

NORWICH UNIVERSITY OF THE ARTS

Minutes of Finance and Resources Committee Held on Friday 04 June 2021 using Microsoft Teams

Present

Mr M Jeffries (Chair to Item 9)
Mr A McMenemy
Prof. S Ofield-Kerr
Mr I Watson (Chair Item 9)
Mr T Wilson

In attendance

Prof. L Anderson, Pro Vice Chancellor (Academic), NUA
Mr S Belderbos, Director of Finance, NUA
Mrs A Robson, Deputy Vice Chancellor
Mr D Williams, Clerk

Apologies

There were no apologies

PRESENTATION

Professor Anderson presented to the Committee on how the University develops its academic portfolio. The different stages to the process by which a new course is developed, approved and its quality subsequently monitored were outlined.

In discussion it was noted that the timeline for developing a new course was up to 2 years. Typically, new developments had ecology to the existing curriculum.

Professor Anderson was thanked for her stimulating presentation.

DECLARATION OF INTEREST

As a Director of RG Carter Holdings Limited, Mr M Jeffries declared an interest in agenda Item 9.1 Estates development. It was agreed that this item would be taken as the final item on the agenda and that Mr Jeffries would withdraw from the meeting to allow uninhibited discussion of the matter. For the item, the meeting would be Chaired by the Deputy Chair of the Committee, Mr I Watson.

1. MINUTES OF THE LAST MEETING

The Minutes of the meeting of the Finance and Resources Committee held on 26 February 2021 were agreed.

2. MATTERS ARISING FROM THE MINUTES

Item 3.1 Financial Report: the use of scenarios would continue to be employed as appropriate.

3. FINANCIAL MATTERS

3.1. Financial Report

The Director of Finance introduced the Financial Report, June 2021 and highlighted to the Committee the key assumptions, including future student numbers and tuition fee rates.

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The modelled number of UK undergraduate new entrants for 2020/21, and subsequent years was 840. While below the number of new entrants recruited in 2019/20 (903), the number would represent the University's second highest intake of undergraduate students.

The Universities and Colleges Admission Service (UCAS) decision to extend the deadline for applications to universities earlier in the year, meant that a considerable number of offers made by the University to applicants remained outstanding when compared to previous recruitment cycles.

Looking at the longer-term modelled forecasts, there were both positive and negative external factors to consider. The growth of numbers in the 18/19 age cohort was positive. A negative factor was the current government's desire to re-focus resources on vocational education delivered by the further education sector. This risked resources being redirected away from higher education.

The surplus for 2020/21 was now projected to reach £4.16M (16% surplus to income ratio), compared to a surplus of £3.52M (15%) in 2019/20. The improved surplus compared to the original budget (£2.50M) and the February 2021 forecast (£3.75M) reflected increased tuition fee income, but also a lower provision for rent waivers for students within the University controlled and nominated accommodation.

As a result of Covid-19, the additional operating costs in 2020/21 were c.£500k.

The proposed budget for 2021/22 was based on a surplus of £3.50M (13%). The commissioning of the Duke Street Riverside (DSR) would increase the income received from student accommodation, but also lead to additional running costs.

The cashflow statement contained significant investment in DSR in 2020/21 resulting a planned outflow of cash, now modelled to be £7.60M. Cash inflows would occur in the following 4 years of the five-year forecast period.

Year-end cash reserves would fall to £25.3M in 2020/21, before rising in each of the subsequent years of the forecast period.

The capital budget for 2021/22 amounted to £2.8M, of which £500k was for student equipment and resources. In discussion it was noted the actual level of spend on student equipment and resources was significantly greater than the value included in the capital budget due to the capitalisation policy. Further, the university was seeking to develop a "virtual lab" with an estimated cost of c.£300k. This would open-up further opportunities for hybrid attendance.

It was observed that the University was achieving a high-level surplus when compared with other providers in the sector. The surplus arose largely from the undergraduate income stream. Revenue from international and postgraduate taught (PGT) students was modest. There was an opportunity to increase the flexibility of the PGT provision and grow the income stream.

The five-year forecast for the University continued to show a largely flat income line, accompanied by rising costs. This pointed to the need for new profitable income streams.

The Committee commended the budget for 2021/22 and agreed that it should be submitted to Council for approval.

Chair of F&R

The Chair thanked the Director of Finance for his presentation of the Financial Report.

3.2. KPMG Higher Education Financial Statement Benchmarking 2019/20

The Committee reviewed the benchmarking report from KPMG. Compared to the previous annual reports, KPMG had included two new measures covering access and participation

Compared to its peers, the financial data showed the University's performance to be very strong. The University, for example, had recorded the highest surplus as a percentage of income.

The Committee noted the report.

At the Committee's request, the Director of Finance briefly updated the Committee as to the tendering process for appointing the University's external auditors.

4. TREASURY MANAGEMENT

4.1. Appointment of fund managers

The Committee received an update on the appointment of fund managers to the University. Seven companies had been invited to tender for the work, and all seven had submitted an expression of interest. Mr T Wilson, declared an interest explaining he acted as the auditor for Barratt and Cooke.

From the original selection, a short-list of 4 companies had been invited to present to the selection committee, comprising the Chair of F&R, DVC, Director of Finance and co-opted expert with extensive expertise in fund management.

One option would be for the University to appoint 2 fund managers, each having £5M to invest on behalf of the University.

It was noted that due diligence should be carried out on those companies selected to ensure that appropriate risk controls and systems were in place and documented.

Director of Finance

Once fund managers had been appointed and funds allocated, it was expected that a sub-committee to oversee the investments made would be established. The membership of the sub-committee would benefit from having a co-opted member with a background in fund management.

5. OFFICE FOR STUDENTS (OFS)

5.1. OfS funding update

The core funding received from OfS for 2021/22 was being further reduced. Government policy continued to prioritise Science, Engineering, Mathematics and Technology (STEM) over areas such as the Arts. As a result, revenue and capital funding received directly from government was being redirected away from institutions such as NUA.

Resources to support outreach consortia in 2021/22 were being reduced by an estimated 33%.

Further reductions in funding were anticipated in future years.

6. PENSIONS

6.1. Update on pension scheme developments

The Committee received an update on pension developments. Working with the University's advisers, Isio, 4 companies had been invited to tender to become a new and additional provider of pensions to the University's employees. The closing date for responses to the invitation to tender to be received was the end of June 2021. The subsequent assessment of the tenders was expected to identify providers who would be invited to meet with the University and its advisers prior to a decision as to a preferred provider being made.

7. BUSINESS AND COMMUNITY ENGAGEMENT

7.1. Summary of the HE-BCI survey outcomes for 2019/20 and Knowledge Exchange framework

The Committee received data on the University's return to the Higher Education Business and Committee Interaction (HE-BCI) survey for 2019/20, and information on the new Knowledge Exchange framework (KEF).

As part of the new KEF, NUA had been placed in the arts cluster. On some metrics, NUA's performance was relatively strong, but much weaker on others. Looking to the future, there was an opportunity for NUA to grow its engagement in Regeneration and Development activities.

The Committee felt that at some point it would be helpful for Council to receive information on both KEF and the Research Effectiveness Framework (REF).

Vice Chancellor

8. ANY OTHER BUSINESS

The were no matters of any other business

Mr M Jeffries left the meeting, and Mr I Watson took the Chair.

9. ESTATES

9.1. Estates development

The expected completion date for DSR remained the 31 August 2021.

Following detailed discussions with the contractor, the University had become increasingly confident that the student accommodation component of the DSR would be

available for occupation by 11 September 2021, the date when students were scheduled to return to University. As a result, the University had let the rooms for 2021/22. By the same date, it was anticipated that there would still be snagging work being carried out on the teaching space. This was not expected to cause the University difficulties.

The final value of the main construction contract was very close to the original estimate. with c.80% of the value engineering opportunities having been achieved. Both re-engineering and re-programming aspects of the build had been required to achieve this outcome.

While further work was required, DSR was progressing well.

The Committee congratulated the DVC and the associated teams on achieving such a positive outcome despite all of the challenges encountered.

10. DATE AND TIME OF THE NEXT MEETING

It was confirmed that the next meeting of the Committee would take place on Monday 1 November 2021 commencing at 11.30, followed by a joint meeting of the Finance and Resources Committee and the Audit Committee from 13.00.