



FINANCE COMMITTEE

28 JUNE 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 (*Chair*)

Mr Ven Balakrishnan	Ms Susannah Lloyd
Dr Bob Barber	Mr John Morgan
Professor Stephen Caddick	Mr Tim Rees Jones
Mr Mark Clarke	Dr Gill Samuels
Professor Dame Hazel Genn	Sir Stephen Wall
Professor Malcolm Grant	Professor Jonathan Wolff
Professor David Ingram	Professor Michael Worton

IN ATTENDANCE:

Ms Nicola Arnold	Mr Rex Knight
Mr Andrew Grainger	Mr Nick McGhee (<i>Secretary</i>)
Mr Phil Harding	Mrs Alison Woodhams
Miss Valerie Hogg	

Additional attendees: Mr Jack Foster, Mr Adam Harman, Mr Mark Sudbury

Apologies for absence were received from: Dr Ben Booth, Mr Simon Melliss, Professor David Price, Professor Anthony Smith, Professor Sir John Tooke, Dr Andrea Townsend-Nicholson.

Key to abbreviations:

CARP	Carpenters Against Regeneration Plan
CSS	Corporate Support Services
FC	Finance Committee
HE	higher education
HEFCE	Higher Education Funding Council for England
LBN	London Borough of Newham
OFFA	Office for Fair Access
REF	Research Excellence Framework
UCLU	UCL (Students') Union
USS	Universities' Superannuation Scheme

Preliminary Formal Business

53 **MINUTES**

Approved

- 53.1 The Minutes of the meeting held on 29 March 2012 [*FC Minutes 43-52, 2011-12*] were confirmed by the Committee and signed by the Chair.

54 **MATTERS ARISING FROM THE MINUTES**

[See minute 58 below]

Matters for discussion

55 **FINANCIAL UPDATE 2011-12**

Received

- 55.1 APPENDIX FC 5/48 (11-12) – the financial update 2011-12 (June 2012).
- 55.2 An oral report from Mrs Alison Woodhams, Director of Finance and Business Affairs.

Reported

- 55.3 Since the forecast of March 2012 the overall surplus had improved by £600,000 and now stood at £2m above budget. The current actual surplus was higher than the expectation for the year-end, but a significant rise in spending was anticipated in the last quarter.
- 55.4 Academic income was currently £44m above budget, with the research income forecast up £10m since the previous forecast. Academic costs had also risen, principally due to increases in direct research costs and investment by Schools in strategic initiatives.
- 55.5 The overall CSS forecast had improved and was now close to budget. This concealed some underspend to offset the adverse impact of the unbudgeted costs of the Stratford project and a reduction in the release of deferred grants.

Discussion

- 55.6 In response to questions it was confirmed that the closing cash balance variance of approximately £50m broke down as

follows:

- £20m early receipt of deferred capital grants
- £11m opening balance adjustment
- £10m capital / Francis Crick Institute
- £10m operating working capital

55.7 There was some discussion of the reasons for the increased spending in the final quarter, and whether this reflected shortcomings in forecasting. It was noted that this was consistent with previous years and was thought to result from a tendency for departments to postpone spending until they could be reasonably confident of meeting their targets in the current year.

55.8 It was noted that the refurbishment of the Lewis Building was cited in error on page 8 as a source of capital expenditure in 2011-12, although work on the project had finished in June 2011.

56 UCL BUDGET 2012-13

Received

56.1 APPENDIX FC 5/49 (11-12) – the UCL Budget proposal for 2012-13.

56.2 An oral report from Mrs Alison Woodhams, Director of Finance and Business Affairs.

Reported

56.3 This was the first budget to have been prepared as part of the three-year planning exercise for faculties and central divisions, and the first to include a full year of the School of Pharmacy figures. Total income was budgeted to rise by £42m, and costs by £37m, resulting in a bottom line improvement of £5m to £19m.

56.4 The analysis of income on page 3 of the paper was driven by an increase of £40m in tuition fee income, offset by an £11m reduction in the HEFCE T grant. The increase broke down as follows:

- £16m increase from the £9,000 undergraduate fee
- £6m increase from higher student numbers
- £18m increase in postgraduate taught fees

56.5 Research income was budgeted to rise by £4m, the bulk of which represented an increase in overhead contributions rather than direct costs. It was now thought likely that this would prove an underestimate, as UCL had recently won a number of large awards.

56.6 Academic costs were budgeted to rise by £21m, driven principally by the REF census date of 31 October 2013. This

figure also encompassed pay rises and the cost of the annual promotions round.

Discussion

- 56.7 Finance Committee discussed the 40 day annual allowance for academic staff to undertake consultancy work, and the arrangements for handling income from such activity. It was confirmed that arrangements of the kind in place at UCL were common across the sector. UCL academic staff were encouraged to undertake such work through UCL Consultants, who in turn provided a range of support services. In response to the discussion the Provost proposed that further information on UCL's arrangements in this respect be submitted to a future meeting of Finance Committee.
- 56.8 The Provost noted significant downside risks relating to HEFCE funding. The fall in UCL's teaching grant had been offset by tuition fees and there had been a strong performance in research funding; nevertheless, the national budget for higher education would have to accommodate any increase in student numbers, which in turn would oblige HEFCE to redirect the necessary funding from other parts of the HE budget in order to underwrite the loan book. Another comprehensive spending review was expected prior to the next General Election and universities could not expect to be immune from further spending cuts.
- 56.9 The impact on UCL of the Government's decision to waive the student numbers quota in respect of applicants with A-level grades of AAB or equivalent with effect from the 2012-13 intake would not become clear until December. 85% of UCL's students already had grades at this level. The picture among other Russell Group institutions in terms of plans to increase (or decrease) student numbers was mixed. UCL had experienced a rise of 10% in overseas applications for 2012-13 entry, but it was not yet clear how this would translate into enrolment rates.
- 56.10 Finance Committee discussed to what extent the increase in the undergraduate fee covered increasing costs. The issue was a complex one, as it was necessary to offset various costs (the fall in the HEFCE capital grant, and the costs of efforts to meet OFFA targets), and the £9,000 fee had a differential impact across the institution.
- 56.11 Corporate Support Services net expenditure was budgeted to rise by £12m on the current year, due to a range of factors including work towards global citizenship and volunteering programmes and the introduction of a new finance system. The savings targets in CSS division had now been ongoing for six years; in the context of a growing institution the necessity of increasing spending in some CSS areas was now being discussed. In respect of the 'core' infrastructure nature of some of the CSS spending (such as libraries and research

computing) it was suggested that it may be useful for this element of the budget to be broken down further in future.

- 56.12 The view was expressed that the chart of cashflow on page 11 ought to show an adjusted forecast outturn as the opening position. A more detailed forecast of cashflow was requested for the next meeting of Finance Committee.

RECOMMENDED (to Council)

- 56.13 **That the UCL Budget 2011-12 be approved.**

57 HEFCE FINANCIAL FORECASTS TO 2014/15

Received

- 57.1 APPENDIX FC 5/50 (11-12) – three-year financial forecasts for submission to HEFCE as part of the annual accountability returns.
- 57.2 An oral report from Ms Valerie Hogg, Director, Financial Planning and Strategy.

Reported

- 57.3 The methodology employed this year departed from past practice of applying assumptions at the global UCL level, and was based instead on three-year plans from faculties and central budget holders. The forecasts for 2011-12 and 2012-13 were based on the Q3 forecast and the budget for 2012-13 respectively.
- 57.4 Contribution targets set for faculties in November 2011 were set with the aim of achieving an annual surplus of £20m. The plans submitted by faculties indicated further growth in student numbers of 10% across the three years, with a related expansion in staff numbers, and a levelling off of research grant and contract activity.
- 57.5 Further work was required on the data for 2013-14 and 2014-15, particularly with respect to the treatment of reserves. The costs of developing the Stratford proposal and some recent changes to the Estates Masterplan had not been fully taken into account when setting the targets. The forecasts assumed that the Stratford development would proceed, and capital expenditure of £67m was built into the final year of the forecasts. The balance sheet also reflected additional external borrowing of £100m, and an additional £5m interest payable has been built in to service this debt.

Discussion

- 57.6 Assumptions on employer pension contributions were based on information received from USS trustees. Data on likely pay awards were not directly compared with peer institutions but had been discussed with the Director of HR. It was agreed that a statement should be incorporated into the forecast relating to the risk of a substantial shortfall in the USS fund at the time of the next valuation in 2014.
- 57.7 It was agreed that the 'key risks' section ought to clarify that the risk of failing to meet the OFFA targets differed from the other key risks in that it depended to an unusual extent on external factors beyond UCL's control. The principal risk in this respect was that the financial consequences of a failure (or partial failure) to meet the targets were unknown.

RECOMMENDED (to Council)

- 57.8 **That, subject to the comments made at 57.6-57.7 above, the Financial Forecasts to 2014-15 be approved.**

58 NEW CAMPUS UPDATE

Received

- 58.1 An oral report from Mr Andrew Grainger, Director of UCL Estates.

Reported

- 58.2 52% of the 709 households on site had already been rehoused, the vast majority within the Stratford area. Of the 338 households remaining, 53% were LBN secure tenants and 47% freeholders/long leaseholders. To date, 13 long leaseholders had been rehoused; no freeholds had yet been acquired.
- 58.3 UCL's engagement strategy in the area was ongoing. A two-day open drop-in session for all residents, businesses and community organisations had been followed up with a series of meetings with various stakeholders. Following further consultation with the London Borough of Newham (LBN) a revised charter for residents of the Carpenters Estate had been adopted in April 2012. The new charter represented an improved position for residents, particularly leaseholders and freeholders. UCL Estates was engaging with academic colleagues in the Development Planning Unit and the Urban Lab to ensure alignment and understanding of good practice.

Discussion

- 58.4 The Student Observer noted that UCLU representatives had

met with members of the CARP campaign. While only a small minority of students were opposed in principle to the development, their concern on this issue reflected a commitment to ensuring the fair treatment of residents.

- 58.5 Finance Committee members expressed their satisfaction with the improved position for residents, and noted this most recent revision of the residents' charter exceeded national norms.

Matters for approval or information
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59 **WOLFSON HOUSE**

Received

- 59.1 APPENDIX FC 5/53 (11-12) – a paper proposing refurbishment of Wolfson House at a cost not exceeding £2.4m.

RESOLVED

- 59.2 **That the refurbishment of Wolfson House as outlined at APPENDIX FC 5/53 (11-12) be approved.**

60 **AMENDMENTS TO FINANCIAL REGULATIONS**

Received

- 60.1 APPENDIX FC 5/55 (11-12) – proposals for amendment of the UCL Financial Regulations in respect of hospitality and gifts.

RESOLVED

- 60.2 **That the amendments outlined in APPENDIX FC 5/55 (11-12) be approved.**

61 **TUITION FEES 2013-14**

Received

- 61.1 APPENDIX FC 5/56 (11-12) – proposals for student tuition fees 2012-13 and 2013-14.

Discussion

- 61.2 It was confirmed that a no detriment arrangement was in place in respect of existing postgraduate students, who would therefore not be affected by the rise in postgraduate taught fees beyond a 5% allowance for inflation. FC debated the 5%

inflationary increase, noting that this was to some extent a response to a perceived historical undercharging at UCL when benchmarked against the sector.

- 61.3 To aid future decision making, it was agreed that future submissions to Finance Committee should include a description of process undertaken and the over-arching rationale for fee levels.

RECOMMENDED (to Council)

- 61.4 **That the proposed tuition fees at APPENDIX FC 5/56 (11-12) be approved.**

62 BANKING MATTERS

Received

- 62.1 APPENDIX FC 5/57 (11-12) – a request for FC approval of two banking matters.

RESOLVED

- 62.2 **That the proposals at APPENDIX FC 5/57 (11-12) be approved.**

63 UCLU BUDGET 2012-13

Received

- 63.1 APPENDIX FC 5/58 (11-12) – first estimates of the UCLU budget 2012-13.

Discussion

- 63.2 In response to a proposal that FC consider establishing a working group to review the funding of UCLU, it was noted that UCL was setting up a joint working group with UCLU to review the Union's constitution.
- 63.3 Voluntary Services Unit staff were funded by the office of the Vice-Provost (Education), not the Vice-Provost (Academic and International) as stated in the report.

RESOLVED

- 63.4 **That the UCLU budget at APPENDIX FC 5/58 (11-12) be approved.**

64 **ANY OTHER BUSINESS**

64A **John Dodgson House**

Reported

64A.1 At its meeting on 23 November 2011 Finance Committee approved expenditure of an estimated £7.7m on the refurbishment of John Dodgson House [*Council Minute 18, 2011-12*]. Tenders recently received indicated a significantly higher level of expenditure would be required, probably of the order of an additional £2m, although it was as yet too early to confirm what the drivers behind this variance might be.

Discussion

64A.2 In view of the importance of the development to the future of the Sainsbury Wellcome Centre project, FC authorised the Chair to take action to approve the additional expenditure, on behalf of Finance Committee, on the understanding that the Director of UCL Estates would first seek the approval of John Morgan to the revised proposals.

RESOLVED

64A.3 **That the Chair be authorised to take action, on behalf of Finance Committee, to approve the revised plans for refurbishment of Dodgson House as set out above.**

64B **Valete**

Reported

64B.1 The Chair thanked Professor Dame Hazel Genn and Professor David Ingram, both of whom would be stepping down as academic members of the committee at the end of the current session, for their contribution to the work of the committee in recent years. She also thanked Mr Tim Rees Jones, who would step down as UCLU Finance and Services Officer (and therefore as student observer at FC) at the end of August.

64B.2 On behalf of Finance Committee, the Provost recorded UCL's gratitude to Anne Bulford for her work as Treasurer and Chair of Finance Committee since 2006. The committee also congratulated her on the award of an OBE in the recent Queen's Birthday Honours.

64B.3 Finance Committee recorded its thanks to Mrs Alison Woodhams, who would be retiring from UCL in July, for her work as Director of Finance and Business Affairs since 2007, and welcomed Mr Phil Harding to the role.