

**FINANCE COMMITTEE
14 NOVEMBER 2024**

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 14 November 2024 from 14.00-16.00pm.

Present:	Prof. Nick Braisby [NB] Dominic O'Rourke [DOR] Graeme Scott [GS] Ashley Wheaton [AW]	Honorary Treasurer and Chair Vice Chancellor
Apologies:	Amanda Clack [AC] Ros Kerslake CBE [RK] Gareth Ralphs [GR]	Chair of the Board of Trustees
In Attendance:	David Balme (Chief Operating Officer) [DB] Jane Fawkes (University Secretary) [JEF] Lyndsay Hughes (note taker) [LH] Jim Kerr (Finance Director) [JK]	

1) GENERAL MEETING GOVERNANCE

5307 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

5308 There were no conflicts of interest declared.

5309 1.2/ APOLOGIES FOR ABSENCE

5310 There were apologies for absence from Amanda Clack, Ros Kerslake and Gareth Ralphs. The Committee was, however, still quorate with 50% of Trustee members present.

5311 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 27 JUNE 2024

5312 The minutes of the Finance Committee meeting held 27 June 2024 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

5313 The proposed redacted sections of the minutes from the meeting held 27 June 2024 were **APPROVED** and will be published accordingly on the UCEM website.

5314 1.4/ MATTERS ARISING AND ACTIONS SUMMARY

5315 An actions summary from the last meeting was circulated as paper 1.4. The Committee **NOTED** the update on actions provided and that all were either now closed or due for further discussion during the meeting.

5316 The Committee specifically **NOTED** the provision of paper 1.4a which closed out action 5287 by providing an example Business and Academic Case Approval that was approved by SLT for development. The Committee welcomed visibility of the document, which was commended for its thoroughness. The Committee suggested that there should be a review after the launch of each new business case so that any learnings were captured for future business case approvals. It was also suggested the example document could usefully be shared with the wider Board members for information.

ACTION: Share Paper 1.4a with the wider Board for information.

2) OFS FINANCIAL RETURN**5317 2.1/ OfS FINANCIAL RETURN 2024**

5318 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 and expenditure up to and including 31 July 2029, 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. This year there is an additional table included in the Return on assumptions. The Committee reviewed the data for the submission on behalf of the Board who will be asked to sign it off for submission to OfS at an exceptional meeting on 22 November 2024.

5319 JK highlighted some key points regarding the Return to the Committee. The front page is currently showing a validation error, but this has already been checked with OfS and is not an issue. Equally, the validation warnings are also not of concern. JK stressed that growth forecast within the return has been kept conservative to demonstrate UCEM's financial sustainability.

5320 JK advised that when the papers were completed for circulation the UK Autumn Budget had not yet been announced by the new Labour Government. This Budget announced an increase in employer National Insurance contributions from April 2025. Over the life of the Return (to 2029) this will take £1.3M out of the surplus and cash balance currently presented to the Committee. JK proposes amending this figure for the Return that the Board will be asked to sign-off and submit and this will also be factored into the Commentary with a short update. The Return will not feature any other changes, such as the potential fee increases now permitted as the income increase will be extremely modest for UCEM given its apprenticeships is the predominant income source.

5321 The Honorary Treasurer queried whether UCEM would apply the new fee cap to its courses. The University Secretary confirmed some work needs to be done to align this with UCEM's fee model by module to calculate the overall uplift potential, but this work will be done and will come forward in the 2025 fee review proposals. It will not be a significant uplift for UCEM.

- 5322 DOR queried how investment income has been considered in the Return and JK confirmed that only a small increase in investment income has been assumed with no valuation increase.
- 5323 NB queried how student number growth has been projected and calculated, given that the sector as a whole has forecast very ambitious growth in student numbers relative to population predictions and that the OfS will likely challenge institutions on this. JK again confirmed UCEM has forecast modest increases and that where growth is projected it is associated with new programmes that UCEM will offer during the period of the Return. The income is projected to increase more significantly than student numbers, largely due to enhancements in retention.
- 5324 It was noted that the primary concern of the OfS is likely to be institutional liquidity and UCEM's finances are healthy even with the impact of the additional National Insurance contributions. UCEM's cash inflows do not fall below zero at any point through the plan and therefore hopefully UCEM is unlikely to be a major concern for the OfS when it scrutinises the Return.
- 5325 It was agreed that whilst accrued course fees could be moved to non-current assets in the Return, this would be a change from previous years and likely raise an OfS query so it would be left as currently presented in the Return.
- 5326 The Committee **AGREED** that the numbers continue to provide a very positive story for UCEM, and that the Return is in no way contentious. The Committee also **NOTED** that the Executive had reviewed the Return twice before Finance Committee. The Committee was satisfied and had no further queries on either the data tables or the Commentary.
- 5327 Following the review, the Committee **PRE-APPROVED** the UCEM Financial Return and will recommend it to the Board to provide final sign-off on both the data and the associated commentary at the meeting scheduled for 22 November 2024.
- 5328 The Committee expressed its thanks to all the staff involved in bringing the Financial Return together and acknowledged the significant work involved to meet extremely tight timescales.

3) 2024-25 FINANCIAL YEAR

- 5329 **3.1/ YEAR TO DATE PERFORMANCE 2024-25, BALANCE SHEET AND CASHFLOW FORECAST**
- 5330 JK presented paper 3.1 to the Committee which summarised the September 2024 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2024-25.
- 5331 **REDACTED**
- 5332 **REDACTED**
- 5333 The Balance Sheet remains healthy, following the release of the £3M provision for the USS pension deficit in 2023-2024 and an uplift in the investment portfolio valuation. UCEM holds £4.6M in cash as of end September 2024.

- 5334 In terms of cashflow, JK reported that the cash position continues to strengthen over the period from £4.7M at end of FY24 to £5.5M at end of FY25, reflective of both growth assumptions and a more stable EPA position. Cash increases yet further in outer years towards £8.7M at end 2028/29 and UCEM still needs to determine the proportions of these surpluses that can be reinvested in the organisation's operations.
- 5335 GS requested that the bonus accrual be presented as a clear line in the P&L for transparency purposes.
- ACTION: Ensure the bonus accrual is transparently presented in the P&L to Finance Committee at future meetings. [JK]**
- 5336 The Committee **NOTED** the September year to date financial position against approved budget.
- 5337 The Committee **NOTED** the September 2024 Balance Sheet at paper 3.1b.
- 5338 The Committee **NOTED** the cashflow forecast for FY2024/25 to FY2028/29.
- 5339 3.2/ IMPACT OF NATIONAL INSURANCE RATE RISE ON UCEM**
- 5340 JK presented paper 3.2 to the Committee which outlined initial analysis on the in-year and future years impact of the employer National Insurance increases on UCEM.
- 5341 The full year impact on FY25 budgeted payroll is £300K of additional cost, which will amount to £100K in year when the rise comes into effect in April 2025. This can be absorbed by UCEM this year but clearly will increase proportionally with payroll rises for future years. The impact institutionally will be that investment into other areas of the business will be limited by this sum as UCEM has minimal ability to raise its income or reduce its costs. Cumulatively this amounts to £1.3M that UCEM will not be able to invest over the next 5 years, and surpluses will be smaller than planned.
- 5342 The Committee queried whether UCEM will also be impacted by minimum wage increases, but this is not likely to have any effect as the lowest paid UCEM employees are circa £2.2K above the threshold.
- 5343 The Committee **NOTED** the unplanned and significant impact on UCEM future finances of the recently announced increases in employer National Insurance contributions.
- 5344 3.3/ SENSITIVITY ANALYSIS ON FINANCIAL IMPACT OF LOWER EPA COMPLETION RATES**
- 5345 JK presented paper 3.3 to the Committee which outlined the requested sensitivity analysis of potential impact should EPA completion rates be lower than currently planned and accounted for. The information was provided as two different scenarios.
- 5346 **REDACTED**
- 5347 The Committee **NOTED** the reduction in planned EPA income net of EPA costs of around 10-15% in scenario 1 and 20-25% in scenario 2 of lower than anticipated EPA

completion rates on UCEM's income in the coming years. The Committee also **NOTED** that there was no challenge to the completion rates currently in use for accrual by the auditors for the FY24 Audit.

4) PROPERTY

5348	4.1/ REDACTED
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5) FINANCIAL GOVERNANCE

5357 5.1/ FINANCE COMMITTEE ANNUAL REPORT 2023-24

5358 The Committee considered its draft Annual Report for the 2023-24 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, presented to the Board of Trustees. The report format has been updated this year and is shorter and more focussed on the impact of the decisions it takes.

5359 The Committee considered that overall, it has met its Terms of Reference for the year. It has been a positive year in which UCEM has demonstrated financial resilience compared to the wider sector. The profitability work now needs to gain momentum for the year ahead.

5360 The Committee **NOTED** the work it had achieved in the last year and **APPROVED** the Finance Committee draft annual report for 2023-24 which will be presented to the Board on 4 December 2024 for final approval.

5361 5.2/ TO RECEIVE THE BURSARIES WORKING GROUP ANNUAL REPORT 2023-24

5362 The Committee was reminded that the Bursaries Working Group was formerly a sub-group of the Finance Committee and is now managed internally, with the Finance Committee receiving an annual report on the award and management of UCEM bursaries. A draft annual report for the 2023-24 academic and financial year was presented in paper 5.2.

- 5363 JK highlighted some key points to the Committee including that the Group has at its disposal some monies under the David Alexander Memorial Fund which must be used to support RICS Wales applicants at their nomination. A relationship is therefore being developed in order to spend the £200K available in supporting some students from Wales. JK also advised that the £50K gift received last year to UCEM will be going into supporting bursaries and scholarship starting this year.
- 5364 The Committee commented that the number of bursary recipients is relatively small and asked what can or should UCEM do to grow the numbers supported and the size of the fund available to support them. Bursaries are funded from the bursary allocation of the investment portfolio currently and this could be increased but it would be in competition with other investment priorities at UCEM. Whilst UCEM has never materially increased this fund relative to the changing size of the institution, it has introduced Postgraduate Scholarships (discounts in effect) and this has worked well and could be replicated in Undergraduate as an alternative means to supporting higher numbers of students.
- 5365 The Committee queried whether UCEM seeks legacy funding from alumni to increase the available bursary funds. Whilst UCEM did this in its centenary year with moderate success, it is a hugely time-consuming activity with minimal return.
- 5366 The Committee also queried the success rates for those who have received bursaries and would like to see some comparative data on those who receive bursaries vs those who do not. If the results of this are positive, it would support any fundraising requests/messaging to alumni and honorary community by demonstrating how productive the funding is in terms of progression and completion rates.
- 5367 It was suggested UCEM could review the scheme to determine the wider cost-benefits and if overall it is money well spent in the context of the wider support UCEM provides in Access and Participation and disability /welfare support – given the costs to UCEM of staff in these areas what is the best return on investment for the institution? This would be interesting research given that UCEM no longer supports overseas students in significant need of financial support as its had to divert use of the scheme towards meeting APP targets which are only for domestic students.
- 5368 The Committee **NOTED** the work achieved by the Bursaries Working Group in the 2023-24 year and the number of bursary awards made. It welcomed the Committee's focus on monitoring success rates of those in receipt of bursaries. The Committee also **NOTED** the continuing work to align the allocation of undergraduate bursaries to the objectives of the Access and Participation Plan.
- 5369 5.3/ UCEM INVESTMENT STRATEGY**
- 5370 JK introduced paper 5.3 to the Committee, which highlighted UCEM's projected operating surpluses and the work now underway to prepare an associated investment strategy and decision-making process to support delivery of the new Strategic Plan 2025-2030. This could be viewed as a Working Capital policy that would define how much UCEM should hold internally and how much could be spent through the next five-year strategic period.
- 5371 JK commented that UCEM has fairly high cash balances in the bank and £1M of this is transferred into a deposit account to earn higher interest but the remainder is not really working for UCEM. Whilst it could be reinvested into the Sarasin's portfolio,

other more aggressive investment funds or towards specific projects, the work to determine the priorities has not yet been undertaken, nor the work to determine the correct balance of cash to remain at UCEM's immediate disposal. Whilst the money can always be moved between the various options, UCEM must establish its agreed rules on this first. Linked to this, UCEM then also needs to outline the projects and initiatives within its strategy that should receive support from anticipated surpluses, how much and in which priority order, noting that deploying some investment may support generating greater surpluses in outer years through optimisation and efficiencies.

5372 The Committee also cautioned UCEM on considering the volatile external macro environment and the degree of caution that may be required regarding investment funds when it prepares its further proposals in this area.

5373 The Committee **NOTED** the projected surplus and cash position figures for the next strategic plan period 2025-2030. The Committee also **NOTED** the work to be brought forward on developing an appropriate investment strategy to support delivery of the Strategic Plan 2025-2030.

5374 5.4/ PROFITABILITY ANALYSIS UPDATE

5375 JK gave a brief update on profitability analysis work, which has been somewhat limited whilst the Finance Team focused on yearend accounting and reporting and whilst a new COO has joined UCEM to lead the work.

5376 Now that a further full year of data is available JK intends to apportion this too and work through how costs are allocated to modules. This will provide greater transparency on profitability within the institution as a whole. It is important to consider programme level costs too where often there are shared costs of modules contributing. There will always be debate over what is or is not apportioned and the differing drivers for this. It was also noted that some external benchmarking could help the process and that the work underway currently on the Hong Kong cost base might also be useful to replicate.

5377 The Committee **NOTED** the request for further time to put together data on profitability ahead of reporting to the Committee in March 2025 the outcomes of this next stage of work.

5378 5.5/ UCEM PROCUREMENT

5379 JK presented a short report at paper 5.5 highlighting the totality of UCEM procurement (just over £5M) and the top ten suppliers to UCEM during the 2023-24 financial year, as requested at the last meeting of the Committee.

5380 The Committee **NOTED** the totality of UCEM procurement in 2023-24 and the associated top ten suppliers to the institution.

5381 5.6/ UCEM OVERDRAFT FACILITY

5382 JK presented a short update at paper 5.6 informing the Committee that UCEM no longer has an overdraft facility following a decision in summer 2024, in consultation with the Honorary Treasurer, not to renew and pay the associated charges for continuing to have the facility, which UCEM has never used. This decision was taken

in the context of the healthy cash balance UCEM maintains and the projected further growth in this.

- 5383 The Committee **NOTED** that UCEM's overdraft facility was not renewed in summer 2024.

6) ANY OTHER BUSINESS

5384 6/ ANY OTHER BUSINESS

- 5385 The Committee queried when the promised Estates Strategy would be forthcoming. This is likely to be summer 2025 given that the use of Horizons is still shifting and being assessed.

ACTION: Present a UCEM Estates Strategy to the Committee in summer 2025. [AW]

- 5386 The Committee queried the adoption of additional charges for employers over and above the Apprenticeship Levy. AW confirmed that UCEM has communicated the change to employers but that it does not actually come into effect until Spring 2025.

- 5387 No other matters of business were raised, and the Honorary Treasurer thanked all members for their attendance at the meeting.

7) MEETING CLOSE

- 5388 The Honorary Treasurer closed the meeting at 15.26pm.

- 5389 The date of the next Finance Committee meeting will be Thursday 20 March 2025.

8) MATTERS FOR NOTING

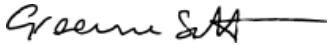
- 5390 The Committee **NOTED** the update on UCEM's investment performance from Sarasin & Partners as provided at paper 8.1 for the quarter ending 30 September 2024. The Committee also noted that the June 2024 Q2 report had also been provided on the Trustee Portal for information over the summer.

- 5391 The Committee **NOTED**, as per paper 8.2, the final grant funding provided to UCEM Asia Ltd for the 2023-24 financial year of £514,000.

- 5392 The Committee **NOTED**, as per paper 8.3, the allocation of OfS funding to UCEM for the 2024-25 year.

- 5393 The Committee **NOTED**, as per paper 8.4, the Treasury Management Policy which had been presented with no changes at this time, but it was felt some changes did need to be made. UCEM is not currently operating in compliance with the policy as all its funds are currently with NatWest and not spread wider, there are updates required to job titles in the policy and UCEM should seek to define the amount of day-to-day cash it wishes to have at its disposal. Further changes should be considered in alignment with the developing Investments Strategy.

ACTION: Present a revised and updated Treasury Management Policy to the Committee for approval which aligns with the evolving Investment Strategy. [JK/DB]

Signed 
Name Graeme Scott
Position Chair of Finance Committee / Honorary Treasurer
Date 20 March 2025