

FINANCE COMMITTEE

11TH FEBRUARY 2021

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 11th February 2021 from 14.00-16.00pm.

Present: Jat Brainch [JB] Honorary Treasurer and Chair
Nick Braisby [NB]
Amanda Clack [AC]
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]

1) GENERAL MEETING GOVERNANCE

4420 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4421 There were no conflicts of interest declared.

4422 1.2/ TO RECEIVE APOLOGIES FOR ABSENCE

4423 There were no apologies for absence.

4424 1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 11TH NOVEMBER 2020

4425 The minutes of the Finance Committee meeting held 11th November 2020 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4426 1.4/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 11TH NOVEMBER 2020

4427 There were no proposed redactions from the minutes of the Finance Committee held 11th November 2020. The Committee **APPROVED** the publication in full of these minutes on the UCEM website and they were signed by the Honorary Treasurer.

4428 1.5/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 11TH JANUARY 2021

4429 The minutes of the Finance Committee meeting held 11th January 2021 (paper 1.5) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4430 1.6/ TO APPROVE THE REDACTED MINUTES OF THE MEETING HELD ON 11TH JANUARY 2021

4431 There were no proposed redactions from the minutes of the Finance Committee held 11th January 2021. The Committee **APPROVED** the publication in full of these minutes on the UCEM website and they were signed by the Honorary Treasurer.

4432 1.7/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

4433 An actions summary from the last two meetings was circulated as paper 1.7. The Committee noted that all actions were now closed.

2) OFFICE FOR STUDENTS REPORTING**4434 2.1/ TO REVIEW THE UCEM OFFICE FOR STUDENTS FINANCIAL RETURN**

4435 As reported to the Finance Committee on the 11th November 2020, UCEM is required to submit an Annual Financial Return to the Office for Students (OfS), which is one of the ongoing OfS Conditions of Registration. The return includes financial forecasting of income up to and including 31st July 2025, cash flow, forecasting of projected student numbers as Full Time Equivalents (FTE), as well as details of grants, remuneration of the Head of the Provider, and data related to Access and Participation projected spending.

4436 The Committee **NOTED** that the initial submission was made to the Office for Students on the 1st February 2021 (the OfS deadline) following a review and sign-off process undertaken by the Honorary Treasurer, Principal and Deputy Principal. A four-week verification process is then undertaken between the OfS and the provider ahead of the final submission deadline of 1st March 2021 which will include the corresponding commentary that is currently being drafted. The Accountable Officer must sign off the return by noon on 8th March 2021.

4437 The Committee reviewed the data for the submission on behalf of the Board who will sign it off at an exceptional meeting on 25th February 2021. The Committee **NOTED** that this review was completed without the associated commentary required to support the data and that this will be available to the Board to approve on 25th February 2021.

4438 The Committee queried why income increases more significantly in some years of the return and TM responded that this is largely due to the full cohort cycle of apprenticeships coming to fruition and the associated growth in end point assessment payments and to a small, planned increase in fees. TM also reported that all projections have erred on the side of prudence. The Committee also queried the corresponding growth in costs, where the Board may have anticipated margin to increase. **REDACTED**

- 4439 The benefits of the Transform project and increased student success rates mean the drive towards an increased margin is occurring but at a slower rate than is perhaps desirable. The Committee noted there may be unforeseen increases in costs not included in this return, such as with USS Pensions. UCEM has been investing in operational efficiencies and carrying the costs of apprenticeships which have caused a cash impact, but this will improve. The challenges on controlling cost increases are offset against the need to keep student fees low in order to fulfil UCEM's charitable purpose and accessibility, although the option to increase fees is always possible if enhancing margin at a faster rate is considered a priority.
- 4440 **REDACTED**
- 4441 The Committee queried the key risks and what the OfS is likely to focus on. TM reported that this is most likely to focus on cash and institutional viability and therefore the explanation of the income growth from apprenticeships in the Commentary will be key. Control of costs will also be important, but as UCEM will not go into a negative cash position and for the first time in many years will not fund its operations through reserves, this is also a positive story to tell in the Commentary.
- 4442 Following the review, the Committee **PRE-APPROVED** the UCEM Financial Return albeit it noting that the commentary is to be completed ahead of the Board meeting to provide final sign-off to both the data and associated commentary on 25th February 2021.
- 4443 The Committee expressed its thanks to all the staff involved in bringing the Financial Return together and acknowledged the significant work involved in this.
- 4444** **2.2/ TO REVIEW THE UCEM SPEND OF THE OFS COVID-19 HARDSHIP GRANT FUNDING**
- 4445 The Committee was advised that UCEM is in receipt of £30,149 of additional one-off funding from the OfS Hardship grant. As this represents further public funding, UCEM must satisfy the Finance Committee that these funds are being put to appropriate and approved uses. The funding received must be allocated by 31 March 2021 and UCEM had to notify OfS by 31 January 2021 if it would be unable to spend the full allocation. The Executive approved plans to spend the full amount on 29 January 2021.
- 4446 The Committee was advised that whilst it was a significant effort to put in place processes and plans for the spend of this money by 31st March 2021, it had been considered the right thing to do. The key piece of work was to ensure a robust audit trail was put in place.
- 4447 UCEM is likely to receive further funds from the recently announced additional OFS Hardship Fund but it is unlikely to be to the same value as it will be distributed differently. The Committee was also reminded that UCEM has its own separate Hardship Fund in place to spend annually as part of Access and Participation.
- 4448 There were suggestions that approaching major firms or the Worshipful Company of Chartered Surveyors to support Hardship Funding would be a worthwhile exercise and could also contribute to realising Access and Participation Plans. However, it was also acknowledged that it is not always easy to secure this type of funding in the competitive landscape, that it can also be challenging to distribute it and that

the workload involved for administering such schemes should not be underestimated.

4449 The Committee **NOTED** the UCEM plans for the distribution and reporting of £30,149 of Covid-19 Hardship Fund grant received by the OfS.

3) 2020-21 FINANCIAL YEAR

4450 3.1/ TO RECIEVE THE DECEMBER 2020 MANAGEMENT ACCOUNTS BALANCE SHEET AND CASHFLOW FORECAST

4451 TM presented paper 3.1 to the Committee, which summarised the December management accounts, balance sheet and cashflow forecast relative to the revised budget for 2020-21 approved in November 2020. The December Management Accounts report that UCEM is ahead of income target by £96K and underspend on budgeted costs by £190K, therefore putting UCEM a net £226K ahead of revised budget before dividends, project work and Shinfield Grange.

4452 The Committee **NOTED** that current projects, alongside Shinfield Grange operations, are underspent at this time, and UCEM has a true saving to date of £18K. These savings give UCEM an actual current operating loss of £218K vs a forecast loss of £526K, meaning the institution is £308K ahead of previous expectations.

4453 TM also reported that Shinfield Grange approved expenses for the project are now included in the cashflow projection to the tune of £170K and that the investment portfolio losses from 2020 have recovered by £250K to date. Debtors have decreased as anticipated against the closing balance of year end; it currently stands at £2.8M, with the End Point Assessment (EPA) income equating to £1.5M of that total.

4454 The Committee **NOTED** the December year to date financial position and commended UCEM on the positive position year to date in ongoing uncertain economic times.

4455 The Committee **NOTED** the December 2020 Balance Sheet at paper 3.1b.

4456 The Committee received an updated cash flow projection in paper 3.2c covering the period to July 2023. The Committee **NOTED** that the projection has improved due to increased income but that the approved £400K of new staff costs have also been incorporated in full.

4457 The Committee **NOTED** the cash flow projection to July 2023, the prudence built into the forecast and that, with good working capital management and credit control, UCEM can avoid any negative cash position in the forecast.

4458 TM also shared initial results for January 2021, which illustrate that UCEM has remained consistent with the December results. Staff pay is now £44K better than expected due to maternity, furlough and some continued understaffing vs budget. Some unforeseen costs have arisen in month (life insurance for pension scheme which was under-invoiced in 2020) and a £50K transfer to Building People.

4459 TM reported that Ofsted costs have now moved entirely into Business as Usual, except for staff development which will be wound down. All Shinfield Grange expenditure, whilst approved, is included as an overspend vs the original budget.

UCEM will be seeking to capitalise all spend on Transform this year and depreciate it over 5 years to reduce the single year impact on the Profit and Loss to one fifth.

4460 Overall, TM reported that UCEM is £271K ahead of plan year to date.

4461 The Committee asked for further information on the Building People transfer of £50K. It was **NOTED** as an unbudgeted oversight for 2020-21. It was further **NOTED** that the transfer pays for staff salaries and secured matched funding from the Worshipful Company of Chartered Surveyors. AW recommended that the evolution of Building People should develop better support for UCEM's own ambitions for widening participation and access.

4462 3.2/ TO RECIEVE AN OVERVIEW OF ACADEMIC STAFFING SPEND

4463 Ashley Wheaton provided an overview of Executive-approved additional expenditure related to academic staffing (paper 3.2). AW reported that due to increasing workload as a result of Transform, significant numbers of retirements (many of which remain unfilled), additional workload supporting students experiencing Covid-19 / pandemic related challenges, and the direct impacts of the pandemic on staff (illness, self-isolation and home-schooling) the academic team has come under increasing pressures. Due to perceived financial restrictions during the early part of the pandemic, UCEM was unable to make any justifiable pay awards or undertake benchmarking of any staff.

4464 **REDACTED**

4465 The Committee **NOTED** that additional cost may be incurred of circa £10K if any newly eligible staff also elect to join USS over and above those already planned for.

4466 The Committee also **NOTED** and **APPROVED** UCEM's intention to undertake institution-wide benchmarking as part of standard annual processes. Communications on pay/bonuses to all staff currently only consist of the pay freeze and lack of bonuses in August 2020 due to the pandemic's likely impact on the year ahead. Given UCEM's better than anticipated performance in 2020-21 to date, this will be tempered in the coming months, assuming the Spring semester result is equally positive. **REDACTED**

4467 The Committee **NOTED** that UCEM is now embarking on an ambitious programme of recruitment for up to 10 new members of the academic team during the next 12 months. The cost of these new permanent members of staff is likely to be fully offset against savings in the annual Associated Tutor budget (currently £1.3m annually), and therefore represents a cost-neutral approach.

4468 Finally, the Committee **NOTED** that a project is also underway to analyse and improve the existing resourcing model, to find the optimum balance between permanent and associate members tutors within the academic team. This project will conclude in June 2021.

4469 3.3/ TO RECIEVE AN UPDATE ON THE SPRING INTAKE AND INCOME FORECAST

4470 Ashley Wheaton provided an overview of the latest new student recruitment forecast for Spring 2021 and the associated income projection this would yield (paper 3.3).

- 4471 For Spring 2021 UCEM is now forecasting 282 PG enrolments against a target of 270 and 266 UG enrolments against a target of 235. If these forecasts materialise UCEM would end the year 333 students head of the original target of 975 overall, and 43 ahead of the revised target of 1265. Re-registration remains on target for Spring. These numbers remain a reduction on previous years performance but are a commendable result in the ongoing global economic context and the consequent reduced numbers of apprenticeship starts. AH requested that in the future, UCEM's performance in previous years also be displayed for comparison.
- 4472 The Committee **NOTED** the mix of students in favour of Postgraduate apprenticeships is positive as income is significantly enhanced versus the non-apprenticeship route.
- 4473 The Committee **NOTED** the updated position on the new student recruitment forecast for the spring intake and thanked all teams involved in this effort.

4) PROPERTY

4474 4.1/ TO RECIEVE AN UPDATE ON THE SHINFIELD GRANGE PROJECT

- 4475 Ashley Wheaton and Andrew Hynard provided an update on progress with the Shinfield Grange project and the activities of the Property Working Group since the November meeting of the Finance Committee (papers 4.1 and 4.1a). The Committee was reminded that the Board had approved a budget of up to £200K to progress the project and to be put at the disposal of the Property Working Group.
- 4476 **REDACTED**
- 4477 **REDACTED**
- 4478 **REDACTED**
- 4479 The Committee **NOTED** and **ENDORSED** the steps being taken by the Property Working Group through its delegation of authority as to the future of Shinfield Grange. The Committee thanked Andrew Hynard for his role in working with the consultant and Ashley Wheaton to get to this position so swiftly following the PWG meeting in January.

5) FINANCIAL GOVERNANCE

4480 5.1/ TO RECEIVE A FURTHER USS PENSIONS UPDATE

- 4481 The Committee was reminded that it had considered the USS pension liabilities in detail at a dedicated meeting held on 11th January 2021. At that meeting it was confirmed that UCEM will invite the ten newly eligible staff members to join the scheme, in order to continue to comply with the USS Covenant.
- 4482 The Committee **NOTED** that the consultation to offer access to the USS pension scheme for newly eligible members would be starting shortly. Any academic staff now newly eligible following benchmarking will now be added to this process.

4483 5.2/ TO RECEIVE AN INVESTMENTS AND RESERVES UPDATE

4484 TM presented a Fund Performance Update to the Committee in paper 5.2. The paper showed that the Fund had recovered more than half the losses sustained in 2020 as a result of the global pandemic. UCEM currently invests around 15% of the total size of the targeted return fund. Barings had a target return of 7.1% before Covid-19 and have achieved 6%, which is not a poor performance in the global context.

4485 The Committee **NOTED** the Fund Performance update provided and the recovery of some of the losses as a result of the pandemic.

4486 JEF requested that the Committee enhances governance and oversight of investments and reserves through the creation of an Investments Working Group. This item has not progressed significantly enough for many years and a dedicated sub-group could develop a Reserves Policy for the institution.

4487 The Committee **NOTED** the time and capacity restraints of its membership, alongside the lack of capital to fund the progression of this work through consultancy support. The Committee **NOTED** that Barings had offered to update UCEM on the fund, performance and their market outlook. The Committee **AGREED** that Barings should be invited to the June 2021 meeting to provide this update and then the Committee can agree its next steps in order to move the item forward more definitively than it has been able to date.

4488 The Committee also **AGREED** that it needs to fully review its current reserves policy, considering the appropriate levels of reserves for an institution of UCEM's size and the mix of fixed and liquid assets on the balance sheet. AH suggested inviting an external contact to undertake this work on a pro bono basis **REDACTED**

ACTION: Map out a brief/set of requirements for external pro-bono advice to UCEM on its ideal reserves policy for approval by the Finance Committee ahead of any appointment. [AW/JEF/TM]

6) ANY OTHER BUSINESS**4489 6/ ANY OTHER BUSINESS**

4490 No other matters of business were raised, and the Chair closed the meeting at 16.00pm.

4491 The date and time of the next Finance Committee meeting will be Thursday 17th June 2021 at UCEM, Horizons, Reading, and via Zoom remote video link.

Signed



Name Jat Brainch

Position Honorary Treasurer and Chair of Finance Committee

Date 17th June 2021