

# University Of York

## Finance Committee

### Matters for note by the University Council at its meeting on 28 February 2024 arising from the meeting of the Finance Committee held on 12 December 2023

#### 1. Declarations of interest

The Vice-Chancellor reported on measures in place, as endorsed by the University Secretary, to manage a conflict of interest arising from the appointment of the Interim Finance Director, concerning his prior role as a Non-Executive Director of Kaplan and Chair of the latter's Audit and Risk Committee. This had been self-disclosed during the selection process.

#### 2. Finalisation and approval of year end matters

- a. The Committee **noted** an update on changes made to the draft Annual Report 2023 which had been presented to the joint meeting with Audit and Risk Committee in November, including fair value adjustment for Financial Instruments, revised USS provision and revised UoYPF valuation.
- b. It further **noted** an update regarding delayed sign-off of the Financial Statements owing to staffing and internal procedural hurdles at the external auditors, Grant Thornton (GT), as opposed to a problem with the audit itself. The projected date for signoff by Urgent Decisions Group remained as 17 January 2024. The Chair and the DVC were continuing to meet twice weekly with the GT Head of UK Audit and the audit partner for updates on progress, and the Committee would be kept up to date with developments.
- c. Arrangements were in train to address the implications of the delay for meeting external stakeholders' deadlines, including the OfS, the University's lenders and the US GAAP submission. In particular the OfS had acknowledged a notification from the VC that the University would miss its filing deadline at the end of the calendar year, with wording agreed with GT accepting their responsibility for the delay.
- d. Once the current situation had been resolved, the University would undertake a comprehensive post-audit review with GT in the light of the outcomes from the current audit process.

#### 3. Quarter 1 financial forecast 2023/24, budget monitoring and risk management

- a. The Committee **approved** the Q1 financial forecast for 2023/24, noting that in comparison with the Five Year Forecast, the figures for covenant headroom and year-end cash balance were lower, but remained above the agreed minimums.
- b. The Committee **noted** a supporting report from the Budget Monitoring Group, which had been established to oversee management of the University's financial challenges, reporting regularly to UEB. The Group's objectives for 2023/24 were to maintain the agreed covenant safety margin and recover a consistent surplus position in 2024/25 and beyond, through addressing challenges relating to international student recruitment and continuation of the cost containment programme. An exercise would take place in January to frame the available options for HoDs and PSS Directors.
- c. The report further set out key identified risks and potential upside which could be triggered in response. The position would be reviewed again in January once the projected improvements underpinning the Q1 forecast were confirmed: at present it was not anticipated that the potential improvements as listed would be necessary.
- d. Contingency plans were under development to address the risk of a shortfall in student numbers. Recent government announcements regarding immigration would have a particular impact on recruitment from India and Africa, and mechanisms to address this had been discussed at UEB. The VC further **reported** that recruitment data was being closely tracked, alongside improvements to business intelligence and the speed of application processing to facilitate more effective engagement with applicants.
- e. Regarding cost containment, the Committee discussed the need to analyse operating costs from scratch and the feasibility of achieving PSS savings. It **noted** that the pressures experienced by the University were sector-wide: the University was taking early action in order to preserve its academic capability into the future. Committee members expressed confidence that effective measures were in train to optimise the cost base.
- f. The Committee **noted** a formal report against the key financial risk within the corporate risk register, ie that the operating surplus was insufficient to fund the University strategy and capital programme, including plans to achieve a reduced score for Likelihood via the approach set out above. The current decrease in inflation was also noted as a mitigating factor. It further **noted** that the situation was actively considered at Risk Review Group on a quarterly basis, and onwards by UEB and Audit and Risk Committee, and suggested that it might be helpful to break the risk down into explicit sub-risks.

#### 4. Pension funds

- a. The Committee **noted** an update on the UoY Pension Fund: provisional information about the triennial evaluation outcomes suggested that a surplus was likely, and modelling was under way to inform decisions regarding how much surplus to retain, possible benefit reform and/or changes to the investment strategy. It **observed** that it was important to take current USS developments relating to benefit restoration into account, given the University's desire to enable a seamless transition for colleagues between the two schemes. A further report will be provided for the Committee once the evaluation has been finalised.
- b. The VC **reported** that the USS Trustee Board was on track to restore benefits from April 2024, with a reduction in contribution rates for both institutions and individuals from January 2024. Payroll preparations for the latter were under way. Conversations with UCEA, who were due to pick up USS employer responsibilities from UUK, had demonstrated their commitment to swift and effective implementation, and the next valuation, due in 2026, would be an opportunity to stabilise the Scheme into the medium and long term.

#### 5. TRAC Compliance and Assurance

The Committee **resolved to approve** the Annual TRAC Compliance and Assurance Report, noting that as a committee of Council, it was required to confirm as part of the OfS TRAC Return that the University's processes were compliant with OfS TRAC Requirements. The work of the University's TRAC Oversight Committee, as set out in the Report, provided assurances to this end: all the recommendations arising from the 2020/21 internal audits had been resolved, and changes in the method for the 2022/23 Return brought the University's approach in line with revised TRAC guidelines. In line with the recommended three-year cycle, the next internal audit was due for completion in 2023/24. The Committee **agreed** that it would be helpful for the Chair of the Audit and Risk Committee to attend a TRAC Oversight Committee meeting and meet with the TRAC team in order to understand the area in greater depth.