



## Aide-Memoire: Lincoln University 2017 annual report

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<b>To:</b>	Hon Chris Hipkins, Minister of Education
<b>From:</b>	Tim Fowler, Chief Executive
<b>Date:</b>	15 June 2018
<b>Reference:</b>	AM/18/00389

### Purpose

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1. You have received the Lincoln University (Lincoln) 2017 annual report for tabling in the House. This paper provides you with an overview of the 2017 performance of Lincoln.
2. We recommend that you release this aide-memoire once it has been considered by you, with some information under the heading “Current Issues” withheld as the release of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

### Chair and Chief Executive updates

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3. The Chancellor, Steve Smith, and the acting Vice-Chancellor, Professor James McWha, highlight a number of Lincoln’s 2017 achievements in their respective reports. These include:
  - significantly improved financial performance in 2017, with an operating surplus of \$7.5 million from continuing operations;
  - producing world-class applied research, such as the Māori Biosecurity Network and the DairyNZ-led collaborative research programme on Forages for Reduced Nitrate Leaching;
  - the transfer of the Telford campus from ownership by Lincoln University to the Taratahi Agricultural Training Centre; and
  - awarding Annabel Langbein with a Lincoln University honorary doctorate and Forbes Elworthy with the Bledisloe Medal.
4. Both also acknowledge the Crown’s decision to contribute up to \$85 million towards a new research and teaching facility with AgResearch. As you are aware, the first Crown payment of \$65 million to Lincoln is subject to an Implementation Business Case (IBC) being endorsed by Ministers.

### Statement of Service Performance

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5. Lincoln’s Statement of Service Performance (SSP) is presented in two parts. The first outlines Lincoln’s progress against commitments made in the Investment Plan, including Educational Performance Indicators (EPI’s) and the Tertiary Education Strategy. The second part outlines progress against other objectives which sit outside the Investment Plan.
6. Other than reporting against EPI targets, Lincoln largely uses a narrative approach, rather than reporting against Key Performance Indicators.

## Financial Performance

7. Lincoln's 2017 financial statements received an unmodified opinion from Audit New Zealand, which states that these:
- fairly reflect Lincoln's and the group's financial position and performance; and
  - fairly reflect Lincoln's and the group's service performance achievements and outcomes measured against the performance targets adopted in the Investment Plan for the year ended 31 December 2017.
8. Summary metrics from the consolidated financial statements are presented in the table below. Please note that due to the way in which Lincoln present the financial statements, the totals below many not directly correlate to those in the annual report. The Financial statements are also impacted by the sale of the Telford Campus and ongoing Earthquake impacts.

<b>Annual Report Consolidated Group Financial Results</b> \$000	<b>2017</b> <b>Audited</b>	<b>2017</b> <b>Budget</b>	<b>2016</b> <b>Audited<sup>1</sup></b>
<b>Government Revenue</b>	\$34,558	\$34,788	\$31,606
<b>Student Fees</b>	\$8,862	\$9,351	\$8,117
<b>International fees</b>	\$14,805	\$14,568	\$13,057
<b>Total Revenue</b>	\$116,274	\$116,446	\$113,434
<b>Personnel Expenditure</b>	\$57,717	\$59,901	\$60,568
<b>Total Expenditure</b>	\$108,788	\$114,531	\$113,286
<b>Net Surplus/(deficit) before Earthquake and other impacts<sup>2</sup></b>	\$7,058	\$1,315	\$493
<b>Surplus/(deficit) to revenue (%)</b>	6.1%	1.1%	0.4%
<b>Net Surplus/(deficit) after Earthquake and other impacts<sup>3</sup></b>	\$2,737	(\$4,988)	\$26,049
<b>Surplus/(deficit) to revenue (%)</b>	2.3%	(4.3%)	12.6%
<b>Net Operating Cashflows</b>	\$1,783	(\$211)	\$75
<b>Operating Cash flows (%)</b>	101.5%	99.8%	100.1%
<b>Total Assets</b>	\$274,882	\$261,776	\$288,400
<b>Total Equity</b>	\$229,519	\$217,449	\$238,170
<b>Staffing FTE</b>	644		630
<b>Total EFTS to Total Staff FTE ratio</b>	4.2:1		4.9:1
<b>Total EFTS to Teaching Staff FTE ratio (academic &amp; tutorial)</b>	13.4:1		9.7:1

<sup>1</sup> 2016 comparative results have been restated in the 2017 annual report to separate the discontinued Telford activities.

<sup>2</sup> This includes the net operating deficit relating to the discontinued Telford activities.

<sup>3</sup> This includes abnormal income and expenditure relating to earthquakes, Hub project, Transformation and Discontinued operations.

9. Lincoln achieved a net surplus before earthquake impacts of. \$7.1 million (6.1%). Earthquake impacts reduce this to \$2.7 million (2.3%). The pre-earthquake impacts operating result has improved significantly compared to the 2016 break even result.
10. Lincoln University has an exemption from the recovery of TEC funding relating to the under-delivery of funded EFTS, which has been in place since the 2010/11 Canterbury earthquakes. In 2016, the TEC Board removed the SAC recovery exemption for the Lincoln-Telford Division and applied it only to the main university campus in Selwyn. This was due to significant under delivery through the Telford Division and Lincoln's lack of action in addressing the situation. The majority of Lincoln's historical under-delivery had been through Telford. In 2017, the value of the exemption was \$347k (2016: \$633k).
11. Lincoln had a consent to borrow issued by the Secretary of Education, which expired on 30 April 2016 and was not renewed. Through its subsidiary entity, the Lincoln Westoe Trust (LWT), Lincoln has borrowing of \$4.5 million with Rabobank Limited. No consent from the Secretary of Education was sought in relation to this borrowing through the LWT.
12. At a meeting of the Trustees of LWT on 1 September 2017, it was agreed that the assets, liabilities and operations of the LWT would be transferred to a new trust with similar objectives of the LWT, with no ongoing investment, control or participation from Lincoln. The transfer is expected to occur before 31 December 2018. As a result, LWT's land and buildings, and assets under construction, and the loans and borrowings associated with the assets have been reclassified. Details of these assets (\$8.1 million) and liabilities (\$8.0 million) can be found on page 82.

## Current issues

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13. Current issues and concerns regarding the performance of Lincoln are outlined below.

### Delays to the Joint Facility project

14. As previously advised, there have been ongoing delays to the Joint Facility project. 9(2)(f)

Lincoln and AgResearch are regularly updating you on timelines.

### Enrolments have declined in 2018

15. 9(2)(ba)(i) and 9(2)(g)(i)

9(2)(g)(i)

9(2)(b)(ii) and 9(2)(ba)(i)


[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

## Next Steps

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18. We will continue to brief you on progress and performance at Lincoln as required.



**Tim Fowler**

Chief Executive

Tertiary Education Commission

15 June 2018

**Hon Chris Hipkins**

Minister of Education

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