University of
HUDDERSFIELD
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FINANCIAL STRATEGY 2013 - 2018

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THE QUEEN'S AWARDS FOR ENTERPRISE

Financial Strategy 2013 - 2018

This Financial Strategy is integral to the University's Strategy Map 2013-2018 and sets out the broad financial objectives which will underpin the mission, vision and aims of the University and ensure its financial sustainability. A secure financial position is essential for the University's continued academic excellence. All aspects of the financial strategy will be directed at maximising the investment of human and physical resources devoted to the students' Inspirational learning experience; to Innovative research and enterprise; and to building a University of International renown. The University's success in recruiting and retaining students depends upon this investment.

Financial Services contributes directly to the University's Strategy Map in four areas covering Financial Sustainability and Efficiency and Effectiveness:

AIM	KPI
E4 - To generate sufficient cash to meet strategic investment plans and economic contingency.	Minimum 10% margin for sustainability and investment.
E5 - To maintain financial strength.	To remain in the top 10 mainstream HEIs in the HESA Security Index.
E6 - To ensure all Schools and Services maintain financial and operational viability.	All Schools and Services to maintain agreed budgetary norms.
E7 - To improve core processes and performance.	Evidence of annual improvement in the KPIs.

Key Financial Risks

Assessment of the implications and consequences of potential strategic developments and decisions and management of the associated risk (including the risk of missed opportunity) is key to the delivery of the University's corporate strategy.

Key financial risks are identified during the annual planning round as part of the risk management cycle and are monitored on a regular basis. This process determines the potential financial impact, likelihood and mitigating actions. Where possible and appropriate, adequate contingencies are built into budgets for cash and surplus so that financial headroom will allow for recovery from downturn or for investment opportunities.

Periodic Review

This Statement is embedded within the University's Strategic Plan 2013-2018. The overall strategic direction may not change during that period, but specific priorities and new opportunities may arise. It is our intention therefore to review this statement on an annual basis to ensure that our financial strategy still meets the needs of the University.

Andrew McConnell
Director of Finance
January 2014

E4 To generate sufficient cash to meet strategic investment plans and economic contingency

The University needs to generate sufficient cash for capital expenditure and to fund its strategic investment plans. The current target is to generate 10% of the University's annual total income in retained cash.

Margin for Sustainability and Investment

- The current cash target will be reviewed annually against the University's strategic plans.

Operating Surpluses

- A Strategy for Surplus will be updated at least annually to translate the cash target into an annual surplus plus a margin for contingency. The current target is for a surplus of 7% of total income plus a 3% contingency.
- In order to maintain the required operating surplus but at the same time apply the resources at our disposal to the needs of the University, it is essential to have a resource allocation model (which includes our Devolved Revenue system) that matches resources with objectives and links school income directly to earnings; and which includes sufficient strategic provision. This model will be reviewed annually to ensure its continuing relevance to the University's aims.
- The current target operating surplus will be allocated annually to Strategic Provision in the Devolved Revenue Allocation Model before allocations are determined for Schools and Services.

E5 To maintain financial strength

The University requires sufficient financial strength to deliver its strategic objectives on a sustainable basis. The current target is to remain in the top 10 UK mainstream HEIs as measured by the annual HESA Security Index. This is supplemented by the University's Estate Condition as measured by the proportion of the estate in Condition A and B.

Borrowings

- The University will not go into debt, unless this is necessary to enable the short term acceleration of investment for academic purposes. In this event, the University's Borrowing Strategy will be updated to accommodate the servicing cost sustainable, the level of gearing required and the amount of asset cover available.

Discretionary Reserves

- The University's discretionary reserves will be supplemented by retaining the minimum annual operating surplus specified in this financial strategy in order to replenish the non-specific part of our income and expenditure account reserves for estate capital and other strategic development purposes. Specific reserves held by Schools and Services will provide the necessary planned investment in infrastructure.

Liquidity

- Adequate cash resources are critical to the short and long term viability of the University. They are normally the principal source of funds for investment other than capital grants and borrowings; and are necessary to cope with contingencies and to respond to opportunities.

- Our minimum cash balances at any time are determined by the level that is necessary to retain our relative financial strength in the HESA Security Index. Given that our debt will be zero and our reserves will increase by our minimum annual retained surplus, this strength will be a variable function of cash balances and surplus retained.

Capital Investment

- The rate of capital investment possible will be determined by the level of available liquid funds and the cash being generated annually to replenish those funds.

- In order to maintain productive capacity to meet its corporate objectives, the University has a long term estate development plan; a medium term IT development plan; a non-estate capital plan; and a strategic maintenance plan. These plans are reviewed and updated on at least an annual basis and the financial implications considered, so that a clear statement of the financial requirements in terms of recurrent and capital costs for each resource can be determined to be within affordable means.

E6 To ensure that all Schools and Services maintain financial and operational viability

Specific reserves ("carry-forward") held by Schools and Services will provide funding for the necessary planned local investment in infrastructure and equipment. In order to replenish those reserves it is currently determined that the target budgetary norm for each School and Service is an annual underspend against Devolved Revenue Allocation of 3% per annum.

Budgetary Norm

- The current target underspend will be reviewed annually against School and Service plans.

Resource Allocation Model

- The annual Resource Allocation will be reviewed when budgets are set for the financial year in question; and as a minimum at Post-HESES; and at Post year-end DevRev Reconciliation.

Staffing Costs

- In order to underpin the generation of adequate trading surpluses the University will monitor closely its ratio of staffing costs to total income, which is a key financial indicator. Staffing costs for each School and large Service will be agreed annually and reviewed quarterly with the Deputy Vice Chancellor and the Director of Finance. All requests for new or replacement staffing posts will be signed off by the Deputy Vice-Chancellor.

Carry-forward Expenditure

- All plans for expenditure out of School and Service carry-forward funds will be budgeted ahead of the financial year in question and then approved on a case-by-case basis by the Deputy Vice-Chancellor and the Director of Finance.

Strategic Provision

- All plans for expenditure out of Strategic Provision will require approval from the Deputy Vice-Chancellor and the Director of Finance.

Full cost recovery

- It is expected that all of the University's activities will recover their full economic cost. Where this is not the case, approval must be obtained from the Dean of the School with which the activity is associated.

E7 To improve core processes and performance

Financial Services makes a significant operational contribution to the efficiency and effectiveness of the University's core processes and performance.

Operational Plans

- Separate operational action plans and targets will be reviewed on an annual basis covering the following areas:

Procurement Services and Value for Money
Process re-engineering through the use of Agresso systems
Management Accounting and Statutory Reporting
Student Finance Office

Andrew McConnell
Director of Finance
January 2014

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Key Performance Indicators

Objective	KPI	Evidence	Performance Target 13/14	14/15	15/16	16/17	17/18
Cash generation	% of income	Annual Accounts	10%	10%	10%	10%	10%
Operating surplus	% of income	Annual Accounts	7%	7%	7%	7%	7%
Contingency	% of income	Annual Accounts	3%	3%	3%	3%	3%
Financial strength	HESA Security Index	Patterns Charts	Top 10	Top 10	Top 10	Top 10	Top 10
Level of debt	% of income	Annual Accounts	Nil	Nil	Nil	Nil	Nil
Liquidity	Days of expenditure	Annual Accounts	Minimum necessary for financial strength target				
School and Service Budgetary norms	% of DevRev allocation	Performance Reports	3%	3%	3%	3%	3%