**Welcome, apologies, declaration of interests and apologies**

i. Apologies were received from external governors: Roger Burke-Hamilton and Mark Cubbon; Vice Chancellor: Professor Graham Galbraith; and staff representative: Giorgio Bendoni.

ii. Those in attendance confirmed that they had no interests to declare.

iii. The Clerk confirmed that the meeting was quorate and could proceed to business.

**Minutes of the previous meetings**

The minutes of the meeting held on 15 September 2020 were confirmed as an accurate record.

**Matters actioned and matters arising**

i. Action was reported on three items which were all for note.

ii. Confidential item
Liz Bartle, Deputy Director of Finance (Financial Systems), presented the draft 2019/20 financial statements which remained subject to the completion of the external audit. Key points noted were:

i. An early draft of the University year-end management accounts had been presented to Committee on 15th September which indicated a likely year end surplus of £8.4m. Since that report was written, various year-end accounts adjustments had been finalised and the current draft surplus for the University was forecast to be £5.5 million. The change was largely due to a cost adjustment for the Local Government Pension Scheme.

ii. The financial statements were prepared in accordance with the Higher and Further Education Statement of Recommended Practice (SORP). The SORP required institutions to comply with relevant financial reporting standards. For 2019/20 this was the FRS102 subset of International Financial Reporting Standards.

iii. The draft statements for each subsidiary company would be considered by their respective Boards and signed off by their respective Chairs. A copy of each statement would be circulated to Committee for information in October.

iv. Income for 2019/20 totalled £272.8 million, compared to £259.9 million for 2018/19, an overall increase of 4.9%. This was in part due to income from full and part-time UK and EU students increasing by £3.9 million (2.5%). This reflected increased part-time recruitment, which included degree apprenticeships.

v. International fee income appeared to have increased by £13.8 million (33.8%) when compared to 2018/2019. However, £9.3 million of this increase was due to the new contractual arrangement between the University and International College Portsmouth (ICP).

vi. Formerly, ICP paid the University a percentage (circa 10%) of student fees. Under the new arrangement, all ICP students were invoiced by the University and a franchise fee paid to the college. This meant that international fee income and other expenditure had both increased. However, the net financial position from ICP business remained the same as under the previous contractual arrangement.

vii. Income had reduced across several areas due to pandemic related issues, namely research grants and contracts, hire of residences, catering and conference income, gym memberships, lettings and investment income.

viii. Total expenditure for 2019/20 was £267.3 million, compared to £245.7 million in 2018/19, an increase of £21.6 million (8.8%). This was due largely to increased
staff costs of £10 million (increased annual leave provision due to the Pandemic, increased Teacher Pension Scheme employer contributions and 64 new posts) and the fact that other Operating Expenditure had increased by £10.3 million (£6.7m of which was due to this is due to the change in arrangements with ICP).

ix. The Executive confirmed that all expenditure that could legitimately be made in 2019/2020 rather than in 2020/2021 was being committed. It was not yet possible to quantify the total extra expense due to the Covid-19 pandemic that would occur in 2020/2021. However, it was estimated that cleaning costs would be c. £1 million and that extra wellbeing support offered to staff and students would likely be a similar amount.

x. Committee was informed that staff were, as an exceptional, permitted to carry forward 10 days annual leave into the new leave year (which began in October 2020) rather than the usual five days. This was due to the extra work required of staff over the summer to ensure the opening of a Covid-19 secure campus with provision for additional online teaching from October 2020.

xi. The surplus after other gains and losses was £5.5 million compared to £14.4 million in 2018/2019. Two non-cash adjustments were then added to arrive at a “comprehensive expenditure” total: (a) the actuarial gain/loss of the local government pension scheme; and (b) the change in fair value of financial instruments that related entirely to the private placement. The fair value adjustment was required by the auditors but the amount of money the University actually repaid each year was unaffected by this accounting requirement.

xii. It was noted that the University’s EBITDA (earnings before interest, tax, depreciation and amortisation) calculation for 2019/2020 was £35 million and that it had been unusually high in 2018/2019 at £44 million.

xiii. Tangible fixed assets had increased by £13.3 million to £356.0 million. Additions during the year totalled £31.0 million, including assets under construction (£20.6 million which was mainly attributable to the new Sports Centre) and equipment (£8.1 million, largely relating to the new CRM and Student Records systems).

xiv. Depreciation totalled £17.7 million, leaving a £13.3 million increase overall in fixed assets.

xv. It was noted that the debtor figure was net of the provision for bad debts; this had increased by £2.5 million in the year; £2.0 million of which related to student debt. A provision for bad debt was made when the debt was more than 90 days old and where a current payment plan was not in place. However, students had been given a payment holiday between July and September 2020 and would be expected to contact Student Finance in October to set up new payment plans.
xvi. £3.3m of the increase in debt was due to higher prepayments. This included the advance payment of £4.3 million (approved via Chair’s action) to the Hampshire LGPS. This advance payment was made to access a £287,000 discount against the next three years of secondary (past service) contributions to the pension scheme.

xvii. Committee was reminded that the University had seven subsidiary companies. The draft statutory accounts for 2019/2020 remained subject to audit, and the tax notes and gift aid payments to be made in 2020/2021 were not yet complete (subject to external tax computation). Committee noted the overview provided on each subsidiary’s financial performance.

xviii. Committee noted each page of the statements and asked questions of clarification. It was noted that no University staff were current members of the USS pension scheme. Also, provision had been made to cover the potential costs associated with the closure of the optometry course and obligations under the Student Protection Plan.

xix. Committee thanked Liz Bartle and her team for all their work on the preparation of the financial statements and noted that the final consolidated statements would be received at its meeting on 10 November 2020.

23 Office for Students

Committee noted that OFS circulars could be found on their website at: press control and click to go to https://www.officeforstudents.org.uk/publications/

24 Date of next meeting

The next meeting would take place at 1030 on Tuesday 10 November 2020.

25 Delegated authority

Committee agreed to delegate to the Chair, or nominated Deputy, authority to take any required Chair’s action before the next meeting.