

# Harlow Campus Final Report

## Operational Review

### August 2024

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#### **Scope of Review**

At the President's request, an organizational review was conducted during the winter and early spring of 2024 to determine the ongoing viability of the Harlow Campus. This review assessed the current organizational and financial requirements and realities of the Campus and examined possible paths for future sustainability and growth. This included:

- Review of current financial, capital, and human resource requirements and how well they are being met;
- Review any existing historical reports and plans;
- Investigation of possibilities for new revenue streams;
- Summary of findings, options, and next steps.

The review was also guided by the findings from the October 2023 Memorial University: Compensation, Operating Expenses, and Oversight report by the Office of the Auditor General, and the subsequent January 9, 2024, letter from the Office of the Auditor General, both of which referenced the following points related to the Harlow Campus:

- There was no evidence that the Board of Regents received any updates on the financial activities of the Harlow Campus from the President during our audit period.
- Harlow Campus's policies were incomplete, and its governance policy, referenced in the 2018 Harlow Campus Usage policy, did not exist. We also found that policies and procedures for compensation at Harlow are not approved by the Board of Regents.
- Harlow Campus did not have an organizational chart for its operations.
- In July 2023, Memorial University removed itself in error from having significant control over the Harlow Campus with the Government of the United Kingdom. In October 2023, we inquired about this situation, as we had discovered it during the course of concluding our audit. Memorial advised that they had mistakenly filed a request to be removed from the registry of companies in the United Kingdom as the sole owner of MUN (UK) Ltd (the Corporation that holds the Harlow Campus of Memorial). This action resulted in there currently being no owner on record for this Corporation. Memorial officials advised that they are currently looking into this issue.
- The Auditor General has requested Harlow Campus's policies be fully documented, including its governance policy, and approved by the Board of Regents, and;
- Annual reports and individual financial statements of Memorial's entities and the Harlow Campus (if MUN UK Limited remains unconsolidated) are made public.
- An evaluation of the significance of the Harlow Campus is completed to determine whether it should be consolidated into the University's financial statements.
- Organizational charts are completed and updated across the University, including the SIEs and Harlow Campus, to reflect comparable formats and level of detail.

## **Operational Review Findings**

### ***Recent Operational Challenges***

The Campus is currently in transition

Coupled with the realities of the pandemic and the 2020 realignment of the unit to the President's Office, the Harlow Campus has experienced instability in recent years.

### ***Status of Academic Programming & Fiscal Reality***

Current students and alumni of Harlow all recount exceptional and often transformational experiences while studying at Harlow. Faculty have commented that Harlow students return more engaged with their academic program and often seek additional provincial, national, and international experiences. The overall student experience is not in question. That said, the financial realities of operating the Campus and hosting students present a multitude of challenges.

Similar to all other Memorial Campuses, there is a cost to the university for each student enrolled. However, in the last few years the cost per student has risen dramatically, from \$13,001 in 2019-20, to \$26,784 in 2023-24, hitting a high of \$31,760 in 2022/23. Costs have also increased for the units, departments, and faculties that send students and deliver programs, and, for some, such increases alongside a planned 3% budget cut in 2024/25 have called into question the viability of continuing to deliver these programs.

Faculty note that the loss of the Harlow Incentive Program, as a direct result of overall budget reductions, is adding to the fiscal challenges. That said, the Harlow Incentive Program was used to supplement existing programming, and only in a few instances used for the intended purpose, to create new programming.

Support for students and associated costs per student do vary greatly depending on department and program. Some students live at Harlow and participate in work term placements or internships, and the cost to the home department is low. Teaching costs are handled differently for programs, as are the costs for field trips and transportation, sometimes borne by students and other times by the department. These costs are shouldered by the individual departments and faculties, and are not included in the overhead costs supported directly by the Provost's Office. Included in the fees and tuition structure, up to \$1500 for program fees can be charged, however this is applied inconsistently, if at all. When charged, this covers costs for the delivering department. No program fees, portion of tuition, or administrative fee is paid to help the operations of the Harlow Campus; yet, the staff team at Harlow are integral to the development and delivery of programs, coordinating accommodations, transportation, field trips, and the like. The Provost's Office bears responsibility for all overhead costs related to the operations at the Campus.

There is currently a suite of scholarship options for students. The Harlow Scholarship Trust provides scholarships annually, and some faculties and departments have scholarships for students that help support study at Harlow. Several programs have also utilized financial aid from federal programs through the Internationalization Office.

### ***Current Revenue Sources at Harlow***

In addition to the operating allocation for the Harlow Campus, Harlow's main source of revenue stems from accommodation rental to students studying at the Campus or living on Campus during work terms. There have been some short-term rentals to community members. The accommodation rates are below

market value and include one meal. The previous General Manager is noted for creating a solid network of relationships for the Campus within the community. This resulted in some conference and events services revenue, though spaces have often been provided at no charge. Some work in recent years to attract outside groups to fill the accommodations during down times has met with success, however the low accommodations rates have limited revenue returns.

### ***Support for Harlow Campus***

Students and alumni of Harlow are fierce advocates of the Campus, and there are faculty, deans, and associate deans who continue to champion the Campus. Other faculty and deans noted pausing programs, or being in a holding pattern while the Campus is under review.

There is a strong overall commitment to providing a platform for creating global citizens and international experiences for students by almost all faculties and departments. There is a robust internationalization program at Memorial, and the Harlow experience is imbedded in the Internationalization Strategic Plan.

### **Late Winter/Early Spring Operational Achievements**

A positive shift has taken place in recent months to stabilize the Campus. This included:

- Appointment of an interim General Manager in February through beginning of June, and employment of short-term staff to manage workflow and support faculty and student programming on Campus.
- Under the supervision of Memorial's Chief Financial Officer and the Director of Resource Allocation in the Provost's Office, an external accounting firm was contracted to manage the accounts for both the Harlow Campus and the Harlow Scholarship Trust. The 2022/23 financial statements have been completed, and all appropriate filings were made with the House of Companies and the Charities Commission. The audit of fiscal 2023/24 is on track to be completed in the normal timeframe of July 2024.
- A new accommodations and meal fee structure is currently under review by the Harlow Board of Directors.
- A new Campus Lead was hired and started in June.
- The current team has a renewed focus and purpose and has never wavered in their commitment to the Campus, and in particular, to students on Campus.

### **Next Chapter for Harlow: Options for Next Steps**

After several decades of operations and multiple operational reviews, it is understood that variations of the same model will not yield different results. If the Harlow Campus is going to transition to a sustainable Campus and operate within the allocated operating grant, new sources of revenue are required, and the Campus must consider different models of program delivery.

At this stage, there are two options for Harlow. The first option allows three years for a plan to create a sustainable Harlow Campus that can operate within the \$550,000 operating budget, with expense reductions and new revenue streams implemented to balance the budget. Annual development and monitoring of benchmarks and key performance indicators will be required to evaluate the success of the plan. The second option is to initiate closure.

The recommendation is to approve option one with the understanding that option two can be triggered immediately should the Campus fail to meet initial benchmarks and key performance indicators.

In support of option one, below details a list of recommendations for traditional and non-traditional program delivery to increase revenue, as well as commercialization options to create new revenue streams.

***Financial Target Summary:***

- Reduction in expenses by \$100,000 - \$200,000\*
- Return to and maintain base operating grant of \$550,000
- In next three years generate new revenue of approximately \$350,000 - \$450,000 to balance the operating budget and reduce/eliminate the additional spend from the Provost's budget. Potential new streams are listed and summarized below.

*\*Note, the operating costs at Harlow jumped by close to \$400,000 in four years. Now that financial records have been reconciled, a deeper analysis is required to better understand this increase and identify ways to reduce expenses.*

***Summary of Revenue Generation Opportunities***

The expectation of the following opportunities and options is that by diversifying revenue streams, the target of generating sufficient revenue to close the current gap between the overall operations budget and the annual operating grant from the University can be realized. The suggested strategy is to approach operations and revenue generation with a tiered set of priorities, maintaining academic programming as top priority, along with other educational offerings, then introduce commercialization efforts with the goal of generating revenue to support immersive programs and the students enrolled in them.

***Academic Programming Recommendations***

As noted above, the Provost's Office is solely responsible for the overhead costs at Harlow above and beyond the operating grant. This is no longer sustainable. Additionally, at the discretion of the deans, faculties and departments are responsible for the teaching and other related costs for their programs, though some of these costs are also the responsibility of the student (local transportation, field trips).

Standard practice at other universities offering courses at international Campuses, and/or study aboard programs, is to include a program fee above and beyond the tuition fee and airfare. These range from \$3000-\$6000 depending on the length of study. For example, York University's 16-day program in the UK has a program fee of \$3800.

The goal of instituting a different fee structure is to reduce the burden on the departments and Provost's Office and reduce the University's cost per student, noting that this is an expense reduction exercise and not a net revenue goal. In the past two years, a selection of courses did charge additional program fees to offset departmental teaching, administrative, and travel costs and did not have issues with affordability for students. However, as the fees were not approved by the appropriate committee, at least one of the courses was cancelled for 2024.

Returning to a more robust set of course offerings at Harlow will reduce the overall cost per student. A number of faculty indicated they have courses in development, including an anchor program proposed by Biochemistry. Courses from Archaeology, English, and History faculty are also in development. A focused internal effort to collectively understand how to effectively and efficiently create and run

programs at Harlow was noted as a gap. Several faculty have volunteered to form a Harlow Academic Advisory Committee.

### ***Delivery of Other Academic and Non-Academic Programming***

There are a number of additional programming opportunities that can diversify both program offerings and revenue for the Campus, as summarized below. The business plan should further detail revenue expectations from these programs.

#### ***Condensed Study Abroad/Field Course Summer School***

A multitude of Canadian universities operate summer study aboard programs with credits transferable between institutions. Higher program fees for these courses, offered to Memorial students and marketed to other Canadian students, will pay for the teaching and program costs and can contribute to covering Harlow's operating costs.

#### ***Executive Education***

A profit-sharing pilot with the Gardiner Centre is planned for 2025, with the goal of exploring new programming for Harlow and an expansion of the Gardiner Centre's offerings and business model. There are other opportunities and suggestions for Memorial staff and faculty to offer executive education programs at Harlow. Dr. Knutson is working on an executive education pilot this fall at Harlow with principals from Eastern Europe and has other programs created and ready to implement.

Additionally, one of the current Harlow Board members located in the UK has extensive experience working with post-secondary institutions delivering executive education in the UK and can lend expertise to developing additional programs.

#### ***Post-Secondary Partnership***

Pre-pandemic, opportunities to partner with UK-based universities to deliver tuition-based curriculum programs and executive education were in development, as well as remote learning opportunities. UK-based market research was also conducted to consider offering on-line graduate programming at Harlow with a blended model. Tuition revenue for Harlow could be transformative and these relationships need to be re-established and new connections made to add to the diverse suite of revenue generating programs to support the Campus.

Additionally, there are opportunities to engage with international universities to offer exchange programs at Memorial's Canadian Campuses that include a field school or term at Harlow. The attraction of both a Canadian and European study experience is a unique selling feature. One program in partnership with a northern Chinese university, Grenfell, and Harlow is already in discussion.

#### ***Life Long Learning Opportunities***

There are ample opportunities to create meaningful travel and learn programs for alumni and beyond. Two programs currently exist, run by the Botanical Garden and the English Department. One is an eight-day garden tour, and the other a thirteen-day theatre tour. Both programs cover costs and generate revenue for their units. Three to five programs developed and run by Harlow during down times on Campus would offer an additional avenue for realizing new revenue. The introduction of administrative fees to assist departments and units hosting their own is suggested to cover costs related to hosting these programs.

#### ***Support Network for NL/Atlantic Canadian Entrepreneurs***

In 2021, a proposal was made to utilize the Harlow Campus for support of provincial and Atlantic

Canadian start-ups. This would be an innovative way to commercialize activities that are complementary to the university mission.

There is potential to seek support from the Tourism, Culture, Arts, and Recreation Business Development Support Program, and work with the Genesis Centre and TechNL to create opportunities using Harlow as a base for UK start-ups, with a defined package of services offered on a fee for service basis. There is also potential to create executive training programs for expansion into the UK and European markets to support this initiative.

### ***Conferences and Events***

Harlow Campus has a well-appointed, plug and play boardroom that can accommodate fifteen people, and a fully equipped classroom with large windows that opens onto a small garden courtyard that can hold thirty. Some groundwork has already been done to convert this space to revenue generation for the Campus. Additional follow-through along with marketing efforts should make this space profitable. On-site catering services will add to the revenue opportunities.

### ***Philanthropy – Harlow Fundraising Campaign***

There is appetite and capacity within the Harlow Alumni to give to Harlow, both for scholarship and student support, as well as for operational and capital enhancements. A focused campaign, coupled with an annual campaign, could positively and significantly impact the financial health of the Campus. The Scholarship Trust has limited capacity but has indicated a willingness to expand their gifting mandate and support a fundraising effort. The Trust has also indicated a keen interest to reconnect with the Harlow Board to ensure the mandates of each Board are aligned. This is also the wish of the Harlow Board.

### ***Hospitality***

Most removed from academic mission recommendations, and therefore listed last, are short-term accommodation rentals of the Campus facilities. Short-term rentals have the potential to return the most amount of untapped revenue with little or no additional investment beyond marketing. Capacity increases will increase hosting costs; however, a team of housekeepers is already fully employed regardless of capacity, and a raise in rates for non-Memorial guests will cover these costs. Some ad hoc short-term rental opportunities have been realized, but a focused effort can introduce a new revenue stream immediately. Again, onsite-catering services with appropriate charges will further add to revenue opportunities. Based on an increase of the nightly rate to \$90-\$120, initial annual revenue based at 60% occupancy when students are not in residence equals \$200,000 in gross profit.

### **Recommended Next Steps:**

1. The new Lead for Harlow Campus and Harlow Board of Directors should collaboratively:
  - a. Develop a three-year business plan and key performance indicators;
  - b. Work over the three-year period to realize material savings and identify opportunities to increase revenue by exploring the best commercial uses of the facilities;
  - c. Identify how the Harlow Trust can better support students and faculty through a potential expansion in philanthropic purpose and develop a new fundraising strategy.
2. The Harlow Board will reform its structure to ensure appropriate governance by clarifying:
  - a. Role of the Harlow Board;
  - b. Reporting structure of the Harlow Board, internally and within Memorial's reporting structure;
  - c. Mandate and impact of the Harlow Trust, working in collaboration with the Board of the Harlow Trust;
  - d. Committee structure and appointment of chair of Harlow Board.

3. Establish an Academic Advisory Committee.
4. Develop a Marketing and Communications Strategy for the Campus.
5. Review and update Campus policies and relevant Memorial policies to ensure compliance with UK law and/or best practices and follow process to have approved by Harlow Board of Directors and the Board of Regents.

### ***Additional Considerations for Current Operations***

At present, Harlow Campus is in the Provost's portfolio. If the range of programming and commercialization efforts put that relationship in conflict, the Harlow Campus could shift to an academic support unit, with close ties to the Internationalization Office, and fall under a different VP portfolio.

In recent years Harlow has had several facility upgrades, including a new roof on part of a building and additional roof repairs on others. Over the winter of 2024 windowsills at Maltings House were repaired and upgraded. Mould migration issues have also been dealt with. A renewal of the accommodations with two new bathrooms in the Market Street Apartments has been completed in recent years, and members of the housekeeping staff have completed repainting all rooms in both the residences and main buildings. That said, several upgrades to the commercial kitchen are needed, as the kitchen no longer meets current code requirements. Some other minor updates are also needed, such as carpeting. These anticipated costs total approximately \$53,000.

### ***Cost of Closing Harlow***

Should the three year plan be unsuccessful, an initial determination of expenses related to closure of the Campus includes:

- Termination payout to the staff complement, an expenditure that will vary depending on the employment levels at time of closure.
- Penalties for the cancelation of contracts (phone, internet, utilities, and the like).
- Legal costs and fees for the formal dissolution of the company, as well as any similar legal costs for the dissolution of the Harlow Trust.

This process is expected to take a minimum of one year. At least one academic Harlow program is a degree requirement and will need to go through Senate processes to be changed. Additional issues to consider are the potential for stalemate under the articles of incorporation and an alumni base who will voice opposition to the Campus' closure.

A fair current market valuation of the property is approximately \$4 million CDN.