

### 3 YEAR BUDGET SETTING – GUIDANCE

- All budgets are prepared for three years will be presented at School level and aggregated into University summaries. Budgets will also be able to be presented by Discipline (by Draft 2 when the Research data is allocated down to this level).
- It is good practice for budgets to be built up from the lowest practical level. For some areas this will be the School level, but some budgets, for example, Direct Cost Recovery and Research budgets, will require to be built up on an individual grant basis based on Applications and Awards data by Research Financial Services.
- The budget reports are also now in the format of the Monthly Management Reports which are produced to monitor your School results monthly (budget versus actual).
- Once the final budgets have been agreed by the Court in June, the figures from the final budget are uploaded into the Agresso finance system as budgets for the forthcoming financial year. There can be some amendments between June and September – these mainly relate to pay awards and updated budgets for depreciation. If the budgeted pay award is not agreed and an alternative percentage uplift is agreed, we will process the revised uplift in the payroll models and adjust the savings target for the Schools by the same amount. Depreciation can also change between June and September due to purchases of equipment up to the year end (July) within the Schools. A central budget will be allocated to the School to cover any increased depreciation charge.

### TEACHING INCOME

#### Teaching or “T” grant

- Each teaching discipline is given a Price Group by SFC, per full time equivalent (FTE) student, which incorporates both the Teaching grant and the academic fee. There are 6 categories of Price Group from SFC. The price groups were formulated using TRAC (T) data returned by Universities as per below and the amounts allocated for each are as per below:

Price Group	Funding per FTE
1	£16,875
2	£9,575
3	£8,486
4	£7,387
5	£6,530
6	£5,323

- The Home/EU FTE student numbers are derived from the Student Loads figures available in February of each year. These FTEs form the basis of the income distribution for the financial year ahead. From 19/20 budget year, this will be based on a three-year average of FTEs based on the February snapshot. Generally, the student numbers for Home/EU will not be varied from the three-year average unless circumstances dictate a material change in funding i.e. additional funded places are awarded from SFC.
- The UG Teaching Grant is allocated by taking the Price Group and deducting the academic fee (£1,820) multiplied by the three-year average of February FTE's. The PGT Teaching Grant is allocated based on the same method as the UG Teaching grant – Price Group less the assumed SFC academic fee (£5,500) multiplied by the February FTEs. If there is any difference between these figures and the funded places allocated by SFC, these are allocated pro-rata to each school based on the February FTE's.

#### **ACADEMIC FEE INCOME**

- There will be the opportunity to vary the non-fundable fees (overseas fees) as it is recognised that student numbers have the potential to change significantly. Any material change to the non-fundable numbers should be supportable, through historical trends, application data or the development and promotion of new courses, or the cancellation of courses (if applicable).
- RUK fees are included based on £9,250 per annum for three years with fourth year unbilled, however 4 years funding is assumed at £6,937 per annum spread over the 4 years (that we teach the students) for accounting purposes. Student FTE will be based on the February FTE's with an overlay agreed with Schools. Current applications indicate that this is a declining population, so it is expected that there will be reductions in this population.
- Academic fees use the February student FTE data multiplied by the academic fee for the course. An 'overlay' can be added for any growth or contraction in student FTE's expected in the next three years.

## RESEARCH FUNDING

### Research or “R” grant

- The Research or “R” Grant is distributed primarily according to performance in the last Research Excellence Framework (REF) in the various Units of Assessment (UOA). The performance of the University is fed into the REF results across Scotland to give an annual financial sum allocated by SFC. The REF grant is made up of the following components:
- Part A - REF based – based on Research Active staff per UOA, Weighted average quality, departmental rating.
- Part B – Non-Charity income Based – we allocate to UOA based on Non-charity income per unit of assessment
- Part C - Charity Income Based – we allocate to UOA based on Charity income
- The total REG grant by UOA is then allocated based on the School FTE’s returned in each UOA.
- PGR Grant is allocated based on the same method as PGT and UG. We take February PGR FTE’s and multiply this by the price group less the academic fee.

### EXTERNAL RESEARCH GRANT INCOME/STAFF/OPERATING

- Research & Innovation attend the first draft meetings to discuss the budgets for External Research Grant income/staffing/operating and Indirect Cost Contribution (ICC or overheads). This is based on the Income and Indirect Cost contribution (ICC) which are ‘in the pot’ for the next financial year and the following two years. Growth is assumed for awards which will be awarded in the intervening period (between March of the current year and year end which is July of the following year).

### OTHER SERVICES

- Other services includes services which we bill internally to grants and externally to other users, such as our Assisted Reproduction Unit, Forensic Pathology Contract, Proteomics, Oceanlab testing facility, MRI scanner. This excludes the Animal Facilities which are included within core payroll and core expenditure. This is calculated by a detailed review of all our services by our Planning Accountants with the facility manager.

## **CORE EXPENDITURE WITHIN SCHOOLS**

- The staff costs are taken from our Payroll models (which forecast core funds, discretionary funds, and other sources staff costs by person aggregated at School and by post type eg Lecturer) for the next three budget years. These include all staff in post, vacancies and known authorised replacements. Each pay line includes allowances for increments, pay award assumptions, Superannuation and National Insurance costs. A provision is also made at School level for likely promotions or contribution awards which may be awarded to staff within the School.
- As part of the budget booklet we will show all vacancies separated out for discussion.
- An allowance is made for payroll savings (called turnover management) which assumes that 2.5% of the core payroll will be saved within year due to gap savings. These are staff leaving the University with a saving relating to the gap until refilled.
- We also budget for Direct cost recovery or DCR as a deduction from staffing costs. This income comes from grants where a core member of staff's costs are recovered or partly recovered from a grant. This is budgeted based on the DCR which is 'in the pot' for the next three years ie on known awarded grants. An element of growth in DCR is assumed based on likely awards.
- The operating expenditure budgets will be based on the current year planning assumptions. We will take account of changes in activity levels, and this will include known matched funding commitments for research grants, any start-up funding commitments, studentships projected costs and agents' fees.
- The discretionary budgets are normally agreed based on a percentage of research grant indirect cost contribution, direct cost recovery forecast to be earned in the current year. Unfortunately, due to budget difficulties these budgets have been cut back in recent years and it is the Head of School that will decide the level of discretionary budget and the allocation of this within the School.
- Savings targets are agreed for the three-year budget setting process by the Senior Vice Principal. The first draft budgets will include savings targets for the first two years (based on the savings target agreed in the prior year less any known permanent reductions in staffing).

## **CORE CENTRAL UNIVERSITY EXPENDITURE**

### **Professional Services Costs and Campus Services**

- The costs of the various Central Services are allocated to Schools based on pre-defined allocation criteria. All allocation criteria are transparent and intended to allocate costs on the basis of use. Examples of the basis of allocation of main central services is listed below:

**PROFESSIONAL SERVICES AND CAMPUS SERVICES**

Digital & Information Services

50% staff 50% students

Directorate of Planning

50% staff 50% students

Estates Facilities

Space occupied

External Relations

50% staff 50% students

Finance

50% staff 50% students

Marketing & Student Recruitment

Student numbers

People

50% staff 50% students

Principal

50% staff 50% students

Research & Innovation

Research Income

Senior Vice Principals

50% staff 50% students

Student & Academic Services

Student numbers

University Secretary

50% staff 50% students

Campus Services

Student numbers

Miscellaneous

Student numbers

**OTHER ADJUSTMENTS**

- Financial Adjustments (excluding Deferred Capital Grants (DCG) and Depreciation)

pro-rata to Professional Services total

- Financial Adjustments (DCG and Depreciation only)

Space occupied

- Contingency

pro-rata to Professional Services total

## **Financial Adjustments**

- These relate to depreciation charges and deferred capital grants (DCG's) for our buildings and equipment (assets). This category also includes any interest receivable or payable (eg on borrowing for our Capital programme), central RUK bursaries and central contingency budgets. These are allocated to Schools pro-rata to the total allocated for the whole of the Professional Services.

## **BUDGET PLANNING ASSUMPTIONS**

- To enable the first draft of the budgets to be prepared by Finance, planning assumptions have been drafted. The assumptions are presented to and approved by UMG in February each year, prior to the commencement of the budgeting process.
- These assumptions form the basis for the consistent preparation of the first draft of the budgets. These first draft budgets will then be used to inform the discussions with the Heads of School, to establish more detailed budgets. Any changes to the assumptions on costs or income should only be made on the basis of supporting evidence and agreed with Finance.
- On receipt of the final SFC (Scottish Funding Council) funding letter (normally in May) the income projections for the Schools may need to be refined, however a working estimate of funding should be possible before the letter is available.

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