



FINANCE COMMITTEE

23 NOVEMBER 2011

Any member of the 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.

- MINUTES -

PRESENT: Ms Anne Bulford (Chair) Dr Bob Barber
Mr Ven Balakrishnan Dr Ben Booth
Mr Mark Clarke Professor Dame Hazel Genn
Professor Malcolm Grant Professor David Ingram
Ms Susannah Lloyd Mr John Morgan
Mr Tim Rees Jones Sir Stephen Wall
Professor Jonathan Wolff

IN ATTENDANCE: Ms Nicola Arnold Professor Stephen Caddick
Mr Andrew Grainger Miss Valerie Hogg
Mr Rex Knight Ms Liz Mooney
Professor Sir John Tooke Mrs Alison Woodhams

Additional attendees:

Ms Sue Barratt, Mr Mark Posnett & Ms Lois Wells (Minute 14)

Apologies for absence were received from, Dr Andrea Townsend- Nicholson,
Professor David Price, Professor Michael Worton

Key to abbreviation:

CUC	Committee of University Chairs
OFR	Operating and Financial Review
UCLB	UCL Business

*** **PRELIMINARY FORMAL BUSINESS** ***

12 **THE MINUTES**

Approved

- 12.1 The Minutes of the meeting, held on 31 October 2011 (previously circulated), were confirmed and signed by the Chair.
- 12.2 The notes from the Finance Committee and Council effectiveness discussion would be circulated in due course.

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

13A **Terms of Reference, Constitution and Membership**

Received

- 13A.1 Appendix FC 2/10 (11-12).
- 13A.2 The Finance Committee Terms of Reference were discussed at the previous meeting and amended. The above paper was circulated for information.
- 13A.3 It was noted that Council would be discussing the Ranmore review at its meeting on 23 November 2011 so the Terms of Reference may be further updated, taking into account input from Finance Committee Lay Members. If there were any changes to the above, this would be circulated.

13B **UCL New Campus Proposal**

Noted

- 13B.1 This subject was previously an item in the Confidential section of the October Finance Committee meeting.
- 13B.2 The news of the new campus is now in the public domain and an agreement with UCL and the London Borough of Newham was announced today (23 November 2011). In brief, the Provost confirmed that UCL had signed a Memorandum of Understanding with Newham Council which would provide an exclusive period of 6 months to work with them to explore the opportunity and develop detailed proposals for an additional campus on the Carpenters Estate.
- 13B.3 The Estate was a 20 acre site immediately alongside Stratford Regional Station, with direct access both the Westfield Shopping

Centre (and via it to Stratford International Station) and to the Olympic Park.

13B.4 While UCL was committed to spend upward of half a billion to improve Bloomsbury campus, which could increase capacity by 20%, there would be no realistic possibility to acquire more land in Bloomsbury at a suitable price. As well as providing UCL with a new campus, the investment by UCL would help to regenerate this part of East London and raise the aspirations for people living in that area.

13B.5 It would also give the opportunity to create more student accommodation and also some private residential accommodation for staff and their families. It was anticipated that there would be liaison with a private partner and work with Newham Council to bring in some private capital.

13B.6 During the 6 month period work would be done to complete the UCL vision and a strategic development brief for the site, and undertake due diligence and viability assessment work. Finance Committee would be kept informed on progress and the Chair suggested that this subject become a standing item on the Finance Committee Agenda.

13C **UCL Enterprise Strategy**

Noted

13C.1 The new UCL Enterprise Strategy had been published and the link to the electronic version (<http://www.ucl.ac.uk/enterprise/enterprise-spotlight/enterprise-strategy>) had previously been circulated to the Finance Committee. Hard copies of the document were distributed at the meeting.

*** FOR DISCUSSION ***

14 ANNUAL FINANCIAL STATEMENTS

Received

- 14.1 Appendix FC 2/11 (11-12) – draft audited Annual Financial Statements.
Appendix FC 2/12 (11-12) – Commentary to the Financial Statements.
Appendix FC 2/13 (11-12) – Report to the Audit Committee from Deloitte LLP.
Appendix FC 2/14 (11-12) – Deloitte LLP Management Letter.

Discussed

- 14.2 Ms Sue Barratt, Mr Mark Posnett (Deloitte) and Ms Lois Wells were welcomed to the meeting. The **Director of Finance** tabled a list of changes that had been made to the Annual Financial Statements, none of which were material (Appendix FC 2/25 (11-12) to be circulated with these Minutes).
- 14.3 Ms Sue Barratt reported on the status of few remaining audit adjustments and confirmed that the list of outstanding queries was down to a negligible amount. She remarked that the fixed assets accounting was an improvement from last year but there was still work to be done to improve this next year. She confirmed that the audit was now complete and the auditors would be in a position to sign today.
- 14.4 The Chair remarked that the Operating and Financial Review (OFR) was an impressive report and thanked the team. It was suggested that more detailed section should be incorporated reporting on the student experience and access arrangements in future years.
- 14.5 The Committee discussed the Financial Statements and the following changes were agreed:
- P4. An additional sentence to be inserted to explain that the surplus is in line with HEFCE requirements.
 - P5. To rework the paragraph on tuition fees from full time overseas students.
 - P7. Sentence to be added at the top to explain that USS, SAUL and the NHS pension schemes are all multi-employer schemes and therefore UCL's share of their assets and liabilities would not be disclosed on the UCL balance sheet.
 - P 10. A little more background detail to be inserted on the Francis Crick Institute.

- P14. Insert the link to the UCL Enterprise Strategy under the Enterprise paragraph.
- P.14. Remove "... and 1,792 over the estimate for the year." in the Students paragraph.
- P17. Rework the 'Conclusion'.
- P.18. Amend the third paragraph regarding the Committee of University Chairs (CUC) Guide for Higher Education Governing Bodies.
- P 29. Amend "Share of operating profit ..." to "Share of operating (loss)/profit ...".
- P30. Make reference to Note 36 on the Actuarial gain/(loss) in respect of Pension schemes line in the Statement of Group Total Recognised Gains and Losses.
- P 46. Amend the loan facility number from £21.1m to £19.8m and explain further.
- Points to note for next year: need to include the income received from the Provost in relation to his new position in the National Health Service, possibly add a list of overseas commitments (currently listed in the Commentary).

14.6 The Provost asserted that the conditions to be able bring forward a surplus of £29m must not be underestimated; this was a good result. The coming year would be difficult but student applications were coming in to UCL and were holding steady but were generally down in the sector. In conclusion, UCL has greater confidence going into the next financial year on the back of these results.

Approved

14.7 Finance Committee recommended to Council that the audited Financial Statements for 2010-11, as set out at Appendix FC 2/11 (11-12), be approved (subject to the amendments discussed).

15 **MERGER WITH THE SCHOOL OF PHARMACY**

Received

15.1 Appendix FC 2/15 (11-12).

Discussed

15.2 There was a discussion regarding the forward projection figures on the final page of Annexe 2. **Mr Rex Knight** explained that the School had been prudent and it was difficult to accurately portray the financial future at the present time. The bottom line contained reasonable downside aspects so was the worst-case scenario and that there was no cause for concern.

- 15.3 With regards to savings on overheads the School would remain in its own premises and use existing resources; however the merger would bring activities into line with UCL so there would be a certain level of savings. The main focus of the merger had been driven by academic synergies and it would enable UCL to offer an enhanced programme and capacity for drug discovery. It had also been based on the ability to build on existing collaborations and the intention to engage further in joint activity to be able to bring in joint grants etc. and was a specific opportunity to further strengthen UCL's mission.

*** **OTHER BUSINESS FOR APPROVAL OR INFORMATION** ***

16 **BAD DEBT WRITE-OFFS**

Received

16.1 Appendix FC 2/16 (11-12).

Approved

16.2 Finance Committee approved the write-offs, as detailed in the above Appendix.

17 **91 GOWER STREET**

Received

17.1 Appendix FC 2/17 (11-12).

Discussed

17.2 The **Director of UCL Estates** explained that this site offers a good opportunity for acquisition and was looking to Finance Committee for approval. However, he raised the question as to whether the acquisition would go ahead, as since the submission to Finance Committee, it had been discovered that the vendor has a funding issue which may preclude a sale. Finance Committee would be updated on the situation at the next meeting.

Approved

17.3 Finance Committee approved the purchase of the freehold of 91 Gower Street at a figure of £1,550,000 subject to survey and contract only.

18 **SAINSBURY WELLCOME CENTRE s.106 PLANING OBLIGATION:
JOHN DODGSON HOUSE – PROPOSED EXTENSION**

Received

18.1 Appendix FC 2/18 (11-12) with Annexe 1.

Discussed

18.2 The contractual planning agreement with the London Borough of Camden for the Sainsbury Wellcome Centre included an

obligation to provide further student accommodation, so the extension to John Dodgson House would provide an elegant solution. It also fitted in with the Student Residence Strategy to increase capacity and exploit existing assets.

Approved

18.3 Finance Committee approved the proposal for a refurbishment of John Dodgson House.

19 UCLB FINANCIAL RESTRUCTURING

Received

19.1 Appendix FC 2/19 (11-12) with Annexe 1.

Discussed

19.2 Over the past 2 years the UCLB Board had expressed concern over their balance sheet which was significantly influenced by their Gift Aiding their profit to UCL. Although advantageous for UCL the result has led to a long-term build-up of intercompany debt. The Directors were concerned that this situation was hampering them in securing support from new funders and signing up intellectual property.

19.3 The proposal put forward ways in which this situation could be addressed. Finance Committee were asked to note that this would be an entirely paper based transaction that would not involve any transfer of cash from UCL to UCLB.

Approved

19.4 Finance Committee approved the proposal from UCLB for a financial restructuring in order to improve UCLB's balance sheet position.

20 UCL CASHFLOW STATEMENT

Received

20.1 Appendix FC 2/20 (11-12) with Annexes 1-4.

Noted

20.2 The above paper, which discussed some of the issues recently raised in relation to UCL's cashflow situation.

- 20.3 The Finance Committee agreed that this was a useful document but felt that they would like to see more detail on capital expenditure and student numbers and that the actual cash position needed to be defined.

21 UCL UNION FINANCIAL STATEMENTS

Received

- 21.1 Appendix FC 2/21 (11-12).

Noted

- 21.2 The annual audited financial statements of UCL Union for the year ended 31 July 2011, including the Trustees report which summarised the financial out-turn for the year on pages 13-14.
- 21.3 There was a query about the surplus delivered in this year's accounts. **Mr Tim Rees Jones** explained that the majority of this was attributable to the one-off grant awarded to the Union for the refurbishment of the Lewis's building. It was confirmed that the annual grant would continue to be given to the Union but had been and would continue to be reduced year on year by 3%.

22 UCL SUBSIDIARIES AND ASSOCIATED COMPANIES

Received

- 22.1 Appendix FC 2/22 (11-12) with Annexes 1-3.

Noted

- 22.2 The report (with Annexes 1 & 2) was a summary of the draft Profit and Loss accounts and Balance Sheets, with a Commentary thereon and a Metrics illustration of UCL's subsidiary companies for the year ending 31 July 2011, for those forming part of UCL Business Management.
- 22.3 Annexe 3 was a completed checklist to the UCL Finance Committee, which confirmed that UCLB was compliant with all requirements, as laid out in the Memorandum of Understanding.
- 22.4 It was agreed that Professor Steve Caddick would bring the 2010-11 annual report to the next meeting, and go through activity for each company with the Finance Committee.

- 22.5 Previous annual reports could be found at:
<http://www.uclb.com/links-and-downloads/uclb-annual-report>

23 INVESTMENT COMMITTEE MINUTES

Received

- 23.1 Appendix FC 2/23 (11-12).

Noted

- 23.2 The Minutes of the Investments Committee meeting held on 7 July 2011.

24 FINANCE COMMITTEE MEETING DATES

Noted

- 24.1 Remaining dates and times for 2011-12:
- Thursday 26 January 2012, 10am – 12noon
 - Thursday 29 March 2012, 12noon – 2pm
 - Thursday 28 June 2012, 10am – 12noon.

ALISON WOODHAMS
Director of Finance and Secretary to Finance Committee
9 December 2011