

**FINANCE COMMITTEE  
9<sup>TH</sup> NOVEMBER 2022****REDACTED MINUTES FOR PUBLICATION**

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Wednesday 9<sup>th</sup> November 2022 from 14.00-16.00pm.

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

Apologies:

In Attendance: Laura Bell McMillan (Board Apprentice) [LBM] – observing  
Jane Fawkes (University College Secretary) [JEF]  
Lyndsay Hughes (note taker) [LH]  
Tim Mills (Executive Director Finance) [TM]

**1) GENERAL MEETING GOVERNANCE****4846 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST**

4847 There were no conflicts of interest declared.

**4848 1.2/ APOLOGIES FOR ABSENCE**

4849 There were no apologies for absence.

**4850 1.3/ MINUTES OF THE MEETING HELD ON 16<sup>TH</sup> JUNE 2022**

4851 The minutes of the Finance Committee meeting held 16<sup>th</sup> June 2022 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4852 The proposed redacted sections of the minutes from the meeting held 16<sup>th</sup> June 2022 were **APPROVED** and will be signed and published accordingly on the UCEM website.

**4853 1.4/ MATTERS ARISING FROM THE MINUTES NOT INCLUDED ELSEWHERE ON THE AGENDA**

4854 An actions summary from the last meeting was circulated as paper 1.4. The Committee noted that all actions had been closed.

## 4855 **1.5/ CHAIR'S ACTION – SHINFIELD GRANGE VALUATION**

4856 The Committee noted that one Chair's Action had been taken in October 2022 regarding an Auditors' request to have an accounts revaluation of Shinfield Grange. The Committee agreed to note the following in the minutes to record this action:

4857 The Finance Committee **AGREED** to commission an independent valuation of Shinfield Grange by Knight Frank in order to satisfy the auditors' challenge that the current valuation of the property at £1.7M is out of date. The valuation will be provided by Knight Frank by 26<sup>th</sup> October 2022 to enable the accounts sign-off deadlines to be met. The Committee **NOTED** that the valuation provided to UCEM noted Shinfield Grange's current value as £1.6M, which is not materially a significant enough difference to change the current Balance Sheet value recorded of £1.7M.

## **2) OFFICE FOR STUDENTS COMPLIANCE**

### **4858 2.1/ THE OFS FINANCIAL RETURN 2022**

4859 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 31<sup>st</sup> July 2027, cash flow, and 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 Committee reviewed the data for the submission on behalf of the Board who will sign it off at an exceptional meeting on 21<sup>st</sup> November 2022.

4860 TM highlighted key data sets within the return, explaining that the data in tables 1-3 is built from the more detailed data in tables 4-14. TM explained that the FTE table excludes apprenticeship students who have completed their degrees but not yet completed their End Point Assessment, whereas all students and expected income (i.e. including those in this position) are included on the income tab. The FTE table does not include international students.

4861 The return has been calculated on the basis of prudence rather than aspiration, though it does include projected student numbers on the forthcoming MSc in Innovation in Sustainable Built Environment and on the new Level 4 programme.

4862 The Committee queried whether OfS will question UCEM's liquidity, given that cash holdings are forecast to drop to £600K in July 2023, but TM confirmed that UCEM remains well within the liquidity thresholds for an institution of this size.

4863 TM also updated the Committee that UCEM has resolved an issue of funds owed to the Student Loan Company which will be paid back (though reductions in payments from the SLC to UCEM through autumn 2022). The clawback relates to students with UCEM in 2013-2017 who studied for only one semester but whose loans were paid to UCEM for a full year. The total clawback is £123K.

4864 TM confirmed his belief the return will be acceptable to the OfS as presented and that the Commentary paper explains all elements of the data. The focus will be on

financial sustainability and cashflow which are both positive for UCEM and unlikely to be challenged. The Committee was satisfied and had no further queries.

- 4865 Following the review, the Committee **PRE-APPROVED** the UCEM Financial Return ahead of the Board meeting to provide final sign-off to both the data and associated commentary on 21<sup>ST</sup> November 2022.
- 4866 The Committee expressed its thanks to all the staff involved in bringing the Financial Return together and acknowledged the significant work involved in this to the much tighter timescales than in prior years.

### 3) 2022-23 FINANCIAL YEAR

#### 4867 **3.1/ YEAR TO DATE PERFORMANCE 2022-23, BALANCE SHEET AND CASHFLOW FORECAST**

- 4868 TM presented paper 3.1 to the Committee, which summarised the September 2022 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2022-23 (approved in June 2022) and the Year End forecast.
- 4869 TM reported that UCEM is ahead of budget by £113K in September YTD as a result of strong new student recruitment for the autumn semester. This will amount to at least a £200K over-performance on income once finalised, though the total positive impact is not yet calculated due to the impact of potential withdrawals and non-continuing students. Total expenses are £60K under budget YTD (largely due to vacancies) meaning UCEM is currently a net £173K ahead of budget before project work and Shinfield Grange. Current projects are also underspent at this time by £16K, giving UCEM an actual current operating loss of £1,402K vs budgeted loss of £1,592K (overall £190K ahead of expectations).
- 4870 The Committee expressed concerns that despite savings and small surpluses in years, the cost base still seems to grow in line with income growth. The Committee suggested that in future, it would be helpful to review those sources of income where the cost increases are divorced from income growth and those where the margin is much tighter.
- 4871 The Committee also received the Balance Sheet in paper 3.1b and an updated cash flow projection in paper 3.1c covering the immediate 12-months ahead. TM reported that the investment portfolio has reduced by approx. £1M, though this valuation was taken at 30<sup>th</sup> September when the UK mini-budget had its biggest impact and this has already recovered by approximately £200K. Cash at the bank remains healthy and UCEM retains the additional liquidity of a £250K overdraft facility.
- 4872 TM explained to the Committee that UCEM has to carry a new USS pension liability provision on its balance sheet of £1.9M. A deficit recovery plan was put in place for the scheme as part of the 2018 valuation, which required payment of 2% of salaries over the period 1 October 2019 to 30 September 2021, 6.2% over the period 1 October 2021 to 31 March 2024 and 6.3% from 1 April 2024 to 30 April 2038. The Committee asked that UCEM considers whether it would benefit from some updated external advice on pensions.

**ACTION:** Consider commissioning some updated external advice on UCEM pensions. [AW/TM]

- 4873 The Committee discussed UCEM's budgeting prudence vs the extent to which it should plan for vacancies and a recruitment lag. UCEM's challenge is to become more accurate and inclusive of this lag when budgeting at the outset for the year. The Committee also suggested that UCEM should consider when a formal rebudgeting of income for the current year end should be undertaken once re-registration and withdrawals are factored in and the likely Spring performance is known. It might also help to give more direct consideration of discretionary costs so the Committee can determine what is reasonably expected from the operating P&L and what should be funded alternatively.
- 4874 Finally, the Committee noted that UCEM will not be subject to energy price increases until January (due to a fixed price period). UCEM's current cost/budget is for £118K per annum but has estimated this at £205K per annum in the budget going forwards. UCEM will be tendering for a new contract in December.
- 4875 The Committee **NOTED** and welcomed the September year to date financial position of £190K better than budget after projects and statutory adjustments. The positive position is as a result of strong new student recruitment performance and underspend in staff vacancies.
- 4876 The Committee **NOTED** the September 2022 Balance Sheet at paper 3.1b and that UCEM retains a strong balance sheet and reserves position despite the fluctuations in the investment portfolio performance.
- 4877 The Committee **NOTED** the cashflow projection and that UCEM does not anticipate being cash negative in the next twelve months.
- 4878 The Committee **NOTED** the Student Loan Company pay back for historic overpayments of £123K.

## 4) FINANCIAL RESILIENCE

### 4879 4.1/ Long Term Financial Resilience of UCEM

- 4880 Ashley Wheaton presented a paper on financial resilience (papers 4.1). The paper and the plans and thoughts to date represent step one on this journey and there will be more to come once Finance Committee have fed in their thoughts. The work undertaken today is split into two parts – an analysis of the P&L by income and cost, and the presentation of some areas which the Executive believes might impact profitability in both income and costs (categorised by short or long term, strategic or operational and low, medium or high impact). AW explained that the work to date has led the Executive to propose seven areas of activity for immediate further work and exploration.
- 4881 The analysis has shown three important things: that gross margin in apprenticeships is lower than in non-apprenticeships which was a surprise to the team; that income per student for international students is considerably lower than in other markets due to poorer success rates; and that there is a minimum of around £250K of discretionary costs which UCEM carries which do not relate directly to delivery but to wider strategic initiatives (and the Committee will need to consider whether there is value in considering these). The Committee/Board of Trustees will also need to take some important decisions regarding potential strategic initiatives, specifically CPD and international, which were explicitly excluded from the CX

Strategy when it was approved four years ago. There is clearly a difference between driving operational execution of the existing strategy and strategic decisions that may impact profitability and financial resilience.

4882 REDACTED

4883 The Committee welcomed the paper and the time and effort invested in pulling it together. The Committee queried what data UCEM has on price sensitivity for students and employers. This varies by income stream and decisions are made or proposed relative to this sensitivity and the limited leverage UCEM has in some areas (due to OfS funding caps and ESFA funding bands). Market comparison with direct competitors would be useful data to analyse too.

4884 The Committee requested other dimensions to the analysis and potential of the initiatives, these were the relative ease of implementation and when considering costs as discretionary or not, to also consider them as fixed or variable – which might lead to some surprising revelations that also provide addressable profitability margins. It was also suggested some initiatives could be usefully grouped together (e.g. 4 and 19, and 6, 15 and 25) and if these are added together the impact can be so significant it is worth spending some resource in these areas to develop the work further and make the significant savings highlighted. REDACTED

4885 It was suggested that buying in some expertise on international markets analysis would be useful, focused on key emerging or developing markets where UCEM might have a significant impact. There could be benefits to a flying faculty model in some markets for example too. UCEM is, however, sensitive to price increases in some existing markets like Hong Kong that might have a negative impact on market share and student numbers.

4886 The Committee welcomed the commitment to consider Horizons more strategically given the low occupancy rates of the building since the Covid-19 pandemic. UCEM must generate income from the space and/or create a more virtual operational model and realise the capital value.

4887 The Committee thanked the team for the paper and the great start it has provided for this work.

4888 The actions agreed as a result of the discussions were:

**ACTION:** Consider where additional new resource might best be deployed to help realise the initiatives outlined in the financial resilience paper, alongside what activities are BAU or not and what might be hindering action to address them. [AW]

**ACTION:** Provide additional detail on what forms the discretionary costs UCEM current spends on within its P&L budget each year. [AW/TM]

**ACTION:** Provide further dimensions to the analysis to date and the potential of the initiatives - the relative ease of implementation, the grouping of some initiatives for maximum impact, and when considering costs as discretionary or not, to also consider whether they are fixed or variable. [AW]

- 4889 Paper 4.1a was presented to the Committee which proposed a revised fee for UCEM module fees from 2023-24. The proposal is to increase fees per module at undergraduate level to £1,320 for each twenty-credit module. Without a rating under the Teaching Excellence Framework UCEM can increase fees to a maximum of £1,350 (for part time studies at 5 modules per year), this can be higher if UCEM restricts part time study to 4 modules per year. There are annual fee limits for part time and full-time students of £6,750 and £9,000 respectively. It is proposed at this level because it represents a healthy increase relative to current inflation but would not adversely impact market share on the BSc non-apprenticeship route. UCEM's fees remain lower than any of its main UK competitors. UCEM's aim would be to increase this further to £1500 within the next two years but by doing so gradually it will be a more acceptable increase to the regulator and UCEM can ensure there is no adverse market reaction. UCEM is confident the increases are measured and that UCEM has earned its right to have parity with the wider sector in terms of fees. UCEM module fees at postgraduate level will remain unchanged as this is a more price sensitive market.
- 4890 The Committee **APPROVED** the proposed increase in the BSc module fee from £1,200 to £1,320 for 2023/24 which will be submitted in the Annual Fee Return (deadline 17<sup>th</sup> November 2022).
- 4891 The Committee **NOTED** that the proposal to ask employers to indemnify UCEM for EPA fees in the event of their apprentices withdrawing immediately after completing the degree without progressing to EPA (fourth bullet in the summary) has now been implemented. The outcome from the Autumn 2022 intake is that this change to the apprenticeship written agreements was accepted by the vast majority of employers with minimal queries and did not prevent UCEM achieving a record number of apprenticeship starts.

## 5) FINANCIAL GOVERNANCE

- 4892 **5.1/ FINANCE COMMITTEE ANNUAL REPORT 2021-22**
- 4893 The Committee considered its draft Annual Report for the 2021-22 academic and financial year (paper 5.1). As part of best practice in higher education governance, all sub-committees of the Board review their work and impact through an annual report.
- 4894 The Committee **NOTED** the work achieved by the Committee in the last year and **APPROVED** the Finance Committee draft annual report for 2021-22 which will be presented to the Board on 1<sup>st</sup> December 2022 for final approval.
- 4895 **5.2/ TO RECEIVE THE BURSARIES WORKING GROUP ANNUAL REPORT 2021-22**
- 4896 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 2021-22 academic and financial year was presented in paper 5.2. The Committee was reminded that it retains oversight of the work of the Group in its Terms of Reference.
- 4897 The Committee **NOTED** the work achieved by the Bursaries Working Group in the 2021-22 year and the number of bursary awards made. The Committee also **NOTED**

the work underway to align the allocation of undergraduate bursaries to the objectives of the Access and Participation Plan and the new Postgraduate Scheme launched this year. The Committee was advised that the Centenary bursary scheme had come to an end in 2021-22 with the last available funds distributed.

- 4898 The Committee requested that in next year's report, information on the total funds available, where the allocations are made and the progression of those in receipt of bursaries also be included.

**ACTION: Include additional information in the Bursaries Working Group Annual Report 2022-23 – total funds available, allocation and student progression. [TM]**

- 4899 AC asked to observe the next meeting of the BWG in order to provide some strategic insight and consider with the group how the funds might be used collaboratively and to better effect, potentially in partnership with other schemes.

**ACTION: Invite AC to observe the next BWG meeting. [TM]**

- 4900 The Committee **APPROVED** the Bursaries Working Group Annual Report for 2021-22 and expressed its formal thanks to the Bursaries Working Group members for their work over the year.

## **4901 5.3/ BANK AUTHORISED SIGNATORIES**

- 4902 A list of UCEM bank authorised signatories and approval levels is reviewed by the Committee annually. Papers 5.3 and 5.3a outlined the mandate as it currently stands. No amendments to authorisation levels or personnel were proposed this year and it was presented for re-approval only.

- 4903 REDACTED.

- 4904 The Committee noted that Andrew Hynard was still an authorised signatory on the Natwest accounts but his term as Trustee ended on 31<sup>st</sup> March 2022.

**ACTION: Remove Andrew Hynard as an authorised signatory on the Natwest accounts. [TM]**

- 4905 The Committee **APPROVED** the signatories and approval levels for UCEM bank accounts as outlined in paper 5.3a, pending the additional action to remove Andrew Hynard.

## **6) PROPERTY**

### **4906 6.1/ THE SHINFIELD GRANGE PROJECT**

- 4907 Alastair Martin provided an update on progress with the Shinfield Grange project and the activities of the Property Working Group (PWG) since the September meeting of the Board of Trustees (paper 6.1 & 6.1a).

- 4908 REDACTED

- 4909 REDACTED

4910 REDACTED

4911 REDACTED

4912 REDACTED

4913 REDACTED

## 7) ANY OTHER BUSINESS

### 4914 7/ ANY OTHER BUSINESS

4915 The Committee noted that in Mazars audit findings report presented to the joint Committees earlier on 9<sup>th</sup> November 2022, that they advise that Climate Reporting is likely to be brought forward as a compulsory part of audits and annual reporting. The Committee requested that UCEM be briefed on exactly what this is likely to entail and how UCEM is likely to measure up to the metrics.

**ACTION: Provide information on what will be involved with 'Climate Reporting' in future audits and annual reports from Mazars. [TM]**

4916 JEF reported to the Committee that following the last meeting of the Committee in June when members were advised of a data breach involving their data at Sarasin & Partners, UCEM followed up with Sarasin's to determine how the breach had been handled and closed out. No further information has been received and UCEM is chasing for this again. A response will be circulated once received.

**ACTION: Share information on how the Sarasin's data breach was handled and closed out with members of the Committee once received from Sarasin's. [JEF]**

4917 No other matters of business were raised and the Chair thanked all members for their attendance at the meeting.

## 8) MEETING CLOSE

4918 The Chair closed the meeting at 15.41pm.


4919 The date and time of the next Finance Committee meeting will be Wednesday 22<sup>nd</sup> February 2023 from 14.00-16.00pm.

## 9) MATTERS FOR NOTING

4920 The Committee **NOTED** paper 9.1 confirming the grant funding that UCEM is in receipt of from the OfS for the 2022-23 financial year. This consists of £888,544 of recurrent funding for student access and success and £50,000 of capital funding. The Committee also noted there are other potential grants that will not be announced until Spring 2023.

4921 The Committee **NOTED** paper 9.2 on which provided the latest Sarasin's Investment fund performance update for Q3 2022.



Signed 

Name Jat Brainch

Position Honorary Treasurer and Chair of Finance Committee

Date 22<sup>nd</sup> February 2023