

**Finance Committee MINUTES | PART A**

**21 September 2021**

**Via Zoom**

**08.00am to 10.00am**



**Present:** Sir Michael Daniell (Chair), Rob McDonald, Cathy Quinn, Cecilia Tarrant, Professor Dawn Freshwater, John Patai, Professor Jennifer Curtin, Catherine Dunphy and Junyi Wang

**In Attendance:** Adrienne Cleland, Tim Bluett, Jacqui Metcalf, Bridget Fitzpatrick and Mudasir Matto

<b>1. Apologies</b>	There were no apologies.	
<b>2. Disclosures of Interest</b>	<p>Item No 10: Domestic Student Fees 2022 and International Student Fees 2023, the following Committee members noted their disclosure of interest.</p> <p>Catherine Dunphy – Currently has family members attending University of Auckland.</p> <p>Professor Jennifer Curtin – Currently has a family member attending University of Auckland.</p> <p>Cathy Quinn – Currently has a family member attending University of Auckland.</p> <p>Junyi Wang – Currently attending University of Auckland under a scholarship.</p>	<b>RESOLVED (Chair   Rob McDonald)</b> that the disclosures, if any, be noted and the action taken be endorsed.
<b>3. Minutes of Finance Committee of 13 July 2021</b>	<p><b>Item No 3.1: Minutes, Part A</b></p> <p><b>Item No 3.2: Matters Arising</b> from the Minutes, Part A, not elsewhere on the Agenda.</p>	<b>RESOLVED (Chair   Cathy Quinn)</b> that the Minutes, Part A, of the Finance Committee held on 13 July 2021 be taken as read and confirmed.
<b>4. Other Matters for Decision or Noting</b>	No other matters for decision were noted.	
<b>Other Matters for Decision or Noting</b>	<p>The following section has been approved for insertion in Part A section of the minutes.</p> <p>It contains the highlights of the Forecast Financial Performance for 2021 to the Finance Committee.</p>	

## 1.0 Financial Highlights

EFTS / \$000s	2021				2020 Actual	2021 v 2020		2019 Actual	2018 Actual
	Forecast	Budget	var	var %		var	var %		
<b>EFTS</b>									
Undergraduate	27,321	24,950	2,371	10%	25,503	1,818	7%	25,736	25,388
Postgraduate	8,891	8,067	824	10%	8,184	707	9%	8,086	7,950
Other	450	489	(39)	(8%)	562	(111)	(20%)	389	467
	36,662	33,506	3,156	9%	34,248	2,414	7%	34,211	33,805
Domestic	30,811	28,849	1,962	7%	28,697	2,114	7%	28,368	28,346
International	5,401	4,168	1,233	30%	4,990	411	8%	5,454	4,993
Other	450	489	(39)	(8%)	562	(111)	(20%)	389	467
	36,662	33,506	3,156	9%	34,248	2,414	7%	34,211	33,805
<b>Revenue</b>									
TEC funding	370,667	356,396	14,271	4%	350,679	19,988	6%	337,382	333,742
Fees	385,532	332,556	52,976	16%	352,220	33,312	9%	351,561	326,486
Research	335,465	299,481	35,983	12%	279,756	55,709	20%	282,890	277,175
Other	260,266	259,737	529	0%	251,042	9,223	4%	263,393	264,841
Total revenue	1,351,930	1,248,171	103,759	8%	1,233,698	118,232	10%	1,235,225	1,202,245
<b>Expenses</b>									
People	683,048	670,422	(12,626)	(2%)	707,011	23,964	3%	669,181	655,871
Operating costs & leases	441,521	445,052	3,531	1%	397,848	(43,673)	(11%)	371,352	354,573
Depreciation	158,987	162,987	4,000	2%	158,763	(224)	(0%)	144,236	133,116
Total Expenses	1,283,556	1,278,461	(5,095)	(0%)	1,263,623	(19,933)	(2%)	1,184,768	1,143,559
Net surplus	68,374	(30,290)	98,664	(326%)	(29,926)	98,299	(328%)	50,457	58,685
Unusual items					71,600	(71,600)		(8,712)	(13,600)
Adjusted net surplus	68,374	(30,290)	98,664	(326%)	41,675	169,900	408%	41,745	45,085
%	5.1%	(2.4%)	7.5%		3.4%	-1.7%		3.4%	3.8%
<b>Cash, Debt &amp; Capital</b>									
Operating cash flows	180,673	101,258	79,415	78%	216,455	(35,782)	(17%)	242,445	165,565
Cash & short-term investments	24,570	24,570	(0)	0%	51,552	(26,982)	52%	49,379	77,807
Funding facility	(101,641)	(260,903)	159,262	61%	(137,500)	35,859	26%	(180,000)	(50,000)
Capital expenditure	207,687	237,193	29,505	12%	158,654	(49,034)	(31%)	410,668	319,628

\*Other EFTS include out of time PhD, Nursing, ICT, and TFC.

Table 1: Financial Highlights

*Chair Approved but not confirmed by the Committee*

	<p>A new factor contributing to the movement from previous forecast and the budget is:</p> <ul style="list-style-type: none"> <li>Confirmed Semester 2 enrolments have provided a firm base for our student fee forecasts. International Fee revenue is +\$36.9m favourable to budget with Domestic Fees +\$16.1m.</li> </ul> <p>Previously highlighted favourable variances to the budget including a series of one-off movements remain including:</p> <ul style="list-style-type: none"> <li>A confirmed increment to base TEC funding of \$6m.</li> <li>The 2020 Covid-19 Externally Funded Research (EFR) revenue deferral of \$11.9m has been recognised in the current 2021 research revenue forecast. The original cost budgets have been adhered to, minimising only incremental cost. The net impact is \$11.9m, recognised as revenue and contribution in the 2021 forecast.</li> <li>An estimate of the impact of VLS on retirement leave entitlement liability provisions has resulted in a reduction of \$5.3m to the provision recognised as a non-cash benefit to the P&amp;L.</li> <li>No material non-VLS redundancy costs are forecast in 2021, resulting in the release of \$6.2m from the budget provision.</li> <li>Continued favourability in operating performance across the University is forecast to be offset by new expenditure to deliver offshore students and enable strategic initiatives to be bought forward.</li> </ul> <p>To advance the delivery of Taumata Teitei, moderated Accelerated Strategic and Tactical initiatives totalling \$8.8m are being progressed.</p> <p><b>Cash Debt and Capital</b></p> <p>The improvement in Operating Surplus has a favourable impact on operating cash flows.</p> <ul style="list-style-type: none"> <li>Operating cash flows improve by \$79m against budget, to \$181m.</li> <li>With a reduction in forecast capital expenditure, the year-end loan facility balance is expected to be \$102m, significantly below budget.</li> </ul> <p><b>Student Enrolments</b></p> <p>The current forecast reflects Semester 2 enrolments and is relatively secure in light of the recent lockdown. Total EFTS at 36,662 represents an increase on the previous forecast of +1,123 EFTS and is significantly higher than budget +9% and prior year +7%. Strong student retention initiatives are managing to hold International Students unable to be physically present in New Zealand, and it is estimated that 41% of our International EFTS are offshore. All faculties show a favourable EFTS position compared to budget, with all faculties growing year on year.</p>	
<p><b>5. Leave of Absence</b></p>	<p>No leave of absence was noted for the next meeting.</p>	
<p><b>6. Public Exclusions</b></p>	<p>The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:</p>	<p><b>RESOLVED (Chair   Cecilia Tarrant)</b> meeting AND THAT Mrs Cleland, Mr Bluett, Mr Matto, Mrs Fitzpatrick, and Mrs Metcalf be permitted to remain for this part of the meeting after the public is excluded</p>

*Chair Approved but not confirmed by the Committee*

	<p>General subject of each matter to be considered:</p> <p><b>Item No 7.1: Finance Committee Meeting 13 July 2021, Minutes Part B</b> <b>Item No 7.2: Finance Committee Meeting 13 July 2021, Matters Arising from Minutes, Part B</b> <b>Item No 8.0: Financial Performance &amp; Forecast for 2021</b> <b>Item No 9.0: Treasury Management, Compliance and Cash Flow Report</b> <b>Item No 10.0: Student Fees Paper</b> <b>Item No 11.0: Financial Impacts of Covid-19</b></p> <p>Reason for passing this resolution in relation to each matter:</p> <p>The protection of the interests is mentioned below.</p> <p>Grounds under section 48(1) for the passing of this resolution:</p> <p>Those in Section 9 of the Official Information Act 1982, namely:</p> <ul style="list-style-type: none"><li>i) To protect the privacy of the persons referred to in the recommendations and to maintain the confidentiality of those recommendations;</li><li>ii) To enable the University to carry on without prejudice or disadvantage negotiations; and</li><li>iii) To prevent the disclosure or use of Official Information for improper gain or advantage.</li></ul>	<p>because of their knowledge of the matters to be discussed.</p> <p>This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because they relate to aspects of the administration of the University of Auckland for which those persons are responsible.</p>
<p><b>The meeting moved into a Public Excluded Session at 8.04 am.</b></p> <p><b>The meeting closed at 9.25 am.</b></p> <p><b>Approved as a true and correct record.</b></p> <p>_____</p> <p><b>Michael Daniell, Chair</b></p> <p><b>Date:</b></p>		