

FINANCE COMMITTEE
20TH JANUARY 2022

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 20th January 2022 from 14.00-14.45pm.

Present: Jat Brainch [JB] Honorary Treasurer and Chair
Amanda Clack [AC]
Andrew Hynard [AH]
Alastair Martin [AM]
Dominic O'Rourke [DOR]
Ashley Wheaton [AW]

Apologies: Nick Braisby [NB]

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

1) GENERAL MEETING GOVERNANCE

4679 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4680 There were no conflicts of interest declared.

2) ATTENDANCE

4681 2.1/ TO RECEIVE APOLOGIES FOR ABSENCE

4682 There were apologies for absence from Nick Braisby.

4683 2.2/ TO WELCOME DOMINIC O'ROURKE TO THE FINANCE COMMITTEE

4684 The Chair welcomed Dominic O'Rourke to the Committee. Dominic was appointed as an Independent Trustee in November 2021. Dominic was also appointed to the Finance Committee's membership and this is his first meeting in this capacity.

3) THE OFS FINANCIAL RETURN

4685 3.1/ TO REVIEW THE PROPOSED UCEM OFS FINANCIAL RETURN

- 4686 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 2026, 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. The return consists of a complex workbook of fourteen separate tabs of information (paper 3.1a) and a corresponding Commentary (paper 3.1b).
- 4687 The Committee reviewed the data for the submission on behalf of the Board (who will sign it off at an exceptional meeting on 27th January 2022). TM explained the context of how the return is completed. The Finance Committee **NOTED** that the data reflects a pragmatic position based on current known and accurate financial information – it does not include any assumptions on growth, ambition or any new initiatives yet to materialise. The Finance Committee was also asked to **NOTE** that the standard model of higher education for which the return is devised to monitor does not reflect UCEM’s model, where for example, apprenticeship students feature, and fourth year students become full time where in years one-three they were classed as part time. UCEM has used the commentary document to seek to explain these anomalies and UCEM’s workbook data has been through numerous internal checking processes to date.
- 4688 TM confirmed that the OfS primary focus is on long term sustainability of the institution and cashflow/liquidity. Year one and two on the return cover actual audited accounts, and year three is the current year. Years four to seven cover conservative estimates of known plans and projections for these years. TM confirmed that agreed budgetary changes in November 2021 have been incorporated into the workbook for year three, e.g. funding for development of sustainability work programme.
- 4689 TM explained UCEM’s approach and where this differs from last years return. The Fee numbers look at three categories of students – UK students, the rest of Europe and those outside of Europe. OfS only monitors those students who physically attend their studies in the UK and the return therefore does not include all UCEM international students. Essentially, this is in order to match the Financial Return with the HESA student data returns UCEM makes. However, for income UCEM does have to include the fees it will earn from international students. Apprenticeship students are also handled specifically within the worksheets and as a result it can appear that fees and FTEs do not reconcile.
- 4690 TM also pointed out that in the P&L and Balance Sheet UCEM’s projected loss of £700,000 this year is recorded but that in the future surpluses are predicted from an accounting perspective. Staff cost projections include a National Insurance planned rise and the agreed rise to USS pensions that was adopted in autumn 2021. It does not reflect any potential unapproved changes to contributions in the forecast years. Finally, there are also what may appear to be cashflow anomalies between years relative to UCEM’s investment holdings which were due to the timing and process of the move of funds in summer 2021 between Barings and Sarasins which crossed two financial years.
- 4691 TM then addressed various pre-submitted questions from the Committee about the return. TM advised that Shinfield Grange is treated as an investment in UCEM accounts and on this return. The current valuation is a Board approved figure that the auditors have endorsed. Investment income for Shinfield Grange is listed as zero

and that is because tenants are leaving the site and therefore UCEM has no further expectation of this income beyond the current year. The share portfolio is not valued on future years and this is because it is impossible to estimate the value of the fund. UCEM does, however forecast the dividend income. The pension is not forecast to increase beyond 2021 and this was queried by the Committee as unrealistic. A 2% inflationary increase only related to wages has been included.

- 4692 The Committee queried use of a 2% inflation figure across the return, which it is now acknowledged as likely to be higher than this across all businesses. This means both costs and income are likely to be higher than reported. TM reported that work on this return commenced in October 2021 when 2% was a realistic figure. UCEM is unlikely to be able to implement price rises to offset higher inflation on costs and will continue to face margin pressure.
- 4693 This is the third Financial Return UCEM has now completed and UCEM is gaining in confidence in the process and the quality of data included. UCEM has also sought appropriate advice from OfS on how to present various elements of the data. UCEM has spent time ensuring the Commentary document accurately supports the data and helps the OfS to understand the UCEM model of provision which is substantially different to the norm in higher education. UCEM does not expect significant concerns or queries to be raised and there are no significant risks to draw to the Committee's attention. UCEM believes the focus of the OfS will be on cash and how the balance sheet and reserves can be interpreted as mechanisms to boost the cash position operationally, if necessary, which UCEM has had to explain in the past.
- 4694 The Committee expressed its thanks to all the staff involved in bringing the Financial Return together and acknowledged the significant and complex work involved in this. The Committee expressed its confidence in TM and the Finance Team on the detailed data included and thanked the UCEM leadership team for their scrutiny of this such that the Committee can have assurance in pre-approving it for submission to the full Board of Trustees.
- 4695 The Committee **NOTED** that the initial submission will be made on 1st February (following the Board of Trustees approval on 27th January 2022) and will be followed by a four-week verification process ahead of final submission on 1st March and Accountable Officer sign off by 17th March 2022.
- 4696 Following the review, the Committee **PRE-APPROVED** the UCEM Financial Return for circulation to the full Board of Trustees who will be asked to provide final sign-off to both the data and associated commentary at their meeting on 27th January 2022.

4) ANY OTHER BUSINESS

4697 6/ ANY OTHER BUSINESS

- 4698 No other matters of business were raised.

5) MEETING CLOSE

- 4699 The Chair closed the meeting at 14.32pm.

4700 The date and time of the next Finance Committee meeting will be Thursday 10th February 2022 from 14.00-16.00pm.

Signed 

Name Jat Branch

Position Honorary Treasurer and Chair of Finance Committee

Date 10th February 2022