

FINANCE COMMITTEE

17TH JUNE 2021

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 17th June 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: Stephen Bartle (Director Commercial & Business Development)
[SB] for item 3.2 only
Jane Fawkes (University College Secretary) [JEF]
Lyndsay Hughes (note taker) [LH]
Tim Mills (Director of Finance) [TM]

1) GENERAL MEETING GOVERNANCE

4492 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4493 There were no conflicts of interest declared.

4494 1.2/ TO RECEIVE APOLOGIES FOR ABSENCE

4495 There were no apologies for absence.

4495 1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 11TH FEBRUARY 2021

4496 The minutes of the Finance Committee meeting held 11th February 2021 (paper 1.3) were **APPROVED** as a true record and signed off by the Honorary Treasurer.

4497 The proposed redacted sections of the minutes from the meeting held 11th February 2021 were **APPROVED** and will be published accordingly on the UCEM website.

4498 1.4/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

- 4499 An actions summary from the last meeting was circulated as paper 1.4. The Committee noted that the only action was due for discussion at agenda item 4.1 and through the meeting on 22nd June 2021 and was therefore closed.

2) 2020-21 FINANCIAL YEAR

4500 2.1/ TO RECIEVE THE APRIL 2021 MANAGEMENT ACCOUNTS BALANCE SHEET AND CASHFLOW FORECAST

- 4501 TM presented paper 2.1 to the Committee, which summarised the April management accounts, balance sheet and cashflow forecast relative to the revised budget for 2020-21 approved in November 2020. The April Management Accounts continue to report that UCEM is ahead of income target by £363K and underspent on budgeted costs by £226K (predominantly related to recruitment delays, leavers and furlough scheme), therefore putting UCEM a net £590K ahead of revised budget on its operations before dividends, project work and Shinfield Grange.
- 4502 UCEM had forecast a statutory surplus of £76K but on the current trajectory this is now forecast to be £1.149M before statutory adjustments. **REDACTED**
- 4503 The Committee **NOTED** the April year to date financial position and commended UCEM on the positive outturn year to date in the context of the global pandemic.
- 4504 The Committee **NOTED** the April 2021 Balance Sheet at paper 2.1b, which it was noted includes an extra £382K in the investment portfolio which has been generated through the stock market recovery over the last year.
- 4505 The Committee received an updated cash flow projection in paper 2.1c covering the period to July 2022, which illustrated a good cash control position.
- 4506 TM stated his level of confidence in the predicted outturn for the year end. Income is accurate and essentially closed and few if any unforeseen additional costs are predicted. The Committee was delighted with the results but **NOTED** that much of the surplus is driven by Covid cost-savings which are unsustainable to the same degree in the future. UCEM's primary cost is its staff, other variable costs such as Facilities Management contracts and examinations are comparatively small and have already contributed to cost reductions which carry forward but do not bring additional new savings. This is set against increasing costs in other areas, such as USS.
- 4507 The Committee thanked the UCEM team for delivering such an exceptional result in the circumstances.
- 4508 The Committee requested that an additional column be added to the P&L presented at each meeting to include the actuals for the previous year.

ACTION: Ensure a 'Last Year Actuals' column is added to the P&L presented to each Finance Committee meeting. [TM]

3) 2021-22 FINANCIAL YEAR

4509 3.1/ TO RECIEVE THE PROPOSED INCOME FORECAST AND BUDGET FOR 2021-22

- 4510 Tim Mills presented a proposed budget for 2021-22 set against the current income forecast and known costs (paper 3.1 and 3.1a).
- 4511 The proposed budget is for a small deficit on business as usual of £58K. This is formed of an income target of £16.1M against expected operating costs of £16.4M, giving a deficit of £278K, reducing to £58K when investment income is added back in. The budget also anticipates some projects being funded by the 2020-21 surplus.
- 4512 The Trustees expressed disappointment that the £1M surplus of 2020-21 is eroded in the proposals for 2021-22 back to essentially breakeven. TM reported that £1.7M of additional costs in comparison to the 2020-21-year feature in the proposed budget for 2021-22, these are 2% pay rises (there was no staff pay rise in summer 2020), benchmarking of salaries, end of furlough scheme, USS increases (% increase in contributions forecast October 2021 and additional UCEM members), graduation ceremonies and staff returning to Horizons. In addition, UCEM has sought other new savings in order to balance the budget. UCEM will also receive less grant funding from the OfS than it did in 2020-21. Overall, the budget presented is assuming there are no further cost savings during 2021-22, and UCEM does anticipate some upside in BAU costs which will erode the £58K deficit position presented into breakeven or surplus, and it could see increased optimism in student recruitment which has not as yet been forecast.
- 4513 Courses revenue shows a further steady and measured growth forecast and illustrates the movement in recent years towards apprenticeships income being the dominant income source.
- 4514 Capital expenditure is modest and limited to laptop refreshing, finance planning system and the replacement of six IT servers.
- 4515 **REDACTED**
- 4516 UCEM also sought approval for some non-operational funding, from the surplus generated in 2021-22, to spend on feasibility studies for the launch of new UCEM programmes and to cover the costs of a senior Regulatory and Compliance role, reporting to Jane Fawkes. It is hoped these costs can be absorbed into operations but may lead to the deficit so have been highlighted as explicit requests to the Committee. These costs have all, however, been absorbed into the cashflow forecast presented.
- 4517 **REDACTED**
- 4518 The Committee had concerns that the budget is unbalanced given that costs will increase by nearly £2M year on year when income will only rise very modestly. The Executive recognised this position when work on the budget began in March and as a result is putting in place a 3-year focussed plan to drive sustainable surpluses for the future. The plan renews the institutional spotlight on the importance of student success and growing student numbers through retention, continuation and new programmes, considering student fees and options to increase income from the ways in which students are charged, and through continuing to focus on cost savings

and efficiencies. The small sum of additional investment is to support generating new income streams for the future. The Executive is disappointed to present a deficit budget, but it does represent a comprehensive loading of the entire cost base and there is confidence that further savings can be made.

4519 The Committee **NOTED** the assumptions in the proposed budget. The Finance Committee **APPROVED** the proposed budget in paper 3.1a for 2021-22 but requested that any discretionary items of expenditure within the plan for the year be held back until the income position through the autumn student recruitment window is known, in order to retain some prudence and control of over the budget and drive a year end surplus position.

4520 The Committee **APPROVED** the re-investment of £423K of the expected surplus made in the 2020/21 accounts towards project work (£365K) and the projected deficit (£58K) in 2021/22.

4521 REDACTED

4522 REDACTED

4523 3.3/ TO RECIEVE THE PROPOSALS FOR ANNUAL FEE REVIEW

4524 Stephen Bartle joined the meeting to present a paper outlining UCEM's current position with fees, what it has planned for in the coming five years (as submitted to OfS in the Access and Participation Plan and the Financial Return) and options to increase margin by fee amendments for 2022-23 and beyond (paper 3.2). The Committee was reminded that UCEM fees for the 2021-22 academic year are fixed and cannot be changed at this point in time.

4525 UCEM is exploring all levers for improving fee income, set within the context of the OfS rules and market pressures. There are three areas where fee increases could be immediately introduced – an increase to the Chartered Surveyor MSc Apprenticeship, an increase in the BSc non-apprenticeship route fees in line with the anticipated government review of maximum chargeable fees and introducing a charging policy for module retakes and mitigating circumstances (where they are often currently free of charge).

4526 Other options for increasing income are covered in paper 3.2 but none of these are proposed to be implemented at the current time. These include annual registration, annual module fee increases, and fees for additional items provided.

4527 REDACTED

4528 The Committee **AGREED** that scoping out annual registration should be brought forward and prioritised as a key lever in impacting financial sustainability and securing longer-term student commitment to paying fees and requested a proposal be presented at the next Committee, even it requires investment. The Executive outlined some of the constraints of this potential project and the complexities on systems and processes but agreed scoping out the proposal in full would be valuable.

ACTION: Present a project proposal for annual registration to the Finance Committee in November 2021. [SB/JEF]

- 4529 The Committee **NOTED** the planned student module fees for the next four years, which have been modelled in the APP, the Financial Return and the income/cashflow forecasts.
- 4530 The Committee **APPROVED** the proposed increase in module fee from £1,175 to £1,200 for 2022/23.
- 4531 The Committee **NOTED** the additional options for generating fee income outlined in the paper which will be further explored for implementation by the Executive – increase of fees for the Chartered Surveyor MSc Apprenticeship from 2022/23 and beyond, continuing to monitor government policy over the coming 12 months with a view to increasing undergraduate fees towards the maximum allowable, and the introduction of fees for module retakes.
- 4532 The Chair thanked SB for his contribution and invited him to leave the meeting.

4) INVESTMENTS AND RESERVES

4533 **4.1/ TO REVIEW UCEM'S INVESTMENTS AND RESERVES**

- 4534 TM informed the Committee that Barings notified UCEM in April 2021 that it intends to close its Targeted Return Fund in August 2021 and that as a result UCEM needs to move its investments to another fund manager (paper 4.1). Consequently, UCEM needs to urgently consider and agree its investments and reserves policies.
- 4535 The Committee **NOTED** the timescales and processes for the completion of the fund transfer from Barings to a new investment management firm, which must be prior to the end of UCEM's financial year on 31st July 2021 and in advance of the Barings Fund closure date on 31st August 2021. The Committee **NOTED** that the current fund valuation is £8.8M.
- 4536 The Committee considered the proposed Investments and Reserves Policies in papers 4.1a and 4.1b and specifically the areas in red which required decisions from the Committee. The policies had been drafted following research with other institutions and charities.
- 4537 The Committee **APPROVED** the outline principles in the UCEM Reserves Policy V0.01.
- 4538 The Committee considered what ethical investment criteria it might include in the policy. It was **AGREED** the policy should define the percentage maximum tolerances UCEM will accept in terms of exposure to specific asset classes, but the Committee did not specifically list and agree what these were for UCEM. It was **AGREED** that AM would share the Duchy of Cornwall's Ethical Investment Policy with UCEM so that further work can swiftly be undertaken on this matter ahead of the tender process taking place on 22nd June 2021. UCEM should also review the policies of the Wellcome Trust, The Crown Estate and the Church Commissioners as leaders in this area.

ACTION: Refine the investments policy ahead of the Finance Committee tender process on 22nd June 2021. [TM]

- 4539 The Committee **APPROVED** the outline principles in the UCEM Reserves Policy V0.01, it will be finalised following the tender process on 22nd June 2021.

4540 It was **AGREED** the Investments and Reserves policies, once finalised, will require Finance Committee review regularly and as a minimum every five years in order to remain relevant.

4541 The Committee reviewed the research on potential funds UCEM might transfer its holdings to in paper 4.1c, noting that the three firms will each be presenting to the Finance Committee on 22nd June 2021.

5) PROPERTY

4542 5.1/ TO RECIEVE AN UPDATE ON THE SHINFIELD GRANGE PROJECT

4543 Andrew Hynard provided an update on progress with the Shinfield Grange project and the activities of the Property Working Group since the February meeting of the Finance Committee (paper 5.1).

4544 REDACTED.

4545 REDACTED

4546 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 ongoing time commitment and support to the project.

4547 REDACTED.

6) ANY OTHER BUSINESS

4548 6/ ANY OTHER BUSINESS

4549 No other matters of business were raised, and the Chair closed the meeting at 15.28pm.

4550 The date and time of the next Finance Committee meeting will be Thursday 4th November 2021 at UCEM, Horizons, Reading, and via Zoom remote video link and will be a joint meeting day with the Audit Committee.

7) MEETING CLOSE

8) MATTERS FOR NOTING

4551 There was insufficient time within the agenda to allow for full discussion of the following items, so they were taken as read and noted.

4552 8.1/ CHANGES TO OFS CAPITAL FUNDING

4553 The Committee **NOTED** the changes proposed by OfS to the distribution of capital funding for the 2021-22 financial year.

4554 The Committee **NOTED** that UCEM had previously been in receipt of £92,804 in 2019-20 and £129,858 in 2020-21 but that this was likely to reduce to zero for 2021-22 if the changes are approved.

4555 8.2/ CHANGES TO OFS RECURRENT GRANT FUNDING

4556 The Committee **NOTED** the changes proposed by OfS to the distribution of recurrent grant funding for the academic year 2021-22.


4557 The Committee **NOTED** that UCEM had previously been in receipt of £879,987 in 2019-20 and £943,821 in 2020-21 from the recurrent grant fund and that if the proposals pass, it will only be eligible for £894,129 (subject to final calculations and amendments) in 2021-22.

4558 8.3/ USS PENSIONS UPDATE

4559 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 would invite all newly eligible staff members to join the scheme, in order to continue to comply with the USS Covenant.

4560 The Committee **NOTED** that the consultation to offer access to the USS pension scheme for newly eligible members was held through Spring 2021. The Committee also **NOTED** that the numbers of eligible members increased through the academic resourcing project and benchmarking process, also held during Spring.

4561 The Committee **NOTED** that in total 22 new members of staff had joined the scheme in April 2021 and a further 2 may join at a later date. One staff member opted out and three special cases are being evaluated. The Committee **NOTED** that the total cost of the increased membership to UCEM is £42,892 in the current financial year, which will increase to £155,445 for the full year 2021-22 (this sum being in addition to the existing membership and USS costs already carried by the institution).

Signed 

Name Jat Brainch

Position Honorary Treasurer and Chair of Finance Committee

Date 4th November 2021