NORWICH UNIVERSITY OF THE ARTS
Vice-Chancellor: Professor John Last

FINANCE STRATEGY
2016 - 2021

Approved
Council – June 2016

CONTENTS

Our Vision and Values

Our Vision

NUA’s Vision is to be the best specialist University for Arts, Design and Media in Europe, producing graduates of the highest quality.

Our Core Values

Underpinning our Vision are the following Core Values:

We are committed to:

1. Achieving excellence in learning, teaching and the wider student experience, to give our students the best possible preparation for their future lives and careers.

2. The continuous development of our curriculum and our academic portfolio, to meet the changing needs of students, the creative and cultural sectors, and society.

3. Excellence in research, consultancy and other forms of professional and business engagement, to promote innovation, enterprise and the development of knowledge and skills.

4. The development of our staff, estate and physical resources, as the bedrock of a professional and supportive academic community, and with equality, diversity and environmental sustainability to the fore.

5. Growth and development of the University, to build the organisation’s long-term sustainability and strengthen our impact.

Finance Strategy Links to the Strategic Plan 2014-2019

The Strategic Plan 2014-2019 has identified the following strategic priorities:

- Strengthening our Academic Community
- Consolidating our Curriculum at all Levels
- Stimulating New Creative Businesses
- Establishing our International Profile
- Building Partnerships and Collaborations

Within the Strategic Plan the following extracts are of particular relevance to the Finance Strategy. *These aims are cross-referenced to relevant areas of the Finance Strategy.*

Introduction from the Vice-Chancellor (page 2)

"Further work to develop recruitment at postgraduate taught and postgraduate research levels and from overseas applicants to our courses"

"Continuation of projects within our Estates Strategy to establish: specific buildings for design, arts, architecture and media; additional lecture spaces; and additional residential accommodation for students".

"Planning the pedagogy and resources (human and physical) appropriate for a specialist arts university in 2017 and beyond"

Aim 1 – To ensure continued financial sustainability.

Aim 3 - To ensure that the NUA's financial resources and assets are effectively managed.

The Strategic Plan and other University Strategies and Policies (page 3)

"…the Finance Strategy supports the University's overall aim of financial sustainability".

Aim 1 – To ensure continued financial sustainability.

Our Starting Point for 2014-19 (page 5)

"As we enter the next strategic planning period, NUA is in a sound financial position, with adequate cash balances and reserves. Our current financial modelling anticipates that we will continue to be sustainable for the future, provided that we continue to recruit to target"

Aim 1 – To ensure continued financial sustainability.

Strengthening our Academic Community (page 8)

"Expanded our PGR student population to 24" (Milestone 1.7)

"Increased our PGR completions by 7" (Milestone 1.10)

Aim 1 – To ensure continued financial sustainability.

Consolidating our Curriculum at all Levels (page 11)

"Grown and developed our MA provision towards 80 FTE by 2015-16" (Milestone 2.4)

"Limitations on growth create constraints on income, investment in resources and infrastructure etc" (Risk)

"Risk of downturn in popularity of NUA, leading potentially to recruitment issues and then financial issues" (Risk)

Aim 1 – To ensure continued financial sustainability.

Aim 3 – To ensure that NUA's financial resources and assets are effectively managed.

Stimulating New Creative Businesses (page 14)

"A 10% increase on current (2013-14) research and knowledge transfer activity (HEBCI)" (Milestone 3.1.5)

"Ideas Factory business slackens" (Risk)

"Funding for incubation centre is insufficient" (Risk)

Aim 1 – To ensure continued financial sustainability.

Aim 3 – To ensure that NUA's financial resources and assets are effectively managed.

Establishing our International Profile (page 16)

"The potential benefits of international recruitment include…….enhancing the overall human and physical resources and services of NUA as a result of the additional revenue from overseas student fees"

"Increased international student enrolments to at least 10% of the overall student community" (Milestone 4.1)

"Overseas recruitment remains modest despite enhanced marketing activities" (Risk)

"Fiscal constraints reduce capacity to provide scholarship funding to international students" (Risk)

"Insufficient University housing for international postgraduate students has adverse impact on postgraduate recruitment" (Risk)

Aim 1 – To ensure continued financial sustainability.

Aim 3 – To ensure that NUA's financial resources and assets are effectively managed.

Building Partnerships and Collaborations (page 19)

"To develop new income streams."

"Bid successfully for project funding from external organisations, thereby enabling staff engagement in relevant areas of consultancy and research and raising the University's profile in the UK and overseas." (Milestone 5.7)

"Inability to secure external project funding" (Risk)

Aim 1 – To ensure continued financial sustainability.

Introduction

The Finance Strategy for Norwich University of the Arts aims to build from the University's current sound financial position and set a strategy which will ensure its long-term financial sustainability, mindful of the need to be more agile and responsive than ever before in a radically altered Higher Education landscape.

Before considering what aims should be set, it is worth considering in more detail the nature of these fundamental changes to the sector and how they should inform our finance strategy.

Two recent announcements by the government will have a significant bearing on the sector in future, namely the government's Green Paper '*Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice*' and the autumn 2015 Comprehensive Spending Review (CSR), which outlined funding priorities for period up to the next General Election (in 2020).

The key proposals of the Green Paper are subject to consultation with the sector and other bodies and further detail is likely to emerge in the next few months. *Based on what is currently proposed*, the key implications of both the Green Paper and the CSR for NUA are as follows:

- The introduction of a Teaching Excellence Framework (TEF) and the proposal that a link will be made between success in the TEF and the ability to increase fees beyond £9k, as measured against a set of metrics and additional qualitative evidence.

- Reformation of key sector bodies, with HEFCE and the Office for Fair Access (OFFA) to be merged into a new body called the Office for Students, which will take on the role of principal regulator, with funding potentially being allocated directly from the government's Department for Business, Innovation & Skills (BIS) in future.

- Further opening up of the market through the relaxation of rules required for institutions to acquire degree-awarding powers & university title.

- The introduction of Grade Point Average scores and impact this will have on our curriculum and award credit scheme.

- Further loss of government funding, in particular our Student Opportunity (SO) funding, which supports access, retention and progression for students in under-represented groups. The overall allocation from central government will be cut, and the remaining funds are likely to be allocated on a more competitive basis. Outreach funding is likely to be distributed via regional consortia rather than directly to institutions.

- While we will be required to absorb these cuts to Student Opportunity funding, we are likely to be faced with more stretching targets on admissions in order to contribute to the government's new social mobility targets of doubling the number of socially disadvantaged students entering higher education between 2009 and 2020 (from 13.6% to 27.2%) and increasing the number of black and minority ethnic (BME) young people attending university by 20% by 2020. We recognise that this is a challenge that may not be realised in the timescale of this Strategy.

Alongside these changes, we will also need to consider the effects of:

- Above inflation increases to pension and national insurance contributions in the coming years as part of governmental pension reforms.

- A continuing demographic dip in the number of UK 18 year olds (until 2020) and the government's promotion of apprenticeships as an alternative option to going to university. Other governmental priorities of STEM (Science, Technology, Engineering & Mathematics) subjects and the exclusion of arts subjects from the English Baccalaureate (Ebacc) could also have negative implications on the number of school leavers choosing to study in our subject areas. The removal of all maintenance grants from 2016/17 (replaced by loans) may also impact on the recruitment of students from lower income households.

- Our ability to expand the number of international students may be limited by external factors such as Home Office visa and Tier 4 requirements and the continuing inclusion of international students in net migration statistics. Recruitment of EU students may be impacted by the result of the forthcoming referendum on Britain's membership of the EU.

- The possibility that a student number cap may return in a different form in future, as a means for the government to push forward its own priorities.

- The impact of perceived measures of quality such as the TEF. In particular the potential impact of salary levels and graduate prospects.

- Market changes in the undergraduate offer, such as new modes of delivery beyond the standard 3 year full-time model, a greater demand for employer-led courses and a move towards students studying closer to home.

- The continued reduction of capital grant funding from the government, meaning almost all capital projects will need to be funded from in-year surpluses, reserves or external borrowing in future.

Given these significant and long-term changes, it will be vital for NUA to remain responsive and proactive in future so that it can react quickly to changes in demand. It will need to be sufficiently robust to withstand temporary reductions in income while having in place a sound infrastructure that will ensure its long-term financial sustainability. NUA will need to regularly review its activities to ensure they continue to be financially sustainable on an individual basis and be ready to take appropriate action where this no longer applies, introducing new income streams where applicable.

Aims, Objectives and Targets

Aims of the Strategy

The Finance Strategy sets out the financial aims and objectives required to support the achievement of the overall strategic aims in the NUA Strategic Plan 2014-2019, taking into account the current financial position and the fundamental changes occurring in the sector.

The four overarching aims are:

1. To ensure continued financial sustainability;

2. To maintain effective and appropriate governance and internal controls;

3. To ensure that the NUA's financial resources and assets are effectively managed;

4. To promote efficiency and value-for-money.

AIM 1 - To ensure continued financial sustainability

Aim 1 Background

NUA must be financially sustainable in order to achieve its strategic aims. This means that we generate sufficient surpluses, taking one year with another, to continue to grow and develop our activities and that we have the financial capacity to meet challenges and opportunities as they arise.

Before explaining how we intend to maintain financial sustainability it is pertinent to reflect on the financial performance of NUA in recent years.

The data below shows a healthy performance in our Income and Expenditure account over the last 5 years. Fixed assets have increased, funded mostly through NUA's in-year surpluses and cash reserves, and also partly through grant funding from HEFCE's Catalyst & TCIF[2] streams, the New Anglia Local Enterprise Partnership (NALEP) and Creative Skillset. Since not all of the surpluses generated have been immediately re-invested, this has meant that cash levels have also increased. Our liquidity (measured by our Current Ratio) remains significantly above the sector average. Although NUA has some debt financing, this is at a manageable level relative to the income we generate.

In conclusion, NUA is currently in a sound financial position, and compares well to its peers in the sector, as evidenced by the HESA Security Index 2015 which rated NUA as the 6th most financially secure higher education institution in the UK.

	2010/11	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Surpluses					
Operating surplus generated (£000)	1,327	1,737	2,731	2,974	4,302
Surplus as a % of turnover (2013/14 sector average, 4%)	11%	14%	19%	18%	24%
Asset levels					
Fixed assets (£000)	11,135	11,711	14,279	16,313	20,493
Cash (£000)	6,328	8,112	10,658	9,247	12,403
Current ratio[1] (2013/14 sector average, 1.5)	9.8	7.7	3.3	10.1	5.9
Borrowing					
Bank loans (£000)	1,350	1,299	1,245	1,118	1,128
Bank loans as a % of income (2013/14 sector average, 28%)	11%	10%	9%	7%	6%

It is vital that NUA builds upon the performance in recent years and continues to be financially sustainable in future. Financial sustainability is much more than ensuring that NUA covers its costs each year in the Income & Expenditure account. We would consider NUA financially sustainable if, taking one year with another, it is recovering its full costs (including all overheads) across its activities

[1] The Current ratio compares an entity's current assets to its current liabilities and is seen as a measurement of an entity's ability to pay its short term debts as they fall due.
[2] TCIF = Teaching Capital Investment Framework. NUA currently receives an annual allocation from this funding stream; in 2015/16 this was £122k.

as a whole, and is investing in its infrastructure (physical, digital, human and intellectual) at a rate adequate to maintain its future productive capacity appropriate to the needs of its strategic plan, students and other business partners.

In order to facilitate the investment in its infrastructure, it is therefore necessary for NUA to generate surpluses in its financial statements on a year-on-year basis, to provide sufficient resource for such investment.

In addition to generating year-on-year surpluses for the institution as a whole, it is vital that we review the sustainability of all of the distinct activities that we undertake, comparing income to *full* costs for each such activity to ensure that we understand whether there is cross-subsidy between activities and what action needs to be taken for those activities which are not sustainable.

As mentioned in the introduction to the strategy, the nature of Higher Education funding will continue to change in the following years and there is great uncertainty as to how student demand and government policy will affect recruitment. For this reason, it is particularly important that we maintain adequate cash reserves to cope with unforeseen fluctuations in demand, so that we have sufficient financial headroom to continue to meet our operational requirements during such times.

We may need to increase our borrowings in future to ensure that we can invest adequately and keep sufficient cash reserves. We may also use other financing arrangements where appropriate, such as leasing resources rather than through outright purchase. In such cases we need to ensure that the servicing of such financial commitments will be manageable.

We are likely to enhance our financial sustainability if we can increase the range of activities which will generate a surplus for us, and this will also spread our risk by reducing our dependence on one particular type of income. At present, the vast majority of NUA's income is from teaching: this represented 89% of our total income in 2014-15 which is considerably higher than the average for the sector (56% in 2013-14). The Strategic Plan 2014-2019 includes a target on increasing research and knowledge transfer activity. Furthermore, within teaching income, we are heavily reliant on undergraduate students. These students represented 97% of our total student body in 2014-15 compared to 77% (2013-14) for the sector. Allied to this, almost all of our students are from the UK whereas the sector has a much greater proportion from outside Europe. It is for these reasons that our Strategic Plan 2014-19 includes targets to increase our MA provision to 80 FTE and PGR student population to 24, and to increase international student enrolments to at least 10% of the overall student community.

Aim 1 Objectives

1.1. To generate surpluses and maintain reserves at adequate levels.

1.2. To ensure that our cost base remains appropriate and proportionate to our income-generating activities.

1.3. To maintain appropriate levels of borrowings and ensure that debt servicing and other financing commitments remain at manageable levels.

1.4. To maintain sufficient liquidity to meet our operating needs.

Aim 1 Targets

1.5. Achieve a minimum operating surplus of 10% of turnover annually

1.6. Achieve a minimum Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of 12% of turnover annually. Achieve a target EBITDA of 14% of turnover annually.

1.7. Maintain discretionary reserves at not less than 75% of income (before adjustment for pension deficit).

1.8. By using TRAC methodology, perform an annual review of income and costs by type of activity and take appropriate action on those activities which not financially sustainable.

1.9. Ensure all new activities are costed on a fEC (Full Economic Cost) basis and are approved only if they will be financially sustainable in the longer term.

1.10. Continue to produce annual costings by building to inform decision making on estates matters.

1.11. Staff costs to be at or below the sector average benchmark as a % of total expenditure each year.

1.12. Ensure that the annual servicing cost (capital & interest) on borrowings remains below 5% of income.

1.13. Maintain cash levels at a minimum of 3 months of expenditure (currently equal to c. £4.5m).

1.14. Maintain a Current Ratio of at least 2.0.

1.15. Confirm once a year to HEFCE via the Annual Sustainability Assurance Report (ASSUR) that the university is operating on a sustainable basis. The University's sustainability key performance indicators will be considered in making this judgement.

Aim 1 Risks and Mitigation

Inability to meet our strategic aims, changes in government policy on funding, student number controls or tuition fee rates, loss of reputation and forced merger or closure.
We mitigate this through comprehensive forward planning, contributing to and lobbying on proposed changes in government policy, generating surpluses, maintaining our reserves and a constantly reviewing the financial sustainability of all our activities.

AIM 2 - To maintain effective and appropriate governance and internal controls.

Aim 2 Background

In order to maintain the confidence of all our stakeholders, both external to and within NUA, and to ensure that we discharge our duties properly with regard to how we spend the money provided to us by the government, students and other partners, it is vital that we maintain effective and appropriate governance and internal controls.

Effective and appropriate governance and controls will ensure that:

- We meet the requirements of the HEFCE Memorandum of Assurance and Accountability and their reporting requirements and of returns, which together with the review by our auditors, gives confidence to HEFCE and other stakeholders that we are acting appropriately in disbursing the money we receive from the public purse, students and other partners;
- We satisfy the requirements of other external bodies such as auditors and banks, which is necessary to maintain our financial standing and our ability to raise financing in future;
- We minimise the risk of fraud, bribery and other financial irregularities, which, if allowed to occur, might lead to financial loss or a damage to our reputation;
- Senior management and governors are able to make informed strategic decisions with confidence in the underlying financial information provided to them.

We maintain effective governance by ensuring that we have appropriate, timely and clear policies, procedures and regulations, which are reviewed regularly, updated where necessary and followed by all relevant staff. The importance of our governance and internal controls must be embedded into the culture of the organisation, and adequate staffing resource needs to be directed to ensure that our policies, procedures and regulations are followed.

Aim 2 Objectives

2.1. Ensure that we apply public money appropriately and to its intended purpose; ensure we maintain the confidence of the HEFCE (or successor organisation) through compliance with the requirements of the key funding agreement document (currently the Memorandum of Assurance and Accountability) and the annual suite of returns.

2.2. Ensure that we act appropriately in disbursing funds and maintain the confidence of all other external stakeholders, including our student body and other business partners.

2.3. Reduce the risk of financial mis-management which could harm the reputation of NUA and lead to financial loss.

2.4. Maintain effective internal infrastructure and governance which will provide confidence to senior management and will allow them to make informed decisions.

Aim 2 Targets

2.5. Full compliance every year with the requirements of HEFCE (or successor) reporting and returns.

2.6. An unqualified audit opinion on the financial statements of the University and its subsidiary company is achieved every year.

2.7. All recommendations from internal and external auditors are implemented on a timely basis.

2.8. Full compliance with our banking covenants is maintained.

2.9. The provision of comprehensive guidance and training for relevant staff on the finance regulations, policies and procedures.

2.10. The maintenance of appropriate segregation of duties in the Finance department and other areas of NUA where cash is handled.

2.11. Anti-Money Laundering regulations are maintained to complement our current procedures and to ensure best practice.

2.12. All financial regulations, policies and procedures are reviewed once a year and updated where necessary.

2.13. Finance training for non-Finance staff is provided on an annual basis.

2.14. A robust 5-year forecasting model is maintained and scenario planning is performed to ensure that contingencies are in place for alternative outcomes.

2.15. Adequate liability insurance cover is maintained.

2.16. An anti-bribery risk assessment is carried out once a year and reported to Audit Committee. Any actions arising from the risk assessment are carried out in a timely manner. Staff are reminded of their responsibility to prevent, detect and report bribery.

2.17. Governors and staff in key procurement positions are required once a year to confirm their relevant business interests, so that these interests can be entered onto the Registers of Interests (one for governors and one for staff). The finance team will ensure that no conflicts of interest arise when purchases are made to any such companies or individuals included on the registers.

2.18. The University's anti-fraud self-assessment checklist and Fraud Response Plan is reviewed once a year and staff in departments most likely to encounter instances of fraud are given bespoke annual training.

2.19. To ensure that the University continues to fulfil the requirements of the Payment Card Industry scheme (PCI-DSS), in relation to the handling of customer credit and debit card data, through the timely completion of annual self-assessment questionnaires.

Aim 2 Risks and Mitigation

Financial loss and reputational damage.
We mitigate this through embedding the importance of strong governance in the culture of the organisation, educating and training staff as appropriate, and providing the necessary staff resource to fulfil all the requirements of external reporting and our own internal procedures.

AIM 3 - To ensure that the NUA's financial resources and assets are effectively managed.

Aim 3 Background

Our key resources include our buildings, equipment, cash and other physical assets. We need to ensure that we continually maintain and improve these resources to keep them fit for purpose and sufficient to meet the dynamic and growing needs of all of our students and researchers.

There has been significant investment in our estate over the past few years, most notably: the purchase and refurbishment of Boardman House (which has provided additional space for our Architecture and media courses), the renovation of our Cavendish House building into our Ideas Factory Centre for Digital Creative Business Incubation (The Ideas Factory NUA) and Gallery (East Gallery), the refurbishment of the Guntons Design Faculty building, a new digital photography studio in our East Garth building, the opening of brand new 228-room purpose-built student accommodation in the city centre (All Saints Green), and the purchase of a building conveniently located in the heart of our campus which is currently occupied by a tenant but which will provide for our longer-term space requirements. During this time we have also built up healthy cash reserves through the surpluses generated in our financial statements.

In the medium term, the University will seek to acquire further space to accommodate our growing number of courses, students and staff, including a potential 'Making space' and lecture theatre space.

We have invested heavily in equipment in the last few years to ensure that workshops are equipped to industry standard. It will be vital that we continually re-invest to maintain this level of resource, while ensuring that we are sufficiently agile to alter resource requirements if there is a change in the requirements of academic delivery.

As well as investing in our assets and resources, we also need to ensure that we safeguard and protect them adequately from theft, loss or damage. We do this through a combination of physical security, maintaining an accurate register of assets and ensuring that we hold adequate insurance cover in the event of loss or damage.

We hold a relatively high level of liquid assets in the form of short-term investments and cash and it is important that we protect this and maximise the revenue we can obtain from these assets. This includes spreading the risk of investment with a number of banks and maximising the bank interest we receive by putting cash on fixed-term deposits. While doing this, we should be mindful of the need to have sufficient funds available to meet short-term operating needs and unexpected costs - the maintenance of timely and accurate cashflow forecasts will continue to be important in this regard.

Aim 3 Objectives

3.1. To invest in our infrastructure to keep it fit for purpose

3.2. To safeguard and protect our assets.

3.3. To maximise interest received on cash investments.

Aim 3 Targets

3.4. Our 3-year average investment in infrastructure[3] is a minimum of 10% of our 3-year average turnover.

3.5. The Fixed Asset register is maintained and a rolling programme of physical asset checks is performed.

3.6. Adequate insurance cover is maintained to cover loss of assets.

3.7. Our Disaster Response plan is maintained and undergoes periodic scenario testing.

3.8. Our management of cash is reviewed each year against the aims of our Treasury Management Policy.

3.9. Bank interest is maximised through the use of fixed term deposits, and the amount received each year is compared to our budget forecast and the previous year, with reasons for the differences understood and explained.

3.10. Timely and accurate cashflow forecasts are maintained.

Aim 3 Risks

Deterioration or loss of assets leading to financial loss and a fall in income because our facilities are not sufficient to meet the needs of our customers.
We mitigate this through an adequate level of investment in our asset base and by safeguarding and protecting these assets.

[3] Infrastructure investment includes capital expenditure as well as repairs & maintenance on our premises, as measured in our annual HESA Finance Return and compared to the sector benchmark provided in our annual HEFCE Capital Investment Framework metrics.

AIM 4 - To promote efficiency and value-for-money

Aim 4 Background

It is vital that there is continual review and re-assessment of our cost base to ensure that only necessary and strategically-driven expenditure is maintained and that costs are not allowed to continue simply because they have been incurred historically.

We must also strive to achieve Value for money (VFM) in our procurement of goods and services. VFM is defined as the economic and efficient use of resources to achieve a given objective, regarded as a continuing obligation requiring regular review and action rather than a unique activity at a given point. It is important to understand that VFM not only measures the cost of goods and services, but also takes account of the mix of quality, cost, use, fitness for purpose, timeliness, and convenience.

Achieving efficiency and VFM also incorporates consideration of new approaches to procurement, such as through greater use of technology or participating in consortia which provide better rates than individual institutions can secure.

It is vital that the importance of efficiency and VFM is understood and followed by all staff, and not just those within the Finance department. All staff should be provided with the tools to make informed decisions when purchasing goods or services for NUA. This will include training, timely and comprehensive budget information and assistance in securing the best prices for goods required.

Aim 4 Objectives

4.1. To continually review our cost base to ensure that it remains necessary and relevant to our strategic aims.

4.2. To ensure that we achieve VFM on the products and services that we purchase.

4.3. To fully utilise opportunities for greater efficiency through different working practices, such as greater use of technology and shared buying power.

4.4. To assist non-finance staff with timely information and guidance on how to achieve VFM.

Aim 4 Targets

4.5. Undertake at least one VFM project each year and produce an annual report on VFM for Audit Committee.

4.6. Benchmark the cost of NUA’s principle activities against prior years, the sector and a peer group of small & specialist institutions, by using TRAC data.

4.7. Ensure that testing of VFM is considered when determining the internal audit plan for each year.

4.8. Maintain the current tenders and quotes procedures which require staff to get multiple quotes for larger purchases, and ensure that the service, quality and VFM of those suppliers which are used on an ongoing basis are regularly reviewed. The latter will be overseen by the

Director of Finance who will annually review a list of our larger suppliers and ensure that VFM is being achieved, discussing with budget holders as necessary.

4.9. Ensure opportunities to improve efficiency through better use of technology are implemented.

4.10. Continually review the scope for collaboration with other organisations on shared buying power.

4.11. Establish an online portal for generating and approving purchase orders and approving of purchase invoices. Once established, continue to monitor and make improvements to the portal as applicable.

4.12. Maintain and improve the online budget report information available to staff.

4.13. Ensure that guidance on the finance intranet for budget holders for obtaining the best prices for goods and services is kept up to date, and consider further ways of offering assistance to budget holders via the finance intranet.

4.14. Incorporate VFM training into the annual finance training for staff.

Aim 4 Risks and Mitigation

An inefficient and unaffordable cost base which would harm our financial sustainability.
Continual review and re-assessment of our cost base and embedding a culture of VFM throughout our organisation.

Monitoring and Review of the Finance Strategy 2016 – 2021

The Finance Strategy is overseen by the Deputy Vice-Chancellor and the Director of Finance. Action plans are determined annually for the following year by the Director of Finance, in consultation with the Deputy Vice-Chancellor. The monitoring of progress against targets is reviewed once a year and submitted to the Finance & Resources Committee of the Governing Body.

Appendix 1 – Targets checklist

Target	Actions / further detail	Responsibility	Target Date
AIM 1 - To ensure continued financial sustainability.			
Achieve a minimum operating surplus of 10% of turnover annually.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Achieve a minimum EBITDA (Earnings before interest, tax, depreciation and amortisation) of 12% of turnover annually. Achieve a target EBITDA of 14% of turnover annually.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Maintain discretionary reserves at not less than 75% of income (before adjustment for pension deficit).	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
By using TRAC methodology perform an annual review of income and costs by type of activity and take action on those activities which not financially sustainable.	Through analysis of TRAC results, course costings and Business & Research annual Profit & Loss accounts.	Deputy Vice-Chancellor, Director of Finance, Manager – Finance Reporting	Ongoing
Ensure all new activities are costed on a fEC (Full Economic Cost) basis and are approved only if they are financially sustainable in the long-term.	As required.	Deputy Vice-Chancellor, Director of Finance, Manager – Finance Reporting	Ongoing
Continue to produce annual costings by building to inform decision making on estates matters.		Director of Finance, Manager – Finance Operations	Ongoing

Target	Actions / further detail	Responsibility	Target Date
Staff costs to be at or below the sector average benchmark as a % of total expenditure each year.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Ensure that the annual servicing cost (capital & interest) on borrowings remains below 5%.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Maintain cash levels at a minimum of 3 months of expenditure (currently equal to £4.5m).	As per the cashflow forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Maintain a Current Ratio of at least 2.0.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Confirm once a year to HEFCE via the Annual Sustainability Assurance Report (ASSUR) that the university is operating on a sustainable basis. The University's sustainability key performance indicators will be considered in making this judgement.	Approved by Audit Committee and Council at its autumn meetings, and confirmed to HEFCE in December.	Deputy Vice-Chancellor, Academic Registrar, Director of Finance	Ongoing
AIM 2 - To maintain effective and appropriate governance and internal controls.			
Full compliance each year with the requirements of the HEFCE (or successor) reporting and returns.	Includes the annual assurance return, Audit committee annual report, External audit management letter, Internal audit annual report, Audited financial statements, Financial statements and forecast data with commentary.	Deputy Vice-Chancellor, Director of Finance, Manager – Finance Reporting	Ongoing

Target	Actions / further detail	Responsibility	Target Date
An unqualified audit opinion on the financial statements of the University and its subsidiary company is achieved every year.		Deputy Vice-Chancellor, Director of Finance, Manager – Finance Reporting	November each year
All recommendations from internal and external auditors are implemented on a timely basis.		Deputy Vice-Chancellor, Director of Finance	Ongoing
Full compliance with our banking covenants is maintained.	Monitor through the financial forecasts and an annual report to the autumn Audit Committee.	Deputy Vice-Chancellor, Director of Finance	Ongoing
The provision of comprehensive guidance and training for relevant staff on the finance regulations, policies and procedures.	Annual review of procedures and training undertaken.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
The maintenance of appropriate segregation of duties in the Finance department and other areas of NUA where cash is handled.		Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
Anti-Money Laundering regulations are maintained to complement our current procedures and to ensure best practice.		Director of Finance, Manager – Finance Operations	Ongoing
All financial regulations, policies and procedures are reviewed once a year and updated where necessary.	Includes the Financial Regulations, finance intranet pages and internal finance procedures.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing

Target	Actions / further detail	Responsibility	Target Date
Finance training for non-finance staff is provided on an annual basis.	Optional training sessions to be run in September each year. Individual finance inductions for new staff with financial responsibilities to be given within one month of starting at NUA.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
A robust 5-year forecasting model is maintained and scenario planning is performed to ensure that contingencies are in place for alternative outcomes.	Full forecasting reviews to be undertaken three times a year for Finance & Resources Committee. Other updates to the forecast to be made on a timely basis.	Deputy Vice-Chancellor, Director of Finance, Manager – Finance Reporting	Ongoing
Adequate liability insurance cover is maintained.	Review as part of the annual insurance renewal process.	Director of Finance	Ongoing
An anti-bribery risk assessment is carried out once a year and reported to Audit Committee. Any actions arising from the risk assessment are carried out in a timely manner. Staff are reminded of their responsibility to prevent, detect and report bribery.	Reporting to the June meeting of Audit Committee. Staff email to be sent out by 31st August each year.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Governors and staff in key procurement positions are required once a year to confirm their relevant business interests, so that these interests can be entered onto the Registers of Interests (one for governors and one for staff). The finance team will ensure that no conflicts of interest arise when purchases are made to any such companies or individuals included on the registers.	The Clerk to the Council will oversee the register for governors and the Director of Finance will oversee the register for staff.	Clerk to the Council, Director of Finance	Ongoing

Target	Actions / further detail	Responsibility	Target Date
The University's anti-fraud self-assessment checklist and Fraud Response Plan is reviewed once a year, and staff in departments most likely to encounter instances of fraud are given bespoke annual training.	Anti-fraud self-assessment checklist will be ready for the external audit each year (September). The Fraud Response Plan will be reviewed by Audit Committee at its June meeting each year.	Director of Finance	Ongoing
To ensure that the University continues to fulfil the requirements of the Payment Card Industry scheme (PCI-DSS), in relation to the handling of customer credit and debit card data, through the timely completion of annual self-assessment questionnaires.	Self-assessments will be required once a year for each of the University's 4 merchant numbers (these cover card payments taken through hand-held machines and through the Papercut and WPM online portals)	Director of Finance, IT Services Manager, Manager – Finance Operations	Ongoing
AIM 3 - To ensure that the University College's financial resources and assets are effectively managed.			
Our 3-year average investment in infrastructure is a minimum of 10% of our 3-year average turnover.	As per the annual Financial Statements. Monitor through the financial forecasts.	Deputy Vice-Chancellor, Director of Finance	Ongoing
The Fixed Asset register is maintained and a rolling programme of physical asset checks is maintained.	Each year 20% of assets should be physically checked. Any discrepancies to the Fixed Asset register should be resolved.	Manager – Finance Operations	Ongoing
Adequate insurance cover is maintained to cover loss of assets.	Review as part of the annual insurance renewal process. (The current policy allows for in-year increases to the asset base to be covered automatically and notified at the time of renewal.)	Director of Finance	Ongoing

Target	Actions / further detail	Responsibility	Target Date
Our Disaster Response plan is maintained and undergoes periodic scenario testing.	At least one scenario per year, undertaken in conjunction with at least one other NUA department.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
Our management of cash is reviewed each year against the aims of our Treasury Management Policy.	The findings of the review will be reported in a paper to Audit Committee each February.	Director of Finance	Ongoing
Bank interest is maximised through the use of fixed term deposits, and the amount received each year is compared to our budget forecast and the previous year, with reasons for the differences understood and explained.	For deposits of £1m and above, quotes for interest rates should be obtained from at least 2 banks, which should satisfy the minimum Fitch rating specified in our Treasury Management Policy. The aim should be to put as much cash on fixed-term deposits as possible while ensuring there is sufficient liquid cash available to meet our short term operating needs. The appropriate level of deposits should be reviewed at the same time that the cashflow forecast is updated.	Director of Finance	Ongoing
Timely and accurate cashflow forecasts are maintained.	Updated once a month.	Director of Finance	Ongoing

Target	Actions / further detail	Responsibility	Target Date
AIM 4 - To promote efficiency and value-for-money			
Undertake at least one VFM project each year and produce an annual report on VFM for Audit Committee.	The VFM report will be submitted to the October meeting of Audit Committee.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
Benchmark the cost of NUA's principle activities against prior years, the sector and a peer group of small & specialist institutions, by using TRAC data.	To be done in January – April each year based on our own TRAC results and the sector / peer group benchmarks, which are usually published in March.	Director of Finance, Manager – Finance Reporting	Ongoing
Ensure that testing of VFM is considered when determining the internal audit plan for each year.		Deputy Vice-Chancellor	Ongoing
Maintain the current tenders and quotes procedures which require staff to get multiple quotes for larger purchases, and ensure that service, quality and VFM of those suppliers which are used on an ongoing basis are regularly reviewed. The latter will be overseen by the Director of Finance who will annually review a list of our larger suppliers and ensure that VFM is being achieved, discussing with budget holders as necessary.		Deputy Vice-Chancellor, Director of Finance	Ongoing
Ensure opportunities to improve efficiency through better use of technology are implemented.	Monitor opportunities through discussions with staff from IT Services and knowledge of sector-wide developments.	Deputy Vice-Chancellor, Director of Finance	Ongoing

Target	Actions / further detail	Responsibility	Target Date
Continually review the scope for collaboration with other organisations on shared buying power.	Monitor through sector, specialist and regional discussion groups and sector-wide announcements.	Deputy Vice-Chancellor, Director of Finance	Ongoing
Establish an online portal for generating and approving purchase orders and approving of purchase invoices. Once established, continue to monitor and make improvements to the portal as applicable.		Director of Finance, Manager – Finance Reporting, Manager – Finance Operations	Establishing the portal – July 2016 Monitoring & improving – ongoing
Maintain and improve the online budget information available to staff.		Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
Ensure that guidance on the finance intranet for budget holders for obtaining the best prices for goods and services is kept up to date, and consider further ways of offering assistance to budget holders via the finance intranet.		Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing
Incorporate VFM training into the annual finance training for staff.	Annual training sessions are held in September each year.	Director of Finance, Manager – Finance Operations, Manager – Finance Reporting	Ongoing