

**Notes of meeting no 15 (FINANCE PRESENTATION) of the special, combined JNC held on**

**Friday 5 June 2020 (v 2.0)**

**Present (virtually)**: Stephen Shute, Pro Vice Chancellor, (Planning and Resources) (SS) (chair); Allan Spencer, Director of Finance (presenting); Tim Westlake, Chief Operating Officer (TW); Peter Brook, Interim Director of HR (PBr); John Hallam, Interim Assistant Director of HR (ER) (JH); Andrew Chitty (AC); Chris Chatwin, (CC); Jo Pawlik(JPk); Mike Moran (MM); Jackie Grant (JG); Paula Burr (PB); Claire Colburn (ClCol); Elaine Stephen (ES); Caroline Fife; Jeremy Maris (JM); Daniel Hyndman (DH); Nick Owen (NO).

Note: an extended membership was agreed in advance for this meeting.

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| 1/15 | SS welcomed everyone to the meeting and noted this was a ‘single issue’ SCJNC to discuss the University’s finances. AS, Director of Finance had been invited to give the presentation. AS was also undertaking a series of webinars, which were open to all staff.AS presented his slides and said he would be brief in order to allow questions and discussion. (The slides have been made available in the relevant TU shared SCJNC Box folder - <https://sussex.app.box.com/folder/109168260750> AS noted that in terms of the 19/20 out-turn the expectation – up until March 2020 – had been that the University would record an operating surplus of £16m. The impact of Covid-19 and related loss of income / additional expenditure now meant that the expectation was that the University would end the financial year in a ‘break-even’ position.It was difficult to predict what would happen in 20/21. A 50% loss on international income would amount to £38m. A loss of 10% on home income would amount to £13m. Lost accommodation income might amount to £20m. AS said the immediate financial objectives for the University were: (i) not to run out of cash; (ii) take necessary measures to conserve cash; (iii) maintain liquidity; (iv) not operate at a deficit in 20/21.AS explained the position on loans and cash reserves. The £350m reserves were not ‘realisable’ cash – these were a mixture of fixed assets, working capital and cash. Some of the University’s cash reserves derive from loans and should be reserved for capital investment It was not envisaged that lender covenants would be breached in 19/20. However, a future deficit position could lead to breach. The notional available cash reserve at 31 July 2019 was around £60m.Overall, the University was currently in a sound financial situation. However, the scale of financial losses that might impact in 20/21 could potentially be very severe. AS said that the University had been very open and transparent about the situation but it also needed to protect its own commercial interests and ensuring that we maintain confidence of external stakeholders.AC asked AS about the potential figure of loss of £71m. AS said that this was a potential severe scenario – an illustration of what might occur. If this did occur the situation would be very serious. AC asked a number of questions - about the covenant conditions, the net adjusted operating cash flow and the consequences of a breach of covenant. MM also asked about covenant conditions and suggested that in some institutions, lenders had become involved indirectly in internal policy and management. AC said he would like to establish the anticipated cost of meeting covenant conditions. AS said covenants were only a part of the whole picture and should not become the focus of attention. AS said, the prime objective was to establish and agree with Council a sensible budget for 20/21. If there should be a breach of any covenant, it would be possible to discuss the situation with the lender(s) – whose focus would not be on ‘micro-management’ but assurance around the protection of their interests. Their expectation of the University would be that it was managing its finances in a responsible and viable manner. AS confirmed there had been no discussions with lenders about their responses to particular scenarios.AS said that the budget for next year and assumptions (e.g. pay awards) could be prepared in a number of ways and Council would need to determine whether the UEG proposal was the appropriate approach. AS said he was conscious there were different interpretations of possible outcomes for the budget but Council would decide on what was prudent.In response to a question from PB, AS confirmed that Council would be basing its decisions on summary level financial data rather than individual budgetary group data. SS confirmed to ES that there was no set target for VS – costs would be dependent on the numbers that came forward and the numbers approved.JG said it seemed reasonable to assume covenants might be breached next year – what was the size of the risk? AS said that so much was uncomfortable at present because it was just not known. AS said he had been very clear that a breach of a covenant was not ‘terminal’ – although the risks might be higher in some other HE institutions. The likely depth and length of the income crisis was not known and would not begin to become clearer until the autumn. It would be for Council to make the difficult judgements required. It was possible that Council might require a change to the cost base but at present there were no immediate plans to do anything further than we were already planning. The position would need to be reviewed when things became clearer in the autumn. Once Council had reviewed the position and set a budget he would be happy to come back and give a further presentation to explain the details. The aim at present was to ask Council to approve a budget in July – but this would still need to remain under review. The impact of the Voluntary Severance scheme (VS) would also be a factor – this was currently open.ES asked when we would know about student numbers. SS this was likely to be September / October – the next 4 months. PB asked what difference Study Group made to income – AS agreed that income from Study Group was important – they contributed around 700-800 students per annum normally, many of whom are undergraduates and spend three years at Sussex.A question was asked about the promotions process. AS said SS and PB would be responding further on this in due course.SS said one of the questions posed by the unions had been a question over the costs of doctoral tutors [NB the full list – covers e.g. language tutors as well]. AS confirmed the previous full year costs as having been £3.4m (including Language Tutors). This comprised some 800 individuals with a combined FTE of around 85.00.AS said the University would respond to the unions’ joint email of 28/5 as soon as possible.SS thanked AS for his presentation and noted that at the next meeting on 9/6 Kelly Coate, PVC Education and Students would be attending to discuss teaching for the autumn term / 20/21 academic year. | SS / PB |
| 2/15 | **Date of Next Meeting**Tuesday 9 June 2020 @ 12.00 – single issue meeting regarding autumn term teaching / teaching for 20/21 with Pro Vice Chancellor (Education and Students) Prof Kelly Coate. |  |

**Human Resources**

**10/06/20**

**v 2.0**