

Lincoln University Governance Oversight Group: Report to the Minister from the Chair

To:	Hon Chris Hipkins, Minister for Education
From:	Murray Coppersmith Chair of the Lincoln University Governance Oversight Group
Date:	27 November 2020
Title:	Report to the Minister from the Lincoln University Governance Oversight Group Meeting for November 2020 reporting purposes

Purpose

1. This report updates you on progress of the Lincoln University (Lincoln) *Moving Forward Programme* following the Lincoln Governance Oversight Group (GOG) meeting held on 10 November 2020.

Background

2. The role of the Lincoln GOG is to monitor progress against the Crown Funding Agreement (CFA) signed between the Crown and Lincoln in December 2019 and to ensure the Moving Forward Programme is a success.
3. The key Crown investment outlined in the CFA is an \$80 million contribution toward the rebuild of science facilities at Lincoln's main Te Waihora campus. These construction projects are accompanied by six research and educational initiatives (*the New Ways of Operating* or *NWOO projects*), which are, collectively, known as the "*Moving Forward Programme*".

Key points

4. Following the November 2020 meeting, the key points are:
 - COVID-19 has had an adverse impact on Lincoln's international enrolments and financial indicators. The forecast prepared after the first quarter showed EFTS to be 17% below budget in 2020. Better than expected domestic enrolments in semester 2 mean that the full year outlook is now better than this. Actual September year to date EFTS of 2,321 are 147 ahead of the forecast and 243 (9%) below original budget for that period.
 - Strong cost management, as well as the better than expected domestic enrolments in semester 2, mean that Lincoln is tracking ahead of its full year forecast of only a small deficit in 2020. Lincoln expects to achieve this outcome, even after absorbing around \$2m in restructuring costs.
 - Lincoln is planning for continuing difficult conditions in 2021, with ongoing border restrictions severely restricting the number of international students. Strong cost control is in place to mitigate the adverse impact of this.
 - I continue to be satisfied with the planning and actions Lincoln management have underway to mitigate the impacts of COVID-19 on their financial situation under these extraordinary circumstances.

- Following approval of the Science North Implementation Business Case at the start of September 2020, the lead contractor has been appointed and work is underway on the detailed design. Good progress is also being made in the value engineering process to ensure the build remains within budget. This will continue as part of the detailed design.
- Other elements in the Campus Development Programme are on track.

September 2020 quarterly monitoring report – COVID-19 has impacted on international EFTS and financial performance

5. Lincoln's quarterly monitoring report for the period July to September 2020 is attached. It shows 10 of 28 indicators are 'off target' – 5 of the indicators are red and 5 are amber. The adverse indicators are attributable to the impact of COVID-19 on international enrolments and academic research activity. The remainder of the indicators were noted as 'on target'. The adverse indicators are expected as performance is measured against targets set pre-COVID-19.
6. As outlined below, the targets will be reset in March 2021 to reflect the impacts of COVID-19.

Lincoln is expected to report a small deficit in 2020 due to COVID-19 but may well do better than this

7. As noted in previous reports, Lincoln prepared a 2020 forecast after the first quarter that reflected the expected impact of COVID-19 on enrolments and financial performance. This showed that a small deficit is expected for 2020. At the three-quarter year, actual operating performance is ahead of both that forecast and the original budget.
8. Lincoln is undertaking further cost reduction actions in anticipation of continued difficult conditions in 2021, with ongoing border restrictions resulting in a limited number of international students. As a result, the university expects to incur a total of \$2m of restructuring costs in 2020. The expected full year result of around breakeven is after charging all of these costs. This would be a particularly good result in the circumstances.

The revised campus redevelopment programme is on track

9. Following approval of the Science North IBC in early September 2020, the lead contractor has been appointed and work is underway to complete the detailed design. Work is also progressing well on the value engineering work to align overall project cost with budget, while maintaining a healthy project contingency. A sod-turning event is planned for January 2021. Lincoln plan on inviting you to this event in the near future.
10. The remainder of the campus redevelopment plan is on track. The Sports and Recreation centre redevelopment should be completed by February 2021 and the Science South facility, which will contain modern teaching and research spaces, is expected to be completed by June 2021.

The GOG will consider updating the CFA indicators in early 2021

11. Planning and actions are already underway to address the impact of COVID-19 on the indicators in the quarterly report. However, they will remain adverse until the performance indicators are rebased using updated enrolment and financial projections, as well as construction project plans, included in the Science North IBC. The GOG will then formally consider amending the targets in the CFA to reflect the updated forecasts.
12. This update will be considered at the GOG meeting in March 2021.
13. My assessment is that no further action is required at this time arising from the quarterly monitoring report.

Next meeting

14. The next GOG meeting will be held in March 2021. The key item at this meeting will be an update to the CFA targets based on the Science North IBC and the 2021 budget. We will also receive an update on progress of Science North. I will provide an update to you on the outcomes of our discussion following that meeting.



Murray Coppersmith

Chair, Lincoln University Governance Oversight Group

27 November 2020