

FINANCE COMMITTEE

22 FEBRUARY 2023

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Wednesday 22 February 2023 from 14.00-16.00pm.

Present:	Jat Brainch [JB] Nick Braisby [NB] Amanda Clack [AC] Alastair Martin [AM] Ashley Wheaton [AW]	Honorary Treasurer and Chair
Apologies:	Dominic O'Rourke [DOR]	
In Attendance:	Jane Fawkes (University College Secretary) [JEF] Lyndsay Hughes (note taker) [LH] Jim Kerr (Finance Operations Director) [JK] – for items 2.1, 3.1 and 3.2 only Tom Lindsay (Sarasin & Partners) [TL] – for item 2.1 only Richard Maitland (Sarasin & Partners) [RM] – for item 2.1 only Tim Mills (Executive Director Finance) [TM]	

1) GENERAL MEETING GOVERNANCE

4922 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4923 There were no conflicts of interest declared.

4924 1.2/ APOLOGIES FOR ABSENCE

4925 There were apologies for absence from Dominic O'Rourke.

4926 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 9 NOVEMBER 2022

4927 The minutes of the Finance Committee meeting held 9 November 2022 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

4928 The proposed redacted sections of the minutes from the meeting held 9 November 2022 were **APPROVED** and will be signed and published accordingly on the UCEM website.

**4929 1.4/ MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING
HELD ON 9 NOVEMBER 2022**

4930 The minutes of the Joint Audit and Finance Committee meeting held 9 November 2022 (paper 1.4) were **APPROVED** as a true record. They will also be approved by the Audit Committee on 9 March and then signed.

4931 The proposed redacted sections of the minutes from this meeting held 9 November 2022 were **APPROVED** and will also be confirmed by Audit Committee in March before being signed and published on the UCEM website.

4932 1.5/ MATTERS ARISING AND ACTIONS SUMMARY

4933 An actions summary from the last meeting was circulated as paper 1.5. The Committee noted that all actions had been closed or were due for discussion in the course of the agenda.

2) UCEM INVESTMENTS

**4934 2.1/ SARASIN & PARTNERS ANNUAL UPDATE ON INVESTMENT
PERFORMANCE**

4935 The Chair welcomed Tom Lindsay and Richard Maitland from Sarasin & Partners and Jim Kerr (Finance Director Operations, UCEM) to the meeting for this item.

4936 TL/RM presented the latest Quarterly Report and Valuation of UCEM's investments in the Sarasin & Partners Climate Active Fund to the Committee (paper 2.1, 2.1a and slide deck at 2.1b). The presentation highlighted the portfolio value through 2022 and the ways in which UCEM's investment had been asset allocated. 2022 was an extremely challenging year financially given the war in Ukraine and UK inflation rates. Within the Climate Active Endowment Fund investments in energy firms have been restricted but this has impacted the performance and returns. Sarasin's expect rates to neutralise in late 2023 (inflation rate trajectory is coming down, started 2023 at 7% and expect to end the year at 4%).

4937 Following the presentation, the Committee posed various questions to Sarasin & Partners. This included the risks associated with a strategic shift towards investing in global equities. The Committee also queried why renewable energy companies are not performing better and proving to be a good form of investment for the fund. Sarasin's believe this is relative to the long-term nature of most renewable energy projects. The Committee queried whether UCEM's return on investment is sufficient and if it should be less risk averse / more flexible to invest in higher return areas. Sarasin's commented that UCEM's investment returns were typical for long-term endowments and the universities sector and represented a good balance between ethical approach and level of return. Sarasin's also commented that UCEM is likely to need 7-10 years to fully recover from 2022 losses and achieve the full CPI+3% target performance. The Committee requested some tracking of performance against this metric to be provided for future meetings to help with any decision-making with regards to the fund, performance and the portfolio.

**ACTION: Provide tracking of UCEM's capital investment performance and
inflation against the CPI+3% target. [JK/RM/TL]**

- 4938 Sarasin's confirmed that the fund size started at £150-200million as a spinoff of the existing Endowments Fund and now has just shy of £500million invested in it today, with further endowment fund members moving across. The core Endowments Fund is at £2.2billion today.
- 4939 Sarasin's noted that UCEM was initially attracted to the Climate Active Fund because of its green credentials and it has been fossil-fuel free in recent years. Strictly speaking though, the fund is not required to be fossil-fuel investment free and could invest in traditional oil companies that are undertaking transitional projects and investments into green energy. Sarasin's were keen to understand how the Finance Committee would feel about such investments within the fund and its ethical policy or whether UCEM prefers to remain fossil-fuel investment free. The Committee comments that UCEM would wish to remain fossil-free. RM also commented that the climate active approach is so embedded into Sarasin's overall ethos there is potential that the Endowments Fund will ultimately become the Climate Active Fund and the current Climate Active Fund will become a Fossil Free Fund which means UCEM would need to make a decision on which fund is most appropriate for it. Sarasin's will advise UCEM of options if and when any decisions need to be made.
- 4940 The Committee **NOTED** the 31 December 2022 investment fund valuation report from Sarasin & Partners and the presentation slides presented which were comprehensive.
- 4941 The Chair thanked TL & RM for their contributions and invited them to leave the meeting.

3) 2022-23 FINANCIAL YEAR

- 4940 **3.1/ YEAR TO DATE PERFORMANCE 2022-23 vs BUDGET, BALANCE SHEET AND CASHFLOW FORECAST**
- 4941 TM presented paper 3.1 to the Committee which summarised the January 2023 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2022-23 (approved June 2022) and the Year End forecast.
- 4942 TM reported that UCEM is ahead of budget by £867K in January YTD as a result of strong new student recruitment (particularly in apprenticeships) for the autumn semester and an underrun on costs. The underrun is mainly driven by staff vacancies, and the timing of appointments to what was originally identified in the budget. This amounts to a £477K over-performance on income and total expenses are £340K under budget meaning UCEM is currently in a net £80K surplus position (£816K ahead of budget) before project work and Shinfield Grange. Current projects are also underspent at this time by £51K, giving UCEM an actual current operating deficit of £32K vs budgeted loss of £899K (overall £867K ahead of expectations).
- 4943 TM advised the Committee that UCEM's fixed rate energy prices expired in January 2023 and UCEM has negotiated a new contract via The Energy Consortium which has limited the impact of the rises on UCEM. The annual costs will still rise significantly, but only to £75K per annum from a previous £33K per annum (less than the standard rates would have cost by some significant degree).
- 4944 **REDACTED**

- 4945 The Committee **NOTED** and welcomed the January year to date financial position of £867K better than budget after projects and statutory adjustments.
- 4946 The Committee **NOTED** the January 2023 Balance Sheet at paper 3.1b and that UCEM retains a strong balance sheet and reserves position.
- 4947 The Committee **NOTED** the cashflow projection and **APPROVED** the proposal to use some of the cash UCEM currently has at the bank to invest into short term money markets to raise additional income. The Committee also **AGREED** that TM should research the alternative options to the overdraft facility and return to the Committee for approval.
- ACTION: Invest some of UCEM's cash at bank into short term money markets to raise additional income [TM].**
- ACTION: Research alternative options to the overdraft facility UCEM currently has in place [TM].**
- 4948 3.2/ REFORECAST BUDGET FOR 2022-23**
- 4949 TM presented paper 3.2 and 3.2a to the Committee, which provided a reforecast budget from February to the end of 2022-23 for Finance Committee approval.
- 4950 **REDACTED**
- 4951 **REDACTED**
- 4952 The Committee welcomed the results year to date and the reforecast. The Committee would have liked to be asked to consider associated recommendations for where it might invest into the business for the future as a result of the overperformance or to support accelerating some of the priority work areas like expanding the breadth of programmes on offer.
- 4953 AW also commented that the Executive is **REDACTED**. UCEM must adapt to get the maximum out of its growing cost base given it will be unable to raise the fee for Apprenticeships. As part of this opportunities to increase the breadth and depth of programmes within the Built Environment will be an important part, so there is further reach into new market areas.
- 4954 The Committee **NOTED** the forecast BAU Surplus of £1.3M, the potential Staff Costs for 23/24, the changes in length of the BSc and MSc apprenticeship course, the anticipated GLOBE costs for 22/23, the Server project being excluded for 22/23 and the investment in the AMOS platform. The Committee thanked the team for the work involved in the reforecast.
- 4955 The Chair thanked JK for his contributions and invited him to leave the meeting.

4) FINANCIAL RESILIENCE

- 4956 4.1/ LONG TERM FINANCIAL RESILIENCE OF UCEM - UPDATE**
- 4957 Ashley Wheaton presented an update paper on the financial resilience project workstreams (papers 4.1). AW reminded the Committee that the work prior to the

last Finance Committee had led the Executive to propose seven key areas of activity for immediate further work and exploration and that the update in paper 4.1 focuses on these seven areas and progress since November 2022.

- 4958 AW highlighted that it remains difficult to put resources into this work to help accelerate the initiatives. The Executive Team is already stretched managing many important areas of UCEM work, yet moving forward the financial projects requires their expertise and experience and hence the slower than desirable progress since the last meeting.
- 4959 AW also reported that the project to review the future of Horizons and sub-let the space to generate income has been deliberately delayed to allow UCEM to fully determine whether it might have a use for the space itself first.
- 4960 The Committee noted that the totality of UCEM 'discretionary' costs had been calculated to 5% and there was nothing proposed for urgent review within this.
- 4961 REDACTED
- ACTION:** REDACTED [AW]
- 4962 The Committee **NOTED** the update on the Financial Resilience project work since the last meeting of the Finance Committee in November 2022.

5) PROPERTY

4963 5.1/ SHINFIELD GRANGE UPDATE

- 4964 Alastair Martin provided an update on progress with the Shinfield Grange project and the activities of the Property Working Group (PWG) since the December meeting of the Board of Trustees (paper 5.1).
- 4965 REDACTED
- 4966 REDACTED
- 4967 REDACTED
- 4968 REDACTED
- 4969 REDACTED
- 4970 REDACTED

6) FINANCIAL GOVERNANCE

4971 6.1/ REVIEW OF POTENTIAL AUDITORS FOR UCEM ASIA LTD

- 4972 At the joint meeting of the Audit and Finance Committees in November 2022, it was requested that, as a matter of best practice, UCEM considers and potentially tenders for new auditors for UCEM Asia Ltd. Nova has audited the entity since its establishment in 2016.

4973 **REDACTED**

4974 The Finance Committee **NOTED** that a further paper will be presented at Audit Committee in March 2023 with the outcomes of the initial tender requests.

7) ANY OTHER BUSINESS

4975 7/ ANY OTHER BUSINESS

4976 The Chair of the Board of Trustees thanked Jat Brainch, Honorary Treasurer, for her time leading the Committee over the last four years. JB is due to step down as a UCEM Trustee at the end of the next Board meeting in March 2023. Jat thanked her fellow Trustees and the Executive Team for the support they had provided to her in return.

4977 JEF reported to the Committee that following a further recruitment process with the help of NuRole recruitment agency, UCEM has now offered the role to Graeme Scott. He is going through approval processes now and will join from 30th March at the Board meeting that date. There will be some handover with Jat during March.

4978 No other matters of business were raised, and the Chair thanked all members for their attendance at the meeting.

8) MEETING CLOSE

4979 The Chair closed the meeting at 13.46pm.

4980 The date and time of the next Finance Committee meeting will be Thursday 15 June 2023 from 14.00-16.00pm.

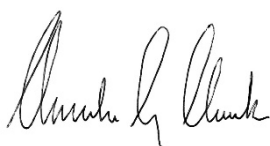
9) MATTERS FOR NOTING

4981 The Committee **NOTED** paper 9.1 which outlined current and anticipated Climate Reporting requirements and their applicability to UCEM, as requested at the last meeting.

4982 The Committee **NOTED** paper 9.2 which provided an update on the conclusion of the Financial Return 2022 process following the Board's approval of the submission in November 2022.

4983 The Committee **NOTED** paper 9.3 which provided an update on the work to rationalise UCEM's restricted funds, as agreed for action at the Finance Committee in February 2022, and the closure of the general prize funds.

Signed



Name Amanda Clack

Position Chair of Board of Trustees and Member of Finance Committee

Date 15 June 2023