# FINANCE COMMITTEE

**Tuesday 26 June 2018 at 10.30 a.m.**

**M I N U T E S**

*PRESENT:*
Mr Philip Sturrock (*Chair*)
Professor Michael Arthur *(President and Provost)*
Professor Lucie Clapp
Dr Andrew Gould
Dame DeAnne Julius
Ms Sarah Whitney

*In attendance*: Ms Elizabeth Francis (Director of Finance, Academic); Mr Andrew Grainger (Director of UCL Estates); Mr Phil Harding (Director of Finance and Business Affairs); Mr Hamza Jamshaid (Student Observer); Mr Rex Knight (Vice-Provost (Operations)); Dr Marguerite Nolan (Secretary to Finance Committee); and Mr Matthew Swales (Director of Finance, Services and Reporting).

Apologies for absence were received from Professor Patrick Haggard.

**Preliminary Formal Business**

## 1a. Welcome and apologies

1a.1 The Chair welcomed members to the meeting. Apologies were reported as noted above.

1a.2 It was noted that this was the last meeting of the Finance Committee that Mr Andrew Grainger would be attending. On behalf of members, the Chair thanked Mr Grainger for his significant contribution to the work of the Finance Committee over the last nine years.

1a.3 It was also the last meeting of the Finance Committee that Mr Hamza Jamshaid would be attending. The Chair thanked Mr Jamshaid for his helpful contribution to the Finance Committee during this academic year.

**1b. Declaration of interests**

1b.1 There were no new interests declared by members.

**Matters for Discussion**

**2. Financial Update - Forecast 2** **FC 7-1 (17-18)**

2.1 **Considered:** The Committee considered the Financial Update - Forecast 2 report at FC 7-1 (17-18). This paper provided the UCL Full Year Forecast 2017-18 as at March 2018. The operating surplus for the year to date (YTD) stood at £70.3m, which was £26.3m ahead of budget. Whilst that variance was expected to reduce over the remaining four months, the forecast result for the full year at £85.9m still represented outperformance of £6.3m.

2.2 The Committee congratulated UCL for the positive financial performance. The Committee discussed the key variances as included in the report and feedback was provided by the Director of Finance and Business Affairs. Within the YTD £26.3m variance, the faculty contribution was £5.6m ahead of budget, with higher fee income more than offsetting reduced research overheads. Expenditure on the Professional Services and Vice-Provost Offices was £6.1m under budget and centrally held corporate costs were £14.7m under budget, a variance driven largely by the profit on the disposal of Wolfson House.

2.3 **Resolved:** The Committee noted the Financial Update - Forecast 2 report at FC 7-1 (17-18).

**3. Budget for 2018-19 and Projections to 2022-23** **FC 7-2 (17-18)**

3.1 **Considered:** The Committee considered the Budget for 2018-19 and the Projections to 2022-23 as set out at FC 7-2 (17-18). This included the following papers:

- Budget for 2018-19
- Draft Financial and Student Number Forecasts - September 2018 submission to the Office for Students
- Draft Financial Commentary on Forecasts to 2022-23

3.2 It was acknowledged that the 2018-19 financial year would be challenging with student numbers expected to remain broadly flat against the prior year and the absence of any one off gains. The total budgeted surplus for the 2018-19 financial year was £71.5m. This included costs for the Transformation of our Professional Services (TOPS) Programme and the institutional improvement target. Before TOPS, the total surplus was in line with a target of 5.9%.

3.3 The Committee discussed the Operating Income table in the budget report and feedback was sought concerning how secure the budgeted income was for 2018-19. The Director of Finance and Business Affairs gave feedback on the income categories included in the table. It was noted that student applications for 2018-19 were strong.

3.4 The Committee reviewed the Financial and Student Number Forecasts to 2022-23. It was noted that the benefits as well as the investment in the TOPS Programme and UCL East would be included in the forecasts for future years. The Committee approved the presentation of the surplus in the Budget for 2018-19 and the TOPS Business Case being both before and after TOPS net expense or net benefit and wanted to see that figure (and

UCL East income and expense impact if within the period) explicitly shown in future income and expense forecasts produced for internal consideration.

3.5 It was agreed to consider the Transforming Our Professional Services (TOPS) Business Case (Paper 7-5 on this agenda) before coming to a conclusion concerning the Budget for 2018-19.

3.6 **Resolved:** After considering the TOPS Business Case, the following was agreed:

a) The Committee recommended the Budget for 2018-19 to Council for approval at its next meeting on 17 July 2018.

b) An updated version of the Projections to 2022-23 and Commentary would be circulated to the Finance Committee for review and feedback prior to these papers being submitted to the Council for approval at its meeting on 17 July 2018.

**4. UCL Financial Strategy 2018** **FC 7-3 (17-18)**

4.1 **Considered:** The Committee considered the UCL Financial Strategy 2018 at FC 7-3 (17-18). This paper presented a set of proposals for a new Financial Strategy.

4.2 The Committee considered the five key financial indicators included in the Financial Strategy relating to: surplus; operating cash flow; borrowing; liquidity; and investment capacity. The Committee was very supportive of the Financial Strategy and it was noted that it was an excellent report. Nevertheless, it was proposed and agreed that some further consideration should be given to two of the financial indicators before the strategy was submitted to the Council for approval. This included reviewing whether the minimum surplus target should be set above 5% to take account of the expected future benefits of the TOPS Programme and UCL East. It was agreed that the target of 5% surplus should be a minimum and the Committee was keen to see the target expressed as a range of 5% -6%. As noted in the discussion of Paper 7-4 on this agenda - Transforming Our Professional Services (TOPS) Business Case, over the next two years, 2018-19 and 2019-20, the level of investment in the TOPS Programme would be on a scale that would have a negative impact on UCL's surplus. The Committee also discussed the most appropriate measure of borrowing for UCL and it was felt that this should be based on affordability as well as the Russell Group average.

4.3 The Committee discussed the implications of a delay in submitting the Financial Strategy to Council for approval in October 2018 rather than July 2018. The Capital Programme was currently fully committed and there were a number of time specific estates proposals that were on hold awaiting the outcome of Council's consideration of the Financial Strategy. The Vice-Provost (Operations) and the Director of UCL Estates agreed to consider this matter following the next meeting of CPSC on 1 August and discuss any urgent cases with the Chair.

4.4 **Resolved:** The following was agreed:

a) That further work be done on the Financial Strategy to address the points raised by the Finance Committee as noted above.

b) An updated version of the Financial Strategy would be submitted to the next meeting of the Finance Committee on 27 September 2018 with a view to recommending it to Council for approval at its meeting on 10 October 2018.

**5. Tuition Fees for 2019-20** **FC 7-5 (17-18)**

5.1 **Considered:** The Committee considered the Tuition Fee Setting for 2019-20 paper at FC 7-5 (17-18). This presented a summary of the proposals for unregulated tuition fees in the academic year 2019-20. It also provided an update on the current position on regulated fees.

The Senior Management Team had approved this paper at its meeting on 6 June 2018.

5.2 Feedback was sought on the setting of Postgraduate Research fees for UK/EU students. It was noted that these were aligned to Research Council fee/studentship levels.

5.3 **Resolved:** The following was agreed:

a) The Committee approved the proposals for 2019-20 unregulated fees presented in Appendix A of the paper.

b) The Committee noted the current position on regulated fees in respect of UK and EU undergraduates as set out in the paper.

## Other Business for Approval or Information

### 6. IDEA London Lease Renewal, 69 Wilson Street — FC 7-7 (17-18)

6.1 **Received:** The Committee received the Idea London Lease Renewal, 69 Wilson Street proposal at FC 7-7 (17-18).

6.2 **Resolved:** The Committee approved the lease renewal of 69 Wilson Street, at rent and service charges of £378,709 per annum inclusive of VAT, as set out at FC 7-7 (17-18).

### 7. BSEER, 90 Tottenham Court Road — FC 7-8 (17-18)

7.1 **Received:** The Committee received the Bartlett School of Environment, Energy and Resource (BSEER) - Space for New RCUK Funded Research Centre proposal at FC 7-8 (17-18). This sought approval of the lease acquisition, allocation and light touch fit out of space on the second floor of 90 Tottenham Court Road.

7.2 **Resolved:** The Committee approved the proposal for the lease acquisition of space on the second floor of 90 Tottenham Court Road as set out at FC 7-8 (17-18). The capital funding of £593,000 for this project would be provided from the BEAMS Small projects fund.

### 8. Stewart House Lease Agreement — FC 7-10 (17-18)

8.1 **Received:** The Committee received the Stewart House lease agreement proposal at FC 7-10 (17-18). This paper provided an update on the progress that had been made in addressing quantity and quality issues in respect of the teaching estate. It requested approval to enter into a lease to close that gap through providing large, flat floor teaching space at the University of London's Stewart House.

8.2 **Resolved:** The Committee approved the proposal to secure a lease on teaching space at Stewart House on the terms outlined in the paper at FC 7-10 (17-18).

### 9. Students' Union Budget — FC 7-11 (17-18)

9.1 **Received:** The Committee received the Students' Union Budget report at FC 7-11 (17-18). This provided a summary of the budget for Students' Union UCL for the 12 months beginning on 1 August 2018.

9.2 **Resolved:** The Committee approved the Students' Union First Estimates for 2018-19, incorporating a grant from UCL of £2.62m as set out at FC 7-11 (17-18).

**10. UCLB UCL Relationship Review: Final Heads of Terms FC 7-12 (17-18)**

10.1 **Received:** The Committee received the UCLB UCL Relationship Review: Final Heads of Terms. At the last meeting of the Finance Committee on 2 May 2018, it had been agreed to submit the final version of the Heads of Terms to the Finance Committee meeting on 26 June 2018 for approval.

10.2 **Resolved:** The Committee approved the Final UCLB UCL Heads of Terms and Financial Model at FC 7-12 (17-18).

**11. Debt Write Off FC 7-14 (17-18)**

11.1 **Received:** The Committee received the Debt Writ Off report at FC 7-14 (17-18). In line with section 9.5 of UCL's Financial Regulations, this paper set out all proposed debt write-offs in excess of £10,000 for consideration and prior approval by the Finance Committee.

11.2 **Resolved:** The Committee approved the Debt Write Off report at FC 7-14 (17-18).

**12. Banking Matters FC 7-15 (17-18)**

12.1 **Received:** The Committee received the Banking Matters report at FC 7-15 (17-18). This paper requested approval for four changes to the Main Authorised Signatories List on the Bank Mandate.

12.2 **Resolved:** The Committee approved the Banking Matters report and the recommended changes at FC 7-15 (17-18).

**13. Policy for Socially Responsible Investment FC 7-16 (17-18)**

13.1 **Received:** The Committee received the Policy for Socially Responsible Investment at FC 7-16 (17-18).

13.2 **Resolved:** The following was agreed:

a) That the Policy for Socially Responsible Investment be updated to take account of the changes to the policy proposed by the Investments Committee at its meeting on 27 February 2018, as recorded in the minutes of the Investments Committee.

b) That the updated policy would be submitted to the Finance Committee meeting on 27 September 2018 with a view to recommending it to the Council for approval on 10 October 2018.

**14. Funding Council Grant Announcements for 2018-19 FC 7-18 (17-18)**

14.1 **Received:** The Committee received and noted the report on Funding Council Grant Announcements for 2018-19 at FC 7-18 (17-18).

**15. Updated Terms of Reference of the Finance Committee FC 7-19 (17-18)**

15.1 **Received:** The Committee received and noted the updated Terms of Reference of the Finance Committee at FC 7-19 (17-18). These had been approved by Council at its meeting on 5 June 2018.

**16. Capital Programme Dashboard FC 7-20 (17-18)**

16.1 **Received:** The Committee received and noted the Capital Programme Dashboard at FC 7-20 (17-18). This provided a progress update on key projects within the Capital Programme.

**17. Dates of meetings of the Finance Committee in 2018-19 FC 7-21 (17-18)**

17.1 **Received:** The Committee noted the dates of meetings of the Finance Committee which had been confirmed for 2018-19 as set out at FC 7-21 (17-18). An additional meeting in early November 2018 and an away day were current being arranged and the dates of these were to be confirmed.

**18. Any other business**

18.1 There was no other business discussed.