

FINANCE COMMITTEE 20 MARCH 2025

REDACTED MINUTES FOR PUBLICATION

A meeting of the Finance Committee was held remotely via Zoom videoconferencing on Thursday 20 March 2025 from 10.00-12.00noon.

Present:	Ros Kerslake CBE [RK]	
	Peter McCrea OBE [PM]	Chair of the Board of Trustees
	Dominic O'Rourke [DOR]	Vice Chair of Finance Committee
	Graeme Scott [GS]	Chair of Finance Committee (Honorary Treasurer)
	Ashley Wheaton [AW]	Vice Chancellor
Apologies:	Prof. Nick Braisby [NB]	Vice Chair of the Board of Trustees
	Gareth Ralphs [GR]	
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

5394 1.1/ DECLARATION OF ANY CONFLICTS OF INTEREST

5395 RK advised that she sits on the Board of Sanctuary, which is relevant to a visit Sanctuary undertook to Shinfield Grange in autumn 2024. There were no other conflicts of interest declared.

5396 1.2/ APOLOGIES FOR ABSENCE

5397 There were apologies for absence from Prof. Nick Braisby and Gareth Ralphs.

5398 1.3/ MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON 14 NOVEMBER 2024

5399 The minutes of the Finance Committee meeting held 14 November 2024 (paper 1.3) were **APPROVED** as a true record and signed by the Honorary Treasurer.

5400 The proposed redacted sections of the minutes from the meeting held 14 November 2024 were **APPROVED** and will be published accordingly on the UCEM website.

5401 1.4/ MINUTES OF THE JOINT AUDIT AND FINANCE COMMITTEE MEETING HELD ON 14 NOVEMBER 2024

5402 The minutes of the Joint Audit and Finance Committee meeting held 14 November 2024 (paper 1.4) were **APPROVED** as a true record. They will also be approved by the Audit Committee in May 2025 and signed by the Chair then.

5403 The proposed redacted sections of the minutes from the Joint Audit and Finance Committee meeting held 14 November 2024 were **APPROVED** and will be published accordingly on the UCEM website once also approved by Audit Committee in May 2025.

5404 **1.5/ CHAIR'S ACTION**

5405 One Chair's Action has been taken since the last meeting regarding approval to change course fees.

5406 The Committee ratified the Chair's Action agreed via email in late January 2025 to approve a 3% fee increase in the undergraduate module fee for new students starting with UCEM from 2025/26 from £1,500 to £1,545. It was noted that there will be no change to the fees charged for students enrolled in previous years, although the Committee requested an estimate for the amount of revenue foregone assuming a 3% growth in the fee cap.

ACTION: Estimate the revenue foregone on previously enrolled students assuming a 3% growth in fee cap is not applied. [JK]

5407 **1.6/ MATTERS ARISING AND ACTIONS SUMMARY**

5408 An actions summary from the last meeting was circulated as paper 1.6. The Committee **NOTED** the update on actions provided and that all were either now closed or due for further discussion during the meeting. The Honorary Treasurer reminded the Finance Director that he would like to see bonus expense shown separately within the P&L in future.

ACTION: Show bonus expense as a separate line within the P&L in the management accounts in the future. [JK]

5409 **REDACTED**

2) UCEM INVESTMENTS

5410 **2.1/ SARASIN & PARTNERS ANNUAL UPDATE ON INVESTMENT PERFORMANCE**

5411 The Honorary Treasurer welcomed Tom Lindsay from Sarasin & Partners to the meeting for this item.

5412 TL 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 (paper 2.1a with supporting appendices at paper 2.1b) highlighted the portfolio value through 2024 and the ways in which UCEM's investment had been asset allocated. The aim of the fund is to achieve inflation +3% returns and as of 28 February 2025 UCEM's total investment was £9,640,792 (increased by approx. £700K since Feb 2024). Overall, the portfolio is well diversified and has had a strong year in the face of some global political risks, such as changes

in US fiscal policy. There is approximately 69% of the portfolio in equities which, overall, provide better returns. The fund is also now more global than previously.

5412 The Committee queried how UCEM's investments have performed against the benchmark, net of fees, and whether the returns would have been greater in an alternative fund? TL responded that the fund is recovering in performance from the early years of UCEM's investments with Sarasin & Partners. In those years it was oil and gas that provided the greatest returns for investor, but these do not feature in the Climate Active fund. The aim remains that over 5-7 years the benchmark will be achieved but there has been underperformance in the early years to be made up – this strategy is gaining traction though and should be achieved at the end of the period. TL does not believe the climate/ethical skew for the fund is negatively impacting UCEM at the current time but further changes in US policy could impact negatively in the future with turbulence in the markets. TL did, however, assure UCEM that they are not knee-jerk in responses to such changes and will monitor hard data to make sensible decisions for the fund in the future.

5413 The Committee **AGREED** it needs to determine whether to continue to take returns on investment as income (as cash at bank is very healthy currently) or whether to re-invest income back into the portfolio in the future. Historically the investment income helped mitigate against operating deficits and 25% of the income is currently used to support bursaries. It may be possible to do percentages of each in the future too, but DB/JK have a meeting with Sarasin & Partners in May to discuss options and a proposal will be presented to the next Finance Committee for a decision. This proposal will also take into account the likely cash receipt UCEM will secure upon sale of Shinfield Grange and the investment strategy model to be developed to fund the strategic plan.

ACTION: Present a proposal for UCEM investment income to the Committee for consideration in June 2025. [DB/JK]

5414 The Chair thanked TL for his contribution and invited him to leave the meeting.

5415 The Committee **NOTED** the 31 December 2024 investment fund valuation report from Sarasin & Partners for Q4 of 2024, the comprehensive presentation slides and the overall annual fund performance review.

5416 The Committee **NOTED** the changes to Sarasin's Terms of Business on Page 50 of paper 2.1c and the new clause on 'interest on client money' [which can be found here](#), neither of which were considered concerning for UCEM.

3) 2024-25 FINANCIAL YEAR

5417 3.1/ YEAR TO DATE PERFORMANCE 2024-25, BALANCE SHEET AND CASHFLOW FORECAST

5418 JK presented paper 3.1 to the Committee which summarised the January 2025 management accounts, balance sheet and cashflow forecast relative to the approved budget for 2024-25.

5419 JK reported that the current position is positive, largely due to overperformance on apprenticeship admissions in the autumn semester recruitment window and due to better than budgeted performance on retention. Whilst the cost position is currently under budget, this will be offset in the second half of the year by a significant

number of new roles and staff recruitment as part of the investment in growth. There has also been some overspend on costs such as professional fees (legal support for the LSA merger). On balance the projected overspend on costs by year end will essentially be offset by overperformance on income.

5420 The Committee congratulated the team on a strong performance, especially when compared to the sector as a whole.

5421 The Balance Sheet remains healthy with UCEM holding £4.9M in cash as of end January 2025.

5422 The Committee **NOTED** the January year to date financial position against approved budget.

5423 The Committee **NOTED** the January 2025 Balance Sheet at paper 3.1b.

5424 The Committee **NOTED** the cashflow forecast for FY2024/25 to FY2028/29.

5425 The Committee **NOTED** that given UCEM has a high cash surplus currently, the team will be considering how to reinvest this into delivery of the strategic plan with proposals for consideration at the next meeting as part of the Investment Strategy Model.

5426 **3.2/ REFORECAST 2024-25**

5427 JK presented paper 3.2 to the Committee which summarised the revised forecast position for yearend following work undertaken in January 2025.

5428 The revised forecast position shows the autumn semester overperformance on income rolling into the second half of the year, but no further overperformance vs target is expected on Spring recruitment. Staff costs will also start to increase in the second half of the year which shows additional income being invested back into the business. There will be a higher than initially budgeted spend on some projects, such as University Title, in the second half of the year too.

5429 The Committee welcomed the revised forecast position and **NOTED** the overperformance in apprenticeship income and the forecast BAU surplus of £1,322,000. The Committee also **NOTED** the increase in University Title and Shinfield Grange project costs. The Committee **NOTED** the increases in projected staff costs.

5430 **3.3/ BUDGET REQUEST FOR THE LAUNCH OF UNIVERSITY OF THE BUILT ENVIRONMENT**

5431 JEF presented paper 3.3 to the Committee which outlined the required budget to successfully launch University of the Built Environment. A total of £269K additional funding is required in 2024/25 of which £250K has already been included in the budget re-forecast. A further £48K will be required in 2025/26.

5432 The Committee commented that the marketing requirements in this budget were high, but JEF assured the Committee the detailed work to forecast this had been undertaken and this was an accurate request. Nick Hughes has offered to continue to support the team through the rebrand work on behalf of the Board. **REDACTED**

5433 JEF informed the Committee that the approach to rebranding will be based on prioritisation of assets with those externally facing being changed first. The VLE branding as a whole, the online academy and social media will all be prioritised. Study materials will, however, only be updated through their regular cycle of updates as the volume is so significant. UCEM policies will also be updated through natural workflow and updating cycles. This provides the right degree of external messaging balanced with a pragmatic approach towards workload and costs.

5434 The Committee **APPROVED** the university name change budget as proposed at £269k in 2024/25 and £48k in 2025/26. It was **NOTED** that the reforecast at paper 3.2 includes only £250K against this project line as this was an early estimate that has now been superseded and should be updated.

ACTION: Update the reforecast to reflect the true approved budget for University Title/Name change. [JK]

5435 **3.4/ SENSITIVITY ANALYSIS ON FINANCIAL IMPACT OF A POTENTIAL LOSS OF LEVEL 7 APPRENTICESHIP FUNDING**

5436 JK presented paper 3.4 to the Committee which outlined the requested sensitivity analysis of potential loss of level 7 apprenticeship funding if a government policy change were to be announced.

5437 There is only one L7 apprenticeship programme in UCEM's portfolio and therefore at full risk of the potential implementation of a blanket policy change to de-fund Level 7 apprenticeships. REDACTED

5438 The Vice Chair (in absentia) requested that the team consider how it would recapture this income if the worst did happen, and the programme was de-funded. It is anticipated most students would transfer to non-apprenticeship funded programmes because the demand will still exist.

5439 The Committee **NOTED** the expectations from the current L7 provision and the degree of income at risk associated with this provision. The Committee further **NOTED** that any policy changes will be outside of UCEM's control, but UCEM will continue to lobby for changes whilst further work on the scenario planning is undertaken by the COO and FD.

5440 **3.5/ LSA BUDGET**

5441 David Balme presented an updated 5-year budget for LSA based on historical data and outcomes of due diligence work (noting this is to date only and continues to change daily) that superseded the one at paper 3.5, which allowed the Committee some advance scrutiny of the finances associated with the Board decision to be taken on 3 April 2025 on whether to enact the proposed merger between UCEM and LSA or not. The indicative costs are intended to represent a worst-case scenario based on the status quo without any operational savings or income upside UCEM might deliver during the period.

5442 REDACTED

5443 REDACTED

- 5444 Overall, the Committee welcomed the approach to budgeting and the significant contingency that is being built in as more costs will inevitably still emerge through the next few weeks and even after Transfer. The overall judgement was that UCEM could afford to absorb the impact of LSA but the Board will need to weigh the benefit of merging with LSA (thus immediately expanding the portfolio of UCEM's programmes into architecture) versus the resources and time it would take for UCEM to develop the programme from scratch. The Board papers being prepared will set out all elements for consideration to enable the decision to be taken.
- 5445 The Committee urged the team to consider what additional funds might also be needed to underpin UCEM's existing activities during the transition period, so they do not suffer as a result of this huge project.
- 5446 The Committee **APPROVED** the LSA budget and thanked the team for their work to date.

4) PROPERTY

5447 4.1/ REDACTED

5448 REDACTED

5449 REDACTED

5450 REDACTED

5451 4.2/ UCEM ESTATES STRATEGY

- 5452 DB provided a verbal update on plans to develop a UCEM Estates Strategy by summer 2025. This workstream has been delayed by the LSA merger work. DB has, however, recently commissioned some resource to develop this strategy – the Ex-Director of Estates at Newcastle University. The outputs of his work will be presented to Finance Committee as soon as available.
- 5453 The aim of the Estates Strategy will be to start from a blank piece of paper, ignoring the current estate, and focussing on future needs. It will also explore the opportunities in the external market to UCEM in terms of collaborative premises.
- 5454 The Committee commented on the addition to the portfolio of the LSA current premises in Dalston, London, which will also need to be considered. This will have a particular impact on UCEM's stated net zero ambitions and sustainability strategy. The Chair of PWG (DOR) offered his support in developing the strategy and suggested it should be considered in Property Working Group first.
- 5455 The Committee **NOTED** UCEM's plans and approach to development of an Estates Strategy in 2025 and accepted the delay due to the current workload on the Executive Team regarding the LSA merger.

5) FINANCIAL GOVERNANCE

5456 5.1/ POLICY REVISIONS AND UPDATES

- 5457 The Committee was presented with three policy updates for review – the Investments Policy (Paper 5.1a), the Reserves Policy (Paper 5.1b) and the Treasury Management Policy (Paper 5.1c). The amendments were largely minor updates and formatting enhancements.
- 5458 The Committee was cautious that the revisions were not comprehensive and that UCEM is not fully compliant with all aspects of all policies. This will be addressed with a further update in line with the Investments Strategy Model to be developed through 2025. As part of this, the policies should provide guidance on levels of UCEM funds that reside in investments and in cash. They should also address whether the investments returns should be taken as income or whether they should be reinvested into the portfolio.
- ACTION: Undertake further refinement to the Investments, Reserves and Treasury Management policies in line with the emerging Investments Strategy Model (to fund the 2025-2030 strategy) during 2025 to ensure UCEM is in full operational compliance. [DB]**
- 5459 The Committee **APPROVED** the Investments Policy V2.01 for finalisation as the new V3.0.
- 5460 The Committee **APPROVED** the Reserves Policy V2.01 for finalisation as the new V3.0.
- 5461 The Committee **APPROVED** the Treasury Management Policy V1.01 for finalisation as the new V2.0.
- 5462 5.2/ PROGRESS UPDATE ON PROFITABILITY ANALYSIS WORK**
- 5463 JK provided an update on the profitability analysis project work (paper 5.2), which has been updated to reflect the latest year end accounts. JK commented that the data is all backwards looking and seeks to allocate all costs into various categories. Much more intense work is required to develop a more forward-looking analysis, but this is starting. As the data builds up, it will begin to show more trends over time and the key focus will be to create a more significant break between growth in income and growth in costs to drive up margin.
- 5464 The Committee reiterated its intent to remove the £200K annual costs for Shinfield Grange and were cognisant that the Hong Kong operation is not contributing currently. The Committee suggested that the Executive Team needs to do some prioritisation of strategic ambitions as the team may be stretched too thin currently. It also suggested that the FY23 figures should be re-run to replicate the FY24 allocations in order to show reliable trends and identify the less profitable or loss-making areas of the business in order to address them.
- 5465 The Committee was reminded that the strategy for Hong Kong had been agreed but is not yet fully in train as it was reliant on a senior appointment in the locality. It will be reconsidered again in 18 months.
- 5466 The Committee **NOTED** the update on the profitability analysis work stream and the next steps for the project around income modelling.
- 5467 5.3/ UPDATES TO UCEM BANK MANDATES AND AUTHORISED SIGNATORIES**

5468 JK presented the revised bank mandates and authorised signatories to the Committee, which had been comprehensively updated following a change in Board Leadership roles and some personnel within the Finance Team (paper 5.3).

5469 It was noted that in the mandate presented to the Committee that a of further minor amendment was required before the document would be finalised (addition of a correct email address). The changes with NatWest have been completed and the Sarasin & Partners paperwork is now ready to be submitted.

ACTION: Amend the incorrect email address for GS on the bank mandate.
[JK]

5470 The Committee **APPROVED** the authorised signatories for all UCEM bank accounts, including the level of authority assigned to each person.

5471 The Committee **NOTED** the amendments currently underway and almost complete with Sarasin & Partners to update the authorised signatories to Peter McCrea OBE, Professor Nick Braisby and David Balme.

6) ANY OTHER BUSINESS

5472 6/ ANY OTHER BUSINESS

5473 No other matters of business were raised, and the Honorary Treasurer thanked all members for their attendance at the meeting.

7) MEETING CLOSE

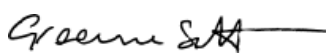
5474 The Honorary Treasurer closed the meeting at 11.46am.

5475 The date of the next Finance Committee meeting will be Thursday 12 June 2025.

8) MATTERS FOR NOTING

5476 The Committee **NOTED**, as per paper 8.1, the successful completion of the OfS Financial Return 2024. The Committee further **NOTED** that UCEM is now required to complete and submit a light-touch Interim Financial Return to the OfS in April, which AW/DB can approve for submission without recourse to Trustees.

5477 The Committee **NOTED**, as per paper 8.2, the USS pensions update.

Signed 

Name Graeme Scott

Position Chair of Finance Committee / Honorary Treasurer

Date 12 June 2025