

FINANCE COMMITTEE
4TH NOVEMBER 2021

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing and in person at Horizons, 60 Queen's Road, Reading, RG1 4BS on Thursday 4th November 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

4599 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4600 There were no conflicts of interest declared.

4601 1.2/ TO RECEIVE APOLOGIES FOR ABSENCE

4602 There were no apologies for absence.

4603 1.3/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 17TH JUNE 2021

4604 The minutes of the Finance Committee meeting held 17th June 2021 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4605 The proposed redacted sections of the minutes from the meeting held 17th June 2021 were **APPROVED** and will be published accordingly on the UCEM website.

4606 1.4/ TO APPROVE THE MINUTES OF THE MEETING HELD ON 22ND JUNE 2021

4607 The minutes of the Finance Committee meeting held 22nd June 2021 (paper 1.4) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4608 The Committee **NOTED** that these minutes had been redacted in full and that they would not therefore be published on the UCEM website.

4609 1.5/ TO CONSIDER MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA

4610 An actions summary from the last meeting was circulated as paper 1.5. The Committee noted that all actions had been closed.

4611 1.6/ TO NOTE ONE CHAIRS ACTION SINCE THE LAST MEETING

4612 Since the last meeting of the Committee one Chair's Action has been approved, that of agreeing the signatories to the Sarasin and Partners investments account. There are six signatories on the account (Amanda Clack, Stephen Jackson, Jat Brainch, Ashley Wheaton, Jane Fawkes and Tim Mills) and that where signatures are required to authorise transactions one Trustee and one Executive member would be required.

4613 The Committee **NOTED** the completion of the transfer of the UCEM investment portfolio from Barings to Sarasin & Partners and the approved authorised signatories for the new account which were approved by Chairs Action on 13th July 2021 following email communication with Committee members.

2) 2021-22 FINANCIAL YEAR

4614 2.1/ TO RECIEVE THE SEPTEMBER 2021 MANAGEMENT ACCOUNTS BALANCE SHEET AND CASHFLOW FORECAST

4615 TM presented paper 2.1 to the Committee, which summarised the September 2021 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2021-22 (approved in June 2021). TM confirmed the last year actuals have now been added to the accounts presented as previously requested by the Committee.

4616 TM reported that overall income is down by £5K YTD for September 2021. TM also reported that UCEM has now changed how bursaries are reported and they have moved out of income into non-pay teaching costs (following guidance from the OfS). Costs are £57K better than plan, largely due to ongoing staff vacancies/recruitment lag. One new team member is being paid through an agency, but this is being funded through vacancy savings. The total cost savings are also driven by graduation, where there are no catering costs once more due to Covid-19. UCEM continues to make savings vs budget in operating costs (£17K) due to a lower than planned building occupancy at Horizons and rent savings in Hong Kong. TM also reported that UCEM's bad debt has improved which has provided additional unplanned income.

4617 Overall, UCEM had expected to be in a £1.7M loss position but is now at £1.6M loss position, better than budget by £132K just two months into the year. The key period of income through the autumn is during October so this is not yet reflected in the accounts, but new student recruitment has exceeded plan and crucially, the overperformance has been in apprenticeships which provides a higher income yield per student to UCEM.

4618 The Committee queried the staff vacancies, which are being seen across many sectors and business currently. UCEM has carried out benchmarking during 2021 so does not believe it is falling below typical market rates, the recruitment lag has been caused by a lack of quality candidates and the competitive market. In addition, UCEM has had a higher number of leavers than it would have expected. The savings are entirely non-intentional and UCEM is actively recruiting.

4619 The Committee **NOTED** the September year to date financial position of £132K better than budget.

4620 The Committee **NOTED** the September 2021 Balance Sheet at paper 2.1b and that the investment portfolio has dropped by approximately £169K. TM reported that Sarasin & Partners expect this to rise again in the New Year. Debtors have also grown but will reduce again as the year progresses, as will the deferred income balance.

4621 REDACTED

4622 REDACTED

4623 REDACTED

4624 REDACTED

4625 2.2/ TO RECIEVE A PROPOSED BUDGET REVISION

4626 TM presented paper 2.2 to the Committee, which proposed a budget revision for the 2021-22 year relating to the loss of Cognassist related income and some required additional spend. The Committee considered this in the context of ongoing discussions about what structural changes UCEM can make to ensure it moves into a sustainable surplus budgetary position for the future.

4627 AW reported that a government decision relative to Cognassist was made in late July 2021 after UCEM's budget was approved for 2021-22 in early July 2021. UCEM is no longer able to use the functionality of Cognassist to secure the £156K income it planned and therefore proposes removing this from the budget through an approved revision. This change would increase the UCEM BAU budget deficit plan for the year to £214K.

4628 In addition, UCEM presented some additional cost requests as a result of resourcing and workload challenges in the Student Services and Registry team to the total value of £232K. Of this £132K is earmarked for new staff resource and £100K investment for technology solutions to deliver Project 1000 and increase student success rates/UCEM income (automation of the student experience principally in assessment). The requests have been scrutinised and considered appropriate by the Executive team and the resource investment within Student Services are considered critical. TM reminded the Committee that higher than budgeted income for semester 1 will offset some of this additional spend (UCEM is currently £417K ahead of income budget for autumn recruitment). The additional spend is quoted as in-year and will be required to be annualised in 2022-23. Where spend can be capitalised, it will be.

4629 REDACTED

- 4630 The Committee **APPROVED** the withdrawal of the Cognassist income from the approved budget/forecast for 2021-22 amounting to -£156K from the projected income).
- 4631 The Committee **APPROVED** the requested additional spend, totalling £232K, in the following areas: technology solutions to support student success; additional team resource in the Registration Team to support the converged semester start dates; recruitment of a Director of Student Services; and recruitment of a Student Community Manager. These approvals were made in the expectation of additional income in excess of that budgeted/forecasted.
- 4632 REDACTED
- 4633 REDACTED

3) FINANCIAL SUSTAINABILITY

4634 3.1/ TO RECIEVE A FEASIBILITY STUDY INTO ANNUAL REGISTRATION

- 4635 The Chair welcomed Hannah Al-Katib to the meeting for this item.
- 4636 HAK presented a feasibility study report into the potential impact annual registration might have on the financial sustainability of the institution in the future (paper 3.1).
- 4637 Overall, HAK concluded that the business justification for undertaking an annual registration project is not sufficient. It would be complicated to implement given UCEM's academic year structure, it would impact on student flexibility, and it would require significant resource/investment which would unlikely yield sufficient return. HAK recommends that UCEM instead focuses its resources on student outcomes and student success activities. In addition, those students who are successful re-register with UCEM anyway and would continue to do so regardless of annual registration, so the impact is likely to be limited to the first year.
- 4638 The Committee **AGREED** that the annual registration project should not proceed at the current time and instead that UCEM resource should focus on increasing student success and retention as a means to positively impacting financial sustainability. It should remain as an option for the future as part of wider ongoing discussions around long term financial sustainability of the institution.
- 4539 The Chair thanked HAK for her contribution and invited her to leave the meeting.

4) PROPERTY

4640 4.1/ REDACTED

- 4641 REDACTED
- 4642 REDACTED.
- 4643 REDACTED

4644

REDACTED

5) FINANCIAL GOVERNANCE

4645 5.1/ TO APPROVE THE INVESTMENTS AND RESERVES POLICIES

4646 Tim Mills re-presented the Investments and Reserves policies for Committee approval following review of their first draft in June 2021 in paper 5.1a and 5.1b with proposed amendments marked in tracked changes.

4647 The Committee **APPROVED** the UCEM Reserves Policy V0.02.

4648 The Committee **APPROVED** the UCEM Investments Policy V0.02.

4649 The Committee **NOTED** that these policies will be reviewed as a minimum every two years in order to maintain their relevance.

4650 5.2/ TO RECEIVE THE FINANCE COMMITTEE ANNUAL REPORT 2020-21

4651 The Committee considered its draft Annual Report for the 2020-21 academic and financial year (paper 5.2). As part of best practice in higher education governance, all sub-committees of the Board review their work and impact through an annual report.

4652 The Committee **NOTED** the work achieved by the Committee in the 2020-21 year and **APPROVED** the Finance Committee draft annual report for 2020-21 which will be presented to the Board on 25th November 2021 for final approval.

4653 5.3/ TO RECEIVE THE BURSARIES WORKING GROUP ANNUAL REPORT 2020-21

4654 The Committee was reminded that the Bursaries Working Group was formerly a sub-group of the Finance Committee and is now managed internally. A draft annual report for the 2020-21 academic and financial year was presented in paper 5.3. The Committee was reminded that it retains oversight of the work of the Group in its Terms of Reference.

4655 The Committee **NOTED** the work achieved by the Bursaries Working Group in the 2020-21 year and expressed pride in the role it plays for UCEM students. The Committee also noted that funding support is significantly oversubscribed and being mindful of Access and Participation Plan category students is placing additional strain on the available funding. UCEM now supports less overseas students than previously. The Committee also welcomed the launch of the Postgraduate Scholarship Scheme in 2020-21.

4656 The Committee **APPROVED** the Bursaries Working Group Annual Report for 2020-21 and expressed its formal thanks to the Bursaries Working Group members for their work over the year.

4657 5.4/ REDACTED

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REDACTED

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REDACTED

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The Committee **APPROVED** the proposed signatories and approval levels for UCEM bank accounts as outlined in paper 5.3a, pending the requested minor amendment. In addition, the Chair confirmed her wish to be added to the UCEM Natwest accounts as an authorised signatory to the same levels as the previous Chair, as a matter of good governance and as an alternative approved to the Honorary Treasurer.

ACTION: Add Amanda Clack as an authorised signatory on the UCEM Natwest bank account. [TM]

4661**5.5/ TO RECEIVE A USS PENSION SCHEME UPDATE**

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AW updated the Committee on the significant amount of activity with regards to the USS Pension that has taken place over 2021, both internally and externally (paper 5.5).

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UCEM completed its work on reviewing its compliance with the USS Covenant and all those eligible staff are now included in the scheme. This in turn is reflected in the increased costs UCEM has budgeted for USS in 2021-22 and beyond. The sector continues to anticipate substantial USS contribution rises for both employers and employees but for now the approved increases to be implemented immediately were lower than expected.

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The Committee **NOTED** the changes imposed on UCEM and its member employees by USS in 2021.

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The Committee **NOTED** the increased membership and total costs to UCEM as a result of new members to the scheme in 2021.

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The Committee **NOTED** the lower than budgeted new employer contributions imposed by USS for 2021-22 which result in a saving vs budget for UCEM in year.

4667**5.6/ TO APPROVE THE UCEM GRANT TO UCEM ASIA LTD FOR 2020-21**

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The Committee was reminded that UCEM approves a retrospective grant to UCEM Asia Ltd annually. A grant of £431K was approved and signed by the Chair in September 2021 and was due to be reported to the Committee at this meeting as a Chair's Action. This sum has now been reduced upon receipt on further advice regarding allocation of salary costs of a UK-based member of UCEM staff who works principally for UAL. As a result of allocating these costs back into UCEM the total grant now required for UAL subject to Finance Committee approval is £385K (see paper 5.6 & 5.6a). Once Nova receive a signed letter from UCEM confirming this grant funding it will issue the final audit report for the 2020-21 year to UCEM.

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The Committee **APPROVED** the UCEM Asia Ltd Grant of £385K for 2020-21 and the Chair gave authorisation for her electronic signature to be used on the letter to reflect this.

6) ANY OTHER BUSINESS

4670 **6/ ANY OTHER BUSINESS**

4671 No other matters of business were raised.

7) MEETING CLOSE

4672 The Chair closed the meeting at 15.31pm.

4673 The date and time of the next Finance Committee meeting will be Thursday 20th January 2022 to review the OfS Financial Return proposed submission. The next full Finance Committee meeting will take place on Thursday 10th February 2022 from 14.00-16.00pm.

8) MATTERS FOR NOTING

4674 There was insufficient time within the agenda to allow for full discussion of the following items, so they were taken as read and noted.

4675 **8.1/ OFS GRANT FUNDING ALLOCATION 2021-22**

4676 The Committee **NOTED** that UCEM was awarded of **£890,222** by the OfS for the 2021-22 academic and financial year and the associated caveats of this allocation. This is a small decrease of £90K on capital funding and £50K on Teaching Grant compared to 2020-21.

4677 **8.2/ SARASIN & PARTNERS INVESTMENT REPORT SEPTEMBER 2021**

4678 The Committee **NOTED** the transfer of UCEM investments from Barings to Sarasin & Partners in summer 2021. The Committee **NOTED** and **RECEIVED** Sarasin & Partners first UCEM Investment Report for September 2021.

Signed



Name Jat Brainch

Position Honorary Treasurer and Chair of Finance Committee

Date 10th February 2022