Introduction

1. Under the terms of the University Financial Regulations budget management and accountability will operate through a financial and management control framework approved by the Principal and a value for money strategy approved by the Audit & Risk Committee on behalf of the University Court.

2. This document provides that framework and strategy.

Context

3. The University Court is responsible for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control.

4. Subject to approval of the annual budget, the capital expenditure programme and certain specific reservations, the Court has delegated authority to the Principal, as the designated accounting officer, responsibility for the management of the University's affairs. Therefore all authority to incur expenditure and undertake projects derives from the Principal.

Purpose

5. To meet these requirements it is essential to have inter alia a sound financial management environment designed to achieve the following objectives -

   a) ensure resources are focussed on key areas and support the delivery of corporate objectives
   b) provide a secure framework of financial accountability and control with explicit parameters on budgets and staffing and ensuring longer-term commitments are not made without approval
   c) ensure value for money and cost effectiveness
d) provide accountability by making University Leadership Team (ULT) members explicitly accountable for the management of allocated resources and achievement of agreed financial targets, with resource management a specific element of the performance management system.

e) ensure that funds are only used for the purposes for which they are received.

Budget Management – Levels

6. The basic structure of budget management levels and accountability –

**Level 1** The Principal to whom all direct reports are accountable

**Level 2** Vice Principal, Director of Finance, Assistant Principals and University Secretary

Accountable to the Principal for delivering the corporate objectives within the available resources, allocating resources within their areas of responsibility, ensuring financial targets are achieved or exceeded and that resources are utilised effectively in the development and effective operation of the University.

**Level 3** Deans of Schools and Directors of Professional Services

Accountable to the relevant Level 1 or Level 2 manager for delivering the corporate objectives within the available resources, ensuring financial targets are achieved or exceeded and ensuring that resources are utilised effectively in the development and effective operation of the University.

Deans of Schools are additionally accountable for the development of Research and Knowledge Transfer activity including the generation and effective utilisation of research and commercial funds.

Delegation below this level is subject to the express agreement of the Director of Finance.

7. Within this accountability framework, all budget managers at the appropriate level have authority to utilise approved budgets, subject to the qualifications and restrictions below, for the purposes of achieving the agreed objectives.

8. Effective resource management will be a specific objective within the performance management system at all levels.

Qualifications and Restrictions
9. Exercise of delegated authority to utilise budgeted resources is subject to the following qualifications and restrictions –

a) The University annual revenue budget and capital expenditure programmes are approved by the University Court and their achievement monitored by the Finance and Property Committee.

b) Compliance with all relevant University Policies and Procedures, including *inter alia* -
   - Human Resources
   - Purchasing / procurement
   - Financial regulations and procedures developed there under
   - Treasury management policy
   - IP and Commercialisation

c) No-one has authority to spend beyond the agreed budgets without approval. Whenever it becomes apparent that approved budgets at Level 2 may not be met the Director of Finance must be notified immediately and corrective action agreed. Acceptance of any inability to deliver agreed budgets must be approved by the Principal.

d) As funding and therefore budgets are determined annually, prior to future budgets being confirmed all new commitments other than staffing (see below), which extend beyond the end of the financial year (notably longer term commitments such as rents / leases) additionally require the approval of the Director of Finance.

e) Significant projects including major estate investment (over £1m) will be explicitly approved by the University Court and specific management and authority arrangements put in place.

**Resource Allocation and Management – underlying principles and practice**

10. Subject to strategic priorities and available resources, annual resources will be allocated to Schools and Professional Service areas through operation of Resource Allocation models informed by analysis, benchmarking and effectiveness considerations. It is for the relevant Level 2 Managers to prepare detailed budgets for their areas of responsibility within the available resources and agreed budget strategy, consistent with corporate priorities for approval by the Principal.

11. Annual budgets comprise -

   * main allocations, which reflect the outcome of the operation of the Resource Allocation Model and mainly comprise a proportion of the main elements of funding from SFC grants and fee income.
• budgets based on other Revenues, which comprise all other income available to the School or Professional Service Department including any share of URI (the free surplus after charging direct costs and relevant overheads), for which annual minimum targets will be set.

12. Targets will be set annually for both the Gross (total income) and Net contribution (overheads and surplus) for research grants & contracts, consultancy etc. projects.

13. URI should not normally be committed until it has been confirmed after appropriate overheads have been met and may only be used for planned development activity specifically linked to corporate or faculty objectives, approved by the Vice Principal and notified to the Director of Finance.

14. All internal allocations must be utilised in the financial year. Apart from continuing, incomplete externally funded projects, no balances or unutilised resources will be rolled forward to future years.

15. Attributable overheads will be charged to all individual projects on a monthly basis as they progress.

16. All projects, irrespective of funding source, require an agreed budget plan. All project proposals exceeding £50,000 must have a business case and detailed costing prepared for approval by the Director of Finance.

17. All individual purchases of goods and services exceeding £30,000 must have a business justification approved by the relevant Level 2 Budget holder and be submitted to competitive tender through or with the agreement of the Head of Procurement. All individual purchases over £3,000 must be approved by a Level 3 budget holder and a minimum of three quotations received and recorded.

Virement

18. Virement is only permitted between non-pay budgets within defined areas when it can be demonstrated that the intention of the initial allocation is maintained, with the approval of the Level 2 Budget holder and notified to the Director of Finance.

19. Virement between capital and revenue or to pay from non-pay budgets is only permitted with the approval of the Principal.

20. Costs will always be charged to the correct account irrespective of whether there is available budget and not against other accounts where there may be spare, unutilised budget.
Staffing

21. All staff appointments, including temporary, casual or agency appointments, must be processed through the Human Resources & Development Department following confirmation of budget status and effect of future commitment by the finance department and approved by a Vice Principal nominated by the Principal.

22. All additional payments to staff for work done must be notified to the relevant Level 2 budget holder in a format determined by the Director of Human Resources & Development and certified on completion by the relevant Level 3 budget holder prior to payment through the payroll system. Payments to staff for additional work will only be made where contractual hours have been fulfilled.

23. All payments to staff for work done, whether within or additional to their main contract will be paid through the payroll system. All individual appointments claiming to be self employed or consultants will be subject to a status check by the finance department to determine whether they should properly be paid through the payroll system for tax and NI purposes.

Value for Money

24. The University Value for Money strategy is attached.

25. All savings identified through sustainable futures projects, vfm studies or otherwise will inter alia -
   a. Have a detailed impact assessment prepared
   b. Be quantified in financial terms, recorded and notified to the Director of Finance – both actual and notional
   c. Have an implementation plan approved by the relevant Level 2 Budget holder
   d. Have the relevant costs removed within 3 months
   e. Be subject to review after 6 months to confirm achievement.

26. Implementation plans will be prepared in collaboration with the Director of Human Resources & Development who will advise on inter alia redeployment or redundancy implications, reallocation of duties amongst other staff and action required to achieve. Advice on costs and budget implications will also be available from the Director of Finance.

27. Where the outcomes require resources to be transferred between Schools and / or Professional Services areas the relevant budget adjustment will be agreed with the Director of Finance and, where appropriate, future budget allocations rebased. Where savings are wholly within a budget area and are designed to enable the budget to be achieved they will be retained within that
area. Where, however, there are additional savings identified they will be retained centrally and either enhance the planned surplus for the year or be redeployed to corporate priorities by the Principal.

Annex

EDINBURGH NAPIER UNIVERSITY

VALUE FOR MONEY STRATEGY

Introduction

1. Value for Money (VFM) may be referred to as the “three Es”:

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2. The University recognises its responsibility to achieve value for money from all its activities, however they may be funded. Specifically, there is an underlying duty to ensure that public funds are spent on the purposes for which they are intended and that good value for money is obtained.

3. The University is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate and academic strategy. It will continue to adopt good practice; it will incorporate VFM principles in all its activities; and it will always seek to find new ways of obtaining better VFM.

4. The principles embodied in this strategy document follow the good practice guidance issued by the Funding Councils.
Objectives

5. To achieve good VFM, the University has set itself the following objectives -

   i. To integrate VFM principles within existing management processes by, for example, ensuring that all staff recognise their continuing obligation to seek VFM for the University as part of their routine activities;

   ii. To demonstrate to internal and external stakeholders that VFM is taken seriously throughout the University;

   iii. To adopt recognised good practice where to do so will improve the University’s operations;

   iv. To undertake VFM studies on areas of activity identified as worthy of review;

   v. To benchmark the University’s activities against other similar activities and organisations where this is considered useful;

   vi. To respond to new opportunities to enhance the economy, efficiency and effectiveness of activities;

   vii. To promote a culture of continuous improvement.

Responsibilities

6. The University Court is required by its Financial Memorandum with the Scottish Funding Council (SFC) to deliver VFM from public funds and has overarching responsibility for ensuring that suitable arrangements for VFM are in place by reviewing the arrangements for managing the resources under its control. In practice the Audit Committee will be the main channel for reporting on VFM to the Court and the University Leadership Team (ULT) will encounter VFM considerations in its work.

7. The Internal Audit Service is responsible for including an opinion on the adequacy and effectiveness of the University’s VFM arrangements in its annual report to the Audit & Risk Committee.

8. Executive responsibility for VFM resides with the Principal but all managers have the responsibility to -

   • Put in place arrangements that will ensure VFM is an integral feature of all of the University’s activities.

   • Maintain an awareness of good practice in their own area of operation.
• Ensure that staff aim to achieve VFM and bring to management’s attention any opportunities for improvement.

9 In practice the focus of responsibility at a senior level within the University lies with the ULT. The Director of Finance will be the nominated sponsor for any VFM project and is responsible for ensuring appropriate senior sanction, support and follow-through. He/she has operational responsibility for developing performance improvement and for identifying resource requirements to deliver the University’s Strategic Objectives.

10 Responsibility for pursuing VFM is shared by all staff and members of Court.

**Mechanisms**

11 The responsibilities for VFM issues will be carried out in the following ways -

i. The University Leadership Team will -

• Ensure that both the University and the Schools & Professional Services plan strategically and have staffing and capital investment plans appropriate to meeting their strategic objectives in the most cost-effective way.

• Ensure that the University takes advantage of initiatives from SFC, or any other funding agencies, that will improve the efficiency and effectiveness of the University.

• Make appropriate recommendations to the University Court for the funding of Schools and Professional Services which, *inter alia*, take account of any planned changes in the University’s priorities and of the effects these have on the roles of its Schools and Professional Services.

• Ensure that Schools and Professional Services have long-term staffing plans arrived at through consideration of the funding available and of the need to maintain the non-pay expenditure at a level appropriate to the requirements of the School or Service.

• Ensure that Schools and Professional Services have staff development plans in place that match their needs to staff capability – thus increasing staff efficiency and effectiveness.

• Ensure that Professional Services are funded at a level appropriate to the range of services required.

• Ensure that Schools and Professional Services report their performance on an annual basis against appropriate Key Performance Indicators, externally benchmarked where feasible.
• Review procurement performance reports produced by the Director of Finance.

• Provide commitment and support for the sustainable futures activities and VFM initiatives and ensure implementation of their outcomes.

• Engage the Internal Audit Service to perform specific VFM studies as appropriate.

• Receive an annual report from the Director of Finance for submission to the Audit & Risk Committee on VFM achievements, which will include reference to ongoing or routine activities that contribute to good VFM as well as specific VFM projects.

ii. The Audit & Risk Committee will -

• Produce an annual report that includes its opinion on the adequacy of the arrangements that are in place to promote economy, efficiency and effectiveness.

• Obtain an annual opinion from the Internal Audit Service on the adequacy and effectiveness of the University’s VFM arrangements.

• Obtain an annual report from the Director of Finance on VFM achievements, which will include reference to ongoing or routine activities that contribute to good VFM as well as specific VFM projects.

• Ensure that all audit reports produced by the Internal Audit Service give an opinion on VFM in relation to each assignment carried out.

• Engage the Internal Audit Service to perform specific VFM studies as appropriate.

• Obtain an annual Procurement Performance Report from the Director of Finance.

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