FINANCE DIRECTORATE
Budget Manual

Owner:	Chief Financial Officer
Version number:	2.0
Last revised date:	December 2024
Next revision date:	December 2025

1. **Introduction**

The budget process runs from January to June of each year, finishing with the Governing Body approval of the University's budget at Governing Body's June meeting. Under exceptional circumstances, a revised University budget is presented to the November meeting of the Governing Body in the event of a material change in operating environment.

The annual budget process is based on the 5-year student number forecast, which is also approved by the Governing Body at its June meeting. Similarly, any material changes (due to operating environment) would require approval by the Governing Body.

The approved student number forecast and the budget are submitted to the OfS in January of each year.

2. **Key objectives**

The aim of the budget is to ensure University's financial sustainability. More precisely:

- The budget shows a summary of all income and expenditure.
- The net of income less expenditure is the surplus. The University aims for a target surplus of 3% or more as a % of total income.
- The University also aims for net operating cash to be 8% or more as a % of total income.
- The budget includes a 5-year view of capital expenditure. This shows all material investments in Estates and IT related expenditure which are going to be of longer-term benefit to the University.
- The budget shows the cashflow and the balance sheet for the coming 5 years.
- The budget should ensure that adequate cash is maintained in future years; this is defined as a minimum of 84 cash days, in other words, forecast cash balances should be able to sustain the University's operating cash outflows for 84 days (without any further cash inflows).

3. **Timelines**

A budget timetable is established for each year with a broad outline of timescales as follows: -

- Jan Start of the process
- Jan/Feb Planning round to sign off student forecast numbers and student recruitment targets. This is lead by the Strategic Planning directorate. Finance use the student number targets to generate a top down view of the budget envelope for the university incorporating but not limited to core assumptions such as pay award, inflation, contingency. This provides steer as business area budgets are compiled.
- Feb/Mar Faculties and Directorates complete budget inputs. This is led by the senior finance business partners within the Deputy Finance Director team and the activities will include:
  - A review of existing staff and non staff costs and an evaluation of the requirements for the coming year
  - Asks for further funds from each of the faculties & directorates
  - Faculties & directorates are expected to show where they can make cost improvements in the form of efficiencies

- Apr/May Faculty and Directorate budget sign off meetings take place and Vice Chancellor signs off
- June Finance Committee and Governing Body Approval
- Sep/Oct Student Recruitment review for material movements to budget
- Dec/Jan Sign off Annual Financial Return (AFR) for OfS by Finance Committee and Governing Body

Budgets and forecasts are prepared using the University's Enterprise Performance Management (EPM) system. This is managed by the Deputy Finance director team. The senior finance business partners manage the inputs into the system and present the outputs from the system to the budget holders.

4. Responsibilities and accountabilities

Senior Finance Business Partner

Responsible for supporting the faculty with the preparation of the budget, and to provide support and challenge as and when required.

Finance Business Partner / Assistant Finance Business Partner

To provide in depth data input analysis and support to the faculty and the Senior finance business partner throughout the process.

Pro Vice Chancellor & Executive Directors

Responsible and accountable for delivering the budget

Deputy Finance Director

Responsible for leading and coordinating the budget setting process

Chief Financial Officer

Accountable for managing the sign off and presentation of the overall budget targets with the Governing Body

Vice Chancellor & CEO

Accountable for signing off and delivering the budget and AFR

FP&A Team (Financial Planning & Analysis)

Responsible for consolidation, analysis and reporting of the budget, including year on year analysis and analytical review.

5. Main inputs

The following key inputs form part of the budget process.

Income:

- Student number projections, to be received from the Strategic Planning team
- Fee assumptions on unregulated courses to be obtained from Marketing team
- Transnational Education Income assumptions – to be agreed with the Faculty Operating Officers and the International Office
- Research Income to be agreed with the Deputy Vice-Chancellor for Research and Knowledge Exchange

Costs:

- Expected staff numbers to be agreed between senior finance business partners and faculties & directorates, and to be presented at the April sign off meetings with the Vice Chancellor
- Pay inflation assumptions for next year to be informed by CFO / People Directorate
- Non pay cost changes to be signed off in the April sign off meetings with the Vice Chancellor
- Agency commission costs to be modelled on the basis of anticipated international student numbers
- Research Costs to be agreed with the Deputy Vice-Chancellor for Research and Knowledge Exchange.

Estates related income and costs:

Majority of assumptions are agreed in line with abovementioned timelines. The big cost categories within Estates are:

- Managed service contract (currently with Sodexo)
- Utility costs

The exception to the abovementioned timelines is accommodation income where fees & occupancy assumptions are set in Dec/Jan by the Estates team and presented to Governing Body in February. The reason for the earlier timeline is so that accommodation fees can be advertised to prospective students.

6. Faculties – broad overview

The budget for the coming year and the 5-year forecast capture the revenue and costs associated with the following activities:

- Teaching activities, such as on campus undergraduate and post graduate students and any degree apprenticeships
- UK Partner College student number forecasts with related revenues
- Transnational Education (TNE) partner student numbers and associated revenue forecast
- OFS teaching grants, which get calculated by the FP&A team on the basis of previous grant receipts and allocated to faculties.
- Research Grants and Contracts (see sections 9 and 11 below)
- Other Faculty generated revenues
- All staff costs
- All other Faculty related financial expenditure

7. Directorates – broad overview

The budget for the coming year and the 5-year forecast focus on costs, such as:

- Staffing costs
- Resource requirements for new or changed activities
- Reduction in resource associated with discontinued or reduced activities

- Non–staff costs, which will be particularly substantial with the Estates & Facilities and Residencies & Catering directorate as well as the Information and Library Services directorate.

The budget will also capture any income that exists within the directorates, which is primarily the case within the Residencies & Catering directorate.

8. Medway School of Pharmacy

The Medway School of Pharmacy (MSOP) is run jointly by the University of Greenwich and University of Kent. The running of the school is governed by the Joint Pharmacy Planning Group (JPPG), which is a committee with representatives from both Universities.

In developing the budget for MSOP, the following steps take place:

- Planning assumptions is terms of student numbers are agreed by the University of Greenwich and University of Kent in February.
- Bursaries payable to MSoP students will be based on the UoK bursary scheme.
- The proposed budget gets presented in April, both to the University of Greenwich Vice Chancellor and to the JPPG.

9. Government Research Funding

The University receives funding each year from a government body called UK Research & Innovation (UKRI). Funding is split into several tranches, the main ones being:

- QR funding: this is formula-based funding, based on research quality and therefore referred to as quality-related (QR) funding.
- HEIF funding: this is formula-based funding for knowledge exchange in the Higher Education and is referred to as Higher Education Innovation Funding (HEIF).

The budget for the coming year is assumed to be in line with what was distributed in the most recent allocation of funds, which usually takes place in Aug/Sep of each year.

The allocation of funds to Faculties and Directorates is determined by the Director of Greenwich Research and Innovation, in conjunction with the Deputy Vice-Chancellor for Research & Knowledge Exchange.

In addition to above, the University will bid for specific research grants from the various government research councils, all sitting under the UKRI umbrella. The budget in respect of these grants will be based on known grants that have been won, ongoing bids and additional targets for further bidding. The budget for this will be put together by a Senior Finance Business Partner, together with the Deputy Vice-Chancellor for Research & Knowledge Exchange.

10. Central Costs and Income

Central costs and income refer to any cost or income that is managed centrally and therefore not linked directly to any Faculty or Directorate or any other devolved budget. They include but are not limited to investment income, finance charges, depreciation, and pension charges. The central costs and income for the budget and 5-year forecast are developed by the FP&A team in conjunction with the Deputy Finance Director, Financial Controller and Chief Financial Officer, informed by third party data and executive decisions.

Central costs will also include a contingency for the Income & Expenditure budget, which is determined by the Chief Financial Officer.

11. Greenwich University Enterprises Limited (GUEL) Activities

Greenwich University Enterprises Limited is a wholly owned subsidiary of the University of Greenwich. GUEL was established to accommodate non-charitable activities undertaken by the university. These include consultancy contracts, research contracts where the report is not in the public domain and some conferencing, residence and catering activity. The key areas of activity in GUEL are categorised as: -

- Research and Consultancy
- Conferences and Short Lets
- Analytical Testing
- Software Sales
- Other Activities

The GUEL budget is developed by the Senior finance business partner, informed by the residences and conferences plan and input from GRI. The budget is approved by the GUEL Board in April of each year.

12. Shared Services

These budgets cover the services used by the three universities that share some of the campus facilities at Medway; University of Greenwich, University of Kent and Canterbury Christ Church University. The shared services budgets are developed by the University of Greenwich finance team, with assistance from Information and Library Services, and the Estates team.

There is an operational budget and a budget for strategic requests. The operational budget covers running costs. The strategic requests budget is for any costs that may be of strategic importance to the campus. Strategic request costs may be both capex and opex in nature.

The proposed budgets need to be agreed by all three universities by April/May of each budget cycle. Costs are allocated to each of the universities based on 3 year average of student numbers at Medway and shared accordingly to access to shared facilities e.g. Pilkington is shared with Greenwich and Kent whereas Drill Hall Library is shared across all three institutions.

13. Student Union (GSU)

The students of the University are members of the GSU. The Union is an independent organisation. It receives an annual subvention from the University to provide services for their students and to improve engagement. The subvention for the GSU is agreed as part of a budget meeting between the GSU CEO and the University of Greenwich Vice Chancellor. Funding for additional project work completed by the GSU on behalf of the university will be discussed and agreed at the same budget meeting.

14. Capital Plan

The budget includes a 5-year view of capital expenditure, also known as the capital plan or the investment plan. This shows all material investments in Estates and IT related expenditure which are going to be of longer-term benefit to the University.

This part of the budget is primarily agreed between the Finance team, the Estates team, and the ILS team, before being presented to the Vice Chancellor for sign off in Apr/May time.

There are two key considerations when putting together the capital expenditure:

1) That individual projects do not go above their respective budget envelopes which are set as part of the business case approvals for each project
2) That adequate cash is maintained in future years; this is defined as a minimum of 84 cash days, in other words, forecast cash balances should be able to sustain the University’s operating cash outflows for 84 days (without any further cash inflows).

15. Budget monitoring

Once the Budget has been signed off and the financial year starts, budget monitoring takes place in the following ways:

- Senior Finance Business Partners lead on monthly reporting on faculty and directorate level income and spend vs budget, including investigations on any variances.

- Quarterly forecasts for rest of the year are prepared and any variances against full year Budget need to be explained.
- Year to date actuals spend and forecasts for the full year are reported quarterly to the Vice Chancellors Executive team and the Finance Committee.