



Matters for discussion

36 **FINANCIAL UPDATE**

Received

36.1 APPENDIX FC 3/31 (12-13) – the Financial Update (January 2013).

36.2 An oral report from Phil Harding, Director of Finance and Business Affairs.

Reported

36.3 The forecast surplus for the year 2012-13 was currently £10m, which was more than £9m below budget. The largest single variance had resulted from a change in the accounting treatment of HEFCE income that was being used to purchase shares in the Francis Crick Institute.

36.4 The Director of Finance and Business Affairs drew the attention of FC members to:

- a positive £6.7m variance in research income against an almost static position in overheads recovery, due to an increase in the proportion of charitable and EU research income;
- a 21% rise in tuition fee income, which was nevertheless £2.8m below budget. The reasons for this variance were now subject to detailed analysis;
- in SLMS, a forecast £3.9m shortfall against contribution target, and a deficit on non-core activity of £3.9m;
- a proposed additional £10m capital spend from core reserves in BEAMS;
- a substantial fall in NHS debt from £24m to £18m over the past year;
- a 17% increase in tuition fee debt, mostly accounted for by the increased proportion of fee

Discussion

- 36.6 FC discussed whether, had the proposed budget for 2012-13 been drafted under the revised accounting treatment of the Crick Institute, a surplus of £10m would have been deemed sufficient. It was suggested that UCL's annual surplus was routinely overstated due to a tendency to underestimate the depreciation of fixed assets, and that the TRAC data [see *Minute 37 below*] supported this view. It was agreed that further consideration should be given to the appropriate strategic level of target surplus in future years. FC members requested that, where significant one-off issues such as the accounting treatment of the Crick Institute investment arise in future, this should be highlighted in the budget. It was confirmed that £19m remained the target surplus for the current financial year, as this was the basis for the School contributions and Professional Services budget targets.
- 36.7 It was confirmed that Professional Services income was derived from a range of external sources, such as: Halls of Residence; rent and rates; Library Services; and Language Centre income. FC requested further data on the sources of Professional Services income at a future meeting.
- 36.8 FC discussed the importance of developing a balanced portfolio of research income, and the danger of misunderstanding the relative merits of different streams of research income based on an over-simplified picture of their contribution to overheads. It was noted in particular that, although a particular income stream may not carry full economic costing, it could nevertheless generate a range of 'secondary' financial benefits, for example in contributing to QR income through its impact on recruitment or teaching.
- 36.9 The following suggestions for amendment of the format of the financial updates were discussed:
- incorporation of prior year comparisons;
 - normalising of accounts (*ie* without one-offs);
 - standardisation of the treatment of capitalisation of expenditure.

37 TRANSPARENT APPROACH TO COSTING

Received

- 37.1 APPENDIX FC 3/33 (12-13) – a commentary to the Transparency Review submission for 2011-12, with the unadjusted and adjusted returns at Annexes 1 and 2 respectively.
- 37.2 An oral report from Phil Harding, Director of Finance and Business Affairs.

Discussion

- 38.4 In respect of the benchmarking data against other HEIs, FC noted the impact that a high-profile figure could play in chairing a campaign, as well as the important role played by a close integration with partner hospitals. In response to a question on the proportion of philanthropic income intended for research or for capital purposes it was noted that the number and scale of proposed estates projects meant the upcoming campaign was likely to be significantly different from its predecessor.
- 38.5 FC congratulated Ms Manders on the impressive returns on investment in the DARO.

39 **TRANSFER OF MRC UNITS**
[FC Minute 21, 2012-13]

Received

- 39.1 An oral report from Rex Knight, Vice-Provost (Operations).

Reported

- 39.2 Good progress was being made in discussions on the proposed transfer of three MRC units to UCL. The timetable had been adjusted but the process was still on track to achieve the transfer of staff before the REF census date. Discussions relating to the pension arrangements of the staff concerned and the one-off IT costs of the transfer were ongoing. A further paper would be submitted to FC in due course.

<p style="text-align: center;">Matters for approval or information</p>

40 **ACTION TAKEN BY THE CHAIR ON BEHALF OF FINANCE COMMITTEE**

Received

- 40.1 APPENDIX FC 3/35 (12-13) – a note summarising action taken by the Chair since the last report to Finance Committee.

41 **ESTATE AND FUNDING STRATEGY**

Received

- 41.1 APPENDIX FC 3/36 (12-13) – a progress report on the development of an integrated estate and funding plan by July 2013.

42 **PLANNING ROUND 2013-16**

Received

- 42.1 APPENDIX FC 3/37 (12-13) – guidance on the production of plans and financial projections for the period 2013-16.

43 **ABACUS PROJECT**

Received

- 43.1 APPENDIX FC 3/38 (12-13) – a note on proposals to update UCL's financial systems.

44 **132-140 HAMPSTEAD ROAD**

Received

- 44.1 APPENDIX FC 3/39 (12-13) – a proposal to acquire a ten-year lease on 132-140 Hampstead Road, subject to a mutual break clause on or after 28 September 2018.

RECOMMENDED – to Council

- 44.2 **That the acquisition of the lease for 132-140 Hampstead Road according to the terms set out at APPENDIX FC 3/39 (12-13) be approved.**

45 **REFRIGERANT R22 REPLACEMENT**

Received

- 45.1 APPENDIX FC 3/40 (12-13) – a proposal to approve the budget for works to replace air-conditioning systems using R22 refrigerant.

RECOMMENDED – to Council

- 45.2 **That the proposal to replace air conditioning systems using R22 refrigerant at UCL according to the terms set out at APPENDIX FC 3/40 (12-13) be approved.**

46 **WOLFSON HOUSE**

Received

- 46.1 APPENDIX FC 3/41 (12-13) – a proposal to approve an additional budget of £640,000 for the refurbishment of Wolfson House.

RESOLVED

- 46.2 **That the proposals for additional expenditure on the refurbishment of Wolfson House as set out at APPENDIX FC 3/41 (12-13) be approved.**

47 **CAPITAL PROJECTS REPORT**

Received

- 47.1 APPENDIX FC 3/42 (12-13) - the capital projects report (2 January 2013).