



FINANCE COMMITTEE

26 JANUARY 2011

Any member of the Finance Committee who has (or who knows of a family member who has) a material, personal, financial or other beneficial interest in any item on the Finance Committee agenda shall declare that interest at the beginning of the meeting, and that declaration will be recorded in the Minutes of the meeting.

- M I N U T E S -

Professor Dame Hazel Genn Professor Malcolm Grant
Professor David Ingram Mr Joh Morgan
Dr Andrea Townsend Sir Stephen Wilson

ATTENDANCE: Ms Nicola Arnold Mr Andrew Grainger
Miss Valerie Hogg Mr Rex Knight
Ms Liz Mooney Professor Sir John Tooke
Mrs Alison Woodhams

Additional attendees:

Allan Schofield (Ranmore Consulting) Mr Jack Foster (Minute 5)

Excuses for absence were received from Dr Ben Booth, Professor Stephen Caddick
Mr Mark Clarke, Ms Susannah Lloyd, Professor David Price,
Professor Jonathan Wolff and Professor Michael Worton

Key to abbreviations:

CIF	Capital Investment Framework
CSS	Corporate Support Services
EMC	Estates Management Committee
FPS	Federated Pension Scheme
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
OFFA	Office For Fair Access
RFS	Royal Free Scheme
TRAC	Transparent Approach to Costing
USS	Universities Superannuation Scheme

1 THE MINUTES

Approved

- 1.1 The Minutes of the meeting, held on 24 November 2010 (previously circulated), were confirmed and signed by the Chair.

2 MATTERS ARISING (EXCLUDING THOSE ALREADY ON AGENDA)

Noted

- 2.1 There were no matters arising from the last meeting.

*** MAJOR ITEMS FOR DISCUSSION ***

3 UCL FINANCIAL UPDATE 2010-11

Received

3.1 Appendix FC 2/23 (10-11).

Noted

3.2 The above report.

Discussed

3.3 The **Director of Finance** reported on the first full year forecast for the current year, which was ahead of budget by 400K.

- 3.8 The overseas operations were not reported separately; these were on budget and would be reported on in March 2011.
- 3.9 There was a brief discussion and it was agreed that overall the financial situation was encouraging.

4 **UCL FUTURE FUNDING AND FORECASTS**

Received

- 4.1 Appendix FC 2/24 (10-11) with Annexes 1 & 2.

Noted

- 4.2 The above Appendix provided a brief update of the UCL Future Funding and Forecast Scenarios paper presented to Finance Committee and Council in November 2010, which was included with the current year forecast submitted to HEFCE to demonstrate the scenario planning that had been undertaken within UCL.

Discussed

- 4.3 The **Director, Financial Planning & Strategy** reported that since the November 2010 Finance Committee meeting there had been a couple of further announcements which would impact the future forecasts:
 - Confirmation that the lower limit for graduate contribution from 2012-13 would be set at £6k, with an upper limit of £9k allowed for those institutions which could meet the Office For Fair Access's (OFFA) requirements for fair access;
 - Draft guidance had been issued to OFFA, although the precise details of how much institutions should set aside were unclear;
 - HEFCE had received its grant allocation letter for 2011-12, which would also affect the current financial year.
- 4.4 Paragraph 3 of Appendix FC 2/24 (10-11) listed the issues which were still unknown and key to position going forward. Detailed guidance on the Access Agreement was expected in mid February with a submission date of the end of March. This would need to include UCL's decision on the student contribution for 2012-13. The OFFA would review the submissions and confirm whether the arrangements were successful by the end of June 2011.
- 4.5 Following their Board meeting on 28 January 2011, HEFCE would issue statement on how they intended to distribute the 2011-12 grant and the detailed allocations would be issued on

16 March 2011. The other key issues regarding the allocation of T funding from 2012-13 and the position regarding Home / EU undergraduate student numbers would not be known until after the publication of the Government's White Paper which was expected at Easter.

- 4.6 Paragraph 5 of Appendix FC 2/24 (10-11) detailed three changes to assumptions that were made in the original paper presented at the November 2010 Finance Committee meeting:
1. The T grant allocation to HEFCE for 2011-12 had been cut by £300m not £700m as assumed in November 2010. This would reduce the impact in the position in the short term but would still end up with a cut of 70% in T funding by 2014-15.
 2. The level of capital funding, assumed to be reduced by 50% in November 2010, may now be cut by 70% which would mean a reduction from £36m to £10m as from April 2011. UCL's forecasts were still based on the current level (of £36m) so this would affect the bottom line and reduce the cash position by £32m by 2014-15. If everything else in the forecasts were correct then the reduction in cash would be manageable, however the forecasts don't take into account any additional requirements for student accommodation or the implementation of the estates Masterplan.
 3. The cost of the new access arrangements in the November 2010 forecast was unduly optimistic, further guidance would be issued in the coming months.
- 4.7 The increased access provision would affect the estimate of the level of student contribution UCL would need to charge in order to compensate for the cut in T funding. If the teaching proportion of the cut in CIF funding was included in the calculation, the break even undergraduate contribution would be c. £8.5k rather than £8k, as forecast in November 2010.
- 4.8 Annexes 1 & 2 showed the updated figures and illustrated various scenarios and these were discussed. It was suggested that the scenarios might also include changes in student numbers as well as fees.
- 4.9 The Provost reported on the deliberations of the UCL Council at their away day on 25 January 2011. Fee levels were discussed but there could be no concluded view until the access agreement information was available. A decision would need to be made by the end of March 2011. Other issues such as growth (in overseas and post graduate students) and investment in student accommodation and the UCL Estate were also discussed and the general feeling was that given the serious

financial risk to UCL the most prudent approach would be to set a higher fee and then put a discounted structure in place as appropriate.

- 4.10 It was acknowledged that the rate of change and period of transition would be very rapid in some areas. It would be a challenge for people to change their ways of working, especially if there were to be a shift in the balance of their responsibilities from research to teaching. Effective communication would be essential to manage change during this time. In Whitehall there seemed to be more pressure to deliver to targets rather than moving in a strategic way so there was a need to maintain stability. The focus of funding was shifting from block grant to students so the emphasis would be on attracting outstanding students, and the overseas and postgraduate markets were vulnerable so it was difficult to know what to expect. There were also opportunities for UCL to make savings, and the savings targets to be agreed with the Schools and CSS Divisions in the 2011-12 budget would reflect this.

5 ROYAL FREE SCHEME (RFS) AND FEDERATED PENSION SCHEME (FPS) MERGER UPDATE

Received

- 5.1 Appendix FC 2/25 (10-11).

Noted

- 5.2 At the November 2010 meeting, the Director – Special Projects reported that the draft actuarial report, as at 1 August 2009, for the Royal Free Pension and Assurance Scheme (RFS) indicated a funding shortfall of £12.6 million to 31 March 2010, for

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- 6.5 The Director of Finance would cascade this information to the faculties.

*** **OTHER MATTERS FOR DISCUSSION** ***

7 THE UCL BLOOMSBURY MASTERPLAN

Noted

- 7.1 Finance Committee was presented with a report at the June 2010 meeting which outlined UCL's intention to commission an Estate Utilisation Study and a Bloomsbury Masterplan, which would be completed in the spring of 2011.

Discussed

- 7.2 The **Director of Estates & Facilities** reported that that this substantial exercise was well advanced having reviewed the whole Bloomsbury campus focusing on space utilisation, capacity, coherence of the estate, academic co-locations and adjacencies, public engagement and the student experience. The outputs of this exercise would lead to a new capital plan for the estate, though that beyond Bloomsbury would be subject to further work. The importance of communication and engagement with the UCL community was acknowledged.
- 7.3 Draft proposals would be presented to the Finance Committee in March 2011, which would include indicative costs, an outline of a funding strategy and indicative programme. If agreed the proposal would be subject to wider consultation and final approval by the end of the 2010-11 session.

8 UCL STUDENT ACCOMMODATION STRATEGY

Noted

- 8.1 UCL's Financial Adviser Quayle Munro had been asked to conduct a 'soft market testing' exercise to determine the likely interest of a small number of investors and operators in partnering the University.
- 8.2 A Working Party was established to consider this proposal further with particular emphasis on:
- (i) The Properties to be included in the new arrangement;
 - (ii) The nature of the Property interest to be offered;
 - (iii) The funding arrangements for the new entity (likely levels of debt and equity);
 - (iv) The operational management structure.

- 8.3 The interim findings would be reported back to Finance Committee at its next meeting in March 2011.

Discussed

- 8.4 The **Director of Estates & Facilities** reported that the Working Party had met earlier in the day (26 January 2011) and had agreed that the 'soft market testing' exercise was to proceed immediately. The Working Party would meet again before the next Finance Committee meeting and would report back more fully to the Committee in March 2011.

***** MATTERS FOR FORMAL APPROVAL *****

9 1-19 TORRINGTON PLACE REFURBISHMENT AND IMPROVED UTILISATION OF 5TH TO 10TH FLOORS.

Received

9.1 Appendix FC 2/27 (10-11).

Noted

9.2 The above business case for the 1-19 Torrington Place refurbishment.

Discussed

9.3 This proposal would be a significant investment, with the aim of making best use of the upper six floors of the building housing staff from the Finance, Estates & Facilities and HR Divisions. A space utilisation study had been carried out in 2010 and it found that conditions across the floors varied and that the space was underutilised. The refurbishment was an opportunity to dramatically improve the utilisation of the six floors and would increase the capacity by c. 42%. This would bring about the benefit of housing the majority of the CSS staff of these three Divisions into one building, releasing space elsewhere. The phasing of the works would be complex and the aim was to minimise disruption.

9.4 Torrington Place was held on a long lease and indications from the emerging Masterplan indicate it may not form a long term component of the UCL Estate. However it is expected to be retained in the short to medium term, not less than 5 years and potentially up to 10 years.

10 **BANKING MATTERS: AUTHORISED SIGNATORIES**

Received

10.1 Appendix FC 2/28 (10-11).

Noted

10.2 The above paper was a detailed list of account signatories, subject to the approval of Finance Committee. Two signatories are required for transactions exceeding £50,000 (one from List 'A' and one from List 'B').

Approved

10.3 Finance Committee approved t

UCL Finance Committee Minutes

14 **INVESTMENTS COMMITTEE**

Received

14.1 Appendix FC 2/32 (10-11).

Noted

14.2 The minutes of the Investments Committee meeting, held on 18