



FINANCE COMMITTEE

**Tuesday 27 February 2018 at 10.30 a.m. in the Wilkins Garden Room,
Bernard Katz Building, Gower Street, London, WC1E 6BT**

MINUTES

PRESENT:

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

In attendance: Ms Emily Bushby (School Finance Director - for paper 5-6); 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); Mr Matthew Swales (Director of Finance, Services); Professor Nigel Titchener-Hooker (Dean of Faculty of Engineering Sciences - for paper 5-6); and Mr Stephen Wells (Deputy Director of Estates).

Preliminary Formal Business

1. Declaration of interests

1.1 Dame DeAnne Julius reported that she is a member of the Board of Directors of JLL.

2. Minutes of the previous meeting held on 21 November 2017

2.1 **Approved:** The Committee approved the Minutes of the last meeting of the Finance Committee held on 21 November 2017, subject to minute 13.1 being updated to state that at the Finance Committee away day on 23 October 2017, which was held prior to the formal special meeting of the Finance Committee on 23 October 2017, the Committee received a presentation from JLL about procurement options for student housing. The minutes of the meeting of 21 November 2017 and of the special meeting of 23 October 2017 would be updated accordingly.

3. Matters arising from the Minutes **FC 5-1 (17-18)**

- 3.1 **Received:** The Committee received and noted the report on Matters Arising from the Minutes of the last meeting at FC 5-1 (17-18).

Matters for Discussion

4. UCL Financial Update **FC 5-2 (17-18)**

- 4.1 **Considered:** The Committee considered the Financial Update at FC 5-2 (17-18). The year to date operating surplus was £11.8m. This was £10.7m behind budget largely due to the timing of scholarship payments and an increase in Doctoral Training Centre (DTC) activity plus a reduction in both direct and indirect research activity. The overall trading result for UCL was forecast to recover to £75.9m, which was £3.7m below budget. Tuition fees had improved with an increase in student numbers offset by a fall in research activity and a reduction in research overheads.

- 4.2 The Committee discussed the performance of faculties against the budget. The Committee noted the higher cost of SLMS at school level, as compared to the other schools. A question was raised concerning the over-spending on non-contract staff and agencies and the under-spending on support staff as included in the Operating Expenditure table. It was reported that this was more likely to be attributable to urgent short-term requirements, for example HS2 relocations, than increased staff turnover.

- 4.3 The Committee discussed the cash flow position and forecast. It was noted that there had been a drawdown of £50m in January 2018. Further drawdowns were planned if required as outlined in the paper. It was recommended that due to the likelihood of an interest rate increase, UCL should seek advice on drawdown of the EIB loan.

- 4.4 **Resolved:** The Committee noted the Financial Update at FC 5-2 (17-18).

5. Financial Strategy Progress Report **FC 5-3 (17-18)**

- 5.1 **Considered:** The Committee considered the Financial Strategy Progress Report at FC 5-3 (17-18). This paper provided some background information and a summary of UCL's financial health, benchmarked against other Russell Group universities. It also summarised the financial modelling work that was underway and outlined three alternative scenarios expressed in terms of the scale of investment.

- 5.2 With regard to the UCL Current Financial Health (2) chart - External Borrowing / Income %, it was suggested that it would be helpful to provide a fuller set of data to include all Higher Education Institutions. It was also suggested that the Financial Strategy could look at our liabilities as well our borrowing.

- 5.3 With regard to the UCL Current Financial Health (3) chart - Financial and Operating Key Ratios, feedback was sought as to whether the Student - Staff Ratio figures included the teaching element of Research Staff and Teaching Fellows. It was agreed to check this matter and report back to the Committee.

- 5.4 It was suggested that pensions should be included in the Sensitivity Analysis section of the Financial Strategy.

- 5.5 It was also suggested that a detailed current financial health comparison with our closest competitor/s could be prepared and included as an item at the Council away day.

5.6 **Resolved:** The Committee noted the Financial Strategy Progress update at [FC 5-3 \(17-18\)](#) and the feedback received from members.

6. Project PEARL **FC 5-6 (17-18)**

6.1 **Considered:** The Committee considered the Project PEARL Business Case at [FC 5-6 \(17-18\)](#). This proposal sought approval of PEARL (Person Environment Activity Research Lab), a transdisciplinary facility of national and global importance that would enable the delivery of UKCRIC, the Government's 50-year investment in infrastructure. The total capital cost of the project was £37.9m. Equipment funding of £9m had been secured from BEIS via EPSRC, subject to a deadline for spending.

6.2 Members of the Committee supported the academic mission of the proposal. However, as this was not in the current Capital Programme, other projects would have to be given a lower priority in order for this to be included. With reference to the item on the Capital Programme Review, paper 5-5 on this agenda, it was acknowledged that a decision concerning Project PEARL would require a broader consideration of what should be included and prioritised in the Capital Programme.

6.3 The Committee discussed the proposed location of Project PEARL at Dagenham. It was noted that it had originally been intended to house this project within UCL's Queen Elizabeth Olympic Park at Stratford (QEOP) development but it was subsequently excluded due to a lack of architectural fit. The Committee suggested that the location of this project be reviewed as the QEOP would fit better with UCL's other academic activities.

6.4 **Resolved:** The following was agreed:

a) It was agreed to take this proposal back to the Estates Management Committee (EMC) for further consideration; and in particular to make a recommendation as to how this could be accommodated in the Capital Programme and to review the location of the project.

b) The Committee wished to see any revised proposal from EMC in the light of the refreshed Financial Strategy and any review or restructuring of the Capital Programme consequent on that review.

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

7.1 **Considered:** The Committee considered the update on Tuition Fees for 2019-20 at [FC 5-7 \(17-18\)](#). This paper outlined the proposed approach to the setting of tuition fees across unregulated programmes for UK, EU and overseas students in the academic year 2019-20. The Finance Committee would be asked to approve proposed tuition fee rates in June 2018.

7.2 The Committee discussed whether UCL should consider an increase above 3% for some programmes given its high ranking globally. It was noted that UCL had conducted a full review across all programmes last year. In addition, we would seek to identify any programmes that we might be able increase fees in line with our reputation, reduce student cohorts and maintain overall tuition fee income. This would support the academic quality of our student population and the student experience on the Bloomsbury campus.

7.3 **Resolved:** The Committee approved the following:

a) The Committee endorsed the approach to setting tuition fee rates for unregulated programmes in 2019-20, applying an inflationary increase of 3.0% unless approved by the Senior Management Team by exception.

b) The Committee endorsed the additional approach to raising fees whilst reducing student

cohorts on a programme by programme basis, also to be approved by the Senior Management Team by exception.

c) The Committee noted the uncertainty in relation to regulated fees for both UK and EU undergraduate students.

8. Student Accommodation Funding Strategy **FC 5-8 (17-18)**

8.1 **Considered:** The Committee received the Student Accommodation Funding Strategy report at FC 5-8 (17-18). The purpose of this item was to consider the way forward for the delivery of the Pool Street West student accommodation project and to inform the wider aspects of ensuring a cost effective and fit for purpose student residence provision at UCL.

8.2 Members were in favour of exploring further the range of options outlined in the paper for the funding of Pool Street West student accommodation. It was noted that the Committee would need more detailed information in order to consider fully the possible funding options.

8.3 **Resolved:** The Committee suggested that the Estates team go to market on two assumptions, a private partner and a self-build, making it clear that the final decision had not been taken. Only if that approach proved to be infeasible would a special meeting of the Finance Committee be called.

Other Business for Approval or Information

9. Astor College **FC 5-10 (17-18)**

9.1 **Received:** The Committee received the Astor College proposal at FC 5-10 (17-18). This paper requested additional funds to deliver enhancements identified and provide a sufficient risk allowance to complete the project. At its meeting on 14 February 2018, the Estates Management Committee had recommended that this proposal be considered by Finance Committee for submission to the Council for approval.

9.2 It was noted that a Post Completion Review on Astor College would be submitted to the Finance Committee for report.

9.3 **Resolved:** That it be recommended to the Council at its next meeting on 15 March 2018 to approve the extra scope of works and funding of £3.95m for Astor College as set out at FC 5-10 (17-18). This would be funded by the programme level contingency.

10. IOE Phase 1 **FC 5-11 (17-18)**

10.1 **Received:** The Committee received the IOE Phase 1 Business Case at FC 5-11 (17-18). This paper sought approval to bring forward elements of Phase 2 of the Masterplan, namely Wing A levels 4 and 5 and an increase of £4.8m in funding. This additional scope would deliver an extra 200 teaching seats and further student study space. At its meeting on 14 February 2018, the Estates Management Committee considered this proposal and recommended it to the Finance Committee for approval.

10.2 **Resolved:** The Committee approved the proposal to bring forward elements of Phase 2 of the masterplan and change in scope of works for Phase 1 with associated project cost increased from £15m to £19.8m as set out at FC 5-11 (17-18).

- 11. Here East 1** **FC 5-12 (17-18)**
- 11.1 **Received:** The Committee received the Here East 1 proposal at FC 5-12 (17-18). This paper sought an uplift in funding to cover additional costs that had occurred mainly due to scope changes, poor Main Contractor performance and post practical completion fit out works as outlined in the paper. At its meeting on 14 February 2018, the Estates Management Committee had considered this proposal and recommended it to the Finance Committee for approval.
- 11.2 **Resolved:** The Committee approved the additional funding of £738k to complete the Here East project as set out at FC 5-12 (17-18) and that it be funded from the Capital Programme Contingency.
- 12. Centre for Access to Justice** **FC 5-13 (17-18)**
- 12.1 **Received:** The Committee received the proposal for the acquisition of Solar House for the Centre for Access to Justice at FC 5-13 (17-18). The Centre was currently in temporary serviced office space which could not accommodate their teaching. A suitable lease property option, Solar House, had been identified that would satisfy Laws' requirements. At its meeting on 14 February 2018, the Estates Management Committee had considered this proposal and recommended it to the Finance Committee for approval.
- 12.2 **Resolved:** The Committee approved the acquisition of Solar House as set out in FC 5-13 (17-18) on the basis that:
- a) All operating expenditure, in the region of £1.8M over 10 years, would be centrally funded.
 - b) The capital expenditure which was estimated at £140k would be funded by the Capital Programme with Laws confirming an additional £10k should the capital expenditure be required.
- 13. Camden Road Land Swap** **FC 5-14 (17-18)**
- 13.1 **Received:** The Committee received the Camden Road Land Swap proposal at FC 5-14 (17-18). This paper sought approval for UCL to enter into a small land swap on its boundary at Ifor Evans Hall to achieve a better configured site for potential redevelopment. This would remove existing rights of way over UCL's land. At its meeting on 14 February 2018, the Estates Management Committee recommended that this proposal be considered by Finance Committee for submission to the Council for approval.
- 13.2 It was proposed that a minimum value should be set for proposals for acquisition or disposal of freehold or leasehold sites or buildings which were required to be submitted to the Finance Committee for recommendation to Council for approval. It was agreed that this would be taken forward as part of the review of the Terms of Reference of the Finance Committee which was included as paper 5-17 on the agenda of this meeting.
- 13.3 **Resolved:** That the Camden Road Land Swap proposal be recommended to Council for approval at its next meeting on 15 March 2018 as set out at FC 5-14 (17-18).
- 14. Compulsory Acquisition of Wolfson House** **FC 5-15 (17-18)**
- 14.1 **Received:** The Committee received the proposal for the Compulsory Acquisition of Wolfson House at FC 5-15 (17-18). The Committee was being asked to approve the outcome of negotiations with HS2 to acquire the part freehold and part long leasehold interests in Wolfson House for £18.5m (£16.65 payable on / around 28 February 2018). At its meeting on 14 February 2018, the Estates Management Committee had considered this proposal and

recommended it to the Finance Committee for approval.

14.2 **Resolved:** The Committee approved the outcome of the compulsory purchase of Wolfson House by HS2 as set out at [FC 5-15 \(17-18\)](#).

15. UCLU Financial Statements for 2016-17 **FC 5-16 (17-18)**

15.1 **Received:** The Committee received and noted the UCLU Financial Statements for 2016-17 at [FC 5-16 \(17-18\)](#). It was noted that the Union had made a £55k surplus on unrestricted funds (2016: £91k deficit). The Committee noted with pleasure that the Union had returned to a surplus position.

16. Review of the Terms of Reference of the Finance Committee and the Investments Committee **FC 5-17 (17-18)**

16.1 **Received:** The Committee received the Review of the Terms of Reference of the Finance Committee and the Investments Committee at [FC 5-17 \(17-18\)](#).

16.2 With reference to the proposal for the Camden Road Land Swap, paper 5-14 above, it was proposed and agreed that a minimum value should be set for the proposals for acquisition or disposal of freehold or leasehold sites or buildings that were submitted to the Finance Committee for recommendation to Council for approval. The Director of Finance and Business Affairs and the Committee Secretary would take this forward.

16.3 **Resolved:** That the proposed updates to the Terms of Reference of the Finance Committee and Investments Committee as set out at [FC 5-17 \(17-18\)](#) be recommended to the Nominations Committee and Council for approval. This was subject to the additional change as noted above.

17. Banking Matters **FC 5-18 (17-18)**

17.1 **Received:** The Committee received the report on Banking Matters at [FC 5-18 \(17-18\)](#). This paper requested approval for the removal of one named signatory from the Main Authorised Signatories List on the Bank Mandate.

17.2 **Resolved:** The Committee approved the report on Banking Matters at [FC 5-18 \(17-18\)](#).

18. Debt Write Off **FC 5-19 (17-18)**

18.1 **Received:** The Committee received the Debt Write Off report at [FC 5-19 \(17-18\)](#). In line with section 9.5 of UCL's Financial Regulations, the paper set out all proposed debt write-offs in excess of £10,000 for consideration and prior approval by the Finance Committee.

18.2 **Resolved:** The Committee approved the Debt Write Off report at [FC 5-19 \(17-18\)](#).

19. TRAC Return, January 2018 **FC 5-21 (17-18)**

19.1 **Received:** The Committee received and noted the Transparent Approach to Costing (TRAC) return for 2016-17 at [FC 5-21 \(17-18\)](#). The TRAC return had been submitted to the HEFCE by the deadline of 31 January 2018 following approval by the Senior Management Team.

20. Capital Projects Post Completion Reviews **FC 5-22 (17-18)**

20.1 **Received:** The Committee received and noted the report on Capital Programme Post Completion Reviews at [FC 5-22 \(17-18\)](#). This paper provided a brief update on recent Capital Programme post project reviews undertaken, lessons learned, and follow-up action proposed by the Estates Division.

21. Capital Programme Dashboard

FC 5-23 (17-18)

21.1 **Received:** The Committee received and noted the Capital Programme Dashboard at FC 5-23 (17-18). This report provided a progress update on some of the key projects within the Capital Programme.

22. Date of next meeting

22.1 **Noted:** That the next meeting of the Finance Committee would be held on Tuesday 26 June 2018 at 10.30 a.m.

23. Any other business

23.1 There was no other business discussed.