Policy title	**Budgetary Control**
Version number	26.0
Effective from date	1st May 2026
Applicable to	All budget holders and those with responsibility for directing financial resources on behalf of the University or associated companies.
Owner	Chief Financial Officer
Date EIA completed	
Date DPIA completed *(where necessary)*	
Approving Committee(s)	Executive Committee Audit and Risk Committee Board
Date of approval	16th April 2026
Review date	April 2027

1. Scope and purpose

The **scope** of this policy covers any financial activity, regardless of the source of funding, and for all subsidiaries, associates and joint ventures unless alternative regulations have been agreed by the University Board.

This policy is supported by additional policies covering:

Policy	**Applicable to**
General Financial Regulations	Staff with delegated financial authority
Staff Financial Responsibilities	Anyone working on behalf of the University
Procurement	Any staff involved in purchasing decisions
Income and Credit Control	All staff involved in securing income for the University
Treasury Management	Staff involved in management of cash and investments

The **purpose** of this policy is to ensure the University:

- Has a financial plan that aligns to its annual plan and objectives
- Has a financial plan that supports delivery of its overarching strategy
- Has a financial plan that is consistent with its financial strategy
- Fulfils financial regulatory requirements with the OfS and other regulators
- Remains compliant with banking covenants
- Provides clarity to budget holders on the level and utilisation of resources delegated to them
- Maintains ongoing financial sustainability

Ultimately these all protect the reputation of the University and ensure good financial governance.

2. Roles and Responsibilities

Role	**Responsibility**
University Board	• Approve financial strategy, annual revenue and capital budget • Approve Annual Financial Return (AFR) submission to OfS covering 5-year forecast budget
Executive Committee	• Recommending annual revenue and capital budget to Board • Corporate responsibility for overall University performance • Develop a financial recovery plan where necessary
Chief Financial Officer	• Lead the preparation of annual revenue and capital budget • Report financial performance and budget setting progress to Executive Committee, Board and other stakeholders • Resolve budget disputes
Financial Management	• Support budget setting process ensuring departmental budgets are complete, accurate and subject to relevant challenge • Update budgets following agreed virement, business cases and bids • Provide support, advice, costings and regular reporting to budget holders
Budget holders	• Remain within their delegated budgets • Continually identify opportunities to be more effective in use of University resources • Code transactions to the most appropriate description, and not based on where remaining budget exists

3. Budget terms

For clarity, the following terms used within this policy have the following meaning:

- **Budget**. The budget represents the total amount of financial resources delegated to a budget holder
- **Actual**. The actual level of expenditure or income to the reporting date.
- **Forecast**. The anticipated level of expenditure or income to the forecast date. This may be different to the budget.
- **Revenue (expenditure)**. Income and expenditure incurred running the University i.e., excluding capital expenditure.
- **Capital expenditure**. Money spent on assets i.e. physical items costing over £5,000 with a life of more than one year.
- **Contribution targets**. Subject to the costing approach applied, each course cluster will be set a contribution target. Schools will be managed against the delivery of this target for their course portfolio
- **Depreciation**. The charge recognising the use of an asset. An asset costing £50,000 with a life of 5 years will be depreciated at £10,000 a year (£50,000 / 5 years)
- **Intangible assets**. Non-physical assets with a life of more than one year. Up-front software licences (not the annual charge) and purchased goodwill are examples. Not expected to be used by the University.
- **Amortisation**. Same as depreciation but for an intangible asset.
- **Recurrent**. The ongoing effect of a decision into subsequent financial years. Decisions should be based on the recurrent financial impact.
- **Non-recurrent**. The one-off impact that does not repeat. For example, an introductory offer or payment holiday.
- **Virement**. The movement of budget between departments or expense headings.
- **Operating target**. The financial surplus or deficit position for the annual budget approved by the University Board.
- **Net/gross**. Budgets must be prepared on a gross basis in line with fundamental accounting principles i.e. the gross income and cost budgets must be agreed, not a net figure representing the difference between the two (see also VAT below).
- **Normalised position.** The financial position excluding any one-off or distorting impacts e.g., excluding movements on pension scheme provisions.
- **VAT.** Education is a “exempt supply”, so the University cannot reclaim VAT (with very few exceptions). Therefore, all budgets and financial figures are quoted with VAT added (**gross**). Suppliers will often quote a **net** figure (i.e., excluding VAT) so this must be added when comparing to any budget figure.

4. Delegation of budgets

Members of the Executive Committee jointly hold corporate responsibility for the financial performance of the University. They also hold final responsibility for financial performance in their delegated areas i.e., school or directorate budget.

Additional managers may also hold delegated budgetary responsibility for their specific areas with the approval of the Executive Committee member with overall budgetary responsibility. They will be the designated ‘budget holder’ for an area. This can only be delegated to one post and would typically not be delegated below an ‘Associate Director’ or

‘Head of’ level of management responsibility. The decision to delegate is at the discretion of the relevant Executive Committee member as they retain overall budgetary responsibility.

The ability to authorise expenditure may be delegated further, but this does not imply further delegation of budgetary responsibility. Transactions must be coded to the most appropriate description, and not based on where remaining budget exists.

Budgets should sit with the team responsible for the expenditure and reflect accountability for delivery. Where accountability for delivery changes, budgets should move between areas to reflect the new accountability arrangements. People outside the directorate should not typically have the ability to request spend against another area’s budget.

There are a handful of exceptions to this rule where one department may act as a ‘gatekeeper’ but the expenditure is driven by external factors - examples include energy costs (sitting with Estates) and eye tests (with POD). However, wherever possible, costs should be delegated to the areas incurring the expenditure.

5. Setting budgets

5.1. Annual budget setting process

The University will set an annual revenue and capital budget in advance of the start of the academic year, and a 5-year revenue budget forecast each year in line with OfS submission requirements. This should be in line with the University’s financial strategy.

Key principles will be agreed and automatically applied to budgets, including:

- Pay awards and other uplifts
- Non-pay inflation – contracts over £50k a year will be uplifted at their specified contract rates, all others at an agreed inflationary uplift (e.g. RPI)
- Income uplifts, principally tuition fees as per the agreed tuition fee policy
- Target contribution rates for courses and research
- Approved business cases
- The value of IT and building replacement budgets

Other budgets will be automatically updated where these are driven by other factors (e.g., international agent fees).

Statutory and regulatory requirements are automatically funded, although the method of delivering the requirement will be subject to review and approval.

Technical changes (e.g., changes to accounting requirement such as IFRS16) will be automatically applied to budgets.

Budget discussions will focus on the following areas:

- Student number intake figures. This does not represent the target, but the minimum requirement to meet the budget.
- Cost pressures outside of items automatically funded above
- Capital budget required to fund asset replacement.

These will be subject to a peer-review process before recommendation and approval. Schools will need to review expenditure budgets to remain in line with contribution targets where there are changes to recruitment numbers for existing courses.

The budget setting process should not be used to fund developments. These should always follow the business case process (see below).

The Executive Committee will recommend the budget to the Board on the basis each member is individually and collectively confirming they can manage within the agreed resource. The Board will then approve the final budget, principally the operating surplus or deficit (target) and level of capital expenditure. The budget will include a cashflow and ensure compliance with banking covenants.

The budget should be subject to scenario planning and stress testing to understand financial headroom against the financial strategy and banking covenants.

5.2. In-year changes to budgets

Budgets may be varied in-year for the following reasons:

- **Virement**. The movement of budgets between departments following agreed changes e.g., transfer of staff members from one directorate to another. Virement may also occur between expense headings, but only where this is part of a permanent (recurrent) change. Virement may be undertaken between income, pay and non-pay budgets. Costings for pay budget virements will be done at a mid-point to mid-point and full-year basis. Only when this costing is in balance will the change be applied i.e., spine-point and timing differences cannot be used to justify budget changes.

  In requesting a virement the budget holder is confirming that the budget is no longer required for the original purpose and they cannot subsequently submit a cost pressure request for the original budget.

  Budgets cannot be vired between revenue and capital. Revenue budgets must not be used to fund capital expenditure and vice versa. Capital items may only be purchased from approved capital budgets.

- **Business cases (including course costings)**. A business case details a proposed development and the expected costs and benefits. Following approval of a business case the budget will be updated with the values approved in the case. These may be subject to subsequent virement (as specified above) but **only** the values approved in the business case will be adjusted for in budgets.

- **Bids**. Similar to business cases, budgets will be adjusted based on figures agreed in a successful bid. The University's costing model must be used as the basis for bid submission and final allocation of budgets. This is on a full economic costing basis, and bids should meet the agreed minimum contribution level.

Where a business case or bid, through a failure to appropriately liaise with relevant parties, causes an overspend in another department, the submitting school or directorate must make up the budget shortfall. This rule does not apply where the error rests with the department now suffering the overspend. The Chief Financial Officer will be the final arbiter of any dispute.

In all cases, budget changes above must ensure the University continues to plan to meet the operating target set at the University Board.

5.3. Exceptional updates to budgets

Changing the approved operating target or overall capital expenditure position can only be done with Board approval. This is only likely to be agreed in the following situations:

- Approval of a material business case that was not provided for in the original budget setting round.
- Significant material variance to student recruitment figures which means the original operating target is unachievable without unacceptably drastic action.
- Significant change to external funding or cost environment.

All examples are considered exceptional and must be accompanied with an explanation as to why the issues were not identified in the original planning round.

6. In year action

6.1. Contribution Management

Schools and directorates are expected to manage within the budget that has been set, but this allows for certain freedoms as well as responsibilities:

- Budget holders should discharge the duties and responsibilities of the school/department within the budget available. This means identifying mitigating actions for pressures in the same way as managing a household budget i.e., living within overall financial resources available
- In all cases changes to budgets should only occur following agreement with the Financial Management
- These rules only apply while a budget is not forecast to be overspent.

6.2. Establishment control

Budget holders may review and change their establishments within their overall budget. A post release form must be completed for all changes, to be checked and approved by POD and Finance in advance of any change occurring.

- All costings for post changes will be done on a mid-point to mid-point and full-year basis.
- New posts must clearly identify the funding source from within their current budget. This must be approved by a member of Executive Committee beforehand to ensure there are no impending plans to review the area through a wider organisation redesign programme.
- Unavoidable pay-related costs such as maternity and sickness pay will be charged to the relevant area and where possible should be managed within the existing pay budget. PRFs should be completed for cover requests.
- Academic posts relating to courses with a contribution of below 40% must be approved by the Provost.

6.3. Use of Reserves

The University holds a central contingency reserve. This is used only to:

- Protect the University from unexpected financial shocks
- Mitigate variances in student recruitment

- Cover redundancy costs related to delivery of savings

The contingency reserve is not available to fund bids and cost pressures for schools and directorates.

6.4. Savings

Efficiency savings are the new normal and should be planned for every year. Focus should be on identifying **recurrent** savings i.e., those with an ongoing benefit, not one-off savings.

The level of savings (in-year and recurrent) delivered by schools and directorates will be tracked throughout the year. Any savings requirement set during the year will recognise any savings already delivered, and over-delivery of savings can be carried-forward to support future savings requirements (but are not available to spend).

For the avoidance of doubt, the over-riding consideration is to encourage continual identification and delivery of savings, and the avoidance of perverse incentives e.g., budget holders 'holding back' savings so they have something for the following year.

Where a department is underspending, the reason why should be established to determine whether this is an opportunity for recurrent savings.

6.5. Carry forward

Carry forward of budgets is not allowed unless the external funding agreement **explicitly** allows. This is only likely in the following situations:

- **Project funding agreement**. Any surplus cannot be carried forward unless the funding agreement includes a proposed use. This should be included in the original costing and bid.

- **Donations**. Budget holders should liaise with the Development Office to ensure any donations are properly acknowledged and recorded to provide for carry forward. Donations to the 'greatest need' fund cannot be carried forward.

6.6. Financial risks and opportunities

Financial reporting should be undertaken on the basis of agreed accounting principles, and therefore include provisions and accounting estimates where uncertainty exists.

However future potential risks and opportunities, which would not be provided for under generally accepted accounting rules, should also be considered. This can include:

- Upcoming legislative changes currently in draft form
- Upcoming negotiations which cannot be fully assessed due to lack of clarity or certainty
- Any assumed but undelivered savings in financial forecasts

A risk-based approach to assessing each of the above should be considered, and a financial risks and opportunities schedule maintained and reported to ensure the University is aware of the full scope of risk. This should be cross-referenced to the main University risk register.

7. Corrective action

Financial freedoms can only exist while the University is managing within its overall budget, and each school and directorate must play its part in delivering the planned financial position.

Any department that is forecast to overspend will have its financial freedoms and authorisation limits reviewed to ensure it can return to balance. This will take into account:

- The reason for any deviation from budget
- Any plans the department has to return to balance
- The confidence the Executive Committee has in the department's ability to deliver the plan

Following this assessment, the Executive Committee will also determine any other action that is required of the overspending department, including initiation of performance management.

In some cases, the adverse variance may be such that corrective action in a handful of departments will not ensure the University delivers the operating target. In these situations, the Executive Committee will develop and implement a financial recovery plan. This may involve savings from all areas, not just those with adverse variances.

Where the Executive Committee is unable to develop a plan to return to the target operating surplus it must return to the Board to propose a revised target, along with the proposed financial recovery plan. This must include the reason why the Executive Committee believes it cannot meet the originally approved target, plus any external assurance that may be required e.g., impact on bank covenants.

8. Consequences

Failure to manage within a departmental budget can put the financial sustainability of the institution at risk. Therefore, failure to manage within a budget may attract performance management and/or cause the budget holder to lose delegated responsibility.

9. Reporting

Performance against the budget, plus forecast against the operating target, must be reported on a quarterly (minimum) basis to the Executive Committee and Board or designated sub-committees. More frequent reporting may be requested.

Reports to Board and Executive Committee must include the normalised position and provide full transparency on the level of any savings assumed in the budget or forecast.

Cash reporting must include separation between ring-fenced cash and free cash.

Financial returns, currently in the form of the Annual Financial Return (AFR), are required to be submitted to the OfS. The University will submit all returns as required by OfS.

The University also submits a Transparent Approach to Costing (TRAC) return for OfS.

The University must submit budget and management accounts under the terms of the banking covenants.