

NORWICH UNIVERSITY OF THE ARTS

Minutes of Finance and Resources Committee Held on Friday 10 June 2022 in the Boardroom, Cavendish House, Norwich, commencing at 14.00

Present

Mr A Grimbley (Chair)
Mr M Jeffries
Prof. S Ofield-Kerr

In attendance

Prof. L Anderson, Pro Vice Chancellor (Academic), NUA
Mr S Belderbos, Director of Finance and Planning, NUA
Mr J Smeeth, Chief Operating Officer, NUA
Mr D Williams, Clerk

Apologies

Ms A Ferguson
Mr I Watson

1. MINUTES OF THE LAST MEETING

The Minutes of the meeting of the Finance and Resources Committee held on 25 February 2022 were agreed and signed by the Chair.

2. MATTERS ARISING FROM THE MINUTES

There were no matters arising.

3. FINANCIAL MATTERS

3.1. Summary of the proposed reforms to Higher Education funding

The Government's responses to the Augar Report were examined.

The Government was proposing to lengthen the repayment period for student loans, change the repayment threshold and the rate of interest payable. The Government had also announced a freeze on the undergraduate tuition fee rate until the end of 2024/25. Collectively, the proposals were intended to reduce the public cost of funding higher education (HE).

The impact of freezing the tuition fee and the rising rate of inflation was putting significant financial pressure on Higher Education Providers (HEPs).

The Government had also suggested there were grounds for re-introducing student number controls, and setting minimum national entry requirements to allow access to student loans.

The Government was consulting on a proposal to cap the tuition fee rate for students on Foundation (Level 0) degree programmes. The Government was proposing that HEPs should charge the same rate as that applying to Further Education Colleges (FECs). This would reduce the maximum per capita fee charged by HEPs for students enrolled on Foundation degrees from £9,250 to £5,197 per annum. If the Government implements this proposal, the University will experience a per annum reduction of income of c.£800k.

The student experience in studying for a Foundation degree at a FEC was not the same as under-taking the programme at a HEP.

Level 0 courses at the University were an important source of undergraduate recruitment (c.200 students per annum). Rates of progression from Foundation degree courses were above 90%. Should the Government implement its proposals, it was likely that the University would continue to offer Foundation degree programmes.

The Government was seeking to encourage the growth of provision at Levels 4 and 5 and had announced plans to establish National State Scholarships.

The Committee noted the report.

3.2. Financial Report

The Director of Finance and Planning introduced the Financial Report, June 2022.

In comparison to the Financial Report presented in February 2022, the June report included the costs and outcomes associated with the University's newly agreed institutional strategy.

The forecast surplus for 2021/22 was £3.9M (i.e. a 14% surplus-to-income ratio).

In the next three years the surplus is forecast to be below the target set in the Operational Plan. The surplus as a percentage of income is forecast to be 8% in 2022/23, and 6% in 2023/24 and 2024/25. The surplus then being 11% in 2025/26, and exceeding the target.

A 6% surplus-to-income ratio would compare favourably with the levels historically achieved by the HE sector. It was also important to note, that throughout the forecast period net cashflow from operating activities as a percentage of income would remain at or above 20% in each year. The rate was well above the target set in the Operational Plan. Positive cash generation was reflected in the increasing level of cash on the balance sheet.

In the light of the uncertainties surrounding the Government's future funding of HE, the Committee suggested there might be merit in the University developing a simple predictive model to enable the impact of possible policy changes on the University to be assessed. It was agreed that the University would consider the matter.

Director of Finance and Planning

The University was currently in an investment cycle. This emphasised the need to move away from a single performance indicator towards others based on the investment strategy. Previously, performance had been largely focussed on the annual financial surplus, with the expectation that each year's surplus would match that of the previous year.

The Committee reviewed the student number forecasts. The recruitment of home undergraduate new entrants for 2022/23 had been lowered to 828. This reflected the

low number of applicants applying to study at the University. Historically, to meet its recruitment target, the University had relied upon recruiting local students coupled with a high conversion rate of applicants-to-places. The high conversion rate mitigating the impact of the low number of applications received. The number of applications received for 2022 entry had remained low and this was reflected in the student number forecast.

To increase the number of applications in future years the University needed to increase its presence and visibility outside those areas and regions from which it had traditionally recruited. To strengthen future recruitment, the University was working with a specialist firm of consultants, and making provision to invest in additional marketing posts.

Improved recruitment would enable the number of home undergraduate new entrants to recover to 920 in 2023/24, and to increase further thereafter.

The Committee was updated on the likely increases in staff and energy costs. The University had fixed its energy prices for a period of two years in October 2021.

The capital budget was noted.

The University had made an application to the Levelling-Up Fund and, if successful, this would increase the level of capital expenditure in relation to Bank Plain.

The Committee commended the budget for 2022/23 and agreed that it should be recommended to Council for approval.

Chair of F&R

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

3.3. KPMG Higher Education Financial Statement Benchmarking 2020/21

The Committee reviewed the benchmarking report from KPMG. The report confirmed the pattern observed in previous years. Performance measures on which the University's was shown to be relatively strong included the surplus-to-income ratio, current ratio and level of borrowings. Areas of relative weakness included international student recruitment.

The Committee noted the report.

4. ESTATES

4.1. Estates development

The Committee was updated on the position regarding the purchase of Bank Plain. Contracts had been exchanged with vendor. However, the University's solicitor was not yet satisfied that they had received all the required evidence to show that the historical covenants placed on the building had been met and removed from the title. Completion had not taken place.

An opportunity to refurbish the building with funds from the Levelling-Up fund had arisen. Meeting the deadline for submissions to the fund had required the University to accelerate its thinking and planning on how the building could be used.

The aim was to position Bank Plain at the centre of the University, becoming a hub for students and its interface with external stakeholders, including those located beyond the city boundaries. The building would be a focus for incubation, short-course work and creative individuals and businesses. It would also house the University's centres for research and knowledge exchange and student support services. The old bank vaults would provide archive space and the banking hall the location for the library. A major challenge for the refurbishment was to ensure it helped draw people into the building.

If the bid to the Levelling-Up fund was not successful, the plan and phasing of the building's refurbishment would be reviewed.

The Committee was enthusiastic about the plans and welcomed the University taking the opportunity to see if it could access Levelling-Up funding. Acknowledging the role of local support in making the bid, it was suggested that the University should talk to the Norwich Society.

Vice-Chancellor.

The Committee noted, and the VC agreed, that there would be opportunities to involve different student groups in developing the plans for Bank Plain, and thereby gaining valuable experience of live projects.

The University was also planning to make a minor change to the entrance to Duke Street Riverside. One of the benefits would be improve the use of the Foyer area.

For future meetings, it was agreed that it would be helpful, particularly for those members who were unable to be present at the meeting, if a written report on Estates could be circulated with the Committee's papers.

Vice-Chancellor

5. BANK LOAN

5.1. Changes to loan agreement with Lloyds Bank

The changes to the bank loan requested by Lloyds Bank were approved.

Director of Finance and Planning

6. GOVERNANCE EFFECTIVENESS REVIEW

6.1. Revised terms of reference for Finance and Resources Committee and Investment Committee

The Committee approved the revised terms of reference for the Finance and Resources Committee and the Investment Committee.

7. ANY OTHER BUSINESS

The were no matters of any other business

8. DATE AND TIME OF THE NEXT MEETING

The next meeting of the Committee would take place on Monday 31 October 2022 commencing at 14.00. The meeting would be preceded by a joint meeting of the Finance and Resources Committee and the Audit Committee commencing at 13.00.