



FINANCE COMMITTEE

Thursday 27 September 2018 at 10.30 a.m. in the Council Room,
G12, South Wing, 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

In attendance: Ms Francesca Fryer (Director of Estates); Mr Phil Harding (Director of Finance and Business Affairs); Dr Marguerite Nolan (Secretary to Finance Committee); Mr Mahmud Rahman (Student Observer); Professor Anthony Smith (Vice-Provost, Education and Student Affairs - for Paper 1-6); and Mr Matthew Swales (Director of Finance, Services and Reporting).

Apologies for absence were received from Mr Rex Knight and Ms Sarah Whitney.

Preliminary Formal Business

1a. Welcome and apologies

1a.1 The Chair welcomed members to the meeting. He gave a special welcome to Ms Francesca Fryer and Mr Mahmud Rahman as this was the first meeting of the Finance Committee that they were attending.

1a.2 Apologies were reported as noted above.

1b. Declaration of interests

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

2. Finance Committee Terms of Reference, Constitution and Membership for 2018-19 **FC 1-1 (18-19)**

2.1 **Received:** The Committee received and noted the Terms of Reference, Constitution and Membership of the Finance Committee for 2018-19.

2.2 It was agreed to amend paragraph 11 of the Terms of Reference as follows (change highlighted in yellow):

Consider **and, if thought appropriate, approve** the financial implications of capital projects, relating to expenditure exceeding £10 million including the detailed evaluation of business cases, on the advice of the Estates Management Committee, and proposals exceeding £5m for acquisition or disposal of freehold or leasehold sites or buildings, and make recommendations to Council for expenditure on capital projects exceeding £25m.

3. Matters arising from the Minutes **FC 1-2 (18-19)**

3.1 **Received:** The Committee received and noted the report on Matters Arising since the last meeting at FC 1-2 18-19.

Items for Discussion

4. Financial Update: Draft year-end results for 2017-18 **FC 1-3 (18-19)**

4.1 **Considered:** The Committee considered the Financial Update: Draft year-end results for 2017-18 at FC 1-3 (18-19). This paper set out the draft unaudited results for the financial year to 31 July 2018. The statutory audit process was due to run until 29 October, with the final set of audited financial statements presented to Council for approval on 16 November 2018.

4.2 It was noted that the draft operating surplus for the 2017-18 financial year stood at £146.3m, or 10.3% of total income. This was an increase of £60m against the 2017-18 Forecast 2 (F2) position. The Committee discussed the reasons for the increased surplus as outlined in the report and feedback was provided by the Director of Finance and Business Affairs. It was highlighted that the net surplus generated by non-departmental corporate activity, including year-end accounting adjustments, had increased from £17.5m in the prior year to £53m, and accounted for 95% of the F2 variance. The sharp increase in corporate income had been driven by the timing of a small number of high value transactions and reflected the increased volatility, particularly with regard to income recognition, brought about by the introduction of FRS102.

4.3 The Committee congratulated UCL on meeting its surplus target for 2017-18. It was emphasised that the reasons for the increase in the surplus, against the target, should be set out clearly in the year-end accounts and other communications.

4.4 It was reported that there would be a need to draw down funds from the European Investment Bank (EIB) loan facility in the autumn term 2018. The Committee discussed the process for approving the draw down of the EIB loan. Further legal advice had been received concerning the draw down action and it was considered better to obtain Council authorisation for the full draw down. In the event that the draw down produced cash funds for short term investment the advice of the Investments Committee would be sought. It was planned that a paper and recommendation would be submitted to the Council meeting on 16 November 2018 for approval.

4.5 **Resolved:** The Committee noted the Financial Update at FC 1-3 (18-19) and the feedback received from members as outlined above.

5. UCL Financial Strategy 2018 FC 1-4 (18-19)

5.1 **Considered:** The Committee considered the Financial Strategy 2018 - September 2018 update at FC 1-4 (18-19). This had been revised to take account of the feedback from the Finance Committee on the Financial Strategy at its last meeting on 26 June 2018. The Director of Finance and Business Affairs gave feedback on the updates that had been made to the strategy relating to the surplus target and maximum borrowing key performance indicators. Further work had also been undertaken on the sensitivities in order to assess whether the strategy would be sufficiently resilient in an adverse set of circumstances.

5.2 The Committee supported the updated strategy, subject to a number of minor amendments. It was proposed that the terminology in the document should be checked before it was submitted to the Council to ensure that it was consistent, in particular relating to borrowing and liquidity. The Chair of Council would provide further feedback on this if required.

5.3 The Committee discussed external borrowing and the average spend on capital projects over the next ten years as set out in the strategy. The Committee also discussed the decision making process for the prioritisation and approval of capital projects and the committees that were involved in this process, centrally and at school level. With regard to the chart on assumed growth in staff numbers, full-time equivalent (FTE), clarification was sought as to whether there would be a reduction in non-academic staff in faculties. It was noted that the faculty staff numbers in the chart included faculty support staff pre. Transforming Our Professional Services (TOPS) impact. The Committee also reviewed the percentage increases of PGT students included in the strategy and it was suggested that some sensitivity analysis could be completed on these figures.

5.4 It was noted that following Council's approval of the Financial Strategy, a further paper would be submitted to the Finance Committee to address aspects associated with the implementation of the strategy.

5.5 **Resolved:** The following was agreed:

a) That the Financial Strategy be updated to take account of the minor amendments agreed by the Finance Committee as noted above.

b) That, following these revisions, the Financial Strategy be recommended to Council for approval at its next meeting on 10 October 2018.

6. USS FC 1-5 (18-19)

6.1 **Considered:** The Committee considered the USS paper at FC 1-5 (18-19). This provided an update on the latest position with respect to the unfinished 2017 valuation of the Universities Superannuation Scheme (USS). It also invited comments on a Universities UK employer consultation. Finance Committee was being asked to note this update and to comment on potential responses to the employer consultation, prior to its consideration by the Council.

6.2 The Director of Finance and Business Affairs gave feedback on the Joint Expert Panel (JEP) report and on the process and timescale for the employer consultation, which would close on 30 October 2018 at 12.00 noon. A meeting of Academic Board had been arranged to discuss the Universities UK consultation on the Joint Expert Panel's recommendations and to provide comment in advance of Council's consideration of the matter on 10 October 2018.

6.3 It was noted that the Joint Expert Panel (JEP) report identified opportunities to modify certain

of the valuation assumptions, which involved the employers accepting more risk and applying greater consistency with the 2014 valuation basis. It also recommended taking account of post-valuation experience in relation to mortality and investment return expectations. Based on the JEP's estimate of the impact of these changes, not validated by USS or the scheme actuary at this stage, this would reduce the required aggregate contribution rate from 36.6% to 29.2%, which included 20.1% from the employer, 9.1% from the member.

- 6.4 The Committee discussed the three questions on which the employer had been invited to respond. Members supported the JEP recommendations as positive and the best way forward for employers and members of the USS. The Committee discussed the level of risk that the JEP recommendations would pose to employers and employees, as included in Annexe B of the Universities UK consultation document. It was proposed that in response to question no. 2, UCL should request further information on the extent of employer liability in relation to the JEP recommendations.
- 6.5 **Resolved:** That the USS report as set out at [FC 1-5 \(18-19\)](#) and the feedback from the Committee on the response to the Universities UK employer consultation be noted.

Other Business for Approval or Information

7. Policy for Socially Responsible Investment FC 1-8 (18-19)

7.1 **Considered:** The Committee considered the Policy for Socially Responsible Investment at [FC 1-8 \(18-19\)](#). This had been updated to take account of the feedback received from the Finance Committee on the draft policy at its last meeting on 26 June 2018.

7.2 **Resolved:** That the Policy for Socially Responsible Investment at [FC 1-8 \(18-19\)](#) be recommended to the Council for approval at its next meeting on 10 October 2018.

8. Finance Committee self-review FC 1-9 (18-19)

8.1 **Received:** The Committee considered the Finance Committee self-review report at [FC 1-9 \(18-19\)](#).

8.2 **Resolved:** The Committee approved the Finance Committee self-review report at [FC 1-9 \(18-19\)](#), subject to the following sentence being added to paragraph 4.4 concerning the powers delegated to the Finance Committee by Council:

To consider and, if thought appropriate, approve the financial implications of capital projects, relating to expenditure exceeding £10 million including the detailed evaluation of business cases, on the advice of the Estates Management Committee, and proposals exceeding £5m for acquisition or disposal of freehold or leasehold sites or buildings, and make recommendations to Council for expenditure on capital projects exceeding £25m.

9. Debt Write Off FC 1-12 (18-19)

9.1 **Received:** The Committee received the Debt Write Off report at [FC 1-12 \(18-19\)](#). 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.

9.2 **Resolved:** The Committee approved the Debt Write Off report at [FC 1-12 \(18-19\)](#).

10. Banking Matters **FC 1-13 (18-19)**

10.1 **Received:** The Committee received the Banking Matters report at FC 1-13 (18-19). This paper requested approval for three changes to the Main Authorised Signatories List on the Bank Mandate, one addition and two removals, and advised the Committee of a new bank account, opened under the delegated authority of Finance Director.

10.2 **Resolved:** The Committee approved the Banking Matters report at FC 1-13 (18-19).

11. Insurance Renewal **FC 1-14 (18-19)**

11.1 **Received:** The Committee received and noted the Insurance Renewal report at FC 1-14 (18-19).

12. Date of next meeting of the Finance Committee

12.1 **Noted:** That the next meeting of the Finance Committee would be held on Monday 5 November 2018 from 12.00 noon to 1.00 p.m.

12.2 This additional meeting had been arranged for the Committee to consider the Financial Statements for 2017-18.

13. Any other business

13.1 There was no other business discussed.