

NORWICH UNIVERSITY OF THE ARTS

Minutes of Finance and Resources Committee Held on Friday 24 February 2023 in the Boardroom, Cavendish House, Norwich, commencing at 14.00

Present

Mr A Grimbly (Chair)
Mrs A Ferguson
Mr M Jeffries
Prof. S Ofield-Kerr
Mr I Watson

In attendance

Prof. L Anderson, Pro Vice Chancellor (Academic), NUA
Mr S Belderbos, Director of Finance and Planning, NUA
Mr J Smeeth, Chief Operating Officer, NUA
Mr D Williams, Clerk

Apologies

There were no apologies.

1. MINUTES OF THE LAST MEETING

The Minutes of the meeting of the Finance and Resources Committee held on 31 October 2022 and Minutes of the joint meeting of the Audit Committee and the Finance and Resources Committee on 31 October 2022 were agreed and signed by the Chair.

2. MATTERS ARISING FROM THE MINUTES

There were no matters arising.

3. FIANCIAL MANAGEMENT

3.1. Financial Strategy 2022-27

The Committee reviewed the updated Financial Strategy 2022-27.

The targets for the operating surplus (before pension adjustments) have been reset. This was due to more accurate capital investment plans being in place. These included an anticipated £15m spend on the refurbishment of Bank Plain.

The target for the unrestricted reserves as a percentage of income had been set at a minimum of 175% for each year.

In response to the Committee's previous comments, the focus on environmental sustainability, including the level of carbon emissions and the procurement of goods and services, had been strengthened.

The Committee explored the need for, and financial benefits of, investing in student accommodation. While adding additional student accommodation might be strategically and financially attractive, there was a limited capacity to add a further major estate project to the planned workloads of the University's teams. In the immediate period, student accommodation was not a high priority, but the idea should not be ruled out in the future.

The Committee approved the Financial Strategy 2022-27.

3.2. Financial Strategy Annual Report

The Committee received the Financial Strategy Annual Report for the 2021/22 financial year. The strategy had been approved in 2016 and would be superseded by the Financial Strategy 2022-2027.

The majority of the targets for the strategy had been met, with only 2 not achieved.

The Committee enquired about the University's Disaster Recovery Plan, asking how the institution would respond in the event of a loss of data, following a cyber-attack. To test resilience, the University systems had been subject to external penetration testing. This had been undertaken by JISC. The findings from the testing were awaited. In addition, the Internal Auditors would shortly undertake an assessment of the University Disaster Recovery Plans.

The Committee congratulated the Finance Team on the successful delivery of the Financial Strategy in 2021/22.

The Committee noted the report.

3.3. Financial Report

The Director of Finance and Planning introduced the Financial Report, February 2023.

In considering movements in the operating surplus the Committee's attention was drawn to the fluctuations in the actuarial pension adjustments. As these movements were outside of the University control, it was more appropriate to focus on the operating surplus before actuarial pension adjustments.

The level of the operating surplus was projected to fall from 12% in the current year, to 5% in 2024/25 and 2025/26 before rising in the following two years. Key to the projected levels of surplus were movements in undergraduate student numbers.

The University had received an increase in funding from Research England and secured its first research grant from the Arts and Humanities Research Council (AHRC).

The Committee noted that as the University expanded its research and knowledge exchange activities, it was important to be able to provide sufficient evidence to the funding bodies to demonstrate that the money had been utilised in line with the conditions of the funding.

Looking to 2023/24, undergraduate applications to the University from Home students had risen by 9% compared to 2022/23. A fall of 2% in applications had occurred nationally.

The Committee explored the extent to which specific subjects or courses were attractive to international students.

The forecast cash flow showed that although there were lower operating surpluses in 2024/25 and 2025/26, the University would be able to comfortably fund its investment programme from its internal resources.

The Committee explored whether there was an opportunity for the University to accelerate the implementation of its international strategy. In practice this would be difficult. It would not be possible to put in place the planned new courses, facilities and infrastructure in order to create the context to allow the growth in international student numbers earlier than was planned. An attempt to do so would likely over-extend the resources available and staff teams.

The Committee received the Finance Report.

3.4. Pension scheme update

The Committee received an update on the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS).

The University received a draft of the latest triennial valuation of the LGPS scheme in November 2022. As anticipated, the costs to the University of the LGPS would rise from April 2023. The rise in costs (£425k over the next 3 years), although significant, was less than the increase modelled by the University.

The University was waiting to receive the results of the most recent triennial valuation of the TPS, which had been completed in March 2020.

The Committee noted the report.

4. FINANCIAL REPORTING AND COMPLIANCE

4.1. TRAC return

The Committee reviewed the TRAC return to be submitted to the Office for Students (OfS).

The Committee confirmed compliance with the TRAC Statement of Requirements.

The Committee thanked the team preparing the TRAC return recognising the effort required to complete the return.

5. TREASURY MANAGEMENT AND INVESTMENT

5.1. Treasury Management Annual Report

The Committee received the annual report on treasury management.

With rising interest rates increased attention was being given to maximising the return on the University's cash reserves.

Only working capital was kept with the University's bankers, Lloyds. The remaining cash reserves was deposited with other financial institutions to secure higher rates of interest.

To incorporate changes in the title of senior postholders, minor changes were proposed to the Treasury Management Policy.

The Committee approved the revised Treasury Management Policy.

5.2. Investment update

The Committee received an update on the £10mn invested with the University's fund managers' abrdn. The sum had been invested in four tranches of £2.5mn each. As a consequence, the University had avoided investing all of the cash near the top of the market in 2022.

The difficult market conditions during 2022 were reflected in the performance of the invested funds. As at 24 January 2023, the value of the University's portfolio stood at £9.99mn.

The Chair of the Investment Committee highlighted the matters discussed at the meeting of the Investment Committee held in November 2022.

To improve the monitoring of the fund's performance, quarterly meetings between members of the University's senior leadership team and abrdn had been instigated.

The Committee discussed possible alternative investment options, including whether investing in University owned student accommodation might bring greater strategic and financial benefits? The University would reflect on the matter and report back to the Committee.

Vice Chancellor

The Committee received the Minutes of the Investment Committee and noted the investment update.

6. ESTATES

6.1 Estates development

The Committee received a report on the Estates.

The report set out the plans for Bank Plain and other campus developments.

The failure to secure Levelling-Up funding gave the University more time to detail and implement its plans for Bank Plain. While many of the elements included in the Levelling-Up bid had been retained in the current plan, there was now a greater opportunity to learn from using the building. This might lead to further changes to the plans.

While the University's architects, Hudson's, had been retained for the first phase of refurbishing Bank Plain, the University was mindful of the need to procure professional services for the subsequent phases through open tender.

Chief Operating Officer

Francis House was the University's principal location for its professional services. Generally, the Estate was configured to meet specific needs, and Francis House was one of the few buildings offering flexible space. In addition, the leasehold costs for the building were reasonable. The building was however in need of investment to improve the décor and furnishings and fittings.

The plans for the Estate included achieving a balance of provision across the campus between gendered and gender-neutral toilets, and where possible for each building.

The Committee noted the report.

7. ANY OTHER BUSINESS

There were no matters of any other business.

8. DATE AND TIME OF THE NEXT MEETING

It was confirmed that the next meeting of the Committee would take place on Friday 9 June 2023 commencing at 14.00.