



FINANCE COMMITTEE

Held on Monday 29 February 2016 at 9.30 a.m. in the Council Room,
G12, South Wing, Gower Street, London, WC1E 6BT

MINUTES

PRESENT:

Mr Simon Melliss (*Chair*)

Professor Michael Arthur
(*President and Provost*)
Dr Stephanie Bird
Dr Ben Booth

Dame DeAnne Julius
Dr Gill Samuels
Professor Alan Smith
Mr Richard Smothers
Ms Sarah Whitney

In attendance: Mr Phil Harding (Director of Finance and Business Affairs); Mr Mark Hopley (Finance and Business Affairs); Mr Rex Knight (Vice-Provost (Operations)); and Dr Marguerite Nolan (Secretary to Finance Committee).

Apologies for absence were received from Professor Sue Hamilton and Mr Mohammad Ali Mumtaz.

Key to abbreviations used in these Minutes:

FC	Finance Committee
HEFCE	Higher Education Funding Council for England
HESES	Higher Education Students Early Statistics Survey
I&E	Income and Expenditure
IoE	Institute of Education
QR	Quality Related Research Funding
TRAC	Transparent Approach to Costing
UCLU	University College London Union

Preliminary Formal Business

1a. **Welcome and apologies**

1a1. The Chair welcomed members to the meeting. Apologies were noted as listed above.

1b. **Declaration of interests**

1b1. There were no interests declared by members.

2. **Minutes of the previous meeting**

2.1 **Approved:** The Minutes of the previous meeting of the Finance Committee held on 12 November 2015 were approved and signed by the Chair.

3. **Matters arising from the Minutes**

FC 3-1 (15-16)

3.1 **Received:** The Committee received and noted the report on Matters Arising from the last meeting at FC 3-1 (15-16).

3.2 The Committee congratulated UCL on the launch of the UCL Technology Fund on 18 January 2016 which had been well received.

Matters for Discussion

4. **UCL Financial Update**

FC 3-2 (15-16)

4.1 **Considered:** The Committee gave detailed consideration to the UCL Financial Update at FC 3-2 (15-16). The report provided a forecast of the financial results for 2015-16 based on actuals for four months of the financial year to 30 November 2015.

4.2 The first forecast for 2015-16 indicated a projected surplus of £40.9m compared to the budget of £45.5m, a shortfall of £4.6m. The shortfall had arisen from lower levels of tuition fee and research overhead income reported across several faculties, together with the reduction in HEFCE teaching grant that was announced after the budget was set.

4.3 A lower level of expenditure overall was forecast reflecting reduced research activity and savings generated in professional services and elsewhere. A slower rate of spend on the capital programme had deferred the need for a draw on the revolving credit facility, which reduced the forecast interest cost. Total bank balances, including foreign deposits, stood at a little over £200m at the end of November 2015.

4.4 It was noted that work was continuing to recover the financial position and to achieve the budgeted level of surplus. Tuition fee income for January 2016 had been stronger than forecast. Also, the rate of research overhead recovery was improving. However, the main emphasis would be on cost control and especially in faculties that were not meeting their contribution targets.

4.5 Feedback was sought on the reason for the slower rate of spend on the capital programme. It was noted that the delays had been caused by logistical and planning issues. It was acknowledged that the ten year capital programme had caused additional work for UCL. The Estates Department had been restructured with increased staffing to take account of the extra workload. It was also noted that delays in the completion of capital projects could add to the cost of those projects in the long term.

- 4.6 The Committee discussed the impact of the large increase in student numbers over the last five years on the student experience and in particular the additional pressure on teaching and learning space. The Committee highlighted the work currently being undertaken and the level of investment being made to improve the infrastructure as part of the ten year capital programme. It was noted that the Thornhaugh Mews project was currently being re-prioritised in the capital programme in order to provide additional high quality teaching and learning space. Also, some other more immediate options were being considered.
- 4.7 The Committee discussed the significant challenge that UCL faculties and departments faced in order to achieve the surplus targets for this financial year and beyond. Nevertheless, it was emphasised that it was essential that UCL met its surplus targets in order to be sustainable and achieve its aims.
- 4.8 **Resolved:** The Committee noted the UCL Financial Update at FC 3-2 (15-16) and the action being taken to address the projected shortfall.
5. **UCL 2016-21 Planning Round incorporating the 2016-17 Budget** **FC 3-3 (15-16)**
- 5.1 **Considered:** The Committee considered the UCL 2016-21 Planning Round report which incorporated the 2016-17 Budget as set out at FC 3-3 (15-16). The report described how the parameters for the 2016-17 Budget and the 2017-18 and 2018-19 Financial Projections had been arrived at, including how the target level of surplus for the year had been set and translated into individual contribution targets for faculties.
- 5.2 The Committee noted the following changes that had been introduced since the last Planning Round as outlined in the paper:
- a) Faculties had been asked to provide narrative Strategic Operating Plans (SOPs) which covered five years, rather than the three years requested in previous rounds.
 - b) A more rigorous student target setting process, now took place in the November preceding the new academic year. This process had been introduced to ensure that departments did not over-recruit, whether intentionally or not.
 - c) Faculties had been advised that their total student numbers projected for 2017-18 and beyond should not exceed those numbers projected for the same year in last year's planning exercise. This was to prevent faculties expanding numbers to meet contribution targets more easily, so creating upward pressure on space, academic staff numbers and professional services, which in turn exerted upward pressure on contribution targets.
 - d) Faculty financial projections were to be reviewed in detail in advance of the main Strategic Operating Plan review meetings chaired by the Provost.
 - e) There was an emphasis on improved alignment between the financial projections and the SOPs so that costs arising from all faculty objectives and initiatives included in the SOPs were reflected in the projections.
- 5.3 The Committee noted the target surpluses as a percentage of income for the current planning round as set out in the report, 3.5% for 2015-16 increasing to 5.5% in 2017-18. It was also noted that the efficiency target applied to budgets after pay award inflation was 2% for this financial year and 2% for each of the following three years.
- 5.4 It was reported that the student application data for the next academic year was positive with an increase in applications for undergraduate, postgraduate and postgraduate research programmes.

5.5 **Resolved:**

- a) The Committee endorsed the basis on which the financial projections for the three years 2016-18 were being prepared as set out at FC 3-3 (15-16).
- b) An updated report would be presented to the Finance Committee meeting on 5 July 2016 along with a detailed 2016-17 Budget.

Other Business for Approval or Information

6. **Clare Hall, Potters Bar project** **FC 3-4 (15-16)**

6.1 **Received:** The Committee received and noted the update on the Clare Hall, Potters Bar project at FC 3-4 (15-16).

6.2 It was noted that the acquisition of Clare Hall would have the potential to offer the following benefits to UCL:

- A state of the art Biological Services Unit (BSU) facility, P-Block, providing the opportunity for replacement and a major rationalisation of a number of UCL's ageing BSUs;
- Laboratory accommodation providing an opportunity for low cost decant to support major projects including Queen Square House;
- Opportunity to create office space for back office functions; and
- Longer term development opportunity.

6.3 The Estates Division was aiming to submit the business case for Clare Hall to the Capital Programme Sub Committee, Estates Management Committee, Finance Committee and Council for approval in the summer term 2016. However, as this was a large and complex project, this deadline would be reviewed as work on the proposal progressed.

7. **Fixed and variable income and costs - response to request from the Finance Committee 12 November 2015** **FC 3-5 (15-16)**

7.1 **Received:** The Committee received and noted the report on Fixed and Variable Income and Costs at FC 3-5 (15-16).

8. **Report from the Implementation Team to improve the UCL surplus** **FC 3-6 (15-16)**

8.1 **Received:** The Committee received and noted the report from the Key Implementation Team for UCL 2034 Enabler C: Financing our Ambitions at FC 3-6 (15-16).

9. **UCL Development & Alumni Relations Office (DARO) update** **FC 3-7 (15-16)**

9.1 **Received:** The Committee received and noted the Fundraising update at FC 3-7 (15-16).

10. **Authorised Signatories on the Barclays Bank mandate** **FC 3-8 (15-16)**
- 10.1 **Received:** The Committee received the report on Banking Matters at FC 3-8 (15-16). The paper requested approval for two additions and three removals to the Authorised Signatories on the Barclays Bank mandate.
- 10.2 **Resolved:** That the request for the approval for two additions and three removals to the Authorised Signatories on the Barclays Bank mandate at FC 3-8 (15-16) be approved.
11. **Redemption of IOE Bank Loans** **FC 3-9 (15-16)**
- 11.1 **Received:** The Committee received the UCL IOE Loans: Repayment Proposal at FC 3-9 (15-16).
- 11.2 It was noted that UCL would maintain the loans for the present time; continue to monitor the cost of early repayment; and instruct Barclays accordingly at the point the necessary financial criteria had been met.
- 11.3 **Resolved:** The Committee confirmed its approval in principle for the early repayment of the IOE loans as set out at FC 3-9 (15-16), section 5 - Repayment Mechanism and Delegation of Authority, subject to UCL seeking independent advice concerning the redemption of the loans.
12. **Debt Write Off** **FC 3-10 (15-16)**
- 12.1 **Received:** The Committee received the Debt Write Off report at FC 3-10 (15-16).
- 12.2 A member sought further feedback on the Royal Free Foundation Trust debt write off, as included in paragraph 1 of the report, and this was provided by the Director of Finance and Business Affairs.
- 12.3 **Resolved:** That the report on Debt Write Off at FC 3-10 (15-16) be approved.
13. **Chair's Action** **FC 3-11 (15-16)**
- 13.1 **Received:** The Committee received and noted the report on Action Taken by the Chair on behalf of the Finance Committee since the last meeting, which included the following:
- a) Approval of TRAC Return, January 2016
 - b) Recommendation to Council to approve the EIB Loan Facility
14. **Minutes of the Investments Committee meeting held on 12 November 2015** **FC 3-12 (15-16)**
- 14.1 **Received:** The Committee received and noted the Minutes of the Investments Committee meeting held on 12 November 2015.
15. **Dates of meetings of the Finance Committee in 2016-17** **FC 3-13 (15-16)**
- 15.1 **Noted:** That meetings of the Finance Committee would be held on the following dates in 2016-17:

- Tuesday 27 September 2016 at 10.30 a.m.
- Tuesday 15 November 2016 at 10.30 a.m.
- Tuesday 28 February 2017 at 10.30 a.m.
- Thursday 29 June 2017 at 10.30 a.m.

16. **Date of next meeting of the Finance Committee**

16.1 **Noted:** That the next meeting of the Finance Committee would be held on Tuesday 5 July 2016 at 10.30 a.m.

17. **Any other business**

17.1 There was no other business discussed.