



**FINANCE COMMITTEE**

**26 JANUARY 2012**

*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 ( <i>Chair</i> )	Mr Ven Balakrishnan
Dr Bob Barber	Dr Ben Booth
Mr Mark Clarke	Professor Dame Hazel Genn
Professor Malcolm Grant	Professor David Ingram
Ms Susannah Lloyd	Mr Simon Melliss
Mr Tim Rees Jones	Dr Gill Samuels
Sir Stephen Wall	Professor Jonathan Wolff

**IN ATTENDANCE:**

Ms Nicola Arnold	Professor Stephen Caddick
Mr Andrew Grainger	Miss Valerie Hogg
Mr Rex Knight	Mr Nick McGhee
Mrs Alison Woodhams	

**Additional attendees:** Dr Mike Cope (Minute 30), Mr Jack Foster (Minute 40), Mr Cengiz Tarhan (Minute 41).

Apologies for absence were received from: Mr John Morgan, Professor David Price, Professor Anthony Smith, Professor Sir John Tooke, Dr Andrea Townsend-Nicholson and Professor Michael Worton.

*Key to abbreviations:*

CPD	continuing professional development
CUC	Committee of University Chairs
GAAP	Generally Accepted Accounting Principles
HE	Higher Education
HESA	Higher Education Statistics Agency
IFRS	International Financial Reporting Standards
OFR	Operating and Financial Review
REF	Research Excellence Framework
TRAC	Transparent Approach to Costing

<b>Preliminary Formal Business</b>
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26 **MINUTES**

*Approved*

- 26.1 The Minutes of the meeting held on 23 November 2011 [*FC Minutes 12-25, 2011-12*] were confirmed by the Committee and signed by the Chair.

27 **MATTERS ARISING FROM THE MINUTES**

*Received*

- 27.1 APPENDIX FC 3/26 (11-12) – a note by the Secretary updating Finance Committee on discussions regarding the revised Terms of Reference and proposed amendments to the Constitution and Membership.

*Reported*

- 27.2 It was envisaged that meetings would be arranged in due course for those Finance Committee members wishing to engage further with the revision of Finance Committee Terms of Reference, including the future reporting arrangements of the Investments Committee and the Estates Management Committee.
- 27.3 Finance Committee welcomed Dr Gill Samuels and Mr Simon Melliss to their first meeting of the committee.

<b>Matters for discussion</b>
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28 **FINANCIAL UPDATE 2011-12**

*Received*

- 28.1 APPENDIX FC 3/27 (11-12) – the financial update 2011-12 (January 2012).

*Reported*

- 28.2 The current full year position was an adverse variance against budget of £306,000. The Director of Finance and Business Affairs however reported that this included a contingency for a 1% pay rise settlement as of 1 August 2011, which was significantly higher than the final settlement of £150 per

member of staff. The contingency for student waivers and drop-outs was also thought to be higher than would prove necessary. It was therefore thought likely that the March 2012 update would show a favourable variance.

- 28.3 The sharp increase in debt of 0-2 months was attributable to an ongoing dispute with the Royal Free NHS Trust. The matter was now partly resolved.

***Discussion***

- 28.4 Finance Committee discussed the appropriate accounting arrangements for the departmental reserves referred to on page 2 of the paper. The Director of Finance and Business Affairs confirmed that these comprised profits from departmental activity in such areas as CPD and consultancy. Such reserves were available for departmental use (subject to balances and checks on due process and cash flow), and as such were thought to constitute an important incentive for staff to engage in such activities.

- 28.5 Although core staff costs to date were below budget it was expected that the REF timetable would result in higher than usual recruitment levels later in the financial year.

- 28.6 In response to queries on the balance sheet the Director of Finance and Business Affairs agreed to circulate an updated version of the cash reconciliation discussed at the November meeting.

- 28.7 The issue of student over-payment of fees was discussed. Steps were being taken to reduce outstanding balances continuing but it was thought unrealistic that future instances of overpayment or early payment could be prevented altogether.

29 **TRANSPARENT APPROACH TO COSTING**

***Received***

- 29.1 APPENDIX FC 3/28 (11-12) – a commentary on the Transparency Review submission for 2010-11, with the unadjusted and adjusted returns at Annexes 1 and 2 respectively.

***Reported***

- 29.2 The infrastructure adjustment was calculated on the basis of insurance valuations and data drawn from the HESA Estate Management Statistics. In discussing possible practical applications of this data Finance Committee noted that, although it was difficult to justify its use as a basis for calculating a target figure for expenditure on the estate, it had in the past resulted in changes to the structure of grant awards to take account of capital expenditure, and was also useful in facilitating high-level comparisons across the sector.

**Discussion**

- 29.3 Although Finance Committee was mindful of some fragility in data based on returns from academic staff timesheets across the sector, members discussed the strategic implications of the overall picture painted in the TRAC return whereby a surplus in teaching was shown as offsetting a deficit in research. Finance Committee accepted however that UCL's reputation for research was fundamental to its ability to attract students. It was also noted that, as the recovery of indirect costs for research was fixed, the only means of rectifying the position would be to reduce the volume of research, with a consequent adverse impact on UCL's reputation. As a result, focus remained on maintaining or improving the contribution from research activity.

**RESOLVED**

- 29.4 **That the 2010-11 TRAC return be approved.**

30 **SMART IT CHANGE INITIATIVE**

*[Dr Mike Cope, Director of Information Services, was in attendance for this item]*

**Received**

- 30.1 APPENDIX FC 3/29 (11-12) – details of the Information Services Division Smart IT Change initiative.

**Reported**

- 30.2 The initiative aimed to achieve efficiencies in common shared IT services of approximately £2M from an annual recurrent spend of £19M (excluding annual capital spend of £6.5M), and to reinvest the savings into improved teaching, learning and research IT services.

**Discussion**

- 30.3 Issues around the security of data, and the potential for the facilitation of collaborative systems and sharing of data across UCL Partners and with NHS bodies were discussed.
- 30.4 Finance Committee members welcomed the initiative and congratulated Dr Cope on progress to date.

31 **UCL CAPITAL FUNDING STRATEGY UPDATE**

**Received**

- 31.1 APPENDIX FC 3/30 (11-12) – an update on the UCL Capital Funding Strategy.

***Reported***

- 31.2 In light of discussion of UCL's capital requirements at recent Finance Committee meetings the paper sought to outline in broad terms the composition of a long-term capital funding strategy for UCL. It was intended that a paper outlining potential sources of capital would be submitted to the Finance Committee meeting of 29 March 2012.

***Discussion***

- 31.3 Finance Committee welcomed the general approach outlined in the paper. In place of a "work in progress" discussion on potential funding sources proposed for the March meeting it was agreed that an additional meeting dedicated to this issue would be arranged to follow the meeting of 28 June 2012, at which the first three-year budgetary plans would be submitted. Finance Committee and Council would be invited to endorse in broad terms a strategy for borrowing at their meetings on 28 June and 4 July 2012 respectively.

<p style="text-align: center;"><b>Matters for approval or information</b></p>
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32 **FINANCIAL SOFTWARE UPGRADE**

***Received***

- 32.1 APPENDIX FC 3/35 (11-12) – a proposal to upgrade financial software to Oracle eBusiness suite version R12.

***RESOLVED***

- 32.2 **That the proposals outlined in the paper be approved.**

33 **US GAAP ACCOUNTS**

***Received***

- 33.1 APPENDIX FC 3/36 (11-12) – a note on the US GAAP Accounts 2010-11 with, at Annexe 1, the draft accounts.

***Reported***

- 33.2 The auditors had largely completed their work and the accounts, which comprised a restatement of the published results based on UK GAAP, were presented for approval. The cost of producing the revised accounts was estimated at approximately £180,000. It was expected that ongoing costs

would be of the order of £50,000-£100,000 per annum, though it was hoped that the process would have some benefits in preparing for IFRS and in dealings with large US donors.

***Discussion***

- 33.3 The incorporation of the US GAAP data into the financial accounts was discussed. The substantial discrepancy between the UK and US GAAP estimate of total net assets (£333M / £878M respectively) was principally due to differing accounting practices in respect of deferred grants; nevertheless, the strategic implications of the picture emerging from the US GAAP return were discussed.

***RESOLVED***

- 33.4 **That the US GAAP Accounts 2010-11 be approved.**

34 **SPACE DEMAND**

***Received***

- 34.1 APPENDIX FC 3/37 (11-12) – a review of short- and medium-term space demands, including the proposed acquisition of Podium Block, 1 Eversholt Street, London WC1.

***RESOLVED***

- 34.2 **That the acquisition of the Podium, 1 Eversholt Street, be approved on the terms outlined in APPENDIX FC 3/37 (11-12).**

35 **CAPITAL PROJECTS REPORT**

***Received***

- 35.1 APPENDIX FC 3/38 (11-12) – UCL Estates' Capital Projects Dashboard as at 31 December 2011.

36 **91 GOWER STREET**

***Received***

- 36.1 APPENDIX FC 3/39 (11-12) – a proposal to purchase 91 Gower Street at an amended purchase price of £1,700,000.

***RESOLVED***

- 36.2 **That the purchase of 91 Gower Street under the revised terms outlined at APPENDIX FC 3/39 (11-12) be approved.**

37 **INVESTMENTS COMMITTEE – MINUTES**

*Received*

- 37.1 APPENDIX FC 3/40 (11-12) – minutes of the Investments Committee meeting of 3 November 2011.

38 **ANY OTHER BUSINESS**

38A **Director of Finance and Business Affairs**

*Reported*

- 38A.1 The Chair reported that Alison Woodhams would be retiring as Director of Finance and Business Affairs at the end of the current academic year. The recruitment consultants Saxon Bampfylde had been appointed to handle the appointment of her successor.

39 **DATE OF NEXT MEETING**

*Noted*

- 39.1 Thursday 29 March 2012, 12noon – 2pm.