



FINANCE AND INVESTMENT COMMITTEE
13 March 2018

MINUTES

Present:

Luke Savage (Chair)	Professor Colin Bailey	Dr Véronique Bouchet
David Russell	John Yard	

In attendance:

Andrew Gladin	Rhys Davies	Laura Gibbs
Sian Marshall	Ian McManus	Jonathan Morgan
Mike Wojcik	Yasir Yeahia	

Apologies:

Joanne Jones

Part 1: Preliminary Items

Welcome and opening remarks

2017.039 The Chairman welcomed:

- [a] Andrew Gladin, Deputy Director of Finance, who was attending in place of the Finance Director;
- [b] Rhys Davies, Chief Information Officer, who was attending for the item on the IT capital framework;
- [c] Mike Wojcik, Chief Executive of Queen Mary Students' Union (QMSU), and Yas Yeahia, President of QMSU, who were attending for the item on QMSU financial performance.

Minutes and Confidential Minutes of the Meeting on 13 November 2017 [FIC17/28]

2017.040 The Committee **confirmed** the non-confidential minutes and confidential minutes of the meeting held on 13 November 2017.

Confidential Minutes of the Meeting on 08 February 2018 [FIC17/29]

2017.041 The Committee **confirmed** the confidential minutes of the meeting held on 08 February 2018.

Matters arising [FIC17/30]

2017.042 The Committee **received** the matters arising from the minutes of the previous meeting. The following matters were covered:

Residences Update

- [a] QMSE was considering a range of proposals for increasing student accommodation both on and off campus in order to be able to offer guaranteed accommodation to new undergraduate students. This would not include students already living in London or who accepted a place through Clearing.
- [b] *Minute 2017.042[b] is confidential.*

New undergraduate teaching and learning and School of Business Management building

- [c] The business case for this project had been delayed and would now be considered at the June meeting of the Committee.

Part 2: Financial Performance

Current financial position (period 6) [FIC17/31]

2017.043 *Minute 2017.043 is confidential.*

Financial capital report (period 6) [FIC17/32]

2017.044 The Committee **received** the financial capital report at period 6. The following points were noted in discussion:

- [a] *Minute 2017.044[a] is confidential.*
- [b] *Minute 2017.044[b] is confidential.*
- [c] Finance intended to review the planned capital programme for 2018–19 with Estates and IT Services to consider whether there was capacity to deliver the full capital programme planned for that year in addition to the slippage carried forward from 2017–18. A quantity surveyor had been appointed and it was anticipated that improved monthly reports and forecasts would be provided as a result.
- [d] Members noted concern that slippage on capital projects could mean that QMUL was failing to deliver on the commitments made in the budgeting and planning process and the potential impact this could have on the student and staff experience, recruitment and income generation. Members requested that QMSE review the position and provide further information on the reasons for the slippage and the control mechanisms in place to prevent it.
- [e] The Chief Operating Officer said that there had been an historic issue with Estates and IT Services overpromising and not necessarily having the capacity or capability to deliver on the full programme of capital projects. The Chief Information Officer and the Director of Estates, Facilities and Capital Development had both been appointed with a clear mandate to make improvements to the delivery of capital projects. However, these

improvements and changes to staff perceptions about slippage would take time to implement.

- [f] Members noted that there was a greater level of understanding and transparency regarding the levels of slippage within the year owing to improved reporting mechanisms. However, given that non-delivery on the capital programme could lead to increased risks for the university, members requested clarification regarding the Committee's role in the monitoring and oversight of capital projects and whether the Audit and Risk Committee should also be involved in considering these risks.

Actions:

- Chief Operating Officer: [d]*
Council Secretariat: [f]

TRAC return 2016–17 [FIC17/33]

2017.045 The Committee **received** the TRAC return for 2016–17. The following points were noted in discussion:

- [a] *Minute 2017.045[a] is confidential.*
- [b] *Minute 2017.045[b] is confidential.*
- [c] *Minute 2017.045[c] is confidential.*
- [d] *Minute 2017.045[d] is confidential.*
- [e] The government had undertaken to underwrite EU grant funding and QMSE was encouraging staff to continue to bid for EU grants. The government had also ring-fenced EU funding and the sector was lobbying to use this funding to increase quality-related research funding, which was allocated through the REF, in the event of cuts to publicly funded teaching.

QMSU financial performance [FIC17/34]

- **Financial Statements 2016–17**
- **Mid-year accounts**
- **Five-year plan**

2017.046 The Committee **received** the QMSU Financial Statements for 2016–17, the mid-year accounts and the five-year plan. The following points were noted in discussion:

- [a] The Financial Statements demonstrated QMSU's improving financial position, with the operating surplus for the Group at £136k, £83k better than budget and £24k better than the previous year. QMSU's five-year financial strategy was to ensure improvement in the balance sheet and general reserves and this was being delivered in the first year of the plan.
- [b] The current year to date (period 5) operating surplus was £64k, £25k better than budget. However, it was anticipated that the position would worsen due to unexpected interruption to business from the impact of QMUL's capital projects on access to QMSU facilities and operations.

- [c] It was acknowledged that capital projects would inevitably impact on QMSU business given the compact nature of QMUL's campus; however, there was scope for improved collaboration and communication between QMSU and Estates in future to minimise this.
- [d] The Committee commended QMSU for the improving financial position, particularly given the business interruption, and thanked the Chief Executive and QMSU President for the informative presentation.

Part 3: Financial Policy and Strategy

2018–19 Budget and financial five year plan [FIC17/35]

2017.047 *Minute 2017.047 is confidential.*

Part 4: Strategic Investment

Borrowing update [oral report]

2017.048 The Committee **received** an oral report on borrowing from the Deputy Director of Finance. The letter to HEFCE seeking an increase to QMUL's level of borrowing consent would be submitted in the current week.

IT capital framework [FIC17/36]

2017.049 The Committee **received** the IT capital framework. The following points were noted in discussion:

- [a] *Minute 2017.049[a] is confidential.*
- [b] There had been a lack of IT strategy and long-term planning in recent years. The Chief Information Officer's initial areas of focus would be on developing IT provision that was fit for purpose and ensuring that projects could be delivered. The framework intentionally included more projects and expenditure in the later stages owing to capacity issues.
- [c] The confidence level for each area of the framework reflected degrees of progress with developing robust plans and accurate financial forecasts. Confidence levels would increase once an improved understanding was achieved of the level of investment required in each area.
- [d] *Minute 2017.049[d] is confidential.*
- [e] Members welcomed the planned change programme and improvements to address capacity issues and reduce slippage, but also acknowledged that significant changes to project governance and oversight would be needed to ensure the successful delivery of the IT capital framework.
- [f] Whilst the first stage of the plan would be to create effective, universal service provision, subsequent stages would focus on creating personalised services for schools and institutes to support research and teaching. Investment in the research infrastructure was a priority and a number of

significant investments had been made recently to support the university's strategic aims in this area.

- [g] The Committee commended the increased level of transparency around Estates and IT developments, but acknowledged that, as neither framework was intended to be comprehensive, there were likely to be further funding gaps that QMSE and the Committee would need to consider in due course.

Part 5: Treasury Management and Investment

Investment Managers sub-group report and mandate review [oral report]

2017.050 *Minute 2017.050 is confidential.*

Part 6: Other Matters for Report

Draft agenda for next meeting [FIC17/37]

2017.051 The Committee **received** the draft agenda for the next meeting on 19 June 2018.

Any other business

USS pension scheme

2017.052 The Committee **received** a paper on the new joint proposal on the future of the USS pension scheme, which had been agreed by Universities UK (UUK) and the University and College Union (UCU). The following points were noted in discussion:

- [a] The original proposal for the USS pension scheme had been agreed by the USS Trustee Board, but was not accepted by the UCU. That proposal would result in pension contributions remaining unchanged (18% for employers and 8% for employees), a reduction in the salary threshold for defined benefits to zero and all future benefits being built up in the defined contribution part of the scheme. A statutory consultation with pension scheme members would commence in March 2018 unless an alternative proposal was agreed.
- [b] In talks mediated by ACAS, a new joint proposal had been reached between UUK and UCU for a three-year transitional arrangement. The new proposal would mean an increase in contributions from employers from 18% to 19.3%, and for individual pension scheme members from 8% to 8.7%, and would retain defined benefits up to a salary threshold of £42,000. Under the new proposal, the accrual rate would reduce from 1/75th to 1/85th. The benefits would remain index linked but capped at a maximum of 2.5%. The additional cost of employer contributions for QMUL would be £1.735m.
- [c] The next step was for UUK to consult with universities and UCU with members. QMSE recommended that this proposal should be accepted.
- [d] Having discussed the financial implications for QMUL, the Committee noted the following:

- i. QMSE would need to determine how to meet the additional cost of employer contributions;
 - ii. the commitment to revisit the pension scheme in three years' time was a risk to the institution;
 - iii. under the revised proposal, pension liabilities would continue to grow, but at a slower rate than at present.
- [e] Although the revised proposal failed to address the long-term issues of financial sustainability and affordability, and hence the risk for the institution, the Committee concluded that the proposal could be accepted.
- [f] The President and Principal reported that the UCU Higher Education Committee (HEC) had met and had rejected the proposal based on feedback from branches that members did not support it. It had been hoped that the HEC would support the proposal and industrial action would be suspended. It was anticipated that the original proposal would now be subject to statutory consultation.
- [g] The Academic Registrar and Council Secretary said that QMUL continued to consider its position in relation to questions from students about tuition fee refunds to compensate them for the impact of the industrial action. The university was undertaking a range of actions to mitigate the impact on students.

Meetings in 2017–18

- Tuesday 19 June 2018 at 1430 hours, Robert Tong Room