Addendum to questions from finance webinar

After the webinars were delivered, UCU has circulated [illegible]. This was written by an external author who by other universities. They are based on a calculation of capital plus future interest due subject to financial adjustments work. While we cannot do everything, the best solution will always be a balance between making sure we are an attractive location for staff and students, and making sure we have the best staff, in a combination which is academically and financially stable.

Notwithstanding the fact that we are currently at limit and can't borrow anymore, is it possible for universities to enter into borrowing agreements that cover short-term operational costs whilst interest rates are low?

Subject to the gearing covenant in our loan agreements, it is possible to further borrow funds. However, it is always important to understand how any loan would be repaid to avoid future difficulties in repayment. Council will decide whether we under appropriate assumptions. We expect that there will be news of the budget and assumptions later in July.

How will the University's budget 2020/21 be set?

Substantial work has been carried out already with individual budget holders both in Schools and Professional Services, and with the University Executive Group (UEG) to consider budget proposals for next year. SPRC (a senior committee of Council) [illegible], including whether any adjustments are required, before proposing the budget to Council. Council as our governing body is the committee which approves the University budget. Council will meet at the start of July and this meeting is the one at which the budget will be considered. I gave a view in the webinar as Director of Finance on how we might approach the budget, and mentioned a measured approach proportionate to the circumstances, to demonstrate its financial sustainability and which will require judgement based on emerging certainty of our income for the next academic year. But I would stress that this is all subject to Council approval. Council can be expected to give especially robust scrutiny of plans in the current context. It would not be appropriate to comment in more detail before Council has approved the budget. We expect to [illegible] approved financial plan for next year in July.

Clarification of webinar figures

When you talk about 'operating surplus' (e.g. achieving about £20m in 2018/19, a planned 'operating surplus' of £16m in 2019/20 (reduced to near to zero by Covid-19-related loses) and a targeted 'surplus' (we assume this again refers to 'operating surplus') of £12m in 2020/21), what do you refer to? Is this a figure which appears in our accounts?

The operating surplus is intended to reflect underlying performance and so excludes selected one-off items from our accounts, which could distort the view of how the University is performing on an ongoing basis. This is not an exact science and the figures do not appear as an identifiable single number in our accounts. Graphs in this series of webinars (and the series last year) show the key items excluded from the operating surplus. These, in my view, give a clearer and more consistent [illegible]

8) How may the 'net cash inflow f(o)-4(r)-7l(e)3((o)-4(p)-5(e)3(r)7(a-16(ti)6(n)-5(g)-3( )9(a)-5(c)5(ti)6(v)-4(i)7(ti2)8(e)3(s)8

You said the University had £109m in cash and cash equivalents and £117m in current investments, giving a total of £226m, at 31 July 2019. What are the figures cash and cash equivalents and for current investments at present (May 2020)?

The University does not publish these on an ongoing basis as it is important to go beyond the numbers and interpret them for stakeholders, including banks and lenders, since (as stated clearly in the webinar) cash balances at any one time always need interpretation for what commitments exist against those balances. Nevertheless, as will be clear from an expected breakeven in 2019/20 and low capital spend, our cash position is broadly similar to last year end.

You analysed the figure of £226m of cash, cash equivalents and investment as committed endowments, BSMS etc. (£10m), Capital commitments contracted but not incurred (£6m), Working capital (minimum of £50m, higher at some times of the year), Private placement loan for capital investment (£100m), which leaves around £60m. What purpose is the remainder of £60m presently earmarked for?

This is an approximate breakdown and will change throughout the year - principally affected by working capital, capital spend and operating surplus. The £60m not listed is dedicated to other purposes, such as capital works not contracted at 31 July 2020, and includes the fit out of the Student Centre. Any funds to which we have access and are not committed can act as a buffer to unexpected financial shocks, such as we have had this year, but strictly they are dedicated in our core plans as part of the cash which we have available to invest in the Estates and IT Masterplans. We noted in the webinar that the essential capital works, which the campus community has been asking for and which we know is critical to the student experience, have been prioritised to £300m of investment partly funded from the Private Placement, partly from future surpluses and partly from existing cash balances (including this £60m) generated by past surpluses.

Do you expect private partners, such as Balfour Beatty, to be reconsidering their future investment plans in the HE sector? What are the implications for the University?

The existing East Slope deal is fixed in a ring-fenced legal structure and so will continue to exist through the full term of the 50-year concession. Planning for West Slope continues at a minimal level and the University and Balfour Beatty achieved full planning permission for the development in May 2020. The timing of the future of formally committing and the main part of delivering this project is subject to operational and financial review at the end of this calendar year. There is no evidence at this stage that private partners, including Balfour Beatty, will change their attitude to working with the University. Universities are typically some of the first enterprises to emerge from periods of recession and demand for university projects, especially for strong and attractive universities like ourselves, will hopefully remain strong.

Other questions

What savings have been generated form the implementation of the Financial Review Guidelines to conserve cash? What do you expect to save in 2020/21?

We do not have a way of tracking spend which has not happened, or of distinguishing which savings are due to the guidelines and which would simply happen as a result of budget holders taking relevant action in the current situation. We estimate lost income, and new costs and losses in 2019/20 to be in the region of £19m. Against these losses, o

It would not be appropriate to comment on 2020/21 before the budget is approved, but the incremental savings will be lower since budgetary groups were already planning for reduced budgets through anticipating freezing vacancies, reducing consumable and equipment spend and so on.

Can you please clarify what the implications of unoccupied rooms in East Slope will be in light of university obligation to nominate 75% of rooms for the year?

The University is as yet unclear on whether it will be possible to occupy residences in full or in part. The University is only obliged to nominate and pay for 75% of the rooms during the construction phase so this is a short-term issue. We will, of course, seek to ensure that the East Slope rooms are full and that we maximise the utilisation of East Slope so that we can cover the obligations to the residential development partner. In the worst case we would be obliged to pay over rent for 75% of the rooms on which we did not receive rent from students. However, the issue of non-utilisation or low utilisation of student accommodation is also an issue on our own residences, where we will have