

Approved Minutes

Present

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

In attendance

Mr John Searson (items 1-2)	Independent Governor, Chair of Estates Project Group (EPG)	JS
Mr Simon Arthurs	Chief Operating Officer & Finance Director	SA
Mrs Jessamie Thomas	Governance Officer (note taker)	JT

1. Welcome, Apologies & Declaration of Conflicts of Interests

- 1.1 Deputy Chair of the Committee, Prof Patricia Hind, welcomed colleagues to the meeting, pending the arrival of the Chair. A particular welcome was extended to the Chair of Estates Project Group (EPG), John Searson, who would provide an update to Finance & Resources (F&R) Committee.
- 1.2 Apologies were received from Kate Doodson.
- 1.3 PH invited members to provide any updates to the Register of Interests noted in Part B. No new declarations were made. Chair of the Board, Graham Raikes MBE, reminded colleagues he was Non-Executive Director of University Hospitals NHS Trust, Plymouth.
- 1.4 PH invited governors to 'unstar' items from Part B for discussion. None were identified.

Update on Estates

- 1.5 AH invited JS to present an overview.
Alex Hawtin joined the meeting
- 1.6 JS reminded members that EPG reported to F&R Committee. EPG had convened twice during this academic year, M2 being additional to the original schedule, to keep EPG fully informed of estates developments. Notes and papers from EPG M1 were included in Part B. The agenda and papers of EPG M2, which had been held just prior to this meeting, had been circulated to F&R Committee.
- 1.7 JS confirmed that EPG had received an update from Deputy Vice-Chancellor and Head of Estate (interim), Prof Michelle Jones on estates matters, covering major projects and areas of activity of strategic importance. The update had covered the staffing of the estates team, the work of the Project Board and how findings of the Internal Auditors' report were being addressed and reported on developments with regard to the following: Ground Source Heat Pumps (GSHP) project; Peninsula Allied Health Centre (PAHC) lease; Plymouth Studio School acquisition; Student Accommodation; Solar, LED and Building Management System, funded by Salix Round 1.
- 1.8 JS reminded the Committee that the decarbonisation benefits of the GSHP project were substantial and EPG had discussed at length the need to communicate the long-term benefits and rationale for the work, so as to explain any inconvenience as much as possible.
- 1.9 Following a detailed discussion of the position regarding the potential acquisition of the Studio School, the Committee confirmed its endorsement of the financial envelope, which

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was contained within the Capital Budget analysis (item 3) and would be presented to the Board of Governors (BoG) within the budget proposals.

- 1.10 The Committee noted that the target completion date for the New Halls of Residence had been set back to September 2025 and confirmed the appropriacy of this. Proposals to improve and increase capacity of the campus accommodation in the meantime were under consideration. RW confirmed the importance of adhering to the RIBA Stages 1&2 timeline, which would be carefully monitored.
- 1.11 RW provided an update on the land adjacent to the campus, owned by Plymouth City Council and potential implications of this were discussed in detail by the Committee; RW would keep the Committee informed of developments.
- 1.12 There being no further questions, JS was thanked for his comprehensive update and the work of EPG.
JS left the meeting.

2. Draft Audited Financial Statements 2021

- 2.1 The report was received. AH invited Chief Operating Officer & Finance Director, Simon Arthurs, to provide an overview, which SA presented via a slide presentation.
- 2.2 SA reminded the Committee of the background context: allowing for debt repayment, a break even budget had been set. Following on from the year which had seen the onset of COVID19 (2019-20), spend had continued to be prudently managed, so as to reach the position showing in the accounts.
- 2.3 SA presented a summary of income and expenditure analysis and went on to answer questions from the Committee. SA was commended on the steps that been taken to curtail or contain expenditure and the strong cost control measures in place. The cash position on the balance sheet had strengthened. It was noted that repayment of the Peninsula Allied Health Centre loan had been completed (as of Q1 of 2021/22). A surplus of £0.448m had been generated and the Committee commended SA and Senior Management Team (SMT) on the outturn position.
- 2.4 SA noted the improved pension position, compared with the previous year, reflecting the fact that the economy had started to recover. SA reminded the Committee that this was a notional figure, linked to the financial markets and revalued at year-end along with the Pension Service Cost. The Committee discussed whether a higher employers' contribution rate should be budgeted for and whether the pension risk was covered sufficiently within the Risk Register. SA confirmed he would review this. **ACTION: SA**
- 2.5 The Committee noted that the Investment Fund restructuring, following BoG approval, had capitalised on the recovery of the economy and divestment in fossil fuels was complete.
- 2.6 The Committee discussed the impact on the University's accounts of partner organisations' cashflow, and the liquidity risk of smaller partners. SA confirmed the steps being taken to mitigate this and provided further analysis of the timescales within which outstanding debt was being recovered.
- 2.7 SA reminded the Committee that Earnings Before Tax, Interest and Finance Costs, Depreciation and Amortisation (EBITDA) had been introduced in the last year as a KPI, to contribute to benchmarking operational performance. Marjon's EBITDA for 2020/21 was £3.404m, an increase compared to approximately £1m in 2019/20.

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- 2.8 SA presented analysis on the transition from the Management Accounts surplus of £0.448m to the financial accounting surplus of £2.868m, and how the technical FRS102 Adjustments impacted on the final position, as shown in Appendix A of the report. The Committee commended SA on the way this information was presented, which would serve to support BoG's understanding of the position.
- 2.9 SA summarised discussions which he had held with the External Auditors regarding treatment of the Salix Fund grant, and the decision to align with the precedent already set of recognising the grant in Income and Expenditure analysis rather than defer. The asset would therefore be created in the Balance Sheet and depreciate over its lifespan. The same would apply to the treatment of the GSHP project funding in due course.
- 2.10 The Sports Centre income position was analysed and the rationale for this was discussed.
- 2.11 The Committee discussed the support available to students to address financial challenge and debt management. RW commented on the low unemployment rate locally and therefore the improved prospects for students of finding part-time work to support themselves. RW confirmed that recruitment advice was being given to students by local specialists via Marjon Student Union.
- 2.12 The Committee discussed in detail the Draft Financial Statements, External Audit Report and Letter of Representation. SA confirmed that Audit Committee had scrutinised this information at its meeting on 5 November 2021 M1 and, following thorough discussion with Internal and External Auditors, was satisfied with the position and had approved all these elements for onward recommendation to BoG.
- 2.13 In response to a question, SA confirmed the position of Marjon South West Limited, which continued to exist as an entity but was not actively in operation.
- 2.14 In response to a question, 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 Financial Statements, would be published. The formal return and statements once approved would be filed at Companies House.
- 2.15 The Committee **APPROVED** the draft Audited Financial Statements, which would be presented to BoG for discussion and approval, along with consideration of materiality and confirmation of going concern. GR would read out the Letter of Representation and seek BoG approval that this be signed.
- 2.16 The Committee was satisfied with the robust approach and AH commended the outturn position, particularly given the continued challenges arising from COVID19. AH wished to convey the Committee's appreciation to SA and all his team.
- 3. Draft Final Budgets (Capital and Revenue) for 2021/22**
- 3.1 The report was received. AH invited SA to present an overview.
- 3.2 SA summarised the proposed budgets (Capital and Revenue). He explained in detail the rationale behind setting a deficit budget, whereby some of the revenue surplus generated in 2020/21 would be invested in order to consolidate the strength of the current position and invest in future growth. SA reminded the Committee that contingency funding had been set aside for the GSHP project. SA was confident that the position was prudent, achievable and

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confirmed this would be carefully managed; projections were scrutinised by the Committee and a number of questions were responded to by SA.

- 3.3 SA presented detailed rationale behind those income projections which had not been realised in 2020/21. The Committee was satisfied with the explanation, and the level of resourcing proposed in the 2021/22 budget to address this. The Committee agreed that marketing should be a priority area, given the opportunity now to invest to transform and capitalise on the strength of Marjon's brand and another excellent round of National Student Survey outcomes and national rankings.
- 3.4 With regard to potential growth in student numbers, it was noted that the upcoming Open Day was showing a record number of attendee registrations. The work being done to develop new programmes was discussed and the Committee received detail of how the intention was for these to align with identified workforce shortfalls, resulting in relevant programmes, flexibly-delivered to meet local need.
- 3.5 SA provided an update on the assessment of backlog maintenance and the analysis which would be carried out in 2022 to inform future planning of capital expenditure. SA summarised the changes to OfS Teaching capital and presented rationale for the financial envelope for the Studio School.
- 3.6 The Committee discussed and confirmed the need to invest in digital transformation, recognising that investing now would lead to savings in the future.
- 3.7 Key risks were presented and discussed. SA confirmed the monitoring which would take place and the tracking which would be presented to the Committee and BoG at regular intervals, for transparency and to provide assurance. The Committee noted that the costs were within the BoG's control and reflected the University's strategic intent to invest. In response to a question around higher level risks and how these had been dealt with, for example inflation assumptions and utility costs, SA confirmed that the approach had been to hedge on utilities; the return on solar panels was likely to exceed budget assumptions. SA commented on work being done to make procurement more cost-effective, noting the appointment of a Procurement Manager and the areas which were being prioritised.
- 3.8 The Committee asked how sensitive the budget was to academic salaries and pay awards: it was noted that pay awards would be confirmed at Easter 2022 and implemented from August 2022. RW provided background information to upcoming academic strikes (early December) and rationale behind unrest in the sector, noting the Unions' objections to a pension scheme which Marjon employees had not, for the vast majority, signed up to; Marjon staff had not voted to go on strike.
- 3.9 RW noted that in real terms the tuition fee value was steadily being eroding and this presented difficulties to universities.
- 3.10 Following careful consideration of affordability, including the impact on reserves, the approach of setting a deficit budget, so as to allow for investment in key areas detailed in the budget, was **APPROVED**. RW, SA and AH would lay out clearly to BoG the context and rationale to allow for full consideration and discussion.

4. Health & Safety Statement of Intent

- 4.1 The report was received. AH invited SA to present an overview.

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- 4.2 SA reminded the Committee that the University was required to publish a policy Statement of Intent and explained the rationale for this. The Statement was enclosed in the briefing note. The Committee noted that the Health & Safety Policy would be refreshed and brought to this Committee for onward recommendation to BoG, in 2022.
- 4.3 The Health & Safety Statement of Intent was **APPROVED**.
- 4.4 SA was thanked for his report.

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

The following were received for information with no queries:

5. Notes and Papers from Estates Project Group (EPG) M1 (29 September 2021) (unapproved)
6. Audit Tender Process update
7. Risk Register (Finance Risks only)
8. Marjon Tenancies Briefing
9. Register of Interests