

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
Mrs Kate Doodson	Independent Governor	KD
Prof Rob Warner	Vice-Chancellor	RW

In attendance

Miss Lauren Edwards	Student Governor; President, Marjon Student Union (MSU)	LE
Prof Gary Shum	Academic Staff Governor	GS
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 Chair of the Committee, Alex Hawtin, welcomed colleagues to the meeting.
- 1.2 Apologies were received from Deputy Vice-Chancellor (Interim Head of Estates), Prof Michelle Jones.
- 1.3 AH invited members to provide any updates to the Register of Interests which was included in Part B. No new declarations were made.
- 1.4 AH invited governors to 'unstar' items from Part B for discussion. None were brought forward for discussion at this point but AH would cover them later in the meeting.

2. To Receive an Update on Estates

- 2.1 The report, which had also been circulated to Estates Project Group (EPG) members, was received.
- 2.2 A further update on the Plymouth Studio School was provided by Vice-Chancellor, Prof Rob Warner, and Chief Operating Officer & Finance Director, Simon Arthurs.
- 2.3 SA noted that a meeting had taken place earlier in the day with the Department for Education (DfE) surveyor following approval in principle from the Minister to proceed with the disposal. The University had commissioned Jones Lang LaSalle (JLL) to carry out an independent market evaluation; the confidential report was tabled. The Committee considered the evaluation and the University's position in detail, noting the need to strike the appropriate balance between a credible offer and best value for the University's students.
- 2.4 The Committee agreed that, if the purchase progressed, it may be prudent to take out a loan while interest rates were low, with security represented by the value of the asset on the University's books.
- 2.5 Following thorough and detailed assessment, taking carefully into account affordability, F&R Committee **AGREED** to authorise the Chair of the Board of Governors (BoG), Graham Raikes, and Vice-Chancellor, Prof Rob Warner, together with Chief Operating Officer & Finance Director, Simon Arthurs, to proceed with negotiations with the DfE with a view to progressing the purchase at a price which would not exceed the upper valuation indicated in the confidential report and to explore a bank loan.

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- 2.6 The Committee sought assurance around the University's approach to dealing with the volatility of inflation, particularly regarding projects priced but not yet committed, and implications to the Estates Strategy. SA drew the Committee's attention to analysis within the report of the progression of capital projects and the proposed contingency allocation by reviewing uncommitted approved projects to re-prioritise these against unforeseen projects. The long term plan was to ensure the University was in a position to create additional contingency along with tighter project controls. The Committee was satisfied with the approach.
- 2.7 The Committee suggested that consideration be given to expediting the Quad project. SA updated the Committee on the University's assessment of this; he and RW would keep the Committee updated. **ACTION: RW,SA**
- 2.8 The Committee thanked RW and SA for the report and update.
- 3. To Receive an Update on the Business Planning Process**
- 3.1 The report was received. AH invited SA to present an overview.
- 3.2 SA summarised the approach being taken and associated timescales for implementation. The process would drive Key Performance Indicators (KPIs), in line with resources and objectives. SA noted that the Senior Management Team (SMT) would consider the approach further and also embed within it a key universal theme (for example cyber threat resilience). SA confirmed that the planning process was an essential tool in informing budget setting.
- 3.3 Noting the intent to present the budget to the BoG for approval in March 2022 rather than July 2022 if possible, the Committee agreed to convene ahead of the March BoG meeting, for a single item agenda if needed (however, if the budget came to BoG in July, the current schedule would suffice). **ACTION: JT.** SA confirmed that the Committee meeting schedule for 2022-23 would be set at four meetings (as per the Terms of Reference) to align closely with the cycle of business. **ACTION: SA**
- 3.4 The Committee thanked SA for the update.
- 4. To Consider the Management Accounts**
- 4.1 The report was received. AH invited SA to present an overview.
- 4.2 SA reminded the Committee that an investment budget had been set for the current year. SA updated the Committee on the current position.
- 4.3 Planned maintenance expenditure from the revenue budget was noted. SA confirmed that asset enhancement expenditure may result in movement from revenue to the capital budget and vice-versa. SA reminded the Committee of the limited capital headroom currently available for new projects and confirmed that options were being carefully appraised and prioritised.
- 4.4 SA provided an update on the progress of the Ground Source Heat Pumps (GSHP) project. Associated risks were included in the appendix to the report. The Committee discussed these in detail and sought assurance that the measures being taken presented would provide confidence that risks were quantified and ancillary costs considered. RW confirmed that under Deputy Vice-Chancellor Prof Michelle Jones, project planning processes were being fully reviewed, in line with internal audit recommendations. SA confirmed the risk management expertise within the Finance team and the further strengthening of the estates team which was underway. The Committee was also appraised of remedial work arising

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from legacy projects which was being actioned. RW confirmed the robustness of the processes in place to manage contingencies and the staffing proficiency.

- 4.5 It was agreed that Committee and EPG feedback by email would be helpful regarding the project management process being implemented by MJ. **ACTION: JT** SA shared an update on how this audit finding was being addressed, with regard to staff development (Prince2 Project Management training and a new Learning and Development programme).
- 4.6 The Committee commended SA on the visual clarity of the report, particularly the balanced score card and discussed how this could be incorporated into headline slides for BoG information. It was suggested that incorporating more KPI metrics would be helpful for comparison along with some brief context.
- 4.7 In response to a question on cash resilience, SA confirmed that cash levels continued to be carefully monitored and enhancements to project planning would strengthen this further. The Committee referenced a media report about financial pressures in the sector and the influence of banks if HEIs were overextended. RW assured the Committee of the robustness of the University's position, noting that the OfS report on financial sustainability in higher education showed Marjon in a relatively secure position, a useful metric with regard to creating headroom for future investment and growth. The Committee agreed that this sector benchmarking provided confidence.
- 4.8 The Committee was satisfied with the position and SA was thanked for the report.

A 5 minute break was taken at this point.

- 4.9 The Committee discussed the optimum approach to keeping the BoG apprised of the financial position. It was agreed that a summary update with high level metrics, circulated between BoG meetings, may be beneficial, with an accompanying invitation to raise questions with SA and suggest any areas which F&R Committee could explore to AH and GR. **ACTION: SA**
- 4.10 It was suggested that setting up a Sharepoint site for this Committee, with input from a Power BI developer, could be beneficial for reporting purposes. SA invited F&R Committee colleagues to discuss with him the optimum approach based on the limited systems, prior to moving to a new financial system in time. **ACTION: SA/JT**

5. To Consider the Office for Students (OfS) Annual Financial Return (AFR), for recommendation to the Board of Governors (BoG)

- 5.1 The report and accompanying slide presentation were received. AH invited SA to present an overview of the AFR, the financial model and underlying assumptions.
- 5.2 SA reminded the Committee that the AFR provided a five-year high level estimate to the OfS. This was distinct to the University's business planning process. In terms of presentation, SA reminded the Committee that within the presentation of the Management Accounts the Ground Source Heat Pumps (GSHP) grant had been kept separate, however it was a requirement of the AFR that the grant be included; this therefore created a large surplus in the current year in the AFR. The Committee noted the bottom line position for each year, based on the budget being rolled forward and the assumptions integrated. At the Committee's request, SA went on to explain in detail the key income and expenditure assumptions.

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- 5.3 SA explained the process through which student income assumptions were established, built from the bottom up, incorporating analysis of each individual course. No fee review assumptions had been included. SA explained the prudent approach behind the partners' student number assumptions.
- 5.4 With regard to accommodation income, SA confirmed that no underlying changes had been made to assumptions around occupancy rates or fee increases and explained the rationale for this.
- 5.5 SA explained the approach behind Chartwells assumptions, based on steady growth in relation to the planned new shop and noting the corresponding increase in depreciation. SA explained how the shift in occupancy of the Peninsula Allied Health Centre (PAHC) back to Marjon may impact Chartwells assumptions in the short term. The length of the PAHC lease extension would in due course determine rental income; assumptions had been set prudently.
- 5.6 SA reminded the Committee of the programme of growth for the Sports Centre. The potential for exploring new revenue streams was discussed. The importance of new initiatives continuing to be values-based and serving the students and the wider community was flagged by the Committee.
- 5.7 The Committee confirmed the appropriacy of the approach taken to setting income assumptions: prudent, with caution around the associated costs.
- 5.8 Moving on to expenditure assumptions, no changes from government were anticipated other than National Insurance, but a range of scenarios had been tested, for assurance. A pay award of 3% had been assumed and, at AH's invitation, the Vice-Chancellor Prof Rob Warner explained the mechanism and assumptions behind the setting of national pay awards.
- 5.9 SA explained the assumptions around levels of academic cover, corresponding to student numbers and the appropriate staff-student ratios.
- 5.10 It was noted that the COVID budget had been removed; SA explained that underlying changes to business as normal would be built into business planning rather than being held as a contingency.
- 5.11 Levels of digital investment were discussed, the year on year increase in the budget reflecting the integration of new systems and processes. Transformational costs and future savings were discussed, noting the importance of moving towards automation so as to enhance future growth.
- 5.12 No inflation had been included for non-staff spending in individual budgets and SA explained that the approach would be to hold a central contingency fund, supported by the work of the Procurement Manager in consolidating contracts and activities. The central contingency would cover not just individual inflation but key investment at specific times, for example in marketing or pensions coverage.
- 5.13 Academic contingency was built into the AFR at summary level based on increasing student numbers. Detailed budgeting would identify exactly where this contingency would be prioritised for example, the library and student support. .
- 5.14 It was noted that estates contingency was based on affordability. The Planon system would inform maintenance. Expenditure may shift from the revenue budget to capital in due course as part of lifecycle replacement. SA explained that a new Hall of Residence in this AFR period had not been incorporated, as confirmed data was not yet available.

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- 5.15 The Committee discussed assumptions around operational savings and were content with the position, noting that the Committee, in consultation with Estates Project Group (EPG) would discuss how savings could then target further increases in sustainability and cover lifecycle replacement of expensive assets initially funded by grant.
- 5.16 SA explained the approach taken to determine capital planning and prioritisation, based on a priority scoring methodology aimed at meeting the growth agenda and taking into account life cycle replacement, compliance and accreditation. Additional depreciation had been factored in for the GSHP project and the health investment fund.
- 5.17 The Committee discussed the budget trajectory through the AFR from deficit to marginal break even to surplus. Within this was the estimated impact of the new health programming. The Committee discussed in detail the LGPS pensions “service cost” which was a non-cash adjustment, included in the revenue budget and the future increase (reflecting the financial markets) which had been incorporated into the planning following the actuary review. The Committee discussed the inherent challenges in presenting this, with the LGPS pensions non-cash adjustment leading to the presentation of a ‘paper deficit’, but in fact contributing cash to the bottom line. This was a sector wide issue and in fact impacting on public sector organisations that have LGPS members.
- 5.18 SA confirmed that the focus of the BoG meeting would be for BoG to understand and confirm the assumptions behind the AFR. With this in mind, the Committee suggested that SA separate out the LGPS pensions non-cash item and provide additional context and explanation for this figure. It was suggested that separating out healthcare assumptions would also allow for a clearer presentation of the underlying position.
- 5.19 In response to a question, SA confirmed that the OfS would conduct analysis of the algorithm outcomes to check for consistency of comparison across the five year AFR period. Once the assumptions were incorporated into the AFR, a balance sheet and cash position would be generated.
- 5.20 SA confirmed that the bank covenant had been tested and was within boundaries. The Committee asked that this be made prominent in the report to provide assurance that parameters were not being exceeded and the ‘safety measures’ were in place.
- 5.21 SA would include a paragraph to confirm the key areas which the OfS would be assessing around cash, debt, sustainability, data; the messaging would emphasise how all requirements had been met.
- 5.22 RW confirmed his view that the figures and narrative struck an appropriate balance between prudence and ambition at a high level and demonstrated the University’s credible and sustainable position.
- 5.23 SA was thanked for his report and update. The Committee was satisfied with the position and **APPROVED** the AFR, which would be circulated to BoG for their consideration and approval on 27 January 2022.

Close

In closing the main part of the meeting, AH thanked Lauren Edwards and Gary Shum for their attendance and contributions.

6. **Reserved Business – See RB minutes**

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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

The following reports were received and approved:

7. Minutes of Previous Meetings (9 June 2021, 16 November 2021) were received as an accurate record and **APPROVED** with no amendments.
8. TRAC Return report was **APPROVED**. It was noted that the OfS required a Committee of the BoG to confirm oversight of the process; accordingly, SA outlined the process further, referencing the OfS guidance and noting that the University had some dispensation in terms of the level of reporting detail required, due to being a relatively small Higher Education Institution. The Committee was satisfied with the position. Chair of BoG requested that the TRAC Return be brought to BoG for information following submission, for additional oversight and assurance. **ACTION: SA**
9. Health & Safety Policy was **APPROVED**. SA summarised changes to the previous version, including further detail around homestays and apprenticeships. SA confirmed that the policy was approved annually by this Committee and then brought to BoG for approval. The Statement of Intent had been previously approved by BoG and was published on the University's website.

The following were received for information:

10. **Matters Arising from Previous Meetings.**
In response to a query, the Committee was assured that actions which had been assigned to a former staff member were being addressed by colleagues.
11. **HESA Student Return**
12. **Register of Interests**

Part C

The following reports were received for information with no queries:

- C2 Notes from Estates Project Group (EPG): F&R/EPG workshop 09.06.2021; EPG M1 (29 September 2021), EPG M2 (16 November 2021)