

**Approved Minutes**

**Present**

Mr Alex Hawtin	Independent Governor, Chair of Committee	AH
Mr Graham Raikes, MBE	Independent Governor, Chair of the Board	GR
Prof Rob Warner	Vice-Chancellor	RW
Prof Patricia Hind	Independent Governor, Deputy Chair of Committee	PH
Mrs Kate Doodson	Independent Governor	KD

**In attendance**

Miss Lauren Edwards	Student Governor, Marjon Student Union President	LE
Mr Simon Arthurs	Director of Finance & IT	SA
Mrs Jessamie Thomas	Governance Officer (note taker)	JT

**1. Welcome, Apologies & Declaration of Conflicts of Interests**

- 1.1 Committee Chair, Alex Hawtin, welcomed colleagues to the meeting.
- 1.2 No apologies were received; all members were present.
- 1.3 Written declarations of interest were noted in Part B. No additional declarations were made.
- 1.4 AH invited governors to 'unstar' items from Part B for discussion; none were unstarred.

**2. Draft Audited Financial Statements**

- 2.1 The report was received. AH invited Director of Finance & IT, Simon Arthurs, to provide an overview, which SA gave via a slide presentation.
- 2.2 SA reminded the Committee of the background context; a break even budget had been set originally. Covid-19 had led to a loss of income and to Covid-related costs, mitigated as far as possible.
- 2.3 SA flagged that staff costs had increased, including a higher FRS102 pension charge. There had been an investment loss, reflecting the volatility of the markets, but quick action had been taken to limit the drop in capital value. There had been a significant actuarial loss in respect of pension schemes.
- 2.4 It was noted that expenditure had been contained, reflecting prompt, strong cost control measures. The deficit had been carefully managed to £0.259m. The Committee commended SA and Senior Management Team (SMT) on containing costs, noting that their success countered the narrative in the national media of spiralling costs.
- 2.5 Regarding non-current assets of the Balance Sheet, SA noted that while the value of investments had decreased there had been an equivalent increase therefore in cash and cash equivalents.
- 2.6 SA noted that the loan principal annual share had been repaid.
- 2.7 SA noted that the pension liability had increased significantly. SA assured the Committee that this was a notional figure, linked to the financial markets and measured in July 2020. He assured the Committee it would be monitored but confirmed it was not a cause for concern as it would not crystallise into a sum to be paid out.
- 2.8 SA explained the transition from the Management Accounts deficit of £0.259 to the Financial Accounts total comprehensive deficit of £6.971m, and how the technical FRS102 Adjustments impacted on the final position.

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- 2.9 Focusing on the cash position, SA explained how cash adjustments resulted in a cash surplus of £1.892m and liquidity was reportable to Office for Students (OfS).
- 2.10 SA suggested the usefulness of Earnings Before Tax, Interest and Finance Costs, Depreciation and Amortisation (EBITDA) as a comparable KPI, as it focused on operational performance. Marjon's EBITDA for 2019/20 showed a surplus of £1.017m. The Committee agreed it would be useful to add this to the annual KPI spreadsheet. **ACTION: SA**
- 2.11 SA was asked to, in future, include more narrative information on the value of investments, given it was an important high level metric. Also useful would be a breakdown of 'other' category of staff on p38. **ACTION: SA**
- 2.12 The committee flagged up minor incongruencies which SA would resolve prior to the final version coming to the Board in December, along with areas where an expanded narrative would be helpful.
- 2.13 SA appraised the committee of the next steps to the Board approving the Financial Statements. SA confirmed that the External Auditors had raised no material issues and that all management actions in the External Audit Report would be addressed. The External Auditors were satisfied that the University was a going concern. An annual report, based on the Statements, would be published.
- 2.14 The Committee **APPROVED** the draft Audited Financial Statements, which would go onward to the Audit Committee for a full review, along with consideration of materiality, going concern and letter of representation prior to recommendation to the Board. The formal return and statements once approved would be filed at Companies House. **ACTION: SA**
- 2.15 AH commended the outturn position, particularly given the immense challenges accompanying the impact of the pandemic and this at the same time that SA was instigating the transition to annual costs being covered by annual income. AH wished to convey the Committee's appreciation to SA and all his team, to SMT and staff for this tremendous achievement.
- 3. 2020/21 Budget and Medium Term Financial Planning**
- 3.1 The report was received. AH invited SA to summarise, which he did via a slide presentation.
- 3.2 SA reminded the Committee that this was a period of transformation to protect growth, transitioning to the approach of annual costs being met by annual income. The ensuing focus on financial sustainability and resilience would address OfS Condition of Registration D.
- 3.3 SA explained that a prudent and risk-based approach was being carefully managed. Four month spending controls had been put in place and were being closely monitored.
- 3.4 SA noted the positive student recruitment position, with an increase in student fee income compared with both the 2020/21 budget set in July and with the 2019/20 position, reflecting growth in numbers in undergraduate, postgraduate and School Direct programmes.
- 3.5 SA noted that it was positive to see strong undergraduate figures as these would satisfy AFR requirements and flow into years 2 and 3, as long as retention was robust. SA indicated caution around interpreting postgraduate figures, given that the increase may reflect a response to the pandemic, with people reconsidering their employment prospects and upskilling in response to the challenging state of the economy, rather than being a long term trend. However, indications were that postgraduate applications for 2021/22 were holding

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- up. SA noted that onsite student numbers were rising, rather than this being due solely to external partnerships.
- 3.6 SA brought into focus the key challenge of student retention, this year exacerbated by Covid-19. SA reminded the Committee of the cut-off date beyond which fees for the full year were payable.
- 3.7 With regard to income, SA noted that accommodation was at approximately 95% capacity, lower than anticipated when the budget was set in July, when there had also been a waiting list, hence a reduction in income. Car parking revenue had been reduced. The Sports Centre was slightly behind the projected position and it was hoped this would pick up in late spring. The Chartwells position was unchanged from that presented in July. SA informed the Committee that a new shop was being planned for early summer and would be open to the community.
- 3.8 SA flagged key cost assumptions. The 'no pay award' was still holding, which remained a financial risk. The Covid-19 budget had increased and would require careful management particularly given the costs entailed in setting up a test centre which would not be fully reimbursed by Government. SA detailed further costs, including a proposed staff rewards scheme, increased voluntary severance budget, increased digital budget. The capital budget remained low, which presented a slight risk.
- 3.9 SA flagged actions plans being worked through which should result in further savings and how these were being monitored and reviewed.
- 3.10 Key risks were summarised by SA as student withdrawal, future waves of Covid-19 ahead of a vaccine, pay award and unexpected capital costs.
- 3.11 A surplus of £0.580m would need to be made to match the value of the debt principle for the year, to avoid this being paid from cash reserves. This would be transferred to cash on the Balance Sheet, to pay the annual debt liability. In effect it would not be a surplus as the net impact would be a break even budget and the Committee discussed how best to convey this to the Board.
- 3.12 The Committee requested an update on the student retention position. Vice-Chancellor, Prof Rob Warner, noted that the University had to assume a risk of a higher drop out than the previous year. That would be partly counter-balanced by some students seeking to return to campus sooner than normal, given that face to face teaching would finish by 9 December. RW highlighted that, together with Marjon Student Union (MSU), every effort was being made to support students and encourage a sense of belonging within whatever constraints the Government imposed. Student Governor, Lauren Edwards, anticipated that some students may stay on to complete a PGCE or Masters.
- 3.13 RW noted that Government plans for the start of term in January had not yet been announced, an example of the uncertainty amidst which the University was operating, which in turn illustrated why careful control of expenditure was critical at this point in this unusual year.
- 3.14 SA confirmed that forecast monitoring would be key in maintaining the final budget position for the rest of the year; the mid-year review would be more accurate than the previous pro-rata approach. One-off costs and income were being closely monitored; spend was being held back where possible.

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- 3.15 SA confirmed that deposits had been placed in a Green Investment account; given that the interest rate for 60 days was 0% they had been placed into a 90 day account at 0.05% interest.
- 3.16 With reference to targeted efficiency savings, SA confirmed that £300k was a balancing entry. If all savings were achieved this would equate to £300k. SA confirmed that these included staff vacancies, the value of the non-committed strategic fund and the amount claimed from non-staff budgets, all of which would be carefully monitored.
- 3.17 The Committee noted the importance of clearly conveying to Board colleagues the journey that the University was undertaking in order to secure financial sustainability and protect growth and that tight cost controls were an essential element in making that happen.
- 3.18 The Committee noted the deferral by OfS of the deadline for submission of the Annual Financial Return (AFR). SA flagged the key assumptions within the AFR. The F&R Committee would scrutinise the return at its next meeting on 20 January 2021, which would be followed by Board approval.
- 3.19 The Committee thanked SA and his team for all their work on the budget forecasting and cost control and **APPROVED** the current position and approach.

#### **4. Financial Strategy 2020-2025 (draft)**

- 4.1 The report was received. AH thanked SA and his team for their work on this.
- 4.2 SA explained the basis and approach and confirmed that an action plan would be developed. Following a brief discussion, it was agreed that the Financial Strategy would be considered in detail at the next scheduled meeting. **ACTION:JT**

In closing the main part of the meeting, AH thanked LE for her attendance and contributions.

**Reserved Business** – *See Reserved Business minutes*

#### **Close**

In closing the meeting, AH invited colleagues to reflect upon whether discussions impacted on the current risk register or if changes were proposed. None were highlighted.

#### **Part B – for information only**

The following was received for information with no queries:

- 6. Register of Interests