

Approved Minutes

Present

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| Emma van der Lugt | Independent Governor, Chair of Committee | EvdL |
| Louise Bridgett | Independent Governor, Deputy Chair of Committee | LB |
| Vicky Hatton | Independent Governor, Committee Member | VH |
| Prof John Scott, CBE | Co-opted Board Member, Committee Member | JS |
| Jennie Walker | Co-opted Board Member, Committee Member | JW |

In attendance

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| Prof Claire Taylor | Vice-Chancellor | CT |
| Simon Arthurs | Chief Operating Officer & Finance Director | SA |
| Stephen Plant | University Secretary & Registrar | SP |
| Nathan Coughlin | External Audit Partner, Bishop Fleming | NC |
| Kevin Dixon | Interim Assistant Finance Director | KD |
| Jessamie Thomas | Governance Officer (note taker) | JT |

1. Welcome, Apologies & Declaration of Conflicts of Interests

- 1.1 Chair of the Committee, Emma van der Lugt, welcomed colleagues to the meeting. A particular welcome was extended to Interim Assistant Finance Director, Kevin Dixon, who was attending his first Marjon Audit Committee meeting.
- 1.2 No apologies were received; all members were in attendance.
- 1.3 EvdL invited members to provide any updates to the Register of Interests, included with the papers; none were identified.

2. To Receive an Update from Vice-Chancellor and Chief Operating Officer & Finance Director

- 2.1 The report was received. EvdL invited Vice-Chancellor, Prof Claire Taylor, to provide an update.
- 2.2 CT apologised for the late circulation of papers. She explained the work which had been done and which was still in train so as to finalise the financial statements. CT explained in detail the reason behind the delay and the transparent and prompt reporting of this which had taken place, to the Board of Governors (BoG) and the regulator, the Office for Students (OfS). CT reminded the Committee that the trigger for this had been a breach of bank covenant, which had subsequently been waived in principle, but which had meant that statutory filing deadlines had not been complied with and extensions had been sought and granted. CT confirmed that the bank was aware that the final written confirmation would be required by the BoG's meeting on 30.01.2024, if the financial statements were to be approved. This would allow for full compliance with the OfS' revised timelines. CT explained that, to ensure the OfS had been kept fully informed, CT, SA and Deputy Vice-Chancellor & Provost, Prof Michelle Jones, had set up a call with the OfS in early January and had secured an extension to the submission of the Annual Financial Return (AFR) and also to the Transparent Approach to Costing (TRAC) return. CT noted that the OfS had been supportive and helpful and had appreciated the candid and transparent communications from the University and accepted the approach proposed in order to address the issues being faced.

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- CT drew the Committee's attention to the fact that compliance with the OfS filing requirements around annual accounts and AFR was a significant sector-wide issue this year.
- 2.3 CT confirmed that part of the work which had taken place since the last BoG meeting had focused on the review of cashflow. CT confirmed that Green Deposits had been cashed in ahead of the receipt of fee income, which would come in February. CT confirmed that the careful monitoring which was taking place to ensure that regulatory conditions around levels of liquidity would not be breached and that funds were held in readily accessible accounts.
- 2.4 CT agreed that robust and strident measures would be needed to address the issues, as laid out in the report in Reserved Business which the internal auditors had been instructed to prepare. The role of KD would be important in supporting with this. The University would need to be clear around student number growth. CT noted that the University was engaging with a strategic review, developing a new strategy, investing in digital transformation. There would be a review of governance and risk. CT summarised that the team was addressing the issues identified and scrutinising approaches going forwards, focusing on assuring financial sustainability going forwards.
- 2.5 The Committee was satisfied with the Vice-Chancellor's summary. No further questions were raised.
- 2.6 The Chair invited SA to comment on the paper. SA also apologised for the late circulation of papers. He noted that the renegotiation of the loan had incurred a fee, mainly to cover the bank's legal fees. He confirmed that all efforts were being made to ensure that this was a one-off cost and would not re-occur. However, he felt it would be prudent to ascertain the scale of financial risk if the same position arose. The scale of financial risk would be around cashflow forecasting, budget monitoring in an operational space. Risk would be played out in the covenant which would be revised. SA confirmed he was acting prudently regarding the covenant renegotiation and NC noted that it was positive that this had not been repriced. In terms of the covenant position, it had been built upon the University's future forecasts, and inevitably there was some risk. SA's report noted that there would also be an external auditors' fee which was being negotiated with the external auditors.
- 2.7 The Committee noted that there had been issues with the cashflow forecast, as originally presented to the auditors, and therefore the Committee sought assurance over the ongoing reliability of those. SA confirmed steps which had been taken to address this, including setting up weekly team update meetings, analysis of the supply chain, programme payments while the University transitioned to apprenticeship models which paid monthly with less reliance on the block retrospective funding payments which came through from the OfS with the student loan fee payments. SA sought to ensure he was modelling an iterative process for the coming months. NC confirmed that the income and expenditure reporting had been robust [*redacted sentence*].
- 2.8 SA confirmed that because cash levels had been significantly lower than forecast, great care would need to be taken to profile budgets more accurately. The appointment of KD to the finance team would support this. SA noted that more would be done to educate budget managers around HE cashflow.
- 2.9 The Committee asked for details of the processes which would be put in place to ensure that cashflow forecasts were accurate and how oversight of these would be received by this Committee, to allow greater scrutiny by this Committee than had happened previously. The

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Committee noted how little headroom there was once the sensitivities had been applied and urged the University to be mindful of the risk of a similar position occurring.

- 2.10 The Committee noted the challenges inherent in capturing timely and accurate student population data, generating an annual forecast of attrition and in real time, especially in a landscape of volatility of student numbers and challenging circumstances for some individuals.
- 2.11 The Committee thanked CT and SA for the report and update. The Committee commended the Executive Leadership Team for their work addressing the challenges.

3. To Receive the Audited Financial Statements (Statutory Accounts) 2022-23

- 3.1 The report was received, comprising a cover report, the audited financial statements and a management letter from the external auditors, Bishop Fleming. EvdL invited Chief Operating Officer & Finance Director, Simon Arthurs, to provide an overview.
- 3.2 The Committee was reminded that the BoG, on 23.11.2023 had approved the draft audited financial statements (statutory accounts) 2022-23, in so far as they were a true and fair record. This Committee had received and discussed with the External Auditor their 'Key Issues for Discussion Document' on 14.11.2023, which had set out the key findings from their work. The Committee had been made aware of some areas where the University needed to draw final conclusions and some areas where final audit work was ongoing.
- 3.3 External Audit Partner, Nathan Coughlin, confirmed that the figures had not changed since that time. Some notes had been updated, the Chair's and Vice-Chancellor's narratives inserted and there was reference to the waiver of the breach of covenant, which had been included for transparency.
- 3.4 The management letter, circulated with the papers for this meeting, documented the final outcomes and conclusions from the external auditors' work. NC reminded the Committee that he had to take a view as to material certainty over the next 12 months. The University was looking well past that timeframe, given that it recruited students for three years or more and noting that the Annual Financial Return spanned a number of years. NC had considered the risk of non-delivery of growth plans for the next year and indicated that, for the next year's financial statements, he would need to see the growth plans having an impact, in order to generate headroom. NC noted that this year, timings of capital receipt had been in advance of costs, but that would not always be the case.
- 3.5 NC confirmed that he anticipated providing an unqualified audit report on the University with no modifications to their conclusions on going concern.
- 3.6 The Committee was informed that the Letter of Representation had not yet been finalised, as it was pending the final audit work around the formalisation of the agreement of the terms of the bank covenant, which had been agreed in principle. This was expected ahead of the Board meeting scheduled for 30.01.2024.
- 3.7 The Committee therefore **CONDITIONALLY APPROVED** the financial statements, for onward recommendation to BoG, noting that the process of approval would not be complete until the Letter of Representation had been signed.

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4. Reserved Business.

4.1 Budget Outturn for 2022-23 and Financial Monitoring - Advisory Review

The Committee noted receipt of the confidential report by the internal auditors TIAA. It would be considered fully, with the Director of Internal Audit, at the Audit Committee's scheduled meeting in March, to include an update on progress against identified actions.

Supplementary Information

Register of Interests

Close

In closing the meeting, EvdL thanked attendees for their attendance and contributions.