

University of St Andrews

Finance Enabling Strategy 2019-2023

1. Introduction

- 1.1. We are a globally renowned university that excels at research-led teaching. Our continued success requires an effective and enabling environment that delivers excellence within the resources we generate. The Finance Enabling Strategy focuses on how University resources can be optimised to support the University Strategy 2018-23 to reach its goals. It puts forward a considered approach to change, centred on building a more integrated, prioritised approach to our finances, in order to ensure that their capacity to create and support impact is maximized.
- 1.2. Our overall approach as set out in the Finance Enabling Strategy is based on four fields of activity:
 - Transparency and Change Programme
 - Income Growth
 - Capital Expenditure
 - Revenue Expenditure

This document is accompanied by a table which maps out priorities against the pillars of the University Strategy.

2. Context

- 2.1. The University Strategy is bold and ambitious, seeking to consolidate our excellence and move forward in expanding our influence as well as our student body. At the same time, the University is facing a volatile external environment, sector funding limitations, and increasing cost pressures which include a need to invest in our Estate in order to deliver sustainable facilities to support delivery of the Strategy. The Court approved three year Financial Plan for the University has an embedded recurring savings/income growth target whilst still projecting a revenue deficit. The PO is asked to discuss and reflect on (i) the direction of development of the different themes (ii) what supportive actions can be taken at a University-level to incentivise and reward interdisciplinarity, in the near term 'launch' phase of activities, as well as in a longer term perspective.
- 2.2. There is a need to change how we operate across the University in order to deliver the required financial efficiencies, including additional non-core income generation, in a way that will also contribute positively to the delivery of our new Strategy. The Financial Plan is the overarching mechanism for balancing investment and spending. In order to ensure we remain financially sustainable whilst realising as many opportunities as possible, we will require a clear mechanism for the prioritisation of expenditure and investment plans.

- 2.3. The current long-term capital plan has potential commitments of c.£300m over the next 10 years, subject to scope changes, embedded risks through planning changes, and inflationary pressures. The indicative supporting high level University cashflow projection shows a cash deficit, with particular pinch-points at certain moments. In delivering the current ambitious plans, it is clear the University will need to look for significant philanthropic support from its friends and supporters, as well as the generation of additional income from commercial activities flowing from Entrepreneurial activities and greater summer activity. All of these will need to be generated in addition to considering additional third party debt.

3. Vision

- 3.1. Schools and Units across the University of St Andrews will establish a reputation as socially responsible and innovative enablers of the University's successes. Our approach will encourage an integrated approach to achieve the goals set out in the University Strategy, supporting resource management and income generation in the different strategy pillars, whilst identifying and prioritising the cross-cutting opportunities that add significant value. The University will be more prosperous and sustainable as a result of this work.

4. Scope and Impact

- 4.1. The University Strategy offers an opportunity to bring all high level financial decisions together and have a holistic approach to prioritisation, with a clear evaluation process which is then reflected back into the Financial Plan to assure sustainability and ability to deliver. The Finance Enabling Strategy looks to build on existing relationships between Finance and Schools and Units to encourage more collaborative, joined-up management of resources across the University. The financial management culture will be nurtured to pro-actively take opportunities as they arise, encouraged and supported by ensuring the financial benefit is shared. This will also include the prioritisation and potential reallocation of resources based on delivering strategic aims effectively.
- 4.2. Our capital investment plan will deliver the facilities required to allow us to achieve the new Strategy. A balanced approach to space management and utilisation must ensure we do not over-provide/under-utilise space, whilst maximising the benefit of the investment. Investment in income generating activities will be critical in prioritising capital investment.
- 4.3. Increasing philanthropic support, along with third party financing relating to the development of new student accommodation via an expansion of our residential offering, has been part of the University funding strategy to support capital investment over the previous few years. We will be looking to secure additional revenue growth to support the capital investment programme through the successful development of Entrepreneurial St Andrews, encouraging long term commercial income growth. These, along with potential new and additional long-term debt, need to be considered as part of the financing strategy for the required long-term capital programme which will facilitate the delivery of our strategic objectives.

- 4.4. A clear support structure will be developed to work with the leaders of each of the four strategic themes to ensure we capture all opportunities to deliver financial growth through delivery of the overall strategic objectives.

5. Alignment to the University Strategy

The impact of these high-level priorities has been mapped across each of the Strategy's pillars as follows:

5.1. Social Responsibility

Social responsibility is a feature of all our financial decision-making processes, and the University Strategy clearly supports this.

- 5.2. ***We will act ethically, transparently, sustainably, and for the wider public benefit at all times.*** And will continue to:

- Consider social responsibility when reviewing potential investment opportunities.
- Invest our endowed funds with reference to Environmental, Social and Governance (ESG) criteria.
- Recognise social responsibility when developing change programmes.

- 5.3. ***We recognise that our day to day activities and plans for growth have a profound impact locally*** and will:

- Ensure a balance of distance learning offerings and joint programmes with other Institutes to mitigate town pressures and manage our carbon footprint, whilst generating additional income.
- Review local partnership opportunities to support the town of St Andrews and this region.

5.4. World-leading St Andrews

World-leading St Andrews is both a distinction afforded to St Andrews and a perpetual challenge.

- 5.5. To ***support choices that strategically strengthen the Schools we*** will:

- Aid prioritisation by giving clarity on cost consequences of investment decisions.
- Encourage Full Economic Costing to support funding for researchers.
- Continually assess and identify new funding opportunities to support research.

- 5.6. ***Where they demonstrably speak to our identity, we will also encourage the development of new areas of research activity, study and impact*** and will:

- Support investments based on prioritised areas to deliver activity in these areas to facilitate the expansion of student numbers.
- Provide a support framework for the development of interdisciplinary themes based on prioritisation and delivery potential.
- Work with Development to target scholarship support for the expansion of the PGR and PGT programme to enable release of existing revenue support.
- Facilitate investment opportunities with potential returns for the University.

5.7. **Diverse St Andrews**

We recognise that as ***a truly international and world-class university, our ambition is to be a beacon of diversity and inclusivity***. In support of Diverse St Andrews the Finance Strategy will:

- Prioritise agreed investments to deliver defined diversity objectives within Diverse St Andrews and the People Enabling Strategy.

5.8. To ***embed the structures that let students and staff develop their potential***, we will:

- Support staff retention via a fair and transparent investment model.
- Put accessibility at the forefront of investments Knowledge Sharing.

5.9. **Global St Andrews**

Our demographic profile is highly distinctive with over 45% of our students and staff coming from outside the UK.

5.10. To ***consolidate our own position to achieve still more and balance the size and diversity of the student body in line with our objectives*** the Finance Strategy will:

- Deliver investment to support strategic growth on a critical path basis.
- Measure new debt requirement against cost of servicing, timescale for delivery and philanthropic potential, in support of additional space required to deliver the Global St Andrews Enabling Strategy, and in line with the Estates Enabling Strategy.
- Support the setting of clear and decisive targets for UG, PGT and PGR for St Andrews based students.

5.11. ***Promoting our global brand, and developing our engagements worldwide***, the Finance Strategy will:

- Engage systematically with the Global Office to review relevant markets to ensure planned growth is sustainable.
- Make strategic use of income growth from global expansion.

5.12. **Entrepreneurial St Andrews**

5.13. To be entrepreneurial in our culture is to see potential in existing and future activity and to translate that into action and application. The Finance Strategy is key to unlocking many of these initiatives and will:

- Engage with external partners to facilitate investment opportunities with potential returns for the University.
- Support the creation of revolving financing support, via third party investment.
- Develop standard pricing mechanism to support new areas of income/surplus generation.

5.14. We will bring together staff, students, industrialist, policy shapers, and investors in an ecosystem and the Finance Strategy will:

- Secure the investment proposed through the Tay Cities Deal to support the entrepreneurial zone, in order to maximise the benefits planned, including income generation for the University.
- Prioritise investment to stimulate a rolling entrepreneurial start-up programme.

6. Performance Indicators

Priority	Measures
Transparency & Change	1.1. Prioritised list of investments supporting teaching and research 1.2. Heads of Schools have greater input into decision-making
Income Growth	2.1. Higher level of sustainable income from diverse teaching sources 2.2. Surplus from Entrepreneurial St Andrews being achieved 2.3. Improvement in the level of grant funded research
Capital Expenditure	3.1. Prioritised list of investments 3.2. Reduce funding gap for our Investment plan
Revenue Expenditure	4.1. Improved sustainable recurring position 4.2. Increased funding support supporting scholarships and bursaries 4.3. Rolling investment fund contributing to projects/priorities

Andy Goor
Chief Financial Officer
December 2019

Finance Enabling Strategy - Framework

Enabling strategy priority	Scope	Priority	World-leading St Andrews	Diverse St Andrews	Global St Andrews	Entrepreneurial St Andrews
Social Responsibility						
Transparency and Change Programme	Provide an effective interface with School and Units to ensure transparency and understanding of University finances	SHORT (0-2 years)	To aid prioritisation, give clarity of cost consequences of investment decisions.		Enhance understanding of costs of research and teaching across the University	
	Ensure a fair and systematic approach to resource distribution is maintained	MEDIUM (2-3 years)	Provide an affordable targeted investment support framework for the development of interdisciplinary themes based on prioritisation and delivery potential		Revise approach to budget monitoring across Schools to enhance local decision making	Create revolving financing support, via third party investment
	Reinforce empowerment for budget holders Ensure clarity of financial consequences of decisions considered Recurring funding to be found to support rolling	LONG (3+ years)		Support agreed investments to deliver diversity objectives in line with Diverse St Andrews and the People Enabling Strategy.		

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	<p>investment/support opportunities</p> <p>Target waste reduction/efficient working across all areas of the University</p>					
Income Growth	<p>Support controlled and targeted income growth over the life of the plan</p> <p>Enable targeted efficient and effective investment to support growth areas</p>	SHORT (0-2 years)	<p>Encourage Full Economic Costing to support funding for researchers</p> <p>Work with Development to target scholarship support for expansion of the PGR and PGT programme to enable release of existing revenue support.</p>		Support the setting of clear and decisive targets for UG, PGT and PGR for St Andrews based students	Prioritised investment to stimulate a rolling entrepreneurial start up programme
	<p>Ensure that long term financial sustainability is achieved by delivering an efficient growth model.</p> <p>Target more philanthropic</p>	MEDIUM (2-3 years)	Investment based on prioritised themes to deliver activity in thematic areas to support expansion of student numbers	Staff retention to be supported via a fair and transparent investment model	<p>Review and development of relevant markets to sustain growth</p> <p>Support the introduction of fully costed new activities outside of core University business to enhance and grow income streams</p>	

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	<p>support for scholarships to maximise opportunities for the best students</p> <p>Development of pricing structures to support income generation across Schools and Units</p>	LONG (3+ years)	Facilitation of investment opportunities with potential returns for the University			Income return is tangible and contributing to the University
Capital Expenditure	<p>Investment based on strategic requirements</p> <p>Critical path approach re prioritisation reflecting on the benefits of each capital investment business plan.</p>	SHORT (0-2 years)			<p>Investment to support strategic growth on a critical path basis</p> <p>New debt requirement to be measured against cost of servicing and time frame to deliver</p>	
	<p>Clear line of sight on affordability of investment and revenue consequences</p>	MEDIUM (2-3 years)	Understand the investment requirements to support research themes whilst prioritising to ensure affordable delivery	Accessibility to be at forefront of investments		

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	<p>Review of funding availability with an understanding of possible additional debt</p> <p>Philanthropic support for significant and specific infrastructure enhancement and development</p>	LONG (3+ years)			Philanthropic support essential to meet ambitions, wedded to internal cash generation	<p>Securing the investment proposed through the Tay Cities Deal to support entrepreneurial zone, in order to maximise the benefits planned</p> <p>Seek other third party support in order to maximise the development opportunity of Eden Campus</p>
Revenue Expenditure	<p>To enable the release of University funds for reinvestment, we will encourage philanthropic support for scholarship expansion to support student attraction, retention and experience.</p> <p>Prioritisation of investments based on strategic</p>	SHORT (0-2 years)	Work with Development to target scholarship support for expansion of the PGR and PGT programme to enable release of existing revenue support		Targeted investment based on appropriate ROI criteria	Standard pricing mechanism to be developed to support new areas of income/surplus generation
		MEDIUM (2-3 years)	Identify potential new partnerships to support research			Costs supporting entrepreneurial activity covered by income generated creating new investment pool as well as supporting University financial sustainability

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	alignment across the University	LONG (3+ years)			Strategic use of income growth from global expansion	