

NORWICH UNIVERSITY OF THE ARTS

**Minutes of Finance and Resources Committee
Held on Friday 1 March 2019 in the Conference Room, FH201, Francis House**

Present

Mr M Jeffries (Chair) – to Item 8
Prof. J. Last
Mr A McMenemy
Mr I Watson

In attendance

Mr S Belderbos, Director of Finance, NUA
Prof. N Powell, Pro Vice Chancellor (Academic), NUA
Mrs A Robson, Deputy Vice Chancellor, NUA
Ms S Steed – for Item 1.1
Mr D Williams, Clerk

Apologies

There were no apologies

1. BUSINESS AND CONSULTANCY

1.1 Ideas Factory Report

The Director of Innovation and Engagement updated the Committee on the Ideas Factory^{NUA}. Following the end of the reporting period for Catalyst funding, the strategy of the Ideas Factory had been adjusted. While there continued to be a focus on business start-ups, increased attention was being given to encouraging and supporting businesses formed by graduates of the University. There had been increased engagement by the staff from the Ideas Factory with the course curriculum, and this had been reflected in an increased number of graduate businesses occupying space in the incubation centre. There was also a growing pipeline of students developing ideas for business incubation.

An increasing number of the ‘good’ businesses were being accommodated in the centre. These businesses tended to spend a shorter than the previously anticipated period in the incubation centre, before they out-grew the space and sought alternative accommodation.

Reporting on consultancy activity, the Director of Innovation and Engagement, noted that the University had actively engaged in collaborative partnerships to strengthen its position when bidding for new work. Unlike much of the previous consultancy activity, many of the projects were being delivered by academic staff. It was expected that the engagement of academic staff in consultancy projects would continue grow.

The Committee noted the report and thanked the Director of Innovation and Engagement for her work in taking the Ideas Factory forward.

**1.2 Higher Education – Business and Community Interaction (HE-BCI) Survey
2017/18**

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The Committee noted the report on the outcomes of the HE-BCI survey for 2017/18. The level of income returned in the survey had increased during year when compared to the previous year.

Proposals for the new Knowledge Exchange Framework (KEF) had been published by Research England. The new framework would be piloted with a number of higher education providers during 2019/20, and was expected to apply to all providers in 2020/21.

The Committee noted that the strong outcomes achieved by the University's innovation and entrepreneurship team, for what it judged to be a very modest investment.

The Committee were interested in how the University marketed itself to local companies and suggested this might be an appropriate topic to discuss with the Committee at a future date.

Deputy Vice Chancellor

2. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Finance and Resources Committee held on 29 October 2018 were agreed and signed by the Chair.

The minutes of the joint Audit Committee and Finance and Resources Committee held on the 29 October 2018, which had been previously agreed by the Audit Committee, were agreed and signed by the Chair.

3. MATTERS ARISING FROM THE MINUTES

There were no matters arising.

4. FINANCIAL MATTERS

4.1. Financial Report

The committee considered the Financial Report.

Underpinning the report were two key assumptions: (1) the level of student recruitment, and (2) governing policy with regard to tuition fees.

The University continued to use 740 to model the number of new entrants to its full-time undergraduate (FTUG) programmes in 2019/20 and beyond. The figure was below the number of new entrants secured for 2018/19 (790) entry, but above the number achieved in 2017/18 (690). As external factors remained challenging, the figure was judged to be prudent.

Compared to 2018/19 the University had received a 4% increase in applicants for 2019/20 entry. It was unclear at this point in the recruitment cycle whether the very high conversion rate achieved in 2018/19 of offers to acceptances would be repeated for 2019/20.

The University had developed scenarios showing ± 50 new entrants when compared to the central estimate of an entry of 740 FTUG students. The scenarios illustrated the cumulative impact of higher or lower recruitment to the University over the next four years. At the end of the four year period the higher level of recruitment would result in

an increase of £1.1m in the surplus, while the lower level of recruitment would reduce the surplus by a similar magnitude.

The extent of the uncertainty about future tuition levels and the possibility of the reintroduction of a cap on student numbers mitigated against any attempt to develop more precise future forecasts.

The financial outcome modelled for 2018/19 showed a surplus of £3.57M (2017/18 £3.91M), representing a net margin (surplus-to-income ratio) of 15% (17%). When compared to the previous year, income was forecast to rise by circa.3%, and expenditure by 6%. The budget did not include new staff posts and the 4% increase in staff expenditure, reflected salary increases for existing staff and rising pension costs.

The University was forecasting a reduction in cash during 2018/19 (-£566k) and 2019/20 (-£4,015M), and surpluses in the years thereafter. The reduction in cash reflected the University's investment in the Duke Street Riverside development. Despite funding the Riverside development from internal resources the University's cash reserves would be £22.8M in 2019/20, before recovering in the years after.

The Committee received the financial report.

4.2. Financial Strategy Annual Report – monitoring of progress against targets for 2017/18

The committee received the annual report. Two targets had been missed, one of which was due to the removal of a target by HEFCE/OfS. The other target which had not been met was staff costs as a percentage of total expenditure. However, if staff costs as a percentage of total income, the measured normally used by most higher education providers,

was considered, the level for NUA at 48% compared favourably with latest benchmark for the sector of 53%.

It was noted that the targets for the financial strategy would be fully reviewed as part of the development of the University's new strategic plan. It was anticipated that the development of the new strategic plan would be commenced in the second half of the current calendar year, once there was greater certainty as to the outcomes and impact of the Augar Review and BREXIT.

Deputy Vice Chancellor

4.3. Financial Regulations – annual review

The Committee received an update on the Financial Regulations. Only minor changes were proposed. These included up-dating the terminology used in the regulations and the incorporation of recent changes to the committee structure of the Council.

The Committee approved the proposed changes to the Financial Regulations.

4.4. TRAC & TRAC (T) Returns 2017/18

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The Committee received a report of TRAC and TRAC (T) changes. The report confirmed that teaching formed by-far the largest area activity for the University when measured by income and expenditure.

For 2017/18 the University had recorded a TRAC deficit £1.76M, compared to a surplus of £0.72M in the preceding year. The deficit was the result of a TRAC adjustment of £5.68M, applied to the accounting surplus of £3.91M. The size of the TRAC adjustment reflected the size of the University's cash surpluses over a six-year period. As a consequence of the University's consistently high level of cash generation the adjustment represented 30% of actual expenditure in 2017/18, well above the sector average of 9%.

The Committee noted the return.

4.5. Notes from the sector's Financial Sustainability Strategy Group (FSSG) Conference

The Director of Finance had attended a recent FSSG conference. The conference had considered the latest TRAC data. This had confirmed that across the sector international students cross-subsidise research. The conference had also heard from providers who had developed degree apprenticeships and accelerated degrees.

The Committee noted the report.

4.6. Education committee report on value for money in HE and OfS' response

The Committee noted the recent report on value for money in higher education published by the House of Commons Education Committee and the subsequent response issued by the Office of Students. The report from the Education Committee included a number of familiar themes, including the provision of information to students, remuneration of senior post-holders and contextual admissions.

The University provided a detailed breakdown on its website as to how its tuition fee income was spent. When explaining how the income was spent, the term 'tuition fee' was considered unhelpful. A more accurate term would be 'university fees'.

5. TREASURY MANAGEMENT

5.1. Treasury Management Annual Report & Treasury Management Policy

The committee received the annual report on treasury management and the treasury management policy. The University continued to balance the spreading of risk, with the desire to achieve a good return on its assets. During 2017/18, the drawn-out process of purchasing the Duke Street site and the associated uncertainty as to when the purchase price would need to be paid, had meant the University had been forced to hold £3.5M in cash on its current account for a prolonged period. This had reduced the level of interest received.

There were a number of proposed amendments to the Treasury Management Policy. These included increasingly the maximum amount that could be put on deposit/money market with banks other than Lloyds (the University's principal banker) and building societies from £2M to £6M per bank/building society.

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The Committee approved the changes to the Treasury Management Policy.

6. PENSIONS

8.1 Update on pension scheme developments

The Committee received an update on developments relating to the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS).

The next triennial valuation of the LGPS would be in March 2019. The indications were that there were unlikely to be significant changes to the employer's contribution rates as a result of the valuation.

A significant increase in the employers' contribution rate for the TPS had been announced and was expected to take effect from September 2019. The increase reflected an increase in the overall cost of the scheme and the application of the 'cost cap'. The proposed increase represented a significant additional cost to higher education providers.

The committee noted the report.

7. ANY OTHER BUSINESS

The were no matters of any other business

8. ESTATES

8.1 Estates development

Mr Jeffries, the Committee Chair, had previously notified the Clerk of a potential conflict of interest regarding the development of the University's estate. This reflected his position as a director of a holding company one of whose subsidiaries is tendering for the construction contract to build the University's Riverside development. Mr Jeffries left the meeting and Mr Watson, the Vice Chair, took the Chair.

The Deputy Vice Chancellor provided the Committee with an update on progress in developing the Duke Street Riverside site.

Planning permission from the City Council to enable development of the site had been granted in January 2019.

Although previously agreed, the City Council had been unable to discontinue its use of the boiler facility located on the Duke Street site by the end of January 2019. The facility supplied heat to an adjacent social housing complex run by the Council. The Council had failed to commission an alternative source of heat to the complex by the agreed date. To have more time to relocate the existing facility, the City Council had approached the University with a request to extend its lease on using the boiler facility. The University had agreed an extension of the lease until the end of March 2019. The Chair of the Council has affixed the University's seal to approve the extension of the lease. Council is asked to note the use of the University seal.

Clerk

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The University had commenced the procurement process for letting the main construction contract. It was anticipated that would be awarded later in the current calendar year, with construction starting shortly afterwards.

The planned completion date for the Riverside development remained spring 2021.

The Committee thanked the Deputy Vice Chancellor for her report on the estates development.

9. DATE AND TIME OF THE NEXT MEETING

It was confirmed that the next meeting of the Committee would take place on Monday 17 June 2019 commencing at 14.00 in Francis House.