

University of Gloucestershire

Finance Strategy 2009-12

Introduction

The University Finance Strategy has been developed to provide a financially sustainable platform from which the Strategic Aims of the University can be delivered.

This Strategy has been developed during a period of particular financial challenge for the University and aims to significantly strengthen the financial operating position of the University and ensure that resources are available for recurrent, capital and investment purposes, as and when required.

In preparing the Strategy, the University has had regard to 'Financial Strategy in Higher Education Institutions' (HEFCE 02/34) and the 'Model Financial Memorandum' (HEFCE 2008/19).

Principal goals of the Finance Strategy:

- **Generation of surpluses**
To generate operating surpluses each year, rising to 3% of turnover by 2010-11 and to be maintained at that level thereafter.
From 2011-12 onwards, the annual budget should aim to provide for a centrally held Strategic Development Fund rising to 2% of turnover, to provide a buffer against unexpected events and provide funds to support new initiatives.
The University aims to manage its spend on pay as a % of total expenditure, so that it is between 56% and 59%, and certainly no greater than the sector average (currently 58%).
- **Working Capital Management**
Sufficient cash is available for normal operations, capital investment, to cover unforeseen fluctuations in financial performance and to accommodate risks.
Year end cash balances should improve, so that by 2010-11 the ratio of liquid assets to cash expenditure expressed in days should aim to cover at least 30 days, rising to 60 days thereafter.
- **External Finance**
External long term financing may be used to fund appropriate capital investments, usually where an identifiable income source exists (eg. Self-funding student residences) or the project will enhance the overall income generating capacity of the University, or will deliver a real reduction in running costs.
- **Investment in capital infrastructure**
To invest in capital (Estates and ICT) developments which support the University Strategic aims, that have been prioritised against University business and academic objectives and can be funded within the overall financial constraints set out above.
Capital requirements should be set out in the Estates Strategy and ICT investment plans and will be referred to annually for budget setting purposes.
- **Financial accountability**
To instil a culture of trust and financial responsibility. To operate a scheme of budgetary delegation within the University, ensuring that financial accountability is clear and unambiguous.

An 'Operating Budget Statement' will explicitly set out the responsibility of each budget holder i.e to exercise appropriate financial control, to take corrective action, to deliver agreed position at year end.

- Risk management
Ensure a comprehensive risk management system is in place to identify, manage and mitigate financial risk to the University.

Key elements of the Finance Strategy are:

- Prudent budget assumptions
Budgets should be based on a set of prudent assumptions developed by management, which are subject to rigorous challenge from Committees during the budget approval process.
- Transparent allocation of resources
Resources are to be allocated using a Comprehensive Resource Allocation Model (2010-11 onwards), covering all aspects of University activities. Resources will be allocated with regard to evolving University priorities, whilst ensuring fair allocation to continuing activities.
- Exercise sound budgetary control
Financial control should be actively exercised by each budget holder, and budgetary authority should only be delegated down from Executive level with a signed 'letter of delegation' accepting budgetary responsibilities.
Recruitment should continue to be managed centrally to ensure tight control of the University pay commitments. Budget implications must be clearly articulated for recruitment to each post..
- Full Economic Costing
The full costs of all activities should be properly understood. Separable activities should at least aim to cover full costs, in some cases should have targeted net profits, or in cases where full costs cannot be covered (e.g Research Council or EU funded projects) subsidies need to be offset by other profitable activities.
- Pricing strategy
A pricing strategy will be developed during 2009-10 covering non-regulated tuition fees, pricing of separable activities and other services offered by the University.
- Business cases for new initiatives
A 'business case' is required for any proposed new initiative, or a decision regarding expansion or continuation of an activity. The business case will identify income, expenditure, the required level of investment, payback period and risks.
- Encourage growth of profitable new activities
Resources may be re-deployed to support the growth of profitable activities and mechanisms to ensure they are not constrained by existing structures and processes.
- Continual review of University cost base
The University is keen to ensure Value for Money is achieved in the delivery of all its services. A range of tactics will be used to further an initiative to 'Deliver Better Value' which might include Internal Audit reviews, zero based budgeting, activity analyses. Value for money reviews will always be set against an overarching aim to meet or exceed

student expectations in the delivery of services.

- **Cease or refresh activities not achieving positive contributions**
Activities (academic or support) which are not generating positive financial contributions and/or are no longer considered essential to the University's strategic aims will be scrutinised and may then be refreshed or ceased. Development of migration strategies to improve performance may also be an appropriate course of action.
- **Improvements in Procurement**
Increasing procurement expertise across the University by reducing the numbers of occasional requisitioners and creating a smaller number of more experienced buyers. The creation of a smaller pool of buyers will reduce inefficiencies in the procurement process, will release staff time, will secure some better pricing and will enable greater control over the environmental aspects of procurement.
- **Debt management**
Unpaid income can have a significant impact on University cash balances. A new Debt Management Policy will be developed for operation in 09-10 and increased monitoring and reporting of debtor levels to Executive will continue.
- **Training for managers**
Training on budgetary management, business case preparation and financial planning will be developed and rolled out during 2009-10.

A Financial Plan will be produced annually which will look in detail at the coming year plus the following two years in more summary form. The Plan will report expected performance against the principal goals as outlined above.

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April 2009