



Funding resource requirements to support the implementation of the 2030 Strategy

Outcome requested:	Finance and Investment Committee (FIC) is invited to note how we intend to ensure that cash resources are optimised and not over allocated as we facilitate growth and strategy delivery.
Executive Summary:	<p>Following the presentation of 'The financial implications of the Strategy' to FIC in March 2019, the Executive confirmed that further detail would be provided to the committee in the autumn to advise the process for controlling strategic investment at a pace appropriate to income growth. In particular FIC were concerned that cash to fund resources to facilitate growth and strategy delivery was not over committed prior to being earned.</p> <p>The process detailed in this paper addresses this FIC action.</p>
QMUL Strategy: strategic aim reference and sub-strategies [e.g., SA1.1]	Achievement of the 2030 Strategy Revenue and Infrastructure investment to support delivery of enabling plans and strategic projects.
Internal/External regulatory/statutory reference points:	N/A
Strategic Risks:	
Subject to prior and onward consideration by:	FIC September 2019
Confidential paper under FOIA/DPA	No
Timing:	N/A
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Background

If we are successful in delivering the 2030 strategy we will see growth in tuition fee income from a combination of quality growth in our on campus student numbers, competitive pricing, research activity, transnational and distance learning education to become a large Russell group institution with cash available to invest in research. To enable this we need to deliver the key strategic projects already agreed and develop and implement IT and Estates infrastructure to deliver an excellent student and staff experience for teaching and research. We must ensure these growth and investment plans are aligned to:

- provide optimum utilisation of cash resources
- ensure the pace at which the cost base increases is appropriate to the income growth.
- the capital programme is fully funded
- ensure cash is not committed before it is earned.

It is envisaged that the majority of resource decisions will be agreed through the budget and planning round to 2024-25, although some resources may be allocated throughout the year via the central strategic fund.

The new Strategy Delivery Team are developing and will maintain the Gantt chart of projects and enabling plans to deliver the strategy. They will identify gaps in activity and resource to be addressed and will highlight the interdependencies between projects. They will play a key role in determining priorities for resource allocation.

In respect of the strategy delivery the budget and planning process can be split into the following components:

Reconfirm growth targets

As part of this year's budget and planning cycle SET will review and sign off the teaching (on campus, transnational, DL) and research growth targets to 2024/25.

Determining resource requirements for growth/ strategy implementation

This falls into 3 categories:

Faculty investment to support growth in teaching

We intend to allow automatic resource allocation within certain parameters to be agreed by SET (e.g. maintaining cost per student, SSR, Faculty contribution, no additional professional services staff, etc.) in respect of Faculty direct costs of teaching.

IT and Estates Infrastructure

Enabling plans and associated affordable capital programmes will be developed to support the growth in teaching and research linked to the targets agreed above and the space gap analysis identified in March 2019.

Research /Other Cross Cutting VPs/ Strategic projects

Any bids for resources from these areas will be made directly to the Strategy Delivery Team for review and prioritisation, with a recommendation to SET during the budget and planning process.

Cash available for investment

During the early years of the strategy we cannot be dependent upon achieving increased cash generation from growth above the levels of additional investment identified in the base

case minimum financial forecasts presented to FIC and Council in March 2019. This was £10m per annum of central revenue strategic investment and £95m of capital for the period 2019-20 to 2023-24 of which £52m was from existing borrowing. (If we achieved our strategic objectives this would deliver an additional £118m).

With the exception of the faculty investment to support teaching, only once additional cash contributions have been earned at University level above the base case, will these sums become available for strategic investment. This will ensure that the University does not overcommit its cash resources as long as the minimum base case position is achieved.

The risk of not achieving the minimum base case position including the risk of faculties, increasing their cost base without then recruiting to their planned growth targets will be managed by Faculty VPs and SET.

A copy of the base financial forecasts approved in March 2019 is included in the additional reading.