

**FINANCE COMMITTEE**  
**27<sup>TH</sup> FEBRUARY 2020**

**REDACTED MINUTES FOR PUBLICATION**

A meeting of the Finance Committee was held at Horizons, 60 Queen's Road, Reading, and remotely via Zoom videoconferencing on Thursday 27<sup>th</sup> February 2020 from 14.15-16.00pm.

Present: Jat Brainch [JB] Honorary Treasurer and Chair  
Amanda Clack [AC]  
Alastair Martin [AM]  
Ashley Wheaton [AW]

Apologies: John Gellatly [JG]  
Andrew Hynard [AH]

In Attendance: Jane Fawkes (University College Secretary) [JEF]  
Lyndsay Hughes (note taker) [LH]  
Tim Mills (Director of Finance) [TM]

**4154** **1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST**

4155 There were no conflicts of interest declared.

**4156** **1.2/ TO RECEIVE APOLOGIES FOR ABSENCE**

4157 There were apologies for absence from John Gellatly and Andrew Hynard.

**4158** **1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 11<sup>TH</sup> OCTOBER 2019**

4159 The minutes of the Finance Committee held 11<sup>th</sup> October 2019 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

**4160** **1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD 11<sup>TH</sup> OCTOBER 2019**

4161 The redacted minutes of the Finance Committee held 11<sup>th</sup> October 2019 were **APPROVED** as a true record and signed by the Honorary Treasurer.

**4162** **1.5/ TO APPROVE THE MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD 8<sup>TH</sup> JANUARY 2020**

4163 The minutes of the joint Audit and Finance Committee meeting held on 8<sup>th</sup> January 2020 to approve the audited financial statements and accounts for 2018-19 (paper

1.5) were **APPROVED** as a true record and signed by the Honorary Treasurer. They were also approved by the Audit Committee on 27<sup>th</sup> February 2020.

**4164**                    **1.6/ TO APPROVE THE REDACTED MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 8<sup>TH</sup> JANUARY 2020**

4165                    The redacted minutes of the Joint Audit and Finance Committee meeting held on 8<sup>th</sup> January 2020 to approve the audited financial statements and accounts for 2018-19 (paper 1.5) were **APPROVED** as a true record and signed by the Honorary Treasurer. They were also approved by the Audit Committee on 27<sup>th</sup> February 2020.

**4166**                    **1.7/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA**

4167                    An actions summary from the meeting on 11<sup>th</sup> October 2019 was circulated as paper 1.7. The Committee noted that all actions were either closed or due for discussion within the meeting agenda.

**4168**                    **1.8/ TO NOTE THE UPDATED FINANCE COMMITTEE TERMS OF REFERENCE**

4169                    The Finance Committee noted that the Nominations and Governance Committee had undertaken its annual review of all Board and Sub-Committee Terms of Reference in January 2020. As a result, the Finance Committee Terms of Reference had been updated to reflect the responsibilities of the Committee with regards to the Office for Students Conditions of Registration.

4170                    The Committee **NOTED** the updated Finance Committee Terms of Reference V7 and requested only that the membership explicitly notes the outstanding vacancies to be filled upon recruitment of new independent Trustees.

**ACTION**                    **Include the vacant positions in the membership list for the Finance Committee Terms of Reference. [LH]**

**4171**                    **2.1/ TO UNDERTAKE A FINAL REVIEW OF UCEM FINANCIAL STATEMENTS FOR 2018-19 AND TO CONSIDER THE MOVEMENTS BETWEEN FOECASTED RESULTS IN OCT 2019 VS FINAL RESULTS REPORTED IN JAN 2020**

4172                    The preliminary year end results for 2018-19 from October 2019 and the confirmed final results post-audit were reviewed by the Committee. The Board Leadership Group has agreed in their January 2020 meeting that it would be valuable for the Committee to be presented with the movements between the pre and post-audit accounts to account for any significant movements and to allow for any final scrutiny of the results.

4173                    TM reported the main movements between the pre and post-audit results. These included £244K less income, driven by CSTT becoming a UCEM subsidiary (having previously been an associate.) In addition, investment income revalued was down by £127K. The UCEM donation to UCEM Asia Ltd accounted for £540K. Overall, there was a £169K increase in income following these movements.

4174                    Costs also changed specifically with regards to total pay through the pension increases with USS by £350K. This was slightly offset by £74K saved on bonuses that were accrued but not awarded as UCEM did not meet targets for the year. Overall

this equated to £276K total increase in pay. The donation to UCEM Asia Ltd of £540K netted off against the income in the consolidated accounts. Finally, investments were underspent by £53K.

4175 Overall the final accounts reflected a £682K increase in movement from the pre-audited estimates, largely due to pension cost increases, CSTT and investment revaluation.

4176 The Finance Committee thanked TM for the additional analysis and accepted the movements reported.

**4177 3.1/ TO RECEIVE THE JANUARY YEAR TO DATE RESULTS AND FORECAST FR 2019-20**

4178 TM presented the data in paper 3.1a to the Committee, which summarised the January year to date management accounts and the revised outturn. The originally budgeted income target of £16.3M was unachievable and was revised down to £15.1M. UCEM is also committed to reducing costs in year to the same £1.2M reduction in order to deliver the breakeven result. The cost cutting exercise carried out over recent months has been challenging for the institution but has been achieved and is reflected in the year to date results.

4179 TM reported that income is currently running at £171K ahead of revised budget at £7.2M. Expenses are under revised budget by £160K meaning that overall UCEM is £331K ahead of revised budget for business as usual. Projects are also underspent at the current time by £38K, REDACTED.

4180 TM cautioned that the semester 2 student numbers are not yet known and will have an impact on the final budgetary position. They are likely to be behind plan but overall the institution is in a healthy position given the challenging start to the year. The Executive are confident the current position can be maintained to deliver breakeven at year end. The primary cost savings are in the staff line where the institution continues to run a number of vacancies. With a reasonable number of leavers and retirements in the coming months this saving is likely to continue.

4181 AW reported that the staff vacancies are not hindering performance overall but there are some core areas that urgently require additional resources. The challenge has been finding the right people, not the budget.

4182 The January 2020 balance sheet was presented in paper 3.1b. The primary amendment to note on the balance sheet is the reduction in investments due to the sale of £1.5M to fund projects (as previously approved by Finance Committee) and debtors for the apprenticeship completion payment (which continues to grow but ultimately is only profitable once end point assessment payment is secured). AW informed the Committee that UCEM continues to recognise 70% of apprenticeships revenue as income, but is in receipt of less than this in terms of cash. Early indicators of completion rates for apprenticeships are higher than standard and this does bode well for cash receipts in future years when end point assessment is reached.

4183 The Finance Committee **NOTED** the January year to date management accounts and balance sheet and commended the Executive on the positive position to date.

**4184 3.2/ TO RECIEVE THE CASH FLOW PROJECTION**

- 4185 The Committee received the updated cash flow projection in paper 3.2 covering the period February 2020 to July 2022.
- 4186 TM reported that expenditure on 58QR is now unlikely to be before May 2020 so some further movement will take place as the projection currently forecasts this in March 2020. TM also reported that the projection incorporates the sale of £1M of investments (thereby also reducing the dividend income) in July 2020, already previously approved by the Committee. Finally, TM reported that there may be a short term cashflow issue of up to £500K in August 2020 due to changes in the timing of the postgraduate start date under Transform. The extent of the shortfall and timing is unknown until UCEM is in receipt of student fees. Finally, the projection does not incorporate any Transform funding beyond July 2020. In addition, 2020-21 has yet to be budgeted so any figures in the cashflow for August 2020 onwards subject to even greater change.
- 4187 **REDACTED**
- 4188** **3.3/ TO RECEIVE AN UPDATE ON USS PENSION LIABILITIES**
- 4189 AW introduced paper 3.3 to the Committee which provided an update on the USS pension position. The Committee was advised that a formal response had been received from USS acknowledging UCEM's response to their queries on how the scheme is managed at the institution. **REDACTED**
- 4190 UCEM will now be reviewing USS pension participation with its staff. All eligible staff have the right to opt out of the scheme and UCEM will remain compliant even if it only retains one member in USS. A diligent, fair and arms-length consultation will now be run with staff, explaining that should they opt to remain in the scheme their individual contributions will rise as their benefits decrease. Employer contributions will also rise significantly. UCEM will not be advising staff, only presenting the facts and the options open to staff. UCEM will take further legal advice when the consultation opens in order to ensure it is transparent and auditable to the USS should it ever be reviewed by them.
- 4191 The Finance Committee **NOTED** the plans for the formal consultation process to open with selected staff and that this may, or may not, result in new joiners/leavers to the USS scheme and an increase/decrease in UCEM costs. The Finance Committee also **NOTED** that the consultation on the scheme must be driven by the Finance Committee as the Executive are members of the scheme and this may therefore cause a conflict of interest.
- 4192 The Finance Committee **APPROVED** the USS eligibility policy proposal presented in paper 3.3 and **NOTED** that USS had formally confirmed that this policy is compliant with the terms and conditions of participation in the scheme.
- 4193** **4.1/ TO RECEIVE AN UPDATE ON THE SHINFIELD GRANGE PROJECT**
- 4194 Ashley Wheaton provided an update on the Shinfield Grange project. **REDACTED**
- 4195 The Finance Committee **ENDORSED** the decision of the BLG to carefully suspend the project and inform stakeholders directly of the decision.
- 4196 **REDACTED**

- 4197 REDACTED
- 4198** **4.2/ REDACTED**
- 4199 REDACTED
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- 4207** **5.1/ TO RECEIVE THE FINANCE COMMITTEE CYCLE OF BUSINESS AND RESPONSIBILITIES**
- 4208 The Committee reviewed papers 5.1, 5.1a and 5.1b, the planned schedule of committee business for the Finance Committee and the Joint Audit and Finance Committee. Following creation of the UCEM register of OfS compliance (for the Board meeting on 22<sup>nd</sup> November 2019) the business cycle and schedule for all committees and for the Board over each meeting in any given year has been created in order to help the institution plan for meetings and to ensure the Board and its sub committees are fulfilling their obligations of scrutiny and oversight of each condition of registration with the OfS.
- 4209 The Finance Committee **NOTED** the planned business of the Committees across the year and in particular its responsibilities to monitor compliance with the Office for Students Conditions of Registration D and G1 and the Accounts Directive.
- 4210** **5.2/ TO APPROVE THE PLANNED CLOSURE OF THE UCEM PUBLISHING LTD ENTITY**
- 4211 TM presented the Committee with the final paperwork for signature that will secure the long-planned closure of the UCEM Publishing Ltd subsidiary company – which has been a recommendation of the UCEM Auditors for the last two years.
- 4212 TM reported that he has spoken with Companies House and the closure paperwork must be signed by a majority of the Directors, meaning three out of four. The Committee **APPROVED** the closure to proceed and for JB and AW to sign the paperwork to authorise this. The paperwork was not dated in order to secure the third signature from Linda Bale in the coming days and ensure all three signatures are effectively within a seven-day period. TM will report to the next meeting that the process has been fully concluded.
- 4213** **5.3/ TO CONSIDER THE TIMESCALE AND STRATEGY FOR THE INVESTMENTS AND RESERVES REVIEW**

4214 JB reported that the Committee had previously discussed its concerns about its current investment management firm, from a customer services perspective and from the risk of being the biggest single investor into the fund. The Committee has agreed it must go out to tender for a new investment management partner. JB and TM were asked to agree the process and timings for this and report back to the next Committee meeting.

**ACTION**            **Agree the process and timings for a review of investment management firm and report back to next Finance Committee on progress. [JB/TM]**

**4215**            **6/ ANY OTHER BUSINESS**

4216 AC requested feedback on the outcomes of the Audit tender process held earlier in the day. REDACTED The panel felt comfortable with the chosen firm and the level of assurance they will be able to provide to the Board in the future and agreed to proceed with their appointment for three years subject to an annual re-appointment confirmation.

4217 No other matters of business were raised, and the Chair closed the meeting at 15.38pm.

4218 The date and time of the next Finance Committee meeting will be Thursday 21<sup>st</sup> May 2020 at UCEM, Horizons, Reading, with Zoom remote video link available.