



UNIVERSITY OF
OXFORD

2022/23 Budget Process

Guidance Notes for Departmental Administrators
and Finance Officers



Finance Division

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Introduction

1. These guidance notes have been written to assist you to put together a budget for your unit or department, providing guidance on how to deal with each type of income and expenditure that you need to budget for.

Financial Year

2. The University's financial year runs from 1 August to 31 July. When considering the budget for 2022/23, you should think about all transactions that will fall between 1 August 2022 and 31 July 2023.
3. Some activities may straddle a financial year. When budgeting, you should include all activities that occur in the financial year, irrespective of when you expect the cash to change hands. For example:
4. If a course runs in August 2023 but you expect to receive booking income in June 2023, you should not include this income in your budget as the course will not happen until after the end of the financial year. An accrual made in July 2023 will ensure that this income is moved into the next financial year.
5. If you expect to place an order for and take delivery of a piece of equipment in May 2023 but don't pay for it until September, you should budget for this expenditure in 2022/23 i.e. treat this as expenditure on the date it is delivered. Again, an accrual in July 2023 will move the cost into the correct financial year.

Incremental Budgeting

6. For the most part, the University budgets on an incremental basis i.e. it is assumed that the existing base budget provides a sound starting point for future budgets. The budget holder / administrator just needs to think about changes for the coming year. This approach has the advantage of being relatively quick and easy to do. However it does have pitfalls. In particular, the budget holder needs to understand fully what is in the base budget and what assumptions have been made within it. If he/she has been in post for a number of years, this should not be a problem. However new members of staff will need to ensure that they fully understand the existing budget before thinking about changes to it.
7. There will be instances where incremental budgeting is not appropriate or possible. These are:
 - For new areas of activity.
 - Where existing activities are expected to change significantly.

In such cases, you will need to construct a budget from first principles, thinking about each area of income and expenditure in turn. Your divisional

financial controller will be able to provide assistance or advice and should be consulted as early as possible in the budget setting process.

8. In addition, you may be expected to budget from first principles for certain types of income and expenditure, in particular for payroll costs and for research income.

Setting a Realistic Budget

9. You should aim to set a realistic budget i.e. one based on your assessment of the most likely income and expenditure requirements for the following year. You should not budget for higher income or lower expenditure than you realistically think you will be able to achieve just to meet a budget target, unless you can put definite plans in place to deliver any required changes within the timeframe. Doing so will simply result in overspending. Conversely you should not budget for more expenditure than you think you will actually need or will be able realistically to spend, or for lower income than you realistically expect to achieve. Doing so will mean tying up resources that may be needed by others in order to deliver vital services. The University has a history of setting overly prudent budgets that end up not being fully spent. Any underspending during the year will be challenged in the same way as overspending. You should look at your history of spend over the last couple of years and also at your history of forecasting and use this to guide the assumptions in your budget. If you consistently underspend in a particular area, you are probably over budgeting. If you consistently earn more income than in your budget, you should look at your income assumptions. If your year end results are consistently better than your Q2 forecast, you should bear this in mind when using this year's Q2 forecast to guide your budget assumptions.

Use of Budgeting and Forecasting Tool (BFT).

10. Budgeting and forecasting is undertaken using the BFT. The BFT application is a bespoke budgeting and forecasting model which uses the IBM TM1 solution which is well suited for flexible modelling and consolidation of large volumes of data. The BFT provides a consistent way of collating Budget and forecast data across the whole University and is managed by the FP&A team in the Finance Division with support from Divisional offices. The BFT is accessed from the Financial Planning and Analysis pages of the Finance Division website and is behind the University single sign on (SSO).

<https://finance.admin.ox.ac.uk/financial-planning-and-analysis>

11. Pay costs comprise over half of the University's operating expenditure. The BFT has a separate section for payroll planning integrated within the application.

12. The BFT is not intended to become the University's main reporting tool and will not replace existing reports. Oracle information will remain the authoritative data record.
13. The BFT provides a standard format to be used across the whole of the University. The results can therefore be easily consolidated at departmental, divisional and University level. It also generates standard files to upload the budgets into Oracle once the budget has been approved.
14. The budget on the BFT will be open from mid-March and you will be able to use it to input your payroll and I&E budgets. If more than one person in a department is responsible for putting together cost centre budgets, you should ensure that everyone involved is aware of their own area of responsibility.
15. For further information on the BFT, including access and support, please see the dedicated [BFT Support webpages](#)

Oracle structure

16. Your budget should be based on the cost centre structure within Oracle. There is no requirement to set a budget for every cost centre in your department, particularly if an activity no longer takes place. You should speak to your divisional financial controller if you have any concerns about the cost centre structure in place. However you should note that you may only set a budget for a unit that is not an existing cost centre if you intend to open one on Oracle before budget upload occurs at the end of May. All budgets need to be uploaded to Oracle at this time. Please speak to the Financial Reporting team to get their approval for a proposed cost centre.
17. The BFT provides a separate summary for total A1, A2 and B ledgers.
18. For a full listing of natural accounts, along with guidance on their use, please refer to the "Natural accounts guide" at [Chart of Accounts Guidance | Finance Division \(ox.ac.uk\)](#)

NB Please note that the following Natural Accounts are restricted for Central Finance use and should not be used for budget entry: 46500, 47115, 51410, 51420, 99975, 99980 and 99985. These are "hidden" from Departmental/Divisional users on Oracle Financials but are visible on BFT.

BFT Budget (and Forecast) Natural Account entries should always be made to the posting (5-digit) Natural Account level, not at the 3-digit Parent level (460, 600 etc!!)

19. Income should be entered as a positive figure, while expenditure should be entered as a negative figure.
20. Comments on large variances, and other points of note, should be entered against the appropriate row of data.
21. Budget profiling can be set for each income and expenditure row, at natural account level.

Foreign Exchange

22. The University maintains the majority of its financial records in sterling only, and issues guidance on foreign exchange rates to use when budgeting. Where you expect to incur costs or earn income in other currencies, please ensure that you use the guideline rates.
23. Exchange rates to use when budgeting for 2022/23 can be found in Appendix A.
24. If you expect to incur costs or earn income in other currencies in excess of £1m, or need other currency rates, please speak to the Treasury team in central finance as soon as possible, who will advise on the possible need to hedge against the impact of currency fluctuations.

Detailed Budgeting Guidance

JRAM

Background

25. JRAM (Joint Resource Allocation Method) is a model maintained by PACS to allocate OFS and fee income over the collegiate university. ***JRAM forecasts prepared for the 2022/23 budget reflect known and forecast student number and fee changes and are available on the PACS TM1 platform.***

Income sources included within the JRAM are:

- recurrent OFS grants for teaching (T) and research (R)
- some OFS funds allocated to the collegiate University for specific purposes
- University fee income net of fee waivers, except for non-matriculated non-college students and VRO students
- College fee income, except from VRO students

JRAM in the Budget

26. The JRAM model is run in April each year, after receipt of the annual OFS funding letter. If the OFS letter is delayed then it may be May before the

results are known. Detailed information on JRAM income and its breakdown is provided by PACS to heads of the academic divisions and to the divisional financial controllers (DFCs).

27. Budget targets will be finalised early in the budgeting cycle in January 2022. Any difference to the planning numbers will be incorporated into the 22/23 JRAM adjustment in February 2022.
28. The DFCs will either input departmental JRAM figures into the BFT or they will provide a departmental list. You should not change the JRAM figures provided to you nor add anything else to this budget without consulting your DFC first. You should ensure that you understand what income is included within the JRAM figures and therefore what you need to budget for outside the JRAM. Certain fee income relating to non-matriculated non college students and VRO students is not included within the JRAM and therefore needs to be budgeted for separately. Certain OFS grants are not included within the JRAM and therefore also need to be budgeted for separately too (see notes on OFS grants below).
29. The services, in the main, do not receive JRAM but are allocated service funding via the 123 Infrastructure Charge model. If you are a service manager, these figures will be provided to you by your divisional financial controller, and they should be used as provided.

Other Central Funding

30. This is funding provided for a specific purpose and paid for from the University Chest. If your department is receiving balanced budget funding then it will appear here.
31. All Central Funding figures will be provided by central finance to the DFCs, who in turn will pass them on as appropriate. Please do not include any budget on this line of your template other than the figures provided to you centrally, even if you received funding in 2021/22. Please do not use this line to record inter-departmental or inter-cost centre transfers.

OFS and Other Grants

OFS Grants

32. The majority of OFS grants are notified to the University as part of the main OFS letter in April each year. The main OFS grant forms part of the JRAM figure described above, but there are other specific OFS grants that are not included in the JRAM. Details of these are provided to the divisional financial controllers who in turn will pass these on to the relevant departments. You should use the figures provided to you by your DFC. Typically the following OFS grants fall outside the JRAM and should be budgeted for on the OFS and Other Grants natural accounts:

| Grant | Recipient(s) |
|---------------------------------------|---------------------------|
| NHS Pay / Pension scheme compensation | Medical Sciences Division |
| HEIF | Most divisions |
| QR funding for research libraries | ASUC |
| Museums and galleries funding | ASUC |

Other Grants

33. In addition to OFS grants, divisions should include any other grant funding such as AHRC (Arts and Humanities Research Council) that they are aware of and expect to receive.
34. The associated expenditure should be budgeted for under the appropriate expenditure line.

Home and Overseas Student Fees

35. The majority of student fee income will already be included within your department's JRAM figure (except University Chest and Continuing Education).
36. The JRAM will be based on a forecast of student numbers. The difference between the forecast and the IYA will be posted to your department in the second half of the year

Other Student Fees

37. This covers all other fees relating to students studying in the department and includes the following:
- Income from non-matriculated non-college students.
 - Income from visiting/recognised overseas (VRO) students
 - Income from course fees
 - Laboratory & Bench Fees
 - Fees from University colleges or other departments for having students studying in, or supervised by, the department.
38. You should note that Overseas and Other Student fees also includes income that you expect to receive to fund DPhil and Masters studentships, including EPSRC and MRC support for PhD training and ESRC, "Roberts" and AHRC Research Training funds. Some departments include this income within their departmental accounts, whilst others budget for it within the B ledger (externally funded research). You should ensure that you budget for it where you expect the income to be posted during the year.

Research Income and research overheads

39. Externally funded research income and its associated expenditure should continue to be shown on cost centre 9999. By including it here, it will become part of the B ledger on Oracle. You should budget for breakeven i.e. income should match expenditure.
40. Research overhead income should continue to be budgeted within your normal departmental cost centres as it needs to be part of the A1 ledger on Oracle i.e. normal departmental income.
41. You will need to gather together information on all existing research grants for your department. Ideally you will have a spending profile for each grant so you will be able to tell how much expenditure you expect to incur by grant in 2022/23.
42. You will also need to assess the level of new awards that your department has already applied for and those that you expect might be applied for, given planned research activity levels for your department. An overall assessment is then needed on the proportion of these that you could realistically expect to win. You will then need to use your judgement to come up with expected start dates and spending profiles for inclusion in your budget. You may consider it more prudent not to include anything for grants not yet awarded, but this is likely to result in an understatement of grant and research overhead income which is undesirable for budgeting purposes. It is recommended that you make a prudent assessment of the most likely outcome for the year.
43. For grants that include a large provision for equipment expenditure, you will need to form a view on the most likely timing of this expenditure.
44. You may hold all the information that you require within your department and may have your own views on the likely success of current and possible future applications. However, you may also want to refer to quarterly data produced by Research Services on recent application to award rates, or speak to your Research Services divisional support team for advice.

Project or Other Funded Activity

45. You should budget for project or funded activity on the following cost centres and the results will be included in the A2 Projects ledger:

9982 Externally funded projects and activity that are not research projects.
9986 Studentships
46. The benefit of budgeting on the A2 cost centres is that it allows you to separate project or non-recurrent activity from your ongoing departmental

activity which will be included in the A1 ledger. You may wish to speak to your divisional financial controller for further advice on this.

Trust Funds and Investment Income

Trust Funds

Background

47. The University has a large number of trust funds that it can call upon to fund expenditure. Details of these trust funds are maintained in Council Secretariat and the Financial Reporting section within the Finance Division. Each trust fund has an appointed board of management and a governing document, often but not always set out in the form of a trust regulation. The governing document records the terms of the trust, which dictates the purposes for which the fund may be used and any other conditions that apply. It is only possible to fund expenditure from trust fund income if it is permitted by the trust's governing document. The trust fund analysis produced by the Financial Reporting section provides a brief summary of the primary purpose of each fund.
48. Trust funds are established mainly through endowment gifts from benefactors and, to a lesser extent, through the University declaring trusts over its own funds. Trust funds are classified according to whether the endowment capital is considered to be permanent (i.e. the capital may not be spent) or expendable (i.e. the capital may be spent if it is considered in the best interest of the trust).
49. On Oracle, each trust fund has a unique Source of Funds (SOF) code. During the year, when expenditure is incurred, this SOF code should be attached to the expenditure at the time it is incurred. On a monthly basis, the Financial Reporting team will transfer income into your departmental I&E account to match this expenditure, provided there is sufficient income available in the trust fund. Trust funds earn income from a dividend paid on the number of Oxford Endowment Fund shares held multiplied by the dividend per share, and from deposit pool interest earned on the trust fund income balance.

Trust fund income in the budget

50. To start the budgeting process, you should be provided with a copy of the latest trust fund quarterly analysis from your DFC and you will need to look at the trust funds available to your department and what they can be used for. For each trust fund, the trust fund budget analysis will provide information on:
 - Its source of funds code.
 - The "owning" department
 - The primary purpose of the trust fund – what the income can be used to fund.

- The main contact name for that trust fund
- Whether the trust capital is permanent i.e. it cannot be spent, or expendable i.e. it can be spent. For permanent endowments, only the investment income earned by that endowment can be spent. For expendable endowments, both income and capital can be spent. Any unspent income from one year is carried forward to the next.
- The level of unspent income on 1 August 2021. Some trust funds have sizeable income balances that have built up over a number of years because little or no expenditure has been claimed against them. **This represents an untapped source of income that should be investigated and utilised as soon as practicably possible, in line with the University's obligation under trust and charity law.** To comply with this obligation, trust fund income should be used first (where possible) before funds from other, more general, sources. Bear in mind that many trusts permit historic income to be used in a more flexible manner than current year income.
- Information on expenditure claimed against the trust fund and expected income to be credited to the trust fund in 2021/22. This will help you judge how much unspent income there might be on 1 August 2022.
- A forecast of investment income for 2022/23.

51. The total income available to fund expenditure in 2022/23 is therefore the sum of the opening balance of unspent income on 1 August 2021 plus new income for 2021/22 plus (for expendable endowments only) the balance of the trust fund capital. When considering what expenditure you can fund from this, you will need to be careful to ensure that you comply with the terms of the trust, as set out in its governing document, particularly if it is planned new spend. You should also consider the nature of the expenditure and whether it is recurrent or one off. You should not enter into commitments for new recurrent expenditure if you plan to fund it from unspent historic balances or from trust fund capital as neither of these will provide a recurrent source of income. If you plan to spend capital from an expendable endowment you should also be aware that income in future years will be reduced as a result. If you are unsure of the status of a trust fund (i.e. its categorisation as permanent or expendable) contact your DFC to discuss how you can clarify the legal position of the trust.

52. Once you have determined that a certain level of expenditure can be funded from a trust fund, the expenditure should be shown in full under the appropriate natural account in the normal way. The matching income you expect to draw from the trust fund should be shown in the Trust Fund and Investment Income natural account.

53. For some divisions, Source of Funds codes can also be used in budgeting for the use of trust funds in your budget.

Other Investment Income

Donations

54. The Donations area of the natural accounts should be used to budget for the following:

- Donations (including John Fell income)
- Covenant Income

What is a Donation?

55. Donations are charitable gifts to the University from an external donor. All donations must be channelled through the Development Office and notified to/accepted by the University's Gift Registry.

56. This guidance covers departmental income treated as Donations and the expenditure funded from donations. Donations income included in this line of the budget template is to be distinguished from:

- **Capital Donations.** Capital Donations are gifts to the University which are to be used to fund capital expenditure. These sums are controlled by the Finance division/Estates teams and are not budgeted by Departments.
- **Research Donations ("Gifts for Research").** Research Donations are sums given specifically to fund research activities. Budgets are set and funds are released by the Research Accounts team who should be consulted about the budgeting of these items.
- **Trust Funds.** Trust funds are endowment donations where the principal sum received has been invested to generate an annual funding stream, often in perpetuity.

57. **Materiality:** when setting budgets it is important to focus on material donations, which in most cases will be individual or aggregate sums of at least £1,000. Departments should not set budgets for smaller sums, which will have only a minor impact on the department's overall accounts, unless there are a number of small donations, which together have a significant total impact.

58. **Certainty:** in most cases sums will already have been formally accepted by the Gift Registry. Otherwise, where new donations have not yet been accepted by the Gift Registry, the department must have reasonable certainty that a donation will materialise for 2022/23.

59. **Duty to spend.** The University is an exempt charity and accordingly it is obliged under charity law to spend donation income as soon as practicably possible on the purposes for which it was given. In order to comply with this

obligation, the University's policy is for donation income to be used first (where possible) before funds from other, more general, sources.

Donations are split into:

60. **Restricted Donations** (also known as specific donations), where the donor has said that the funds are for a particular use, e.g.:

- to support a given studentship
- to fund a particular member of staff
- to pay for a specified activity

61. Please note that Research Donations (Gifts for Research) are treated separately within the University's Research Grants & Projects accounts, and are not shown in the departmental accounts.

62. **Unrestricted Donations** (also known as "general" donations), where the donor has not specified a use for the funds or where the donor's wishes are sufficiently broad that the University has to decide how they are to be spent, e.g:

- for the Department of X
- to support teaching in the field of X
- for general purposes
- for general teaching/research in X

How to budget for a donation?

63. You should consider any materially significant donations for 2022/23 where the donation has already been received, or where there is a reasonable expectation of the donation being received in time for use during the year.

Restricted Donations

64. For each donation, departments should make sure that the year's donations income is exactly matched by related expenditure. This follows exactly the same principle as is used for trust fund income. Unspent portions of a restricted donation can be carried forward at year end to fund future activities.

Example:

| | |
|--------------------------|-----------------------------|
| Donations Income | £10,000 from source/sources |
| Related expenditure (£): | |
| Payroll Costs | 8,000 |
| Consumables | <u>2,000</u> |
| Total Expenditure | <u>10,000</u> |

65. In the example above, even though the net effect on the “bottom line” is nil (£10,000 income less £10,000 expenditure), the donation is likely to have a significant impact on the department’s finances so both the income and expenditure should be shown in the year’s budget. This is especially important when the use of the donation has created a contractual commitment for the University, for example where someone has been employed via the donation and there is a future liability which would have to be funded from other sources if the donation runs out. You may wish to include both on cost centre 9982 Externally Funded Projects so that both the income and expenditure will be included in the A2 ledger.
66. If the donation does not fully fund the expenditure, the full planned costs for the year should still be shown, with the assumption that the remainder of the costs will be funded from other sources of departmental income.
67. Please note that for reconciliation purposes, the actual income and expenditure will be matched via use of a specific source of funds code for each donation (in the range beginning with the letter C).
68. It is good practice to prepare “mini-budgets” for each donation using a budget working paper so that a record is kept of how the budget figures were arrived at. Actual donations income and expenditure are kept separate in the University’s account by use of different source of funds codes, and also (optionally) cost centres (including 9982), to distinguish different donation funding streams.

Unrestricted Donations

69. Unrestricted donations are treated as general income which is credited in full to the department in the year in which it is received. Unlike restricted donations, they cannot be carried forward to future years if the intended associated expenditure does not occur.
70. Budgeting for unrestricted donations therefore depends on having prior knowledge of donations which are expected to be received in the year concerned. It is essential to liaise with the Development Office and others involved in fundraising, so that the department has good information about likely future donations.

John Fell OUP Research Fund

71. The John Fell OUP Research Fund (JFF) currently provides £5m pa to help grow research activity in the University. Successful departmental JFF bids result in awards which are channelled through departmental I&E accounts.

For further information, please see:

General JFF information:

<https://researchsupport.admin.ox.ac.uk/funding/internal/jff>

Contact your department administrator or divisional office for more information

Covenant Income

72. Departments may receive external income governed by a legally binding covenant, which sets out a definite stream of income for a period of one or more years. [NB Saïd Business School has significant covenanted income from OSBS Ltd, but there is little other covenanted income in the University's accounts].

Sales, Service and Trading Income

73. Many University departments are involved in trading activities which generate, in places, very considerable external sales income. Actual trading income and relevant costs are tracked in the accounts via activity code 25, plus the appropriate natural accounts.
74. For budgeting purposes departments should look at previous years' income, and ensure that significant income trends are taken into account. Related departmental expenditure should be shown in full. Please do not net one off against the other.

Other Income

75. A large number of Oracle natural accounts fall within this heading but most departments will only have a smaller number of different income streams that they need to consider.
76. Departmental budgets should cover all planned and anticipated departmental activity. This includes budgeting for "Other income" items where there is a reasonable expectation that the income will be received in the budget year. You should look at the previous years' income and assess whether such income-generating activity is likely to have a significant impact in the budget year. If the total budget within this heading is significant, departments should maintain a working paper to show how the budget was arrived at.
77. You may also wish to consider whether income budgets can be augmented by including managed income targets e.g. a realisable % increase in targeted income headings.
78. In all cases, expenditure in respect of these income streams should also be budgeted on the appropriate expenditure line.

Payroll costs

79. Payroll costs are the most significant cost in most departments and it is usual for the payroll budget to be built up by individual member of staff. Payroll budgeting is undertaken using the BFT, which contains the central assumptions for cost of living awards, changes to NI and employer pension contributions etc. For operational information about the BFT please refer to the relevant [BFT Support webpages](#)

80. The BFT payroll planning application forecasts costs for the following natural accounts:

| | | |
|----------------|-------|---|
| Academic Staff | 50100 | Academic Staff |
| | 50110 | Research Staff |
| | 50120 | Teaching Staff |
| Support Staff | 50200 | Support Staff - Administration |
| | 50210 | Support Staff - General |
| | 50220 | Support Staff - Premises |
| | 50230 | Support Staff - Lbrary and Museum Staff |
| | 50300 | Technicians |

81. You should consider the costs of research, casual, paid as claimed and agency staff separately (see guidance notes below). This includes casual staff and paid as claimed staff who are paid through the university payroll system.

82. Assumptions on pay increases for 2022/23 can be found in Appendix A for information.

83. Personnel Services publish the following salary scales and these will be reflected in the BFT:

- Grades 1 – 5
- Grades 6 and above
- Clinical, Academic and Related grades

84. The published pay scales contain information which reflects the latest pay awards. You should be aware that the published scales will NOT include any expected changes to the cost of living award and NI/pension rates for the following year.

85. There will be a number of staff on other and non-standard pay scales. If you need to obtain information on any of these, please speak to your divisional finance team in the first instance, who may be able to advise.

86. If you expect to make a new appointment during the year and need to include it in your budget, please use a realistic start date and do not automatically assume that new staff will all start on 1 August. Please do not underestimate

the time it takes to recruit a member of staff and bear in mind that first recruitment exercises can be unsuccessful. One of the main causes for underspending pay budgets is due to delayed recruitment.

87. For those on or expected to go on maternity leave, there are specific rules governing the costs to the department, with some costs being offset by government funding. Your divisional office should be able to provide advice on how to show this on your pay forecast.
88. Staff may take up to 52 weeks maternity leave but you should be aware that staff may choose to return earlier. If you know of an intention to return before 52 weeks, you should factor this into your budget.
89. If you plan to bring in temporary staff to provide maternity cover and the temporary cover will be paid through the main payroll, please also include the cost of this in your payroll budget. If you plan to use casual or agency staff, please include this cost under the Casual and Agency natural account.
90. If you expect the returning member of staff to begin to work on a part time basis, you should factor this change into the budget.
91. **Note on Oxford Living Wage.** The decision has been taken to move to the Oxford Living Wage at the University from August 2020. The BFT includes uprated pay scale points for 2022/23.

Automatic increments

92. For grades 1 - 10, the top three points on the pay spine are discretionary and staff will not progress through these points automatically. For all lower points on each pay spine, there is an automatic right to progress up to the next level each year. For grades 1 – 5, staff will receive an automatic increase to the next incremental point from 1 August each year. For staff on grades 6 – 10, the incremental increase is applied from 1 October each year. The pay scales published on the Personnel Services website provide details on the automatic and discretionary points for each grade.
93. The BFT will automatically reflect standard incremental progression.

Other Changes

94. If you expect to regrade a member of staff, you will need to overwrite the projected pay cost with the cost of the regrade. If you expect the regrade to take place part way through 2022/23, you should apply the change from the expected date.
95. If you expect someone to change working hours, this should also be reflected in the BFT.

Joint appointments and secondments

96. You should ensure that you only include the cost that your department will incur, but liaise with the other party to ensure that the full cost of employment is reflected overall.

97. If you have an agreement that the full cost of employment will be charged to your department but that some of the cost will then be recharged, the budget should reflect the way in which you expect the actual costs and income to be posted during the year. For example, if you expect that the credit for the recharge of actual pay costs will be made against the payroll natural account on Oracle, you should only budget for the part of the cost that you expect to retain. But if you expect that the credit for the recharge of actual pay costs will be made against a different natural account on Oracle (probably the recharge account in Other Expenditure), then you should budget for the full employment cost within Payroll, and reflect the recharge separately.

Specific funding for payroll costs

98. If you expect a member of staff to be funded from, for example, a trust fund or from another external funding source, you should include the full payroll cost within your Payroll budget and show the funding separately under the appropriate income line. Please do not be tempted to ignore both sides of income and expenditure on the basis that they have no bottom line impact. If you do this, it will result in budget variances each month when the actual costs and income are incurred during 2022/23.

Vacancy Provisions

99. If you budget for the full cost of employment, your payroll budget is likely to be overstated due to unforeseen vacancies and gaps in employment. Many departments will include a vacancy provision to address this, which is a lump sum or % reduction in the payroll budget to reflect such as unplanned payroll savings. Your divisional financial controller will be able to advise you on the appropriate level for vacancy provision.

Headcount

100. FTE budgets are also automatically produced by the payroll planning application in the BFT.

Casual, Agency and Other Non-Payroll Staff

101. Three categories of cost are included within the Casual, Agency and Other Non-Payroll costs – casual and agency staff, fees and other pay costs.

Other Non-Pay Expenditure

102. The BFT provides information on historic spending patterns which you should use as a guide to your budget requirement for 2022/23. These may relate to items directly paid for by the department e.g. by raising a purchase order or

expenses claim, or be charged (e.g. by journal transfer) to your department's accounts by another part of the University.

103. The Oracle Natural Accounts listing provided on the Finance website provides more detailed information on the type of expenditure to include under each heading in the budget template.

Utility Costs

104. These costs may be incurred as follows:

- Utilities billed to you from Estates services
- Utilities where you pay the bills directly to a utility provider/supplier
- Any other utilities charged by another organisation (e.g. NHS)

105. The department should budget for all of these types of cost. Please remember to budget against your current year forecast and not on historic budgets.

106. Please also reflect on any new spaces or changes in use, such as large new equipment, that may impact you during the year.

107. General inflation guidance to use for utility costs can be found under Appendix A.

108. For very high electricity users, Estates Services work directly with the department in one to one sessions to develop a refined understanding of consumption and pricing assumptions for next year. If your department is selected then Estates will contact you via your divisional financial controller. If you have been involved in 'High user energy budgeting groups' in the past, then the expectation should be that Estates will work with you again this year.

Recharges 99600

109. Although the recharge account sits in the "expenditure" part of the income & expenditure account, many departments in the past have used it to record the recharge of expenditure incurred elsewhere in their budgets and therefore created a negative expenditure figure. There is a natural account within income where internal recharges that are income should be budgeted and this should be used in these instances.

Infrastructure Charges and Capital Charges

110. *Infrastructure (123) and Capital Charges approved for 2022/23 by PRAC are available on the [PACS TM1 platform](#)*

Infrastructure (123) Charges

111. Infrastructure charges are the indirect costs of the support services, charged to your department via the infrastructure (123) charging model. Your divisional financial controller will provide a departmental figure that you should use, though you may choose to break it down to cost centre level if you wish. It is important that you do not include any other costs in this line of the budget template.

Capital Charges

112. Capital charges represent the cost of the space occupied by your department. Your divisional financial controller will provide a figure that you should use for your department and you may choose to break it down to cost centre level if you wish. It is important that you do not include any other costs in this line of the budget template.

Covid-19 considerations for 2022/23 Budget

113. Please refer to the [University Coronavirus Status Pages](#) for guidance on return to on site working (published by Silver group on 25th February 2022). The following specific points for 2022/23 Budgets:

- a. The Covid Health regime will continue to be funded centrally providing Covid-19 testing as necessary to students and academics.
- b. The PGR extension programme remains open to applications for 2022/23 and this budget will continue to be held centrally

Budget guidance 2022/23 – key assumptions

This document contains the key assumptions for the 2022/23 budget setting process.

Budgeting for income

JRAM

JRAM is budgeted at a centrally estimated level provided in April 2022 by PACS, based on an estimate of student recruitment. Once the actual student population is known (in December 2022) the JRAM calculation will be re-run, with any differences in JRAM income distributed after February 2023 (this is known as the JRAM In-Year-Adjustment or IYA).

Other income

The general inflation rate to be applied to other income is 2.5%.

Budgeting for expenditure

Pay costs

General budget assumptions included in the BFT for 2022/23 are as follows:

| | |
|-------------------------|--|
| General cost of living: | 4% |
| NHS pay award: | 4% for clinical academics |
| NI: | 15.05% on all earnings above the secondary threshold of £758 per mth |
| USS: | 21.6% |
| OSPS: | 19% |
| NHS pension: | 14.38% |

Non-pay costs

The general inflation rate to be applied to non-pay is 2.5%.

Utility costs

Recent world events are causing significant uncertainty in energy markets and pricing is volatile at the time of writing this guidance.

As a result the guidance provided below reflects the increase in costs but also assumes that some stability will return over the coming 12 months. The situation will remain under review and any change to assumptions will be communicated through your divisional offices.

Please note these increases have been updated to reflect the utility inflation figures presented to PRAC on 22nd March 2022 as part of the budget target setting process.

Please use the following utility inflation assumptions for the 2022-23 budgets

| | % increase on Budget 21/22 | % increase on Q2F |
|-------------|----------------------------|-------------------|
| Electricity | 40% | 35% |
| Gas | 150% | 80% |
| Water | 10% | 10% |

These figures include commodity and non-commodity increases and hedging.

Larger users are welcome to contact the energy team for more focused guidance, as are departments with a significant change in usage.

Infrastructure and Capital charges

Infrastructure and capital charges for 2022/23 are due to be released to divisions during March 2022

Budgeted exchange rates

You should use the following exchange rates when budgeting for 2022/23:

| | 2022/23* | 2021/22 |
|------|----------|---------|
| US\$ | 1.30 | 1.39 |
| € | 1.18 | 1.15 |
| HK\$ | 10.20 | 10.80 |
| KES | 149 | 153 |
| Yen | 154 | 148 |
| CNY | 8.29 | 9.04 |

* February 2022 Month end rates.