



FINANCE COMMITTEE

26 JANUARY 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 Mr Matthew Burgess
Professor Dame Hazel Genn Professor Malcolm Grant
Professor David Ingram Mr John Morgan
Dr Andrea Townsend-Nicholson Sir Stephen Wall

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

Additional attendees:

Mr Allan Schofield (Ranmore Consulting) Mr Jack Foster (Minute 5)

Apologies for absence were received from Dr Ben Booth, Professor Stephen Caddick
Mr Mark Clarke, Ms Susannah Lloyd, Professor David Price,
Professor Jonathan Wolff and Professor Michael Worton

Key to abbreviations:

CIF	Capital Investment Framework
CSS	Corporate Support Services
EMC	Estates Management Committee
FPS	Federated Pension Scheme
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
OFFA	Office For Fair Access
RFS	Royal Free Scheme
TRAC	Transparent Approach to Costing
USS	Universities Superannuation Scheme

1 THE MINUTES

Approved

- 1.1 The Minutes of the meeting, held on 24 November 2010 (previously circulated), were confirmed and signed by the Chair.

2 MATTERS ARISING (EXCLUDING THOSE ALREADY ON AGENDA)

Noted

- 2.1 There were no matters arising from the last meeting.

*** **MAJOR ITEMS FOR DISCUSSION** ***

3 **UCL FINANCIAL UPDATE 2010-11**

Received

- 3.1 Appendix FC 2/23 (10-11).

Noted

- 3.2 The above report.

Discussed

- 3.3 The **Director of Finance** reported on the first full year forecast for the current year, which was ahead of budget by 400K. Tuition fees were up by £6.5m and almost every faculty had exceeded their fees budget (apart from Biomedicine, who forecast a £1m+ shortfall). This had been driven by increased student numbers, especially in overseas students and postgraduate taught fees, and the policy to increase Home / EU postgraduate fees.
- 3.4 The research forecast was down by £9m, of which £2m was contribution to overheads, however this may improve so the March 2011 report should show the forecast closer to budget. The academic forecast showed an increase in HEFCE grant of £1.7m, however this was a result of income budgeted in Corporate Support Services (CSS) areas so was not an actual increase overall.
- 3.5 Costs in academic areas were down £200k, which included transfers from staff costs to other costs. Controls on recruitment were still in place and it was intended to continue with this until further notice. Restructuring activities were still ongoing in CSS areas, which would release further savings next year (although they wouldn't make a difference to this year).
- 3.6 On capital expenditure there was £1.5m of unallocated funding from the Capital Investment Framework (CIF) allocation. Commitments needed to be in place by March 2011 under the conditions of the CIF programme otherwise this unallocated funding could be lost.
- 3.7 There were no particular areas of concern with regard to debtors. The high cash balance would reduce over the next few months due to various Estates & Facilities project payments falling due.

- 3.8 The overseas operations were not reported separately; these were on budget and would be reported on in March 2011.
- 3.9 There was a brief discussion and it was agreed that overall the financial situation was encouraging.

4 **UCL FUTURE FUNDING AND FORECASTS**

Received

- 4.1 Appendix FC 2/24 (10-11) with Annexes 1 & 2.

Noted

- 4.2 The above Appendix provided a brief update of the UCL Future Funding and Forecast Scenarios paper presented to Finance Committee and Council in November 2010, which was included with the current year forecast submitted to HEFCE to demonstrate the scenario planning that had been undertaken within UCL.

Discussed

- 4.3 The **Director, Financial Planning & Strategy** reported that since the November 2010 Finance Committee meeting there had been a couple of further announcements which would impact the future forecasts:
- Confirmation that the lower limit for graduate contribution from 2012-13 would be set at £6k, with an upper limit of £9k allowed for those institutions which could meet the Office For Fair Access's (OFFA) requirements for fair access;
 - Draft guidance had been issued to OFFA, although the precise details of how much institutions should set aside were unclear;
 - HEFCE had received its grant allocation letter for 2011-12, which would also affect the current financial year.
- 4.4 Paragraph 3 of Appendix FC 2/24 (10-11) listed the issues which were still unknown and key to position going forward. Detailed guidance on the Access Agreement was expected in mid February with a submission date of the end of March. This would need to include UCL's decision on the student contribution for 2012-13. The OFFA would review the submissions and confirm whether the arrangements were successful by the end of June 2011.
- 4.5 Following their Board meeting on 28 January 2011, HEFCE would issue statement on how they intended to distribute the 2011-12 grant and the detailed allocations would be issued on

16 March 2011. The other key issues regarding the allocation of T funding from 2012-13 and the position regarding Home / EU undergraduate student numbers would not be known until after the publication of the Government's White Paper which was expected at Easter.

- 4.6 Paragraph 5 of Appendix FC 2/24 (10-11) detailed three changes to assumptions that were made in the original paper presented at the November 2010 Finance Committee meeting:
1. The T grant allocation to HEFCE for 2011-12 had been cut by £300m not £700m as assumed in November 2010. This would reduce the impact in the position in the short term but would still end up with a cut of 70% in T funding by 2014-15.
 2. The level of capital funding, assumed to be reduced by 50% in November 2010, may now be cut by 70% which would mean a reduction from £36m to £10m as from April 2011. UCL's forecasts were still based on the current level (of £36m) so this would affect the bottom line and reduce the cash position by £32m by 2014-15. If everything else in the forecasts were correct then the reduction in cash would be manageable, however the forecasts don't take into account any additional requirements for student accommodation or the implementation of the estates Masterplan.
 3. The cost of the new access arrangements in the November 2010 forecast was unduly optimistic, further guidance would be issued in the coming months.
- 4.7 The increased access provision would affect the estimate of the level of student contribution UCL would need to charge in order to compensate for the cut in T funding. If the teaching proportion of the cut in CIF funding was included in the calculation, the break even undergraduate contribution would be c. £8.5k rather than £8k, as forecast in November 2010.
- 4.8 Annexes 1 & 2 showed the updated figures and illustrated various scenarios and these were discussed. It was suggested that the scenarios might also include changes in student numbers as well as fees.
- 4.9 The Provost reported on the deliberations of the UCL Council at their away day on 25 January 2011. Fee levels were discussed but there could be no concluded view until the access agreement information was available. A decision would need to be made by the end of March 2011. Other issues such as growth (in overseas and post graduate students) and investment in student accommodation and the UCL Estate were also discussed and the general feeling was that given the serious

financial risk to UCL the most prudent approach would be to set a higher fee and then put a discounted structure in place as appropriate.

- 4.10 It was acknowledged that the rate of change and period of transition would be very rapid in some areas. It would be a challenge for people to change their ways of working, especially if there were to be a shift in the balance of their responsibilities from research to teaching. Effective communication would be essential to manage change during this time. In Whitehall there seemed to be more pressure to deliver to targets rather than moving in a strategic way so there was a need to maintain stability. The focus of funding was shifting from block grant to students so the emphasis would be on attracting outstanding students, and the overseas and postgraduate markets were vulnerable so it was difficult to know what to expect. There were also opportunities for UCL to make savings, and the savings targets to be agreed with the Schools and CSS Divisions in the 2011-12 budget would reflect this.

5 **ROYAL FREE SCHEME (RFS) AND FEDERATED PENSION SCHEME (FPS) MERGER UPDATE**

Received

- 5.1 [Appendix FC 2/25 \(10-11\)](#).

Noted

- 5.2 At the November 2010 meeting, the Director – Special Projects reported that the draft actuarial report, as at 1 August 2009, for the Royal Free Pension and Assurance Scheme (RFS) indicated a funding shortfall of £12.6 million. Finance Committee were aware of long existing plans to merge RFS with the Federated Pension Scheme (FPS) (now renamed as “UCL (Former Medical Schools) Pension”), but in the light of the significant deterioration in the funding position, it was agreed that a working group be established to review the earlier rationale for merger.

Discussed

- 5.3 The **Director – Special Projects** thanked the working group and explained that there were two main issues discussed at its recent meeting. The first was the actuarial valuation and the second was the plan for future merger.
- 5.4 The latest actuarial valuation showed a deficit of nearly £13m. The working group were broadly in agreement with the valuation, the main question surrounded the period of time it

should take to pay off the deficit. In 2006 it was agreed that the period would be 10 years. Taking the figures produced in the latest draft valuation, contributions would need to be increased by c. £1.2m annually to pay off the deficit by 2016. An alternative would be to seek to pay it off over a longer period; however the working group were not in favour of this option. Finance Committee therefore agreed to recommend an increase in the annual payments to eliminate the revised deficit by 2016. The Chair of Council would be requested to approve this, on behalf of Council, via Chair's action.

- 5.5 With regard to the merger, the working group had agreed to reconvene after the next valuation was available (expected in February 2011) and would report back at the next Finance Committee meeting.

6 TRANSPARENT APPROACH TO COSTING (TRAC)

Received

- 6.1 Appendix FC 2/26 (10-11) with Annexes 1-3.

Discussed

- 6.2 HEFCE required all HEIs to submit their TRAC return for the previous Financial Year by the end of January the following year. The above report was a summary of the UCL return for 2009-10 showing the Income and Expenditure position for both teaching and research, and an expansion of the research position to show activity by funding source.
- 6.3 The **Director of Finance** reported that the return was based on the financial results for 2009-10. In the 2009-10 return, two major adjustments had been put through (for infrastructure and the cost of finance) so Annexe 1 showed the figures without these two adjustments and Annexe 2 showed the actual figures returned on the submission to HEFCE. Annexe 3 was an analysis of research activity by sponsor type.
- 6.4 The data for this return was the only form of activity based costing carried out at UCL. The information goes down to Faculty level; however its robustness relied upon the time allocation returns from academic staff. This year there was a 74% response rate, and UCL was in line with the other Russell Group institutions. The main purpose of this data was to support full economic cost recovery however UCL could use it to help with strategic financial management.

- 6.5 The Director of Finance would cascade this information to the faculties.

Approved

- 6.6 Finance Committee approved the 2009-10 TRAC return.

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

7 THE UCL BLOOMSBURY MASTERPLAN

Noted

- 7.1 Finance Committee was presented with a report at the June 2010 meeting which outlined UCL's intention to commission an Estate Utilisation Study and a Bloomsbury Masterplan, which would be completed in the spring of 2011.

Discussed

- 7.2 The **Director of Estates & Facilities** reported that that this substantial exercise was well advanced having reviewed the whole Bloomsbury campus focusing on space utilisation, capacity, coherence of the estate, academic co-locations and adjacencies, public engagement and the student experience. The outputs of this exercise would lead to a new capital plan for the estate, though that beyond Bloomsbury would be subject to further work. The importance of communication and engagement with the UCL community was acknowledged.
- 7.3 Draft proposals would be presented to the Finance Committee in March 2011, which would include indicative costs, an outline of a funding strategy and indicative programme. If agreed the proposal would be subject to wider consultation and final approval by the end of the 2010-11 session.

8 UCL STUDENT ACCOMMODATION STRATEGY

Noted

- 8.1 UCL's Financial Adviser Quayle Munro had been asked to conduct a 'soft market testing' exercise to determine the likely interest of a small number of investors and operators in partnering the University.
- 8.2 A Working Party was established to consider this proposal further with particular emphasis on:
- (i) The Properties to be included in the new arrangement;
 - (ii) The nature of the Property interest to be offered;
 - (iii) The funding arrangements for the new entity (likely levels of debt and equity);
 - (iv) The operational management structure.

- 8.3 The interim findings would be reported back to Finance Committee at its next meeting in March 2011.

Discussed

- 8.4 The **Director of Estates & Facilities** reported that the Working Party had met earlier in the day (26 January 2011) and had agreed that the 'soft market testing' exercise was to proceed immediately. The Working Party would meet again before the next Finance Committee meeting and would report back more fully to the Committee in March 2011.

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

9 1-19 TORRINGTON PLACE REFURBISHMENT AND IMPROVED UTILISATION OF 5TH TO 10TH FLOORS.

Received

9.1 Appendix FC 2/27 (10-11).

Noted

9.2 The above business case for the 1-19 Torrington Place refurbishment.

Discussed

9.3 This proposal would be a significant investment, with the aim of making best use of the upper six floors of the building housing staff from the Finance, Estates & Facilities and HR Divisions. A space utilisation study had been carried out in 2010 and it found that conditions across the floors varied and that the space was underutilised. The refurbishment was an opportunity to dramatically improve the utilisation of the six floors and would increase the capacity by c. 42%. This would bring about the benefit of housing the majority of the CSS staff of these three Divisions into one building, releasing space elsewhere. The phasing of the works would be complex and the aim was to minimise disruption.

9.4 Torrington Place was held on a long lease and indications from the emerging Masterplan indicate it may not form a long term component of the UCL Estate. However it is expected to be retained in the short to medium term, not less than 5 years and potentially up to 10 years.

Approved

9.5 Finance Committee approved the expenditure of £2,475,000, as detailed in the above Business Case for the 1-19 Torrington Place refurbishment.

10 **BANKING MATTERS: AUTHORISED SIGNATORIES**

Received

10.1 Appendix FC 2/28 (10-11).

Noted

10.2 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

10.3 Finance Committee approved the addition of Nigel Waugh, Director of Human Resources to List A with immediate effect, and the removal of Sarah Brant, also from List A, with effect from 1 February 2011.

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

11 UCL CAMPAIGN

Received

11.1 Appendix FC 2/29 (10-11).

To note

11.2 The above report, which was the latest update on the UCL Campaign which has been running since 2004. A new Director of Development and Alumni Relations (DARO), Mrs Lori Manders, had been recruited and would take up the post in February 2011. Mrs Manders would be invited to a future Finance Committee meeting to discuss the Campaign and other Development issues.

12 PROCUREMENT TO PAY (P2P) UPDATE

Received

12.1 Appendix FC 2/30 (10-11).

Noted

12.2 The above report.

13 CAPITAL PROJECTS UPDATE

Received

13.1 Appendix FC 2/31 (10-11).

Noted

13.2 The above report, which was the Estates & Facilities Division's Capital Projects Report, presented at the Estates Management Committee (EMC) meeting on 26 January 2011.

13.3 There was a query regarding the Windeyer works (items 21-23 in the appendix), the Director, Estates & Facilities would address this offline.

14 **INVESTMENTS COMMITTEE**

Received

14.1 Appendix FC 2/32 (10-11).

Noted

14.2 The minutes of the Investments Committee meeting, held on 18 August 2010 (not 15 July 2010 as printed on the Agenda).

15 **FINANCE COMMITTEE MEETING DATES**

To note

15.1 The dates of the next two meetings of 2010-11 would be 23 March 2011 and 29 June 2011, both to take place in the Council Room at 12 noon.

ALISON WOODHAMS
Director of Finance and Secretary to Finance Committee
11 February 2011