

NORWICH UNIVERSITY OF THE ARTS

Minutes of Finance and Resources Committee
Held on Monday 17 June 2019 in the Conference Room, FH201, Francis House

Present

Mr I Watson (Chair)
Prof. J. Last
Mr A McMenemy

In attendance

Mr S Belderbos, Director of Finance, NUA
Mrs A Robson, Deputy Vice Chancellor, NUA
Mr D Williams, Clerk

Apologies

Mr M Jeffries
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 1 March 2019 were agreed and signed by the Chair.

2. MATTERS ARISING FROM THE MINUTES

Item 4.2: Strategic Plan. Despite the continuing uncertainties on implementation of the Augar Review and BREXIT, a new strategic plan would be developed during 2019/20. Given the external context, the plan would have a three-year, rather than five-year timeline.

3. FINANCIAL MATTERS

3.1. Financial Report

The committee considered the Financial Report, June 2019.

Since the previous financial report the estimated number of new undergraduate entrants for 2019/20 had been increased to 760 UK/EU full-time equivalent (FTEs). The change reflected the increase in the number firm acceptances secured by the University, c.+2% when compared to the same point in the previous years' recruitment cycle. However, uncertainty as to the likely success in recruiting students through clearing (2018/19: 40 FTEs secured) and the conversion to enrolments lead to the forecast for new entrants remaining below the 790 recruited in 2018/19.

The Committee explored the scope for the University to accommodate an intake of 790 students or above without comprising the quality of the student experience. The ability of the University to accommodate larger intakes depended to a significant extent on the which courses experienced the increase in demand. While the University's resource allocation model enabled additional staff resources to be allocated to individual courses, other resource constraints meant that some courses would be unable to accommodate significantly greater numbers.

The implementation of the Augar review would have significant impact on the University's financial position. The University would be adversely affected by the

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removal of funding from Foundation years and by the reduction in the full-time undergraduate tuition fee rate to £7,500. Should the changes take place, the timing of their introduction was uncertain. Although Augar had suggested the changes could be introduced for 2021/22, a more realistic assessment was that any change would not happen before the 2022/23.

The Committee noted the illustrative impact on the University's income stream, should a reduced tuition fee rate be introduced, modelled in the Financial Report.

The forecast operating surplus for 2018/19 was £4.19M. This was £277k above the surplus of £3.91M recorded in 2017/18. The outcome reflected a larger increase during 2018/19 in total income (+£1.1M) than total expenditure (+£815k).

The proposed budget for 2019/20 was for an operating surplus of £3.086M. Total income was forecast to remain as a similar level to 2018/19, with expenditure rising by 6%. The proposed budget would result in a healthy net margin (surplus to income ratio) of 13%.

Movements in the University's cash reserves were strongly influenced by the Duke Street Riverside development. Significant capital expenditure (£18M) would be incurred over a three-year period. Despite this expenditure, the University's balance sheet would remain strong. Year-end cash reserves would fall to £23.9M in 2019/20, before rising to £27.3M at the end of the forecast period in 2022/23.

The committee noted the growing pension liability. The government had initiated a review of the current arrangements for the local government pension schemes (LGPS), following concerns across the public sector as to affordability and sustainability. The outcome of the review could result in employers being given greater flexibility at a future date as to the pension arrangements they could offer employees.

The Committee approved the proposed budget for 2019/20 and commended it to Council.

Chair of F&R

The Committee approved the submission of the University's five-year financial forecasts to the Office for Students (OfS).

Deputy Vice Chancellor

3.2. Summary of the key points from the Augar review of post-18 education and training

The Committee considered the paper on the Augar review. Given the national context, it was unclear the extent to which the recommendations made by the review would be implemented. It was likely that implementing many of the review's recommendations would prove politically difficult.

3.3. KPMG Higher Education Financial Statements Benchmarking 2017/18

The Committee considered the benchmarking data collated by KPMG. The data enabled NUA's financial position to be benchmarked against both other pre- and post-92 institutions. The data confirmed the strength of the University's financial position.

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The University was currently an outlier in relation to its high current ratio (measure of liquidity). The level of the ratio would be reduced in future years as a consequence of expenditure in connection with the Duke Street Riverside development but would remain strong.

The Committee noted the report.

4. OFFICE FOR STUDENTS

4.1. OfS teaching grant allocations and terms and conditions of funding for 2019/20

The committee received details of the University grant allocation from the OfS. The allocation of grants to the University's continued to decline. Although government and OfS suggested that the funding remained stable in "cash terms", this did not take account of student number growth. As a result there was a decline in per capita funding.

The Committee noted the report.

4.2. OfS Report and letter to Chairs of governing bodies on the financial sustainability of higher education providers in England

Irrespective of their financial position, a general letter had been sent by OfS to all of the Chairs of Governing Bodies of registered providers in England. The letter drew attention to OfS' report on the Financial sustainability of higher education providers in England. The report aggregated the individual financial forecasts submitted by institutions.

OfS' concern was the robustness of the forecasts submitted by some institutions. A significant number of institutions had submitted growth forecasts for their student numbers which when placed against the expected continuing decline in the number of young people in the age 18 population cohort, were judged by OfS to be unattainable. NUA did not fall into this category.

The committee expressed concern that OfS had chosen to send a general letter to all providers, rather than engaging with those individual providers whose forecasts were judged to be unreliable.

For information, it was agreed that a summary of OfS' analysis, together with a short covering note should be circulated in the papers for the forthcoming meeting of the Council.

Clerk

The Committee noted the report.

4.3. Understanding the impact of income cross-flows on financial sustainability in the UK higher education sector

The Financial Sustainability Strategy Group (FSSG) has issued a report on income cross-flows.

Drawing on TRAC data, the report identified which activities across the higher education sector are financially sustainable. The report advocated the need to consider the

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sector's activities as a collective, rather than to focus on the financial sustainability of individual activities.

The Committee noted the report.

5. ESTATES

5.1 Estates development

The Committee received an oral report on the development of the University's estate.

Work on the Duke Street Riverside development was being progressed. To reduce the risk of a subsequent delay, a contract for the demolition of the existing structure and the removal of asbestos had been let.

Preparation for issuing the tender for the main construction contract was on-going. The invitation to tender was expected to be issued during the Summer, with a decision on a preferred contractor being made in autumn 2019.

A new boiler the Guntons building had been installed at turn of the current calendar year. Further boiler replacements were required for the Duke Street and St. George's buildings. Although the instillation of the new boilers would result in an additional cost, they offered greater operational efficiency. The typical pay-back period for a new boiler was 6 to 8 years. The working life of a new boiler being between 25 and 30 years.

5.2 Estates metrics

Drawing on data available on 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 University had RAG (Red, Amber, Green) rated its performance for each of the metrics against its peer group. The RAG ratings confirmed the good condition of the University's estate.

The Committee noted the report.

6. ANY OTHER BUSINESS

There was no other business.

7. DATE AND TIME OF THE NEXT MEETING

It was confirmed that the next meeting of the Committee would take place on Monday 28 October 2019 commencing at 11.30 in Francis House.

8. COMMITTEE EFFECTIVENESS

The Committee considered the proposed checklist of effectiveness.

Committee noted its current terms of reference included the requirement to have an effective process "to approve the annual Capital works budget allocation as part of the budget." This was felt to unnecessary, and it was agreed that Council should be asked to approve a revision of the Committee's terms of reference, which omitted the requirement to approve the annual Capital work budget allocation.

Vice Chancellor: Professor John Last

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Chair of F&R

It was agreed that the checklist of effectiveness should be circulated electronically for members to complete and return to the Clerk.

Clerk