

FINANCE COMMITTEE

27 JUNE 2024

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 27 June 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: Stephen Bartle (Pro Vice Chancellor Business Development & Apprenticeships) [SB] – for items 5.2 & 5.3 only
Jane Fawkes (University Secretary) [JEF]
Lynn Hill (Chief Operating Officer) [LHi]
Lyndsay Hughes (note taker) [LHu]
Jim Kerr (Finance Operations Director) [JK]

1) GENERAL MEETING GOVERNANCE

5226 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

5227 There were no conflicts of interest declared.

5228 1.2/ APOLOGIES FOR ABSENCE AND WELCOME TO NEW MEMBERS

5229 There were no apologies for absence.

5230 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 21 MARCH 2024

5231 The minutes of the Finance Committee meeting held 21 March 2024 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

5232 The proposed redacted sections of the minutes from the meeting held 21 March 2024 were **APPROVED** and will be published accordingly on the UCEM website.

5233 1.4/ MATTERS ARISING AND ACTIONS SUMMARY

5234 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.

2) 2023-24 FINANCIAL YEAR**5235 2.1/ YEAR TO DATE PERFORMANCE 2023-24 vs BUDGET, BALANCE SHEET AND CASHFLOW FORECAST**

5236 JK presented paper 2.1 to the Committee which summarised the May 2024 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2023-24 and the updated Year End forecast.

5237 JK reported that the position overall is very positive. REDACTED Income is £281K ahead of reforecast at £16,305K YTD. This is ahead of forecast due to upside in retained non-apprenticeship students and additional OfS capital grant funding. With assumptions on underspend against forecast, the estimated outturn is now at REDACTED

5238 REDACTED

5239 JK also reported that the Balance Sheet is in a strong position. UCEM has a healthy £5.2M cash at bank, with £1M of this invested in a higher rate interest deposit account. In addition, the investment portfolio is showing some upside of c.£800K unrealised gains forecast for year end. Similarly, UCEM is carrying a pension provision of £3M on the balance sheet but the USS scheme is no longer in deficit so the majority of this is likely to be released which will have a significant uplift on the yearend balance sheet. UCEM still anticipates, however, that the auditors will challenge UCEM on the EPA accrued income estimate but JK is confident the current accrual remains accurate. JK agreed to perform some sensitivity analysis on the financial impact of lower EPA completion rates.

ACTION: Provide some sensitivity analysis on the financial impact of lower EPA completion rates to the next meeting. [JK]

5240 Finally, JK reported some fairly conservative assumptions in the cashflow forecast which will see cash reduce by approx. £400K across the year to July 2025, primarily relative to planned capital spend.

5241 The Committee queried the underspend on staff costs and noted this was predominantly due to being unable to recruit to planned vacancies at the right time rather than any deliberate cost reduction/saving. There has also been some savings in the Associate Lecturer budget. A new, more rigorous approach to budgeting for 2024-25 means that headcount will remain static except for net new roles to support new programme development and phasing of recruitment has been more stringently planned.

5242 The Committee also queried whether UCEM's healthy cash balance is working hard enough for the institution. JK suggested this needed further consideration by the Finance Team but noted there were constraints on deposit accounts with other banks (than NatWest) as they prefer such clients to also do their current account

banking with them. The question of what the right level of cash to retain in the bank by UCEM should also be considered and whether surpluses above this can be added back into investments portfolio or released for specific agreed investments back into the business.

ACTION: Produce an Investment Strategy which reviews cash at bank levels to determine the correct sum to retain and develops proposals of what to do with surplus funds generated above this, such as replenish investment portfolio or release for agreed investments back into the business. [JK]

- 5243 Finally, the Committee also queried the pension liability provision reduction and if this was a temporary or long-term improvement to UCEM's balance sheet. The provision is based on an actuarial evaluation model and could be re-applied in future years, but this is unknown and the auditors will require UCEM to follow the approved model and carry the defined amount this year, regardless of what may happen in future years. It is considered an accounting adjustment only.
- 5244 The Committee **NOTED** and welcomed the May year to date financial position against approved budget and thanked the team for the pleasing results YTD.
- 5245 The Committee **NOTED** the May 2024 Balance Sheet at paper 2.1b and that UCEM retains a strong balance sheet and reserves position.
- 5246 The Committee **NOTED** the cashflow projection for FY25.

3) 2024-25 FINANCIAL YEAR

5247 3.1/ BUDGET FOR 2024-25

- 5248 Lynn Hill / Jim Kerr presented a proposed budget for 2024-25 set against the current income forecast and known costs (papers 3.1 and 3.1a).
- 5249 LHi highlighted that the process of budgeting was rigorous this year. Some long-term vacancies were removed, and all teams were challenged not to overinflate pay budgets. Teams were also challenged to deliver 5% non-pay savings. The result is a robust budget that is achievable, with less significant swings in over or under-performance anticipated.
- 5250 The budget proposes a **REDACTED**. Growth in student numbers of 3% is anticipated (2.5% this year) and there have been clear KPIs set on income per student, cost per student and pay cost to income. There is some stretch target in the budget increase of £1.3M on income from the estimated FY24 student income outturn number.
- 5251 LHi also informed the Committee that a forecast budget has been produced for a further two-years ahead but requires further scrutiny and testing by Executive before it is presented to the Committee. This forms a three-year plan overall which assumes further small percentage increases in income but a fairly static cost base. The longer-term forecast highlights the required cost efficiencies to be delivered through the business optimisation work. Further scenario planning will be required to support this long-range forecasting in terms of risks to student numbers / income and how this would impact the institution vs the projected ongoing cost base.
- 5252 **REDACTED**

- 5253 The Committee also queried how UCEM plans to start using and investing the surpluses it is now regularly generating. LHi commented that there is a need to ensure UCEM has reserves for capital investments, particularly for technology infrastructure and this will be a very positive message to staff to see the plan for this being developed and funded. The Director of Technology is working on the plan (timescales and investment requirements) for this.
- 5254 The Committee noted that the budget presented represents the culmination of a four-year journey to budget at the outset for a healthy surplus. The budget already includes some significant investments but there will be opportunity to consider other areas for investment outside of the budgeting process, for which the cases will be made over time. As per minute 5242, UCEM must also consider how much surplus it wishes to return to its reserves, to ensure UCEM's available liquidity is working as hard for the institution as it can. UCEM should produce an investment strategy separate to the budget that coincides with YTD performance after the autumn intake to allow for potential investments to be made in year with forecast surpluses.
- 5255 The Committee was informed that UCEM is currently tracking at round 71% pay cost to income ratio and will be targeting reducing this in years to come through the business optimisation work and growth in revenues. UCEM would also like to put surplus margins above 10% in the longer-term to support investments in technology that will be required. Income per student of around £6K (eminently achievable a result of retention work) is considered a sensible target. UCEM will be focussed on preserving this addressable income throughout the student's lifetime with the institution.
- 5256 The Committee also queried the 10% reduction in IT and other operating costs line within the budget and noted that alongside around 3% savings identified across budget holders, there are also savings to come in operating costs associated with Horizons as UCEM will be closing the building on Fridays from August 2024 and to planned timing of IT spend.
- 5257 The Committee **NOTED** the assumptions in the proposed budget and **PRE-APPROVED** it as presented in paper 3.1a for the 2024-25 year. The budget will proceed to Board for full approval on 11 July 2024.
- 5258 3.2/ PROFITABILITY ANALYSIS (PHASE 1)**
- 5259 JK/LHi presented paper 3.2 to the Committee which provided an update on the profitability analysis work underway.
- 5260 **REDACTED**
- 5261 The Committee welcomed the positive start to this long-desired project which will prove helpful to some potentially challenging discussions and decisions in the future **REDACTED**
- 5262 The Committee **NOTED** the outcomes of the phase 1 profitability analysis work and welcomed the robust start to this work that has been required for a long time and will support more strategic decision-making in the future. The Committee also **NOTED** that the Executive had yet to discuss the phase one analysis in detail and would be doing so in the next month in order to agree the proposed next steps to be taken.

4) PROPERTY

5263 4.1/ **REDACTED**

5264 **REDACTED**

5265 **REDACTED**

5266 **REDACTED**

5267 **REDACTED**

ACTION: **REDACTED**

5) FINANCIAL GOVERNANCE

5268 5.1/ **INVESTMENT AND RESERVES POLICIES**

5269 The Committee reviewed the proposed changes to the Investments and Reserves policies as presented in paper 5.1. The policies were reviewed at the last meeting with some further minor changes required before sign-off.

5270 GS/LHi commented that the policy refers to investment reserves and not investment assets and might benefit from a further tightening up on language and definitions within the policy.

5271 The Committee **APPROVED** the Investment Policy as presented in paper 5.1a for finalisation and republication as the new V2.0 and the Committee **APPROVED** the Reserves Policy as presented in paper 5.1b for finalisation and republication as the new V2.0, noting that some further work to align these with an overall Investment Strategy (see minute 5242) and tightening up on language and definitions with the documents will take place.

ACTION: **Refine the language used in the Investments and Reserves policies further and include definitions within them. [LHi]**

5272 5.2/ **ANNUAL FEE REVIEW**

5273 The Chair welcomed Stephen Bartle to the meeting for item 5.2.

5274 SB presented the Annual Fee Review and proposals for 2025-26 (fees are already determined for the year 2024-25) as per paper 5.2. SB highlighted that there is little scope for change on undergraduate fees due to being close to the regulatory maximum, that there is a modest increase proposed on postgraduate fees and that there is scope to increase the Chartered Surveyor MSc route apprenticeship fee. **REDACTED.**

5275 **REDACTED.**

5276 The Committee noted that the impact of the price rises agreed a year ago remain unknown as they will come into effect from September.

- 5277 The Committee **APPROVED** retaining the BSc module fee at £1,500 in 2025/26.
- 5278 The Committee **APPROVED** the proposal to increase the MSc Real Estate module fee to £1,450 and the module fee for other postgraduate programmes to £1,375 in 2025/26.
- 5279 The Committee **APPROVED** the proposal to increase the fee for the Chartered Surveyor apprenticeship MSc route to £26,000.
- 5280 The Committee **NOTED** the current position with fees for other apprenticeship programmes.
- 5281 5.3/ PROCESS FOR NEW PRODUCT SIGN-OFF**
- 5282 SB remained in the meeting to present paper 5.3 on the processes UCEM follows to take new products to market (covering development of programme, approval of the business case, academic approval and operationalisation), the current product roadmap to meet the requirements of the Strategic Plan up to 2027/28 academic year and the income and student numbers forecast associated with the planned new programmes over the next five years.
- 5283 The Committee suggested that UCEM should also build a review point into the process to allow for reflection on learnings and refinements to the process where desirable or even a check point to take decisions on closing any new programmes that can be deemed as not having performed/viable. The Committee asked whether this had been considered with regards to the MSc in Innovation in Sustainable Built Environments which only secured 10 students in its first cohort. The Committee was assured that learning from the product approval process for this programme has already fed into the processes underway with new products now, such as improved lead time for both building new products and launching them to market, particularly where it is in a new market area. Ensuring sufficient time for market research prior to product design is also a key learning taken on board.
- 5284 The Committee was reminded that the MSc ISBE was a wholly new approach to product development from a different start point, one that contributed to meeting strategic aims around breadth and sustainability than a focus purely on student numbers and income generation. The MSc in Urban Planning will also be about meeting a strategic aim by generating a track record in planning that allows for accreditation as a planning school by the RTPI rather than about pure numbers and income. The volume of work and energy required for each new programme can not always be compelling in isolation but taken collectively the annualized income projections for all new programmes in 2028/29 is attractive. The learning from initial profitability analysis should also be able to feed into new programme planning in order to help balance the development between hard income generating products and those that may be a cash drain but meet strategic aims in terms of UCEM investment and resources.
- 5285 The Committee also requested that in documenting these processes fully, UCEM also outlines the processes and decision-making procedures to be followed in cases of product deletion and a comprehensive summary overview of the student numbers/planned income for the products UCEM currently has available alongside the planned new ones.

ACTION: Develop the product deletion process to sit alongside the product approval and 'take-to-market' process. [SB]
Develop an overview of the student numbers and income projections for current programmes to sit alongside planned new programmes for the information of the Board. [SB]

5286 The Committee **NOTED** the process for new product sign-off in operation at UCEM, the updated products roadmap and the potential impact on growth in income and student numbers from the planned new programmes over the next five years.

5287 The Honorary Treasurer requested that SB share with the Committee an example of a product sign-off that has been through his process for information purposes.

ACTION: Share an example of a new product sign off that has been through the approval process with the Committee. [SB]

5288 The Committee extended its thanks to Stephen Bartle and Wendy Finlay for leading this work.

5289 The Chair thanked Stephen Bartle for his contribution and invited him to leave the meeting.

5290 5.4/ PROCUREMENT POLICY

5291 LHi presented a new draft procurement policy for UCEM as per paper 5.4 for the review of the Committee. The policy originated within UCEM as a requirement to meeting ISO 14001 accreditation with a sustainability focus, however given the scale of investment to come in technology, LHi has adapted this further to put greater emphasis on procurement in this area and around contracts management. It has also been challenged from a data protection perspective. Given that further discussions are underway internally about operationalising the policy, there will be some further minor changes to the draft presented. Whilst it is a very comprehensive policy, the core aim has been to bring in greater financial controls with the right policies and processes for staff to follow, particularly around tendering, governance and ongoing management of contracts and suppliers, thereby increasing visibility and accountability. As part of this, all technology spend has been centralised into a single budget under the control of the Director of Technology and subject to approval by the Executive Team only. Launching the policy will require some training and communication to UCEM teams.

5292 The Committee welcomed the document, the approach and the intentions to put in place greater control in this area. The Committee queried the scale of UCEM's procurement and whether it would be advantageous to consider joint procurement with other institutions/organisations. UCEM already takes advantage of the University Consortium for utilities, for example, but there may be others. LHi suggested presenting to the Committee the totality of UCEM procurement and the UCEM top 10 suppliers on an annual basis.

ACTION: Present the UCEM totality of procurement and the top 10 suppliers to the Committee on an annual basis. [JK]

5293 The Committee **APPROVED** the contents of the new UCEM Procurement Policy, welcomed the introduction of increased controls and processes but also cautioned against being too process driven, such that it increases unnecessary burdens on

teams. The policy, once finalised, will be communicated to all staff and published for use on the Intranet.

5294 5.5/ INTERNAL CONTROLS

5295 JK presented the current internal controls and approval levels which are followed with the Agresso accounting software. It was suggested that these be reviewed following the audit feedback in 2023 (paper 5.5). The approver levels and process are well established but have not changed since 2016. The matrix sets out that budget holders (level 1) have approvals up to £500, line managers (level 2) have approvals up to £2,500, department heads (level 3) have approvals up to £7,500, Executive (level 4) has approvals up to £25,000 and the Vice Chancellor (level 5) has approvals over £25,000. In addition, any payment over a value of £50,000 required approval by the Honorary Treasurer.

5296 JK proposed some simplification of the approvals at levels 1-3 to simplify the current processes whilst remaining within already approved budgetary spending limits. Level 1 would move to £2,500 and levels 2 and 3 to £10,000.

5297 The Committee **APPROVED** the proposed increases in approval limits for level 1 to £2,500 and levels 2 and 3 to £10,000. All other approval levels and limits will remain as existing.

6) ANY OTHER BUSINESS

5298 6/ ANY OTHER BUSINESS

5299 The Committee extended its sincere thanks to Lynn Hill for the short but impactful time she has spent as UCEM's COO this year and wished her well in her future role.

5300 No other matters of business were raised, and the Honorary Treasurer thanked all members for their attendance at the meeting.

7) MEETING CLOSE

5301 The Honorary Treasurer closed the meeting at 15.24pm.

5302 The date of the next Finance Committee meeting will be Thursday 14 November 2024.

8) MATTERS FOR NOTING

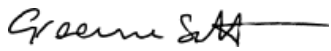
5303 The Committee **NOTED** the update on UCEM's investment performance from Sarasin & Partners as provided at paper 8.1 for the quarter ending 31 March 2024.

5304 The Committee **NOTED**, as per paper 8.2, the fees for the Audit 2024 and the new audit partner appointed to UCEM at Mazars, Helen Knowles.

5305 The Committee **NOTED**, as per paper 8.3, the deadlines and key information associated with the OfS Financial Return 2024.

5306 The Committee **APPROVED**, as per paper 8.4, the proposed amount of grant funding to UCEM Asia Ltd for the 2023-24 year, which has been estimated at £545,000, in

order to allow Nova to commence audit work – it will be amended as necessary and re-approved by Finance Committee on conclusion of the audit work in November 2024.

Signed 
Name Graeme Scott
Position Chair of Finance Committee / Honorary Treasurer
Date 14 November 2024