

NORWICH UNIVERSITY OF THE ARTS

**Minutes of Finance and Resources Committee
Held on Friday 12 June 2020 by Microsoft Teams and commencing at 14.00**

Present

Mr M Jeffries (Chair)
Mr A McMenemy
Mrs A Robson
Mr I Watson

In attendance

Mr S Belderbos, Director of Finance, NUA
Mr D Williams, Clerk

Apologies

Prof. N Powell, Pro Vice Chancellor (Academic), NUA

1. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Finance and Resources Committee held on 28 February 2020 were agreed.

2. MATTERS ARISING FROM THE MINUTES

There were no matters arising.

3. FINANCIAL MATTERS

3.1. Financial Report

The Committee considered the Financial Report, June 2020.

Since the Committee's last meeting, Covid-19 had changed the University's operating environment and impacted its operating surplus. The operating surplus for 2019/20 was now forecast to be £2.1M, some £820k below the previous estimate made in February 2020.

The change in operating surplus largely reflected two factors: (1) in line with practice across the higher education sector the third-term rent for students occupying University controlled accommodation had been waived at a cost of £550k; and (2) transferring the summer term's teaching of postgraduate taught students to autumn 2020, meant the associated tuition fee would be deferred to 2020/21.

There remained considerable uncertainty about the academic year 2020/21. The University was currently planning the delivery of teaching and learning on the basis that it would be necessary to maintain the current level of social distancing. This might turn-out to be a worst-case scenario. Based on this scenario it would be necessary to run repeat sessions for teaching groups to ensure social distancing requirements were observed. To overcome space constraints the University planned to run sessions in the weekday evenings and on Saturdays. As many of these sessions would involve workshop or studio working, this would have an impact on the need for technicians and other support staff, as well as academic staff. To date, all staff had been understanding about the challenges brought by Covid-19 and strongly supportive of the changes the University had made. It was not anticipated that the implementation of the changes

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necessary to enable teaching to be delivered in 2020/21 would lead to significant staffing issues.

The University's financial forecasts were based on recruiting 840 UK/EU undergraduate new entrants (+c.2.5% on 2019/20) in 2020/21. Given the increase in the number of applications received by the University (+17%), in a "normal" year the number of new entrants modelled would be much higher. The lower figure for the new entrants reflected an anticipated increase in the attrition rate between acceptance and enrolment ahead of entry for the 2020/21 academic year. The University's central forecast was based on a 15% attrition rate (rather than 10% in previous years), with a rate of 25% also being modelled in a second scenario. Without the impact of Covid-19 the number of UK/EU new undergraduate entrants forecast would have been circa. 920.

The use of part-time staff on hourly-paid contracts provided the flexibility to respond to unplanned changes in the level of student recruitment, and the ability, if necessary, to reduce required staff teaching hours.

The University's financial forecasts for 2021/22 to the end of 2023/24 were also based on recruiting 840 Home & EU undergraduate new entrants. Over this period a number of factors were expected to impact on the pool of available students. These included uncertainty as to the funding of EU students, an increase in the number in the 18/19 age cohort in England and Wales and possible changes in government policy.

For 2020/21 the introduction by government of a student number cap for each higher education provider would add to the challenges of recruiting students. Recruitment above the institution's student number cap would lead to a significant financial penalty.

The proposed budget for 2020/21 produced an operating surplus of £2.5M (2019/20: £2.1M). Income was forecast to rise by 5% (+£1.2M), largely reflecting the growing size of the University's total student body and the corresponding increase in tuition fee collected. Total expenditure was forecast to rise by 4% (+£0.8M), with staff costs rising by 15% (+£1.9M). Non-staff costs were forecast to fall by 11% (-£1.1M). The fall in non-staff reflected the loss of one-off costs involving the purchase of student-facing IT equipment (c.£0.6M) and demolition and asbestos removal in connection with the Duke Street development (c.£0.4M) incurred in 2019/20.

Capital expenditure (£8.4M) in 2020/21 would be largely concentrated on the Duke Street Riverside project. The capital expenditure would result in a cash outflow of £3.3M for 2020/21, followed by cash surpluses in the following three years of the forecast period.

The University's balance sheet remained strong. Cash reserves would fall to £25.1M at the end of the financial year 2020/21, before rising in each of the following years to reach £32.0M at the end of 2023/24.

The Committee received the Financial Report. The Committee approved the proposed budget for 2020/21, and commended it to Council.

Chair of F&R

3.2. KPMG Higher Education Financial Statements Benchmarking 2018/19

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The Committee noted the report from KPMG. Although Covid-19 meant the data seemed particularly dated, the report confirmed the University's strong financial position compared to other higher education providers.

3.3. BUFDG Survey – Financial Impact Covid-19

The results of the survey conducted by the British University Financial Directors' Group (BUFDG) provided a recent assessment of the financial impact of Covid-19 on the financial health of institutions. The survey confirmed that the financial impact of Covid-19 across the sector was likely to be substantial. Many institutions were expecting fewer, especially international, students for 2020/21. In many cases as a result, discretionary spending was being cut or deferred. Where these costs savings were insufficient to meet the institution's financial needs, providers were being forced into making staffing cuts.

The Committee noted the report.

4. TREASURY MANAGEMENT

4.1. Treasury Management – appointing fund managers to invest cash reserves in capital market investment funds

The University continued to believe investing some of its cash reserves in capital market investment funds was an appropriate strategy. However, the impact of Covid-19 had meant that work in relation to the detailed development of the strategy, likely to involve the use of a formal tender process, had been deferred to later in the year.

5. OFFICE FOR STUDENTS

5.1. OfS teaching grant allocations for 2020/21

The Committee received details of the University's grant allocation from the Office for Student's (OfS). Cuts in government funding to the higher education sector had led to a further decline in the grant allocation to the University, which would be below £1M for 2020/21. The University's income primarily depended on tuition fees.

The onset of Covid-19 had led to a postponement of OfS's planned review of teaching funding. As a result, any associated changes were unlikely to be introduced before 2022/23.

The Committee noted the report.

6. ESTATES

6.1 Estates development

As a Director of RG Carter Holdings Limited, the Chair declared an interest in the item, and offered to leave the meeting if the Committee deemed any aspect of the item to be commercial-in-confidence. As the item was for information only, members did not consider it necessary for the Chair to leave the meeting.

The Committee received a verbal report on the University's estate.

There had been a period of 5 weeks during the early part of Covid-19 lockdown when the Duke Street Riverside site had been closed and all work on site suspended. The site had subsequently re-opened. As construction was at the "ground-works" stage the implementation of social distancing had been relatively straightforward. A bigger

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challenge had been gaining the required “sign-offs” from, for example, the personnel responsible for building control and planning departments. While staff were officially “working” they were reluctant to engage with the University on detailed questions, and had not been undertaking site visits. This lack of response had been a source of frustration to the University. To date, these issues had not impacted on the completion date for the project. There was a risk, however, that further delays could undermine the intended opening of the student accommodation (September 2021), and if this happened it would lead to the University losing rental income.

The University had taken advantage of the lockdown to bring forward planned estates works and maintenance originally scheduled for summer 2020.

The Chair thanked the Acting Vice Chancellor for the report on the University’s estate.

6.2 Estates metrics

Drawing on data available from the Higher Education Statistical Agency’s (HESA) website, the University had been able to reproduce and update the estates metrics, formerly issued annually by HEFCE.

The data covered five academic years ending in 2018/19. Particularly pleasing, when measured by tonnes of carbon dioxide per £100k of non-residential income, was the reduction in carbon emissions.

The Committee noted the report.

7. PENSIONS

The Committee received a verbal update on pensions. The next stage of the preliminary work involving KPMG on the development of a possible new pension scheme was planned to take place in September 2020,

The Committee noted the report

8. BUSINESS AND COMMUNITY ENGAGEMENT

Based on the institutional returns made for 2018/19 Higher Education – Business and Community Interaction Survey (HE-BCI), the Committee received a report on comparative performance of the University and its peers. Reflecting their geographical locations and focus there were significant differences in the performance of individual institutions.

9. ANY OTHER BUSINESS

There was no other business.

10. DATE AND TIME OF THE NEXT MEETING

It was confirmed that the next meeting of the Committee would take place on Monday 26 October 2020 commencing at 11.30, to be follow at circa. 1245 by a joint meeting with the Audit Committee.