



FINANCE COMMITTEE

28 January 2014

MINUTES

PRESENT:

Mr Simon Melliss (*Chair*)

Professor Michael Arthur
(*President and Provost*)
Mr Ven Balakrishnan
Dr Stephanie Bird
Dr Ben Booth
Mr Mark Clarke

Dr Liam Graham
Dr Gill Samuels
Professor Alan Smith
Professor Alan Thompson
Sir Stephen Wall

In attendance: Ms Nicola Arnold (Director of Financial Control and Analysis); Mr Mohammed Zayyan Butt (Student Observer); Professor Stephen Caddick (Vice-Provost (Enterprise)); Mr Phil Harding (Director of Finance and Business Affairs); Mr Dong Huang [*for Minute 39*]; Mr Rex Knight (Vice-Provost (Operations)); Mr Nick McGhee (Secretary to Finance Committee); Ms Jialing Xu [*for Minute 39*].

Apologies for absence were received from Professor Sue Hamilton and Mr John Morgan.

Key to abbreviations used in these Minutes:

FC	Finance Committee
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
QR	Quality Research Funding
SMT	Senior Management Team
TRAC	Transparent approach to costing
UCLB	UCL Business PLC

<p style="text-align: center;">Preliminary Formal Business</p>

35 DECLARATION OF INTERESTS

Discussion

- 35.1 Any member of 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. No such interests were declared¹.

36 MINUTES

Approved

- 36.1 The Minutes of the meeting held on 14 November 2013 [*FC Minutes 16-34, 2013-14*] were confirmed by the Committee and signed by the Chair.

37 MATTERS ARISING FROM THE MINUTES

Received

- 37.1 APPENDIX FC 3/31 (13-14) – a note of matters arising from the last meeting.

37A Estates and Funding Strategy

Reported

- 37A.1 Work to refine the financial modelling behind the Estates and Funding Strategy was ongoing, with a view to testing it in terms of delivery outcomes against a range of assumptions; prioritising the capital programme; and developing recommendations for financing. A presentation and discussion on the matter were scheduled to take place at the away day on 24 February, and the Director of Finance would be arranging a workshop session on the afternoon of 11 March.

¹ Academic members of Finance Committee were requested to leave the room before final confirmation of approval of the decision on Revenue Sharing – see Minute 43 below.

37B UCL Business

Reported

37B.1 A report² from UCLB had been submitted to the Finance Committee meeting of 14 November 2013 but had not been discussed for lack of time. An extended meeting for members of the Finance Committee had instead taken place at UCLB on 15 January 2014. There was general agreement that the event had been informative and useful and that UCLB were to be congratulated on their activities and approach. The Chair reported that the meeting had highlighted the importance of ensuring that UCL benefitted appropriately from its research activity. He had been particularly struck by the importance of seeking patent protection at an early stage. It was incumbent on Finance Committee to give guidance on the appropriate scale of UCL's investment in promising proposals.

Discussion

37B.2 The Vice-Provost (Enterprise) recorded UCLB's appreciation for the investment of time and interest shown by FC members at the meeting. He envisaged a three-stage process for building on the enhanced understanding generated by the event:

- a position paper on UCL's long-term expectations of UCLB would be drafted for discussion by the UCLB Board, Finance Committee and Council;
- a sub-group of Finance Committee members would be invited to contribute to the development of a brief schedule outlining the additional information FC would wish to receive on UCLB's activities in future reports;
- further consideration would be given in due course to developing a position on an investment strategy for UCLB.

37B.3 HEIs were uniquely placed to take advantage of potential returns on basic research. The importance of applying appropriate competitive pressure in seeking to realise the true value of UCL's intellectual property was noted.

37C Bidborough House

Reported

37C.1 At its meeting on 14 November 2013 Finance Committee noted that a second bid had been submitted for the purchase of Bidborough House, and an announcement of the outcome of the process was expected in the near future [*FC Minute 18.2, 2012-13*]. The Director of Estates confirmed that UCL had been

² The report is filed with these Minutes as APPENDIX FC 3/40 (13-14).

successful in what had been a highly competitive bidding process and had exchanged contracts with Camden Council on the property on 23 January.

- 37C.2 The property would provide approximately c 42,000 sq. ft. (3,900 sq. metres) of office space and would be of great value in mitigating the space pressures faced by UCL in Bloomsbury. Significant effort was now being channeled into determining what activity could best be relocated to the site. Completion on the transaction was not expected until the autumn of 2014, but occupation could then begin rapidly as, depending on the ultimate use, the building would be ready for occupation.

Matters for discussion

38 TRANSPARENT APPROACH TO COSTING

Received

- 38.1 APPENDIX C 3/32 (13-14) – UCL’s Transparency Review and commentary for the year ended 31 July 2013.
- 38.2 An oral report from Phil Harding, Director of Finance and Business Affairs.

Reported

- 38.3 TRAC data was used by HEFCE to determine the relative weighting of costs across the spectrum of academic disciplines. UCL’s results for 2012-13, which indicated a cross-subsidy from teaching to research activity, were broadly similar to those of 2011-12 in terms of the pattern of surpluses and deficits. Benchmarking against other large research-intensive institutions, whilst not yet completed for the current year, suggested that UCL’s position was consistent with that of its peers.

Discussion

- 38.4 The allocation of staff costs across teaching, research and other activities was made on the basis of data derived from staff activity timesheets, although both the quality and volume of this data were causes for concern. UCL’s return rate in 2012-13 had been 63.1%, a shortfall on the HEFCE target of 75% of requested staff. HEIs were required to sample all relevant staff at least every three years; this precluded the development of a methodology seeking to secure a smaller but more accurate return. FC members raised the possibility of linking the return of timesheets to the annual staff appraisal process, or of introducing penalties for non-completion.

- 38.5 FC discussed the extent to which the TRAC data represented the most realistic financial picture available to UCL. A number of shortcomings in the methodology were noted, including the incorporation of QR income under the ‘own funded’ category in Annexe 3 (which thereby tended to overstate the loss on public- or Research Council-funded activity), and the basic principle of allocating central costs that were to some extent fixed (such as Finance and Business Affairs) on the basis of non-pay expenditure. Nevertheless, the adjusted financial picture at Annexe 2 was clearly important, and would help to inform the development of the Estates and Funding Strategy, due for detailed discussion at the Council/SMT/FC away day on 24 February.
- 38.6 An FC member noted with concern that the adjusted picture presented by the TRAC data was of a deficit of £59m rather than a surplus of £18m. It was noted however that, notwithstanding the impact on the bottom line, UCL’s rapid research growth in recent years was the principal indicator of success both in terms of public perception and in the view of Government. UCL’s reputation for research was fundamental to its ability to attract students and world-class researchers, which in turn fed further growth in research. The current debate reflected the fundamental strategic question of UCL’s appetite to continue to compete at a world-class level for the quality of its research in view of the adverse impact on the bottom line.

RESOLVED

- 38.7 **That the UCL annual TRAC return for 2012-13 be submitted to HEFCE.**

<p>Matters for approval or information</p>

39 **FINANCIAL REGULATIONS**

Received

- 39.1 APPENDIX FC 3/35 (13-14) – a paper outlining proposed amendments to UCL’s Financial Regulations.

RECOMMENDED – to Council

- 39.2 **That the proposed revisions to UCL’s Financial Regulations (APPENDIX FC 3/35 (13-14)) be approved.**

40 **BANKING MATTERS**

Received

- 40.1 APPENDIX FC 3/36 (13-14) – a proposal requesting one addition to and one removal from the authorised signatories on the Barclays Bank mandate.

RESOLVED

- 40.2 **That the proposed changes to authorised signatories on the Barclays Bank Mandate (APPENDIX FC 3/36 (13-14)) be approved.**

41 **CAPITAL PROJECTS REPORT**

Received

- 41.1 APPENDIX FC 3/37 (13-14) – the capital project dashboard dated 8 January 2014.