wall.

*Key to abbreviations used in these Minutes:*

BEAMS	School of the Built Environment, Engineering Sciences and Mathematical and Physical Sciences
FBA	Finance and Business Affairs
FC	Finance Committee
HEFCE	Higher Education Funding Council for England
ISD	Information Services Division
KPI	Key Performance Indicator
SLMS	School of Life and Medical Sciences
UCLB	UCL Business

<b>Preliminary Formal Business</b>
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**1 DECLARATION OF INTERESTS**

***Discussion***

- 1.1 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.

**2 FINANCE COMMITTEE – TERMS OF REFERENCE, CONSTITUTION AND MEMBERSHIP 2013-14**

***Received***

- 2.1 APPENDIX FC 1/01 (13-14) – Finance Committee’s terms of reference, and details of the constitution and membership for the session 2013-14.

***Reported***

- 2.2 The Chair welcomed the new members of Finance Committee, Dr Stephanie Bird and Dr Liam Graham, as well as the new Provost, Professor Michael Arthur, to their first meeting of Finance Committee.
- 2.3 It was anticipated that an appointment to the vacant professorial position on Finance Committee would be made in time for the next meeting<sup>1</sup>.

***Discussion***

- 2.4 During discussion of the Terms of Reference it was agreed that the current £2m threshold above which FC approval of capital projects was required was too low. The Director of Finance and Business Affairs would discuss the matter with the Provost before submitting a proposal to Council for amendment of the Financial Regulations in respect of the thresholds for both FC and Council.
- 2.5 It was suggested that the Terms of Reference should state explicitly those matters on which Finance Committee was authorised to take decisions. The relationship between the roles of Finance Committee and Council was discussed. It was

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<sup>1</sup> The appointment of Professor Alan Smith (Department of Space and Climate Physics) was subsequently confirmed.

agreed that the FC officers should consider possible amendments to the Terms of Reference in this area.

### 3 MINUTES

#### *Approved*

- 3.1 The Minutes of the meeting held on 19 June 2013 [*FC Minutes 74-104, 2012-13*] were confirmed by the Committee and signed by the Chair.

### 4 MATTERS ARISING FROM THE MINUTES

#### *Received*

- 4.1 APPENDIX FC 1/02 (13-14) – a note matters arising from the last meeting.

#### *Discussion*

- 4.2 With reference to FC's approval of the 2013-14 budget [*FC Minute 81.9, 2012-13*] it was noted that the Treasurer had advised Council of FC's reservations, as well as the request for additional information on the proposed measures for effecting an improvement in the financial performance. FC noted the need to foster a general understanding that, since the withdrawal of the HEFCE capital funding stream, the term 'surplus' effectively equated to an institution's capital investment margin.

<b>Matters for discussion</b>
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### 5 FINANCIAL UPDATE

#### *Received*

- 5.1 APPENDIX C 1/03 (13-14) – the Financial Update for the year ending 31 July 2013.

#### *Reported*

- 5.2 The draft actual surplus for the year was now £19.2m, a return to the budgeted figure and a rise of £9m on forecasts made during the course of 2012-13. It was expected that the final surplus figure would be marginally higher once the results from subsidiaries had been incorporated. The Director of FBA noted that, although this improvement in the financial performance was welcome, it would occasion some further reflection on UCL's forecasting methods.

- 5.3 Total income was £931m, £34m above budget. Competitive research income was at £334m, a rise of 10%. A number of factors had contributed to the rise in the surplus since the Q3 forecast, notably including non-core activity in SLMS, a lower than expected equipment expenditure in BEAMS, and an improved financial performance in Professional Services.

## 6 FINANCIAL PERFORMANCE

### *Received*

- 6.1 APPENDIX FC 1/04 (13-14) – a paper outlining measures for achieving an improved financial performance, as requested by FC at the meeting on 19 June 2013 [*FC Minute 81.8*].

### *Reported*

- 6.2 The paper reflected a desire to stimulate discussion within UCL over the means of bringing the institution's financial performance to the level required in order to facilitate the desired levels of capital investment. More specific proposals would be incorporated into the Estates and Funding Strategy, to be submitted to FC in November. Recruitment of undergraduate students above the target levels in the current year was expected to equate to an additional £2m net income, i.e. after bursaries, scholarships and other associated costs. The current situation with postgraduate recruitment was also encouraging.

### *Discussion*

- 6.3 FC noted the importance of considering the full economic costs of all activity, particularly increased student recruitment, and stressed the need to prioritise consideration of those options which did not impact directly on UCL's core mission, such as the centralisation of procurement.
- 6.4 It was suggested that the exercise could usefully incorporate consideration of the cross-subsidy between teaching and research activity, as well as including management information KPIs for each School (eg student:staff ratios, undergraduate/postgraduate balance) in order to aid FC in developing an understanding of the main elements driving the institution's performance.
- 6.5 In the course of a discussion about the incorporation of references to UCLB in the strategy, it was noted that a UCLB presentation had been scheduled for the meeting on 14 November. It was suggested that it would be useful to invite the UCLB Chair, David Dutton, to join the meeting.
- 6.6 FC members suggested that the philanthropic income stream should be separated out in future iterations of the paper. The

importance of developing a significant legacy programme was noted.

- 6.7 In conclusion the Chair urged that efforts to improve UCL's financial performance focus on making real gains rather than on making adjustments to the accounting methodology. The Chair also cautioned against making the forecasts too complicated, for example by introducing a range of forecasts.

## 7 **ESTATES AND FUNDING STRATEGY**

### ***Received***

- 7.1 APPENDIX FC 1/05 (13-14) – a report on progress with development of the Estates and Funding Strategy.

### ***Reported***

- 7.2 A series of meetings at School and Faculty level were now taking place in order to develop a detailed picture of priorities for the estate. This was also helping the development of a more refined financial model. It was envisaged that a set of estates projects would be brought to the Finance Committee meeting on 14 November, alongside details of a revised financial model and a more focussed version of the paper on financial performance. The final Strategy would outline scenarios with a range of levels of capital ambition.

### ***Discussion***

- 7.3 It was anticipated that discussions relating to the development of the campus would take place at the Council meeting on 27 November. It was not envisaged that any financial discussions would be required before that stage.

<b>Matters for approval or information</b>
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**8 BANKING MATTERS**

*Received*

- 8.1 APPENDIX FC 1/06 (13-14) – proposed amendments to the authorised signatories list.

**RESOLVED**

- 8.2 **That the authorised signatories on the Barclays Bank mandate be amended as at APPENDIX FC 1/06 (13-14).**

**9 DEBT WRITE-OFF**

*Received*

- 9.1 APPENDIX FC 1/07 (13-14) – proposals to write off debts totalling £81,000.

**RESOLVED**

- 9.2 **That the proposals to write off debts as set out at APPENDIX FC 1/07 (13-14) be approved.**

**10 CENTRE FOR CHILDREN'S RARE DISEASE RESEARCH**

*Received*

- 10.1 APPENDIX FC 1/09 (13-14) – a proposal for UCL to obtain a lease on the Centre for Children's Rare Disease Research at Great Ormond Street in order to meet the conditions of the HEFCE grant awarded in relation to this project.

**RESOLVED**

- 10.2 **That Finance Committee approve the proposal to obtain a lease from Great Ormond Street Hospital Children's Charity as set out at APPENDIX FC 1/09 (13-14).**

11 **SCHOOL OF PHARMACY, BRUNSWICK SQUARE**

***Received***

- 11.1 APPENDIX FC 1/10 (13-14) – a proposal to redevelop School of Pharmacy facilities at Brunswick Square.

***Discussion***

- 11.2 Since the production of this paper the Chair had requested that the relevant senior academic figure be invited to include a brief note in future papers of this type confirming their support for the project.

***RESOLVED*** – on the recommendation of Estates Management Committee

- 11.3 **That the proposed redevelopment of the School of Pharmacy facilities at Brunswick Square, at a total cost of £3.5m, be approved.**

12 **CAPITAL PROJECTS DASHBOARD**

***Received***

- 12.1 APPENDIX FC 1/11 (13-14) – the capital projects dashboard dated 7 September 2013.

13 **INSURANCE RENEWAL**

***Received***

- 13.1 APPENDIX FC 1/12 (13-14) – details of UCL's current insurance arrangements.

14 **ACTION TAKEN BY THE CHAIR**

***Received***

- 14.1 APPENDIX FC 1/13 (13-14) – a note on action taken by the Chair since the previous meeting.

NICK MCGHEE  
Secretary to Finance Committee  
October 2013