

**FINANCE COMMITTEE**

**21<sup>ST</sup> MAY 2020**

**REDACTED MINUTES FOR PUBLICATION**

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 21<sup>st</sup> May 2020 from 13.00-15.00pm.

Present: Jat Brainch [JB] Honorary Treasurer and Chair  
Amanda Clack [AC]  
John Gellatly [JG]  
Andrew Hynard [AH]  
Alastair Martin [AM]  
Ashley Wheaton [AW]

Apologies:

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

**4219** **1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST**

4220 There were no conflicts of interest declared.

**4221** **1.2/ TO RECEIVE APOLOGIES FOR ABSENCE**

4222 There were no apologies for absence.

**4223** **1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 27<sup>TH</sup> FEBRUARY 2020**

4224 The minutes of the Finance Committee held 27<sup>th</sup> February 2020 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

**4225** **1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD 27<sup>TH</sup> FEBRUARY 2020**

4226 The proposed redacted minutes of the Finance Committee held 27<sup>th</sup> February 2020 were **APPROVED** for publication on the UCEM website and signed by the Honorary Treasurer.

**4227** **1.5/ TO APPROVE THE MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD 27<sup>TH</sup> FEBRUARY 2020**

- 4228 The minutes of the joint Audit and Finance Committee meeting held on 27<sup>th</sup> February 2020 to appoint new UCEM Auditors (paper 1.5) were **APPROVED** as a true record. They were also approved by the Audit Committee on 30<sup>th</sup> April 2020 and signed by the Vice Chair.
- 4229 1.6/ TO APPROVE THE REDACTED MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 27<sup>TH</sup> FEBRUARY 2020**
- 4230 The minutes of the Joint Audit and Finance Committee meeting held on 27<sup>th</sup> February 2020 to appoint new UCEM auditors were considered confidential (paper 1.5). The Committee **APPROVED** the decision to fully redact and not publish these minutes. This decision was also approved by the Audit Committee on 30<sup>th</sup> April 2020.
- 4231 1.7/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA**
- 4232 An actions summary from the meeting on 27<sup>th</sup> February 2020 was circulated as paper 1.7. The Committee noted that all actions were either closed or due for discussion within the meeting agenda.
- 4234 2.1/ TO RECEIVE THE APRIL YEAR TO DATE RESULTS AND FORECAST FOR 2019-20**
- 4235 TM presented paper 2.1 and 2.1a to the Committee, which summarised the April year to date management accounts and the revised outturn.
- 4236 The Committee **NOTED** that UCEM remains on course to achieve a breakeven position on business as usual against the revised budget (£15.1M income and costs). UCEM is currently £19K ahead of revised budget and has saved £470K on cost. With investment income of £53K UCEM is £542K ahead of revised budget. The management accounts recognise £60K of savings due to Covid-19 to date.
- 4237 Income has reduced to £13.79M due to Rathbone going into liquidation (owing UCEM £120K) and the lower than planned student numbers from Hong Kong (£200K). Further cost savings in year are anticipated due to the impact of Covid-19 on operations. The Committee **NOTED** that overall a £277K management accounts surplus is forecast for year end, excluding investment income and projects. The Committee thanked the Executive for their work to date to deliver this result and their ongoing commitment to delivering the breakeven business as usual P&L.
- 4238 The Committee **NOTED** that UCEM is unlikely to secure any of the £120K from Rathbone through the liquidation process. The Committee also **NOTED** the potential risk in sponsoring employers being unable to pay student fees or support the completion of apprenticeships in the future, which could mean UCEM is unable to draw ESFA funding. This risk has not yet been quantified. Currently, any apprentices on furlough are able to continue their studies without impact on the scheme.
- 4239 The Committee **NOTED** the April 2020 Balance Sheet at paper 2.1b and that the reduction in investment was due to the sale of £1.5M of reserves to support projects and apprenticeships debt, until end point assessment payments can be claimed.

**4240**                    **2.2/ TO RECIEVE AN UPDATE ON THE ANTICIPATED FINANCIAL IMPACT OF COVID-19 ON UCEM**

4241                    Ashley Wheaton provided a verbal update on how UCEM anticipates Covid-19 impacting on UCEM financially. The Committee **NOTED** the significance of recognising that income for 2019-20 is largely secure and that financial challenges as a result of Covid-19 really become evident for UCEM from September onwards with an anticipated reduction in new student recruitment that will result in £2M less income in 2020-21. In addition, savings as a result of Covid-19 in terms of UCEM operations and the furlough scheme are delivered in 2019-20 and not 2020-21. As a result, UCEM has focussed its time in recent weeks on financially reforecasting for the three years from August 2020 as far as can be estimated. This forecast naturally incorporates many assumptions which may or may not be realised.

4242                    UCEM anticipated a dramatic suppression in new student numbers from September 2020, largely because sponsoring employers will be in financial difficulties themselves or their businesses will not have sufficiently recovered by this time to recruit new apprentices for study commencing in September.

4243                    UCEM is seeking to offset the anticipated drop with new income streams, such as through accelerated undergraduate and postgraduate programmes. None of the potential income from new initiatives is included in the forecast so they all represent potential upside. UCEM will be monitoring closely how new student recruitment progresses over the next three months in order to make appropriate decisions on resizing the business to match income. UCEM predicts that income will recover to existing levels in the 2021-22 financial year, largely as a result of apprenticeship end point assessment payments.

4244                    The Committee was asked to consider the extent to which cost savings in 2020-21 are required in the context of the anticipated income recovery in the subsequent year. The Committee **AGREED** that being prudent is the best course of action at the current time. The short-term future of the real estate industry is not considered positive and many redundancies are likely. Discretionary expenditure is therefore likely to be impacted. The Committee did note the potential for UCEM to recruit students who are uncomfortable with or unable to attend a campus-based university as another potential upside in the predictions.

4245                    The Committee **NOTED** that, to date, UCEM had furloughed 22 members of staff (approx. 10%), two of whom returned to work after the first month.

**4246**                    **2.3/ TO RECIEVE THE CASH FLOW PROJECTION**

4247                    **REDACTED**

4248                    The Committee **NOTED** the positives and negatives in the current cash flow projection, particularly to the end of the current financial year, the indicative plans to bridge the income shortfall in 2020-21 and the sources of increased income in 2020-21. **REDACTED**

4249                    The Committee discussed the opportunity for UCEM to take out a Coronavirus Business Interruption Loan (CBIL). The Committee **AGREED** a CBIL loan application was sensible. TM reported, however, that UCEM's chances of securing such a loan were slim as the most recent accounts would be the primary consideration and UCEM recorded a loss in these. TM believes the losses are explainable through the

application process and UCEM should have access to up to £1M through the scheme, paid back interest free over six years. The Committee **APPROVED** a loan application being made as soon as possible.

4250 The Committee **NOTED** the positive impact of increased cash receipts anticipated in 2021-22 and beyond on the cashflow forecast, largely due to increasing apprenticeship completion payments.

### **4251 3.1/ TO RECIEVE AN INCOME FORECAST AND BUDGET FOR 2020-21**

4252 Tim Mills presented a proposed budget for 2020-21 set against the current income forecast (see paper 3.1).

4253 The Committee **NOTED** the assumptions in the proposed budget and welcomed the clarity of the papers presented.

4254 The Finance Committee **APPROVED** the proposed budget in paper 3.2 for 2020-21.

### **4255 3.2/ TO RECIEVE A MULTI-YEAR INCOME FORECAST**

4256 Tim Mills presented a multi-year income forecast for 2021-22 and beyond in paper 3.2 and 3.2a. The assumptions on key income streams were presented and the Committee **NOTED** that the primary reduction comes from non-apprenticeship income, which is impacted heavily by Covid-19. Apprenticeship end point assessment payments is the key factor in income returning to pre-Covid-19 levels. Investment income is anticipated to drop and OfS grant payment, despite having increased slightly for 2020-21, has been considered static in the forecast.

4257 The Committee **NOTED** the income forecast over the next three years and the assumptions contained with this.

### **4258 3.3/ TO RECEIVE A COST REDUCTION PLAN**

4259 Ashley Wheaton provided an overview of UCEM's cost reduction plans for 2020-21 in order to meet a breakeven budget (see paper 3.3).

4260 The Committee **NOTED** that £780K operational savings had been budgeted for 2020-21, largely from benefits derived from the Transform project, such as removal of exams.

4261 REDACTED

4262 REDACTED

4263 REDACTED

4264 The Finance Committee welcomed the comprehensive overview of cost saving plans in very challenging circumstances. The Committee **NOTED** the overall requirement to save £2M of costs during the financial year 2020-21 and the contribution of £780K from operations to this total. REDACTED

**ACTION** REDACTED

**4265** **3.4/ TO UNDERTAKE THE ANNUAL FEE REVIEW**

4266 Ashley Wheaton provided an overview of UCEM's fee proposals for the 2021-22 academic year as set out in paper 3.4 (which have to be set 18 months ahead for marketing purposes). The Executive proposes that, in light of the fee increase taking effect in September 2020 (approved in 2019) and the current world economic situation, that no further fee increase be applied to UCEM module fees. The Executive will review this position again in autumn 2020.

4267 The Committee **APPROVED** the recommendation to freeze UCEM fees per modules in 2022-22 at the September 2020 rates.

**4268** **4.1/ TO RECEIVE AN UPDATE ON THE SHINFIELD GRANGE PROJECT**

4269 Ashley Wheaton provided an update on the Shinfield Grange project. He reported that due to the ongoing management of the Covid-19 response there is no progress to report on the plans to reduce the operational costs of Shinfield Grange whilst the project is placed on hold.

4270 REDACTED

4271 REDACTED

4272 The Committee **AGREED** no further action was required at the current time and it would make further decisions as and when necessary as the situation continues to unfold.

**4273** **REDACTED**

4274 REDACTED

4275 REDACTED

4276 REDACTED

4277 REDACTED

4278 REDACTED

**ACTION** REDACTED

**ACTION** REDACTED

**4279** **5.1/ TO RECEIVE AN OFS COMPLIANCE UPDATE ON REPORTABLE EVENTS DURING COVID-19**

4280 The Committee reviewed paper 5.1 which provided an overview of the focus for compliance and reportable events by the OfS during the Covid-19 pandemic period. In summary, reporting requirements are reduced and this was welcomed by the Committee. During the Covid-19 period the focus of the Office for Students is on financial sustainability of institutions and the protection of student experience, particularly in light of the fact there is unlikely to be any government bail-out for the higher education sector.

4281 The Committee **NOTED** that the wider compliance regime had been relaxed during the Covid-19 period but that core financial sustainability measures were the focus of OfS oversight and formed part of compulsory reporting requirements.

**4282 6.1/ TO RECEIVE AN UPDATE ON USS PENSION LIABILITIES**

4283 AW introduced paper 6.1 to the Committee which provided an update on the USS pension position. REDACTED

4284 REDACTED

4285 The Finance Committee **NOTED** the revised timetable for staff consultation on the USS eligibility criteria. REDACTED

**ACTION REDACTED**

**4286 6.2/ TO NOTE THE CLOSURE OF THE UCEM PUBLISHING LTD ENTITY**

4287 TM informed the Committee that the final paperwork to 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 – had been completed. The final stage of the process is to pay the £10 fee to secure the formal closure.

4288 The Committee formally **NOTED** the closure of UCEM Publishing Ltd.

**4289 5.3/ TO CONSIDER THE TIMESCALE AND STRATEGY FOR THE INVESTMENTS AND RESERVES REVIEW**

4290 JB reminded the Committee that it had previously discussed ongoing concerns about UCEM's current investment management firm, from a customer services perspective and from the risk of being the biggest single investor into the fund. The Committee had agreed it must go out to tender for a new investment management partner. JB and TM have been unable to progress the workstream since the last meeting due to the impact of Covid-19 on UCEM and associated workload and capacity.

4291 TM provided, in paper 6.3, the current fund value, including the early stage impact of Covid-19 on UCEM's reserves value and the likely ongoing impact in the coming years. TM also informed the Committee that UCEM is now the second largest investor in the fund, that the management charge had reduced from 0.5% to 0.4% and that the fund's target had been reduced from CPI+5% to CPI+3%. The UCEM fund value has reduced by 15% but the fund overall is outperforming the FSTE100 by 10%.

4292 The Committee **AGREED** that, in light of the ongoing financial uncertainties brought about through the Covid-19 pandemic, it would not make any significant changes with the investment and reserves portfolio and the funds will remain with Barings in the current scheme for the foreseeable future. The Finance Committee will reconsider this position in one year or sooner if circumstances necessitate such a review.

**4293 6/ ANY OTHER BUSINESS**

4294 The Finance Committee thanked the Executive for rising to the unprecedented challenges that have been presented to all business leaders in the last two months. The Committee recognised further challenging times lay ahead given the cost savings required but offered their ongoing support through the staff consultation process.

4295 The Finance Committee suggested that the Board should be meeting more frequently than quarterly in the current business environment. Short update meetings between formal Board meetings were suggested, with the intention of ensuring these are not burdensome on the Executive.

**ACTION           Diarise short Executive to Board update meetings between formal Board meetings. [LH]**

4296 No other matters of business were raised, and the Chair closed the meeting at 14.38pm.

4297 The current date and time of the next Finance Committee meeting will be Thursday 22<sup>nd</sup> October 2020 at UCEM, Horizons, Reading, with Zoom remote video link available. This is the joint meeting day with Audit Committee in order to review and pre-approve the Financial Statements and Accounts for 2019-20 to meet the new OfS timescale for completion of end December 2020. An additional meeting of the Committee will also be diarised for early September 2020.

Signed:



Name: Jat Brainch, Honorary Treasurer

Date: 4<sup>th</sup> September 2020