

Approved Minutes

Present

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

In attendance

Miss Lauren Edwards	Student Governor, Marjon Student Union President	LE
Prof Gary Shum	Academic Staff Governor	GS
Mr Simon Arthurs	Director of Finance	SA
Mrs Jessamie Thomas	Governance Officer (note taker)	JT

For item 3

Mr Roger Cosslett	Investment Director, JM Finn & Co	RC
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1. Welcome, Apologies & Declaration of Conflicts of Interests

- 1.1 Deputy Chair, Prof Patricia Hind, took the chair and welcomed colleagues to the meeting.
- 1.2 Apologies were received from Alex Hawtin, Chair of Committee.
- 1.3 Written declarations of interest were noted in Part B. No additional declarations were made.
- 1.4 PH invited governors to 'unstar' items from Part B for discussion; none were unstarred.

2. Minutes of the Previous Meeting

- 2.1 The minutes of the meeting held on 4 September 2020 (M1) were received and **APPROVED** as an accurate record with no amendments.
- 2.2 An update was requested on how communications with local press were managed and the committee was satisfied with the approach. The Marketing Strategy and civic engagement would be discussed at the next Board of Governors (BoG) meeting.

3. To receive an update on 2019-20 investment performance

- 3.1 Mr Roger Cosslett, Investment Director, JM Finn & Co, was welcomed to the meeting.
- 3.2 The cover paper, briefing note, valuation, performance summary and quarterly statement to July 2020 were received. PH invited RC to summarise the University's investment performance and value of the portfolio at 8 October 2020.
- 3.3 RC noted key decisions which had been taken since the onset of COVID-19, in response to regular contact with Simon Arthurs, Director of Finance, mindful of the pandemic's impact on investment markets and the University's possible capital requirements for the new academic year.
- 3.4 RC explained that following encashment of a significant part of the investment, in order to hedge against the possible opportunity cost of a subsequent market rally remaining investments had been orientated towards growth. While there had been a small negative return over twelve months, by taking action to encash a substantial part of the portfolio and reposition the remainder, the portfolio during the summer outperformed a rising market.

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- 3.5 With regard to the outlook, RC commented that the near future would inevitably remain dominated by the development of the pandemic. Commodity prices remained robust and the market forward looking, although politics would have a particular influence in the coming months.
- 3.6 PH thanked RC and invited colleagues' questions. It was noted that Marjon's portfolio was medium risk and there may be merit in moving to a low risk profile. RC confirmed that in terms of risk it was up to the Board to decide what level to take. The only investments that JM Finn & Co would classify low risk were government bonds and AAA rated bonds with virtually no income potential; some of these had been allocated alongside Marjon's medium risk investments.
- 3.9 In response to a question on the portfolio criteria, RC confirmed that investment in armaments, tobacco and alcohol had been avoided. It was also noted that divestment from fossil fuels had been ongoing and stock held was intended to be sold once the price was right.
- 3.10 PH thanked RC for his overview and responsiveness to the University's position during this challenging time.
RC left the meeting.
- 3.11 The committee considered whether they could be confident that J M Finn & Co was delivering the optimum service in terms of performance, fees, customer service, approach to ethical investment. A question was raised as to whether a greater return could have been delivered had the investment been in, for example, property funds. The committee noted that any investment would need to offer flexibility. SA commended J M Finn & Co's responsive approach and flagged up the potential cost of change. SA would review the provision and report back. **ACTION: SA**
- 4. To consider the Ethical Investment Policy/Treasury Policy**
- 4.1 The report was received.
- 4.2 Following discussion, it was agreed that fossil fuels be added to the list at 1.3 of funds that should be excluded or divested from, in line with the University's decarbonisation commitment.
- 4.3 SA noted that there had been an increase in FoI requests relating to the investment portfolio and related matters.
- 4.4 Subject to the above addition, the policy was **APPROVED** and SA was thanked for his work on this.
- 5. To receive a briefing note on the Development of the Final Budgets (Capital and Revenue) for 2020/21**
- 5.1 SA guided the committee through his summary presentation.
- 5.2 SA recapped on the process to date and confirmed that the team was on track to deliver a breakeven budget.
- 5.3 SA reiterated that capital headroom had been carefully managed in 2019/20. The figure brought forward would be reviewed once student numbers were confirmed. Registration was still work in progress; a withdrawal rate higher than normal, to allow for COVID-19, had been factored in.

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- 5.4 SA noted changes to the risk register and associated mitigation. SA was working closely with the Student Support team to monitor/mitigate the potential risk of student withdrawals.
- 5.5 SA noted that John Bailey, Director of Estates, would submit a bid for Salix grant funding. A professional fees Salix bid could also be submitted to be set against the cost of consultants.
- 5.6 SA provided an update on the Studio School fit-out and operational budget and summarized the advanced-stage discussions with DfE.
- 5.7 SA confirmed that COVID-19 costs were being monitored closely with ongoing dialogue with SMT focusing on the priorities required to keep the campus COVID-19 secure.
- 5.8 SA noted that the voluntary severance programme had received an additional allocation.
- 5.9 Prof Rob Warner, Vice-Chancellor, flagged up LGPS pension scheme potential strain costs. SA with Lucy Pengelly, Director of People & Organisational Development, would explore alternative schemes for future employees.
- 5.10 The committee discussed the impact of COVID-19 on the financial position: directly attributable COVID-19 costs, the loss of income through not charging for accommodation in summer 2020, reduced catering revenue. SA noted the adept response of SMT, and the contribution of LE and her deputy Joe Lynch in supporting the leadership team in efforts to meet students' needs.
- 5.11 PH invited Lauren Edwards, Student Governor, to reflect on the likelihood of students terminating their studies or continuing but from home. LE confirmed she was aware of some who had made such a shift already and agreed that there was a real prospect that some students would go home for Christmas and not return to campus.
- 5.12 SA provided an update on the 2020/21 anticipated income position, which included scope for inclusion of other potential sources of income.
- 5.12 With regard to expenditure, SA noted that non-essential budget was targeted at 5%. Systematic service reviews and pay and reward reviews were in place. Studio School lease and set-up costs were budgeted for as was the cost of the Salix grant bid.
- 5.13 SA reminded colleagues that debt finance would be drawn from income rather than cash reserves. SA presented a slide to demonstrate how this would be represented in monthly monitoring. A break-even budget would show a surplus committed to covering the cost, which would sit on the balance sheet. It was agreed that SA would brief BoG further on the approach working with Chair of Board, Graham Raikes, to address clearly this technical matter. **ACTION: SA**
- 5.14 SA updated the committee on Project Board Capital and the headroom position, noting the forecast total which would be allocated from revenue/income and targeted at lifecycle replacement or contingency for emergencies. SA reminded the committee of the purpose of Salix loans and that JB would draw up a list of priority recommendations.
- 5.15 SA highlighted the Project Board digital allocation and estimated payback period. High risk areas and core systems would be addressed as a priority. A Digital Strategy would be finalized.
- 5.16 Recognizing that not all key projects were capital, SA flagged up digital investment which would mostly show payback within a two year period, allowing for more capacity for digitisation and automation, investing in a workforce shift from transactional to analytical. In response to a question, SA confirmed his view that the allocated budget

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would be sufficient, on top of the capital investment in the hardware structure, but it would be reviewed if not.

- 5.17 SA noted the timeline, confirming the intention to bring a balanced budget to BoG in November.
- 5.18 The committee asked whether there was government funding to claim back any COVID-19 expenses. RW noted that this was available to schools and FE Colleges, but not universities.
- 5.19 It was asked whether financial support might be forthcoming from the Church of England, for example via any resilience funding pots made available during COVID-19? RW would make enquiries. **ACTION: RW**

6. To receive an update on the production of the draft Statutory Accounts

- 6.1 The report was received.
- 6.2 It was noted that the draft Statutory Accounts were not yet complete as the full range of data required was not yet available, for which SA apologised. To provide context, Companies House had set back the filing deadline, and External Auditors had commented that delayed finalisation of accounts this year was commonplace. The committee acknowledged the position and restated their confidence in SA and his team, whilst also urging him to seek support if required.
- 6.3 SA highlighted the management accounting deficit, which was in line with previous monitoring. The pension and investment position figures were yet to be finalised and would be substantial although not cash transactions.
- 6.4 The committee discussed the optimum route for the Statutory Accounts to be brought to BoG for approval, mindful of the need for scrutiny by this committee and Audit Committee and compliance with statutory deadlines and governance requirements. The committee requested that SA establish the schedule, in liaison with RW, JT and University Secretary Stephen Plant, noting that this might necessitate single item extraordinary meetings. **ACTION: SA**

7. To consider the Office for Students (OfS) Annual Financial Return (AFR) for recommendation to the Board – deferred

- 7.1 The report was received.
- 7.2 It was noted that the AFR had remained an agenda item despite the submission deadline having been set back by OfS, the purpose of this being to maintain committee oversight. It was noted that previously the Chair of Board could sign off the AFR but it now required BoG approval. SA would discuss with JT its place in the BoG/committee cycle of business to ensure alignment. **ACTION: SA**

In closing the main part of the meeting, PH thanked Gary Shum and LE for their attendance and contributions. GR, on behalf of the Board, congratulated SMT and staff for their tremendous work at this challenging time and the committee concurred that they had every confidence that the position was being managed well. SA thanked GR and praised the team's collective efforts.

Reserved Business – See RB minutes

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Close

In closing the meeting, PH 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 were received for information with no queries:

10. Matters Arising from Previous Meetings
11. Insurance Arrangements
12. Risk Register
13. Register of Interests