

**FINANCE COMMITTEE  
21 MARCH 2024**

**REDACTED MINUTES FOR PUBLICATION**

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 21 March 2024 from 14.00-16.00pm.

Present: Prof. Nick Braisby [NB]  
Amanda Clack [AC] Chair of the Board of Trustees  
Ros Kerslake [RK]  
Dominic O'Rourke [DOR]  
Graeme Scott [GS] Honorary Treasurer and Chair  
Ashley Wheaton [AW] Vice Chancellor

Apologies:

In Attendance: Jane Fawkes (University Secretary) [JEF]  
Lynn Hill (Chief Operating Officer) [LHi]  
Lyndsay Hughes (note taker) [LHu]  
Jim Kerr (Finance Operations Director) [JK]  
Tom Lindsay (Sarasin & Partners) [TL] – for item 2.1 only  
Richard Maitland (Sarasin & Partners) [RM] – for item 2.1 only

**1) GENERAL MEETING GOVERNANCE**

**5139 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST**

5140 There were no conflicts of interest declared.

**5141 1.2/ APOLOGIES FOR ABSENCE AND WELCOME TO NEW MEMBERS**

5142 There were no apologies for absence.

5143 The Honorary Treasurer welcomed Ros Kerslake as a new Trustee member to the Committee and Lynn Hill to the Committee in her role as Chief Operating Officer. Lynn provided some career background by way of introduction to the Committee.

**5144 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 9 NOVEMBER 2023**

5145 The minutes of the Finance Committee meeting held 9 November 2023 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

5146 The proposed redacted sections of the minutes from the meeting held 9 November 2023 were **APPROVED** and will be published accordingly on the UCEM website, pending some additional redactions within minute 5101.

**5147 1.4/ MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 9 NOVEMBER 2023**

5148 The minutes of the Joint Audit and Finance Committee meeting held 9 November 2023 (paper 1.3) were **APPROVED** as a true record. They will be signed by the Chair of Audit Committee in May 2024 once that Committee's dual approval has been secured.

5149 The proposed redacted sections of the minutes from the joint meeting held 9 November 2023 were **APPROVED** and will be published accordingly on the UCEM website once also approved by the Audit Committee in May 2024.

**5150 1.5/ MATTERS ARISING AND ACTIONS SUMMARY**

5151 An actions summary from the last meeting was circulated as paper 1.5. The Committee **NOTED** the update on actions provided and that all were either now closed or due for further discussion during the meeting except minute 253 on internal controls where work continues.

## **2) UCEM INVESTMENTS**

**5152 2.1/ SARASIN & PARTNERS ANNUAL UPDATE ON INVESTMENT PERFORMANCE**

5153 The Honorary Treasurer welcomed Tom Lindsay and Richard Maitland from Sarasin & Partners to the meeting for this item.

5154 TL/RM presented the latest Quarterly Report and Valuation of UCEM's investments in the Sarasin & Partners Climate Active Endowments Fund to the Committee (see paper 2.1). The presentation highlighted the portfolio value through 2023 and the ways in which UCEM's investment had been asset allocated (which has varied since last year). The aim of the fund is to achieve inflation +3% returns and as of 29 February 2024 UCEM's total investment was £8,933,986. Overall, the fund experienced low returns and low volatility through early 2023 but markets improved towards the end of the year in line with inflation rate reductions seen around the world. Absolute income increased by 3% since last year. The portfolio remains diverse and global political risks continue to impact performance. The slide deck at paper 2.1b provided all the detail covered in the presentation.

5155 It was noted that the fund now invests more heavily in global equities than previously and that UCEM's investments policy states that the Sterling weighting should not be less than 50%. JK agreed to review this with Sarasin & Partners to ensure either the investment levels remain within policy, or the policy is further updated to reflect higher permissible limits for global equities.

**ACTION: Ensure Sarasin & Partners are provided with a copy of the latest UCEM Investment Policy and that the UCEM reserves are managed within the prescribed limits (global equities increased this year**

where UCEM policy states there is to be not less than 50% in sterling). [JK]

- 5156 The Chair thanked TL & RM for their contributions and invited them to leave the meeting.
- 5157 The Committee requested that next year, Sarasin & Partners provide a briefer summary to the Committee as the full slide deck and detail had already been shared in advance and there was insufficient time to allow for discussion after the presentation.
- 5158 The Committee queried what the right percentage of funds is for UCEM to have, in its long-term reserves and as short-term liquidity, as the institution continues to grow and change. UCEM will need to further review and consider its Reserves Policy in light of expected income associated with UCEM growth ambitions and also in line with Regulator expectations.
- ACTION: Undertake a deeper review of UCEM’s Reserves Policy in line with UCEM’s growth ambitions. [LHi]**
- 5159 The Committee **NOTED** the 31 December 2023 investment fund valuation report from Sarasin & Partners, the comprehensive presentation slides and the overall fund performance.

### 3) STRATEGIC CONTEXT

#### 5160 3.1/ HIGHER EDUCATION FINANCES IN CONTEXT

- 5161 AW presented papers 3.1 and 3.1a to the Committee which provided some wider strategic context on the financial sustainability of UK higher education institutions (by PwC) and associated analysis of the published report by HEPI. AW highlighted the relevance of the anticipated financial turbulence to UCEM, noting UCEM’s very different model compared to most higher education providers and that UCEM has recently been able to raise prices but is now reaching the same cap in fees as all other providers. UCEM is somewhat immune to the pressures regarding international students that are challenging mainstream institutions.
- 5162 The Committee commented that the situation is unlikely to improve, and, in fact, the report is actually somewhat optimistic compared to the reality for many institutions, who are in many cases cutting their costs accordingly. The government has denied there is any crisis in higher education funding. The Committee also discussed PwC’s comments on how quickly an institution may fail and that the impact of any failure might suppress the entire sector further.
- 5163 The Committee **NOTED** the Universities UK report on the financial sustainability of higher education institutions. The Committee looks forward to a Board discussion on the potential of partnership initiatives for alleviating some of the financial pressures in the future at the next Board meeting. The Committee also reaffirmed its support to invest in the right opportunities that will secure UCEM’s long term viability.

### 4) 2023-24 FINANCIAL YEAR

- 5164 **4.1/ YEAR TO DATE PERFORMANCE 2023-24 vs BUDGET, BALANCE SHEET AND CASHFLOW FORECAST**
- 5165 JK presented paper 4.1 to the Committee which summarised the January 2024 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2023-24 (approved June 2023 updated for salary increases from the benchmarking exercise in July 2023) and the Year End forecast.
- 5166 REDACTED
- 5167 REDACTED
- 5168 The Balance Sheet remains strong at £20.5M, including a strong cash balance of over £4M, but there is a continued build-up of accrued EPA income, now at £2.3M (money recognised as profit but not yet received). The cash position will decrease by £500K in year as a result and the Finance Team anticipates this being a focus for the auditors once more in 2024. The team intends to review the accrual rates being used at the close of the next EPA submission window and ahead of the audit commencing to get ahead of the likely challenge.
- 5169 REDACTED
- 5170 The Committee noted the benefits to UCEM of the USS rate improvements (see paper 6.3) but that this is only reflected in January in the management accounts YTD – it will have further impact through the remainder of the year.
- 5171 The Committee also noted UCEM’s ever growing reliance on apprentice and sponsored students and the decline in its B2C student numbers (now approaching 70:30 split). Further interrogation of the increasing shift in this balance and the risks it poses to UCEM long term will be undertaken.
- 5172 The Committee also welcomed the focus this year that will be placed on setting a budget UCEM will achieve more accurately in 2024/25 rather than setting a conservative budget which the institution then routinely outperforms.
- 5173 The Committee **NOTED** and welcomed the January year to date financial position against approved budget.
- 5174 The Committee **NOTED** the January 2024 Balance Sheet at paper 3.1b and that UCEM retains a strong balance sheet and reserves position.
- 5175 The Committee **NOTED** the cashflow projection for FY24.
- 5176 **4.2/ FORECAST 2023-24**
- 5177 JK presented paper 4.2 to the Committee which summarised the revised forecast position for yearend following work undertaken in January 2024.
- 5178 REDACTED
- 5179 The Committee commented that it had hoped to see included in this paper more detailed breakdown of the Globe budget despite the forecast spend now being reduced for the year. JK/AW agreed to share this with the Committee as soon as possible.

**ACTION:** Share the Globe budget breakdown for FY 2023/34 with the Committee. [AW/JK]

5180 REDACTED

**5181 4.3/ UPDATE ON ANAPLAN PROJECT**

5182 JK presented paper 4.3 to the Committee which provided an update on the project to adopt Anaplan for financial planning within UCEM. JK advised that recruitment to a role to support development of Anaplan inhouse had been unsuccessful and UCEM will now be reliant on consultancy support. Further work to refine exactly how UCEM intends to use, build and operate the system and the intended project outcomes need to be carefully defined first. Anaplan's current use for budgeting and forecasting has made a positive impact and been welcomed by staff but its use beyond this to support profitability analysis needs to be scoped fully.

5183 The Committee queried whether UCEM is wedded to broadening use of Anaplan or whether the profitability analysis work can be delivered through alternative means. LHi reported that not many universities use Anaplan, and it is more common in FMCG companies. It is a very sophisticated tool that does have great potential for UCEM, it's **how** it can be used by and for UCEM that requires further scoping. An internal working group has been set up to address this, led by LHi, and its first task will be to develop a methodology for profitability calculations across modules and programmes which will then be able to inform how Anaplan could support this. LHi hopes the group will have worked out an initial methodology for profitability analysis using Excel within a couple of months.

5184 The Committee **NOTED** the problems to date in resourcing for the Anaplan project. The Committee **NOTED** the forecast for the remainder of FY24 contains budget for the use of external consultant support to progress the full adoption of the Anaplan project but that further internal work on defining profitability analysis methodology will take place first in order properly scope the potential of Anaplan (or even some other software solution) for UCEM. The Committee acknowledged that profitability analysis for all Higher Education institutions is not easy but offered its full support for the work.

## 5) PROPERTY

5185 5.1/ REDACTED

5186 REDACTED

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**ACTION:** REDACTED

5192 REDACTED

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**ACTION:** REDACTED

5195 REDACTED

## 6) FINANCIAL GOVERNANCE

### 5196 6.1/ EXPENSES POLICY REVIEW

5197 The Committee was reminded that following the findings of the auditors in 2023, UCEM was asked to review and update its Expenses Policy. The Chair, Honorary Treasurer and Chair of Audit Committee have all been consulted through the revisions process and provided constructive and useful guidance to the team. The revised Expenses Policy V0.01 was presented in paper 6.1a for consideration by the Committee.

5198 JEF advised that the policy had been brought fully up to date to reflect the different ways of working now in operation post-covid and the revised allowances that reflect today's cost of living. JK advised that the Honorary Treasurer had provided some further detailed, but relatively minor, comments to take into account before the policy is finalised but that these would not hinder approval being provided by the Committee. JK also advised that UCEM plans to move to electronic expense claims through the ADP HR system later this year.

5199 The Committee queried how the updated policy is likely to be received by staff and was advised that the revisions are almost exclusively positive for all staff, particularly the hotel rate increases. It is now a more comprehensive policy that provides enhanced clarity for all staff. A series of staff communications will launch the policy in due course.

5200 The Committee **APPROVED** the updated UCEM Expenses Policy 2024 V0.01, pending actioning the further minor amendments provided by the Honorary Treasurer over email, for re-publication to all staff as the new UCEM Expenses Policy V1.00.

**ACTION: Make the final amendments to the draft Expenses Policy, then finalise and publish to all staff. [JK/LHu]**

### 5201 6.2/ FINANCIAL RESILIENCE UPDATE – APPROACH TO FUTURE PRODUCTIVITY GAINS

5203 The Committee was reminded that through 2022 and 2023 it had discussed at length the long-term financial resilience of UCEM and was updated regularly on a series of initiatives that were taken forward to contribute to greater financial resilience. Paper 6.2 provided a final update on these initiatives, alongside a proposed new approach on taking a more proactive approach on recovery of more income from the Apprenticeship End Point Assessment (EPA). The paper also outlined a new approach to securing future productivity gains for the institution in line with the next

phase of the five-year Strategic Plan and the appointment of the new Chief Operating Officer.

- 5204 Work on the initially identified financial resilience projects is now either broadly complete or concluded and this will be the final report on the group of initiatives as currently presented. AW reported that upfront payments for international students is now in operation, that price increases are now locked into the system (though they have more impact on the B2C market which is proportionally reducing), that fees over and above the ESFA funding band on the BSc programme have now been introduced and UCEM continues to push for a funding cap increase, and that work on academic regulations and policies is already having a substantial impact and will continue via the business optimisation work through the life of the next strategic plan. AW also advised that UCEM will continue to seek a tenant to sublet the ground floor of Horizons and that work on the removal of the fixed module fee policy for life has been discontinued.
- 5205 **REDACTED**
- 5206 It was acknowledged that there had been further ideas in the original financial resilience plan which were not included in the priority sub-set reported on above but that these would now roll forward into the business optimisation work to be led by Lynn Hill with the aim of fitting the operations of UCEM to a level comfortably under the total expected income of the business. This work will take place across five areas, against each of which a plan of action and timeline will be built: financial/business management and analysis; workplace (including office, home and virtual); people, organisation and culture; process & IT systems; and product portfolio and operating model. The project as a whole will impact every area of the business. LHi will be preparing a short Board paper on this work for the 18 April 2024 meeting.
- 5207 The Committee **NOTED** the progress made on the areas identified to improve UCEM's financial resilience in terms of income generation and cost savings.
- 5208 The Committee **NOTED** the proposals to further increase Apprenticeship End Point Assessment income yield.
- 5209 The Committee **NOTED** the summary of the proposed focus areas to be included in the next five-year business plan on Business Optimisation and Productivity.
- 5210 6.3/ USS PENSIONS UPDATE**
- 5211 JK presented paper 6.3 which provided an update on changes with regards to USS pensions over recent years and its impact on UCEM's financial position and forecast.
- 5212 JK advised that employer pension contribution rates were reduced on 1 January 2024 from 21.6% to 14.5% which will bring a saving of £180,000 in year and £312,000 on an annual basis (assuming no uplifts in salaries). UCEM continues to carry £3,009,000 as a provision for pension scheme liabilities on its balance sheet as part of its obligation to fund the past deficit on the scheme.
- 5213 The Committee **NOTED** the contribution rate reductions for both employees and UCEM as an employer on the USS pension scheme that became effective from 1 January 2024.

## 7) ANY OTHER BUSINESS

### 5214 7/ ANY OTHER BUSINESS

5215 The Honorary Treasurer asked for some consideration to be given to how and when the Board becomes involved in investment appraisals and decision-making.

**ACTION: AW/GS to discuss and agree when Board involvement in investment appraisals and decision-making is appropriate / necessary and report back to Finance Committee. [GS/AW]**

5126 **REDACTED**

5217 The Committee really welcomed the 'fresh eyes' perspectives on UCEM provided by LHi and the focus of her work to come. Understanding where the Board should support investments will be particularly important. The Committee also thanked JK for his work over the last six months to ensure a continuing and effective Finance function.

5218 No other matters of business were raised, and the Honorary Treasurer thanked all members for their attendance at the meeting.

## 8) MEETING CLOSE

5219 The Honorary Treasurer closed the meeting at 16.02pm.

5220 The date and time of the next Finance Committee meeting will be Thursday 27 June 2024 from 14.00-16.00pm.

## 9) MATTERS FOR NOTING

5221 The Committee **NOTED** the update on the closure of UCEM Courses Ltd provided in paper 9.1 which ceased trading on 31 July 2023 with all assets transferred to UCEM. The bank account was formally closed on 13 October 2023. Final summary accounts and a corporation tax return were submitted to HMRC, and a formal application has been made to Companies House to have the company struck off. Whilst this process was expected to be concluded and confirmed by Companies House in April 2024, JK advised that the confirmation had just been received earlier on 21 March 2024 and that the company was fully closed on 19 March 2024.

5222 The Committee **NOTED**, as per paper 9.2, that the OfS Financial Return 2023 was fully and satisfactorily concluded on 10 January 2024.

5223 The Committee **NOTED**, as per paper 9.3, that Mazars and Nova had been re-appointed as UCEM auditors for 2024 and Mazars will present their Audit Strategy Memorandum to the Audit Committee in May 2024 for approval.


5224 The Committee **NOTED**, as per paper 9.4, the initial returns being generated via the implementation of the UCEM Treasury Management Policy in which £1M of UCEM's cash at bank is deposited in a 35-day notice account generating interest at 3.2%.

5225 The Committee **NOTED**, as per paper 9.5, that the Investments and Reserves policies had been reviewed as per their biennial cycle. Several updates were required the



updating of all financial references to 31 July 2023 as the latest available financial statements and removal of reference to the now closed Barings Targeted Return Charity Authorised Investment Fund. In addition, it was noted that the tolerated split in base currency of the investment portfolio (originally approved as non-Sterling assets were not to exceed 50% of the total portfolio value) must be updated and this will be discussed between LHi/JK/Sarasins as the fund is not operating within the tolerance previously approved. See minute/action 5155 above. The format of both documents will also be updated to standard UCEM house style before approval is provided. As policies were therefore not approved at the current time, they will be re-presented with the further changes in June 2024 for consideration and approval.

**ACTION:** Re-format the investments and reserves policies to UCEM house style, ensure changes required are considered in the next two months and re-present to the Committee for consideration and approval in June 2024. [LHu/JK/LHi]

Signed   
Name Graeme Scott  
Position Chair of Finance Committee / Honorary Treasurer  
Date 27 June 2024