

FINANCE COMMITTEE

15 JUNE 2023

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Wednesday 15 June 2023 from 15.00-17.00pm.

Present: Prof. Nick Braisby [NB]
Amanda Clack [AC]
Alastair Martin [AM]
Dominic O'Rourke [DOR]
Graeme Scott [GS] Honorary Treasurer and Chair
Ashley Wheaton [AW]

Apologies:

In Attendance: Stephen Bartle (Executive Director Business Development and Apprenticeships) – for item 6.1 only
Jane Fawkes (University College Secretary) [JEF]
Lyndsay Hughes (note taker) [LH]
Jim Kerr (Finance Operations Director) [JK] – up to end item 3.1
Tim Mills (Executive Director Finance) [TM]

1) GENERAL MEETING GOVERNANCE

4984 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

4985 There were no conflicts of interest declared.

4986 1.2/ APOLOGIES FOR ABSENCE

4987 There were no apologies for absence.

4988 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 22 FEBRUARY 2023

4989 The minutes of the Finance Committee meeting held 22 February 2023 (paper 1.3) were **APPROVED** as a true record and signed by Amanda Clack, Chair of the Board of Trustees, following the retirement of the previous Honorary Treasurer who chaired the meeting on 22 February.

4990 The proposed redacted sections of the minutes from the meeting held 22 February 2023 were **APPROVED** and will be signed and published accordingly on the UCEM website.

4991 **1.4/ MATTERS ARISING AND ACTIONS SUMMARY**

4992 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 except one which is due for report in autumn 2023.

4993 The Committee noted the options open to UCEM regarding its overdraft facility as per the update provided in paper 1.4. The Committee agreed to continue the overdraft facility as is and close this ongoing action.

4994 **1.5/ FINANCE COMMITTEE TERMS OF REFERENCE**

4995 The Terms of Reference for the Finance Committee were reviewed following changes to membership since the last meeting – proposed amendments were presented in tracked changes in paper 1.5a. No other changes were proposed.

4996 The Committee noted item 2.10 in the Terms of Reference refers to the Committee making recommendations on appointment of all advisors for banking, insurance, investment managers and property advisers. GS queried where the appointment of insurers and levels of cover are reviewed by the Board. Audit Committee does review a compliance update at regular intervals and this does list the statutory insurances UCEM has. The Finance Committee also requested visibility of the insurance schedule.

ACTION: Share the Compliance Update document, which features all UCEM's insurances and typically goes to Audit Committee, with the Finance Committee. [LH]

4997 The Committee **APPROVED** the Finance Committee Terms of Reference V11.01 for finalisation as V12.0 reflecting updated membership of the Committee since the retirement of Jat Brainch from the Board and the appointment of Graeme Scott.

ACTION: Publish the Finance Committee Terms of Reference V12.0.

2) 2022-23 FINANCIAL YEAR

4998 **2.1/ YEAR TO DATE PERFORMANCE 2022-23 vs BUDGET, BALANCE SHEET AND CASHFLOW FORECAST**

4999 TM/JK presented paper 2.1 to the Committee which summarised the April 2023 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2022-23 (approved June 2022) and the Year End forecast. Some additional verbal information on the indicative May 2023 results was also provided.

4999 REDACTED

5000 REDACTED

5001 REDACTED

- 5002 The Committee also received the Balance Sheet in paper 2.1b and an updated cash flow projection in paper 2.1c covering the immediate 12-months ahead.
- 5003 JK highlighted that the Balance Sheet value will decrease to £18.7M with the EPA adjustment but remains strong. The Balance Sheet also reflects the USS Pension Scheme provision adjustment that was made on 31 July 2022 of £1.9M.
- 5004 The cashflow forecast shows the May cash balance and takes account of proposed budget at paper 3.1. There is a reduction in cash value across the period primarily due to the difference in timing between income recognition for EPA and cash receipt for EPA completion. It is anticipated that UCEM will reach a steady equilibrium in this position over the next few years. Overall, the cash position remains healthy throughout the period and the overdraft remains in place to support this. Generation of an operating surplus is important to support the cash lag associated with EPA income.
- 5005 The Committee **NOTED** and welcomed the April year to date financial position.
- 5006 The Committee **NOTED** the change in accounting calculation estimate for the calculation of the BSc apprenticeship EPA income and its associated impact on the financial statements.
- 5007 The Committee **NOTED** the April 2023 Balance Sheet at paper 2.1b and that UCEM retains a strong balance sheet and reserves position.
- 5008 The Committee **NOTED** the cashflow projection, the rolling reporting format of cashflow and the healthy level of cash at bank (to be further discussed at item 6.2).

3) 2023-24 FINANCIAL YEAR

- 5009 **3.1/ BUDGET FOR 2023-24**
- 5010 Jim Kerr presented a proposed budget for 2023-24 set against the current income forecast and known costs (papers 3.1, 3.1a and 3.1b). GS requested that in future years the Balance Sheet and Cashflow associated with the Budget also be presented with the P&L target budget.
- 5011 The Committee **NOTED** that the process of budgeting had been far smoother this year following the introduction of Anaplan and congratulated the team on the successful implementation of this system. It currently covers expenses and is being widened to incorporate income forecasting in the coming year.
- 5012 JK highlighted that the budget proposes a BAU operating surplus of £760K. JK also highlighted the significantly increasing proportion of income coming from apprenticeships (now 70:30) compared to previous years. Of £19.3M student income some £12M is forecast to come from apprenticeships in 2023-24. Student income is increased by £1.7M from last year, though reduced by £500K due to EPA adjustments. This represents around 9.9% growth in income. Assumptions were made on £250K additional income from OfS from the development fund but teaching grant is expected to remain flat.
- 5013 **REDACTED**

5014 REDACTED

5015 REDACTED

5016 The Committee was also reminded that over the last four years the Committee has challenged UCEM to become surplus generating. Whilst the budgeting process was smoother this year, it was still a challenge to reach a surplus generating figure and to balance the various impacts of sustaining the pay rises in future years in the face of limited options to raise prices any further.

5017 REDACTED

5018 The Committee **NOTED** the assumptions in the proposed budget and **PRE-APPROVED** it as presented in paper 3.1a for the 2023-24 year, including the 5% of payroll for pay rise awards (distribution to be reported to Remuneration Committee in September 2023), the capital budget spend proposed (noting that any video-conferencing upgrades for the Wells Suite are pending a decision to remain at Horizons) and excluding the detailed breakdown of the GLOBE project budget, which is subject to further detailed review by the Executive. The budget will proceed to Board for full approval on 6 July 2023.

5019 The Chair thanked JK for his contributions and invited him to leave the meeting.

4) FINANCIAL RESILIENCE

5020 4.1/ LONG TERM FINANCIAL RESILIENCE OF UCEM – UPDATE

5021 Ashley Wheaton presented an update paper on the financial resilience project workstreams (papers 4.1). AW reminded the Committee that the Executive had proposed prioritising 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 February 2023. The progress has primarily been on the actions relative to apprenticeships.

5022 GS suggested it would be useful to add an indication of timeframes for each workstream of when the anticipated returns will be realised. It would also be useful to provide a comparator/tracker to the action plan from when it was first established in November 2022 to demonstrate achievements.

5023 AW reminded the Committee that progress is limited by the senior resources available to progress each workstream and by legislation that prevents some changes from being implemented quickly, such as Competition and Markets Authority rules. AW provided an update on the workstreams taking each in turn, and thanking the colleagues involved in driving them forward, particularly Stephen Bartle on the apprenticeships workstream:

- UCEM will be implementing upfront payments for international students from autumn 2024.
- Undergraduate fees will increase to £1,320 per module REDACTED
- The main area of focus in recent months has been in apprenticeships. Income is already being secured from charging employers for retakes (a fee previously waived) to the tune of £22,800 to date. UCEM will implement charges for overstayers in 6-monthly periods costing £600 each with potential of £120,000 value to UCEM given the numbers anticipated. There is also the introduction of an additional £1,000 per apprentice to

apprenticeship employers over and above their levy which is believed to be manageable in terms of competitors introducing similar charges and there being no planned changes to the funding bands for apprenticeships to allow them to become more profitable to providers. This will be introduced on the Chartered Surveyor route initially. To date employers do not seem phased by this additional cost given UCEM's success rates are stronger than competitors and the investments UCEM is making in its Employer Portal. Employers also recognise that in the current inflationary market UCEM's own costs are increasing.

- Some small activities will reduce costs even if they do not make substantive income, such as charging for graduation.
- A further review of the academic regulations to provide cost savings, whilst maintaining academic standards. This work will occur over a longer time frame.
- REDACTED

AW concluded by stating that the Executive sees this work as a continuous improvement project. Adding short term resource will not really facilitate quicker progress given the skills and expertise required to make the changes needed lie in the Executive team, though he did thank the Committee for the continued offer of investment and support to bring in additional senior support to relieve capacity constraints. AW also confirmed that the Executive Team has plans underway to grow and develop the next layer of Senior Leadership team members to support Executive more in the future, take on greater responsibilities and release capacity in the Executive.

5024 The Committee welcomed the update but did caution that major real estate firms are undertaking significant cutbacks themselves right now and UCEM must remain mindful of this and agile to adapt when additional costs are passed on to employers. One way in which UCEM is already seeking to manage this is programme price rises with sensitivity to markets rather than blanket rises as previously.

5025 The Finance Committee **NOTED** the update on the Financial Resilience project work since the last meeting of the Committee and thanked the team for the progress to date. It was requested that a financial upside column be added to the project tracker to enable review of progress against the original estimates both in year and multi-year.

ACTION: Add a financial upside column to the tracker and complete this information in-year and multi-year to demonstrate progress at the next update on the Financial Resilience project. [AW]

5) PROPERTY

5026 5.1/ REDACTED

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6) FINANCIAL GOVERNANCE

5037 6.1/ ANNUAL FEE REVIEW

- 5038 The Chair welcomed Stephen Bartle to the meeting for item 6.1.
- 5039 SB presented the Annual Fee Review and proposals for 2024-25. Three proposals were presented for consideration. To increase undergraduate fees up to the regulator's fee cap over the next two years (£1,200 to £1,320 next year and £1,320 to £1,500 the following year). UCEM will be unable to increase beyond this for UK students thereafter unless the fee cap limit is increased by government. To increase postgraduate fees (where there is no fee cap) where there is limited risk of losing market share (14% rise for the MSc Real Estate to £1,400 per module and 8% for Construction and MBA to £1,325 per module). Finally, to increase apprenticeship fees for the MSc route and to over the funding cap for the BSc routes (detail covered in paper 4.1).
- 5040 REDACTED
- 5041 The Committee **APPROVED** the proposed increase to the BSc module fee to £1,500 in 2024/25.
- 5042 The Committee **APPROVED** the proposed increase to the MSc Real Estate module fee to £1,400 and the module fee for other postgraduate programmes to £1,325 in 2024/25.
- 5043 The Committee **NOTED** the current position with fees for apprenticeship programmes.
- 5044 The Chair thanked Stephen Bartle for his contribution and invited him to leave the meeting.

5045 6.2/ UCEM TREASURY MANAGEMENT POLICY

- 5046 TM presented an overview of his proposed policy for treasury management relative to the Committee's previous agreement to invest UCEM cash at bank to grow income.
- 5047 TM proposed to make a further change to section 3 on credit risk management following further discussion with the Treasurer yesterday. The 'lower of' will be

changed to the 'higher of' in order to ensure £1M of liquidity is always available to UCEM.

- 5048 The Committee queried why UCEM is limiting itself to depositing monies with UK banks only in the policy. The basis of which was the protections afforded by the UK government to UK banks, although it was noted that some international banks could offer better rates. This might be able to be used as leverage in negotiating rates though, rather than changing the policy at the current time.
- 5049 The Committee also queried what the net benefit of operating this policy might be. TM suggested that if UCEM invested £2M at a rate of 4% it would secure an additional £80K of income per annum.
- 5050 For completeness of the document, TM was asked to ensure the final policy also includes the existing Hong Kong bankers as it is a group policy.
- 5051 The Committee **APPROVED** the draft UCEM Treasury Management Policy pending the minor further amendments agreed in the meeting and asked that TM reports progress on its implementation and initial returns in November.

ACTION: Report back to the Committee progress in implementation of and initial returns from the Treasury Management Policy at the November 2023 meeting. [TM]

5052 **6.3/ PROPOSAL TO CLOSE UCEM COURSES LTD**

- 5053 TM presented proposals for the full closure of UCEM Courses Ltd (see paper 6.3). The rationale for the closure is that UCEM no longer needs to operate a separate entity and can incorporate the courses work under UCEM in its own project code. Mazars have confirmed there are no VAT implications (it was originally a vehicle to VAT recovery which is no longer applicable). UCEM can therefore save costs in continuing to run UCEM Courses Ltd, such as an audit fee. The proposal is to strike off the company on 31 July 2023, which would avoid any separate audit fee for 2023. The Committee was reassured there was no benefit in retaining the entity even though UCEM may develop more short courses and CPD.
- 5054 The Committee **NOTED** that VAT is no longer being charged on CPD income through UCEM Courses Ltd.
- 5055 The Committee **APPROVED** the transfer of business from UCEM Courses Ltd to UCEM to be effective from 31 July 2023 and the formal winding up of UCEM Courses Ltd once the transfer of business has been completed.

5056 **6.4/ UCEM GRANT TO UCEM ASIA LIMITED FOR 2022-23**

- 5057 TM advised the Committee that every year UCEM proposes an amount of grant funding to cover UCEM Asia Ltd.'s operating expenses for the previous year in order to finalise the audit process and the group accounts.
- 5058 TM proposed a sum of £553K be put forward for 2022-23 ahead of the Hong Kong audit as the audit will not be quoted for nor work commenced without this. This is up from £406K last year. This provisional figure amounts to the sum of total expenditure for the year plus £5K. AC was asked to sign the proposed provisional letter of grant included in paper 6.4a at this time. The final sum may change

following completion of the audit work and the final letter/sum will be signed off in November with the group accounts.

- 5059 The Committee **APPROVED** the provisional letter of grant from UCEM to UCEM Asia Ltd of £553K for the 2022-23 operating year. The Committee further **NOTED** that the sum may change following audit work and so will only be fully finalised in November 2023 with an updated grant letter if required.

5060 **6.5/ REVIEW OF POTENTIAL AUDITORS FOR UCEM ASIA LTD**

- 5061 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.

- 5062 **REDACTED**

- 5063 The Finance Committee **NOTED** the progress to date in seeking potential new auditors for UCEM Asia Ltd. The Committee also **NOTED** that NOVA will undertake the 2023 audit and that Mazars also audit the NOVA work as part of their UCEM audit, which should give the Committee an additional level of comfort.

7) ANY OTHER BUSINESS

5064 **7/ ANY OTHER BUSINESS**

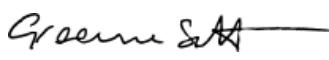
- 5065 AW reported that UCEM had just received notification from UKRI of success in its Knowledge Transfer Partnership Funding application worth over £150K. UCEM will partner with the Prince's Foundation on the creation of a knowledge hub for sustainable urban development.
- 5066 No other matters of business were raised, and the Chair thanked all members for their attendance at the meeting.

8) MEETING CLOSE

- 5067 The Chair closed the meeting at 16.31pm.
- 5068 The date and time of the next Finance Committee meeting will be Thursday 9 November 2023 from 14.00-16.00pm. There will also be a Joint Audit and Finance Committee meeting that day from 12.30pm to review the financial statements and accounts for 2022-23.

9) MATTERS FOR NOTING

- 5069 The Committee **NOTED** paper 9.1 which provided the latest Sarasin & Partners Quarterly Performance Report and Overview.
- 5070 The Committee **NOTED** paper 9.2 which provided an overview of the deadlines associated with the OfS Financial Return for 2023. The Committee **NOTED** that the date for an additional Board meeting to approve the Finance Return in November was circulated via Outlook to Trustees on 14 June 2023.

Signed 

Name Graeme Scott

Position Chair of Finance Committee / Honorary Treasurer

Date 9 November 2023