



ESTATES MANAGEMENT COMMITTEE

Wednesday 10 September 2014

MINUTES

PRESENT:

President and Provost (Chair)
Dame Nicola Brewer
Professor Nick Brook
Professor Stephen Caddick
Professor Anthony Finkelstein
Professor Mary Fulbrook
Mr Andrew Grainger
Mr Phil Harding
Mr Rex Knight
Professor Alan Penn
Professor Geraint Rees
Professor Anthony Smith
Mr Dave Smith
Professor Jonathan Wolff

In attendance: Ms Valerie Hogg, Mr Nick McGhee (Acting Secretary), Mr Martin Walsh [for item 4].

Apologies for absence were received from Professor Dame Hazel Genn, Professor Graham Hart, Professor David Lomas, Professor David Price, Professor Alan Thompson and Professor Sir John Tooke.

Preliminary Business

1 TERMS OF REFERENCE, CONSTITUTION AND 2014-15 MEMBERSHIP

Noted:

- 1.1 The terms of reference, constitution and 2014-15 membership of EMC at EMC 1-1 (14-15).
- 1.2 Since the last meeting on 2 July 2014, Professor Nick Brook, Dean of the Faculty of Mathematical and Physical Sciences, and Professor Geraint Rees, Dean of the Faculty of Life Sciences, had become members of the EMC.

2 MINUTES OF THE MEETING HELD ON 2 JULY 2014

Confirmed:

- 2.1 The Minutes of the meeting of EMC held on 2 July 2014 [*EMC Mins.73-85, 02.07.14*].

Matters for Information

3 DATE OF NEXT MEETING

Noted:

- 3.1 The next meeting of EMC would be held on 22 October 2014 at 08:30am at a venue to be confirmed.

Confidential Business

Key to abbreviations

CPSC	Capital Programmes Sub-Committee
EMC	Estates Management Committee
FBC	full business case
FC	Finance Committee
FTE	full time equivalent
LLDC	London Legacy Development Corporation
LSE	London School of Economics and Political Science
NPV	net present value
QEOP	Queen Elizabeth Olympic Park
RPIF	UK Research Partnership Investment Fund
SLASH	School of Laws, Arts and Humanities, and Social and Historical Sciences
SLMS	School of Life and Medical Sciences

4 QUEEN ELIZABETH OLYMPIC PARK – FINAL BUSINESS CASE

[Mr Martin Walsh, Commercial Director, Finance and Business Affairs, was in attendance for this item.]

Received:

- 4.1 The final business case (FBC) at EMC 1-02 (14-15).
- 4.2 An oral report from Professor Stephen Caddick, Vice-Provost (Enterprise and London).

Reported:

- 4.3 The FBC was the final stage in the decision-making process, though an early milestone in the project overall. A positive decision by Council on 20 October 2014 would constitute a firm commitment to proceed with the acquisition and to finalise a development agreement, subject to planning consent, a cap on UCL's financial contribution, and the confirmation of the projected contribution from government.
- 4.4 The inherent level of risk in the FBC had been mitigated as far as was practicable. The FBC included a contingency allowance in respect of any remaining uncertainties over the overall cost, principally in respect of timing and the treatment of VAT. In the event of capital cost mitigation being necessary, LLDC and UCL had agreed to review a combination of the following: overall scheme costs, including land and associated works; specification; minimum size; contingency allowances; and provision of financial resources by additional funding. Value engineering principles would be applied appropriately as part of the design process. Reducing the level of build-out should remain a last resort. The availability of potential sources of additional public funding, such as the RPIF, was noted.

Discussion:

- 4.5 EMC discussed the risk of a perception in the UCL community that the project failed to address the mission-critical issues around space and facilities in central London. The academic vision for the site was founded on its providing an opportunity for new activity, which was a vital element in seeking to secure a substantial contribution from government. Such new developments were nevertheless likely to be complementary to existing activities, and all activity on the site would have to be consistent with the core academic mission. QEOP would be central to the successful achievement of several key elements of

the UCL 2034 Strategy, notably UCL's role in London's post-Olympic legacy and the development of enduring partnerships integrating education, research and innovation. A range of indirect early benefits to activity in Bloomsbury could be expected to flow from the transition programme, and any voluntary relocation to Stratford would liberate space which could then be treated according to priority. It was envisaged that an estimate of the value of the release of pressure on the central London campus would be developed, though it would not be appropriate to include this in the FBC.

- 4.6 Noting the example of Imperial West, EMC discussed opportunities for collaboration with significant partner institutions on the site. UCL was thought to be a key factor in the interest of the Smithsonian Institution in developing facilities at QEOP, which could be expected to create further opportunities for collaboration elsewhere. It was suggested that a letter of support from the Wellcome Trust should be sought for inclusion with the submission to UCL Council. It was understood that a position paper on the Olympicopolis development was scheduled for discussion by the Trustees of the City and Guilds.
- 4.7 EMC members discussed the appropriate level of detail of the academic vision for the FBC, specifically in respect of the apportioning of all 50,000m² of space. Although it was normal practice for a business plan to assign all of the available space to particular activities, this should not be taken as indicative of a lack of flexibility. One significant function of this element of the FBC was to minimise any residual concerns around a lack of clarity during the decision-making process. Nevertheless, flexibility was essential to the concept of partnership, as UCL would otherwise be perceived to be seeking to dictate the nature of any collaborative activity. It was suggested therefore that further consideration should be given to strengthening the wording around the flexibility to develop other options. It was noted also that the Concept Design Group, which would have the remit of designing buildings with the flexibility and resilience over a 100-year timeframe, would make no assumptions about the nature of the activity on the site.
- 4.8 There was a need to remind Council that the project represented between one-fifth and one-quarter of a ten-year capital plan. EMC also noted the significant cost of any decision not to proceed, as an alternative development would have to be achieved without any substantial contribution from government.
- 4.9 It was noted that none of UCL's major secondary health care partner organisations had any presence in the area. In consequence it would be important to handle carefully any communication with SLMS staff over the project, and to consider the impact of the project on the relationship with those partners. The successful model of UCL's presence at the Stevenage Bioscience Catalyst was noted in a discussion of the importance of thinking imaginatively about the balance across the different sites.
- 4.10 In the course of discussion of the detail of the FBC, EMC members suggested: that the home/overseas student balance be incorporated into discussion of NPV sensitivities, and that an indication of the nature of any compensating variables in respect of the categories identified would be helpful (p.69); and that a greater level of detail be included in respect of change control (p.63). Members further noted the critical importance of the timing and nature of the release of details of the proposals in the event of a decision to proceed at the Council meeting on 20 October.
- 4.11 EMC noted the inherent difficulties in managing such a complex programme on this scale. In terms of the operational challenge, it was noted that the FBC included a £1.7m operating resource budget to autumn 2019, and a projected eight-year steady state in which to populate Phase 1. It was suggested that significant short-term resources would be required to accommodate the planning spike. The plan also costed the appointment of a Campus Director, Academic Director, and the necessary secondments and sabbaticals.

- 4.12 The importance of the constitution of the academic working group, in particular the need for members with an academic focus outside design/engineering, was noted.
- 4.13 EMC resolved unanimously that the final business case be recommended to Finance Committee, for onward recommendation to Council. Professor Caddick thanked EMC colleagues, and Martin Walsh in particular, for their invaluable contribution to the rapid development of project over the past twelve months.

RESOLVED – for recommendation to Finance Committee

- 4.14 **That the QEOP final business case at EMC 1-02 (14-15) be approved.**

5 UCL CAPITAL PROGRAMME 2014-2023

Received:

- 5.1 The draft capital programme 2014-2023 at EMC 1-03 (14-15), with the New Space and Estates Capital Projects Approval Policy at Annexe 3.
- 5.2 An oral report from Mr Rex Knight, Vice-Provost (Operations).

Reported:

- 5.3 The Capital Programmes Sub-Committee (CPSC) had been established in January 2014 to facilitate discussion at a level of detail that was impractical at EMC. As a consequence of UCL's academic success, the principal issue facing the CPSC was the prioritisation of projects in the context of a legacy of historic under-investment.
- 5.4 The draft capital programme had been produced on a short timescale in order that it could be submitted to Finance Committee and Council as context to the QEOP Full Business Case. The paper was intended to provide a level of reassurance in view of the fact that the funding for the QEOP project was contingent on a projected improvement in the level of surplus generation.
- 5.5 Key assumptions in the paper included: a £1.2bn ten-year envelope, as set out in the Estates and Funding Strategy; an expenditure cap of £140m in any one year; £150m of philanthropic income, and borrowing of £300m. The paper included a £12m contingency per annum at programme (rather than project) level. Schools had submitted details of their individual priorities but these were subject to review in light of changing circumstances.
- 5.6 The draft programme included an unallocated sum of £90m. This was regarded as vital in view of the front-loading of the projected expenditure profile; it would be necessary to make a case to Finance Committee for a proportionally higher spend on the capital programme in the early years of the programme, ie before the 5.5% target surplus had been achieved.

Discussion:

- 5.7 EMC discussed the future provision of teaching facilities in the context of the projected growth in student numbers. The freeing-up of teaching space by the acquisition of Bidborough House was noted, as was the projected provision of teaching facilities at Canary Wharf and at QEOP. The designation of the space above the Christopher Ingold Auditorium for a student welfare centre was discussed. Given the strategic importance of education in *UCL 2034*, it was agreed that it would be useful for EMC to have an indicative figure for total projected expenditure on teaching facilities, beyond the £40m budgeted for relocation of the Petrie Museum and remodelling of the DMS Watson Library. Further

efficiencies in timetabling would nevertheless be required in view of the front-loaded growth in student numbers, much of which would predate the advent of new teaching space. The under-utilisation of some teaching facilities, notably at the Royal Free campus, was noted.

- 5.8 EMC discussed the inherent risk in UCL's five-year rental agreement with Birkbeck. It was agreed however that there was no alternative to securing some sort of commercial deal in the absence of opportunities to develop additional teaching space in the short term, and that the agreement arguably constituted a strong basis for development of a long-term relationship between the two institutions.
- 5.9 Although a characterisation of the programme as a redistribution from teaching to research would fail to reflect the research-led nature of teaching at UCL, it was suggested that a redistribution between groups of students would nevertheless be taking place. This presented a particular challenge to those parts of UCL in direct competition with area-specific institutions such as the LSE, although it was noted that UCL's comprehensive character remained a powerful attraction.
- 5.10 The need to reprofile capital expenditure in the current year, which was already £25m over budget, was noted, as were the implications of the process for UCL's ability to approve any new projects arising in the short term.
- 5.11 EMC noted the proposal in the Space and Estates Capital Projects Approval Policy (at Annexe 3) that Project Review Groups be authorised to approve in principle any projects with an estimated gross cost of up to £2m; it was suggested that the intention had been that this be delegated to the School Strategy Boards. It was agreed that this would be reviewed.
[ACTION: Rex Knight]
- 5.12 EMC noted the importance of the £2m envelopes for Schools, and the flexibility this provided, in communications with staff. This sum fell within the £12m per annum allowance for small projects and contingency across the institution. The primary purpose of the document however was to meet a need identified by Finance Committee; it was not intended for public consumption as it represented a snapshot of a particular moment in time and would be subject to constant review.
- 5.13 EMC noted a systemic problem whereby a School may wish to prioritise a project, such as a dedicated teaching block, the nature of which would cause it to be categorised as a central facility. EMC was also advised of a pressing and urgent problem of a lack of accommodation for academic staff within SLASH.
- 5.14 The distribution of the capital budget between Schools was discussed. In respect of the allocation to SLMS it was suggested that the prioritised projects did not reflect the ambition expressed at the Council/SMT away day in February to target a significant expansion in teaching in order to improve the contribution rate. CPSC had considered the issue of allocation of resource across the institution through a number of different methodologies, including income in terms of space or per FTE. This exercise had generated a range of results, although the fact that SLMS generated 58% of UCL's academic income was noteworthy. The need to reflect the priorities of strategically important partner institutions, and to be mindful of opportunities for philanthropy, was noted. The legacy of historical under-investment was arguably particularly severe in SLMS, and the example of Queen Square, where significant investment was necessary simply to keep activity going in what was one of UCL's principal academic strengths, was cited. It was further noted that QEOP did not address SLMS' strategic priorities. The headline programme split by School also included secured grant funding, which inflated the SLMS figure by approximately £52m. It was suggested that it would be useful for EMC to receive data on the allocation by faculty with philanthropy and grant income incorporated.

- 5.15 EMC discussed the impact on staff morale of a lack of opportunity for growth in particular areas, as well as the challenges in persuading Heads of the need for the necessary financial discipline. The lack of means to invest in major strategic projects would affect the ability of the areas concerned to generate the necessary surplus; the possibility was raised of seeking an alignment between school/institutional priorities and the types of activity that would facilitate a rapid improvement towards the 5.5% target surplus. EMC had a responsibility to achieve the best outcome for the institution as a whole. It was important for staff to understand the legacy of under-investment and the impossibility of securing any pain-free solution.
- 5.16 It was noted that the Space and Estates Capital Projects Approval Policy at Annexe 3 had not been updated to incorporate amendments discussed at recent meetings, specifically in relation to the use of the term 'Faculty/Department ambition' (rather than 'Faculty/Department plans') and the incorporation of a mechanism for feedback in the process¹. It was also suggested that a more systematic method of labelling projects could usefully be adopted.

[ACTION: Dave Smith]

RESOLVED – for recommendation to Finance Committee

- 5.17 **That the draft UCL Capital Programme 2014 to 2023 at EMC 1-03 (14-15) be approved;**
- 5.18 **That the Space and Estates Capital Projects Approval Policy at Annexe 3 be approved, subject to its being updated to incorporate amendments discussed above.**

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¹ An updated version of the document would be circulated to the Committee, and would be filed with these Minutes.