

SCHOOL OF INFORMATICS

Strategy Committee

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Research Institute budgets and forecasting

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Background

This paper outlines a proposal to change the way in which Research Institutes budget and forecast, to allow them to make multi-year commitments without the need to carry-forward income between financial years.

Action requested from the committee

Strategy Committee is asked to note this paper. There will be the opportunity for input to the revised approach to Research Institute budgets and forecasts through the consultation period in the next financial year.

Main subject text

It is the practice of the School to attribute a proportion of income, mainly generated by research overheads and consultancy, to Research Institutes in each financial year.

Research Institutes make in-year expenditures against this income but it has also been the practice to commonly 'carry-forward' some of the funds generated into future years, in part to provide for multi-year commitments such as PhD studentships. In fact, such monies do not carry-forward in University and School accounts, but the School reinstates these funds as a budget amount for the Research Institute at the start of the new financial year.

Typically, all or some of these 'carry-forward' amounts remain unspent at the subsequent year-end, resulting in further requests for the funds to be carried forward into future years, in potentially ever-increasing amounts. This creates an unfunded contingent liability upon the School, which adds to the complexity for the School in forecasting its expenditure in any given financial year. Recent adoption of a 'transparent forecasting model' by the University has increased the visibility of this issue.

From 2020/21, it is proposed to introduce a new model of budgeting and forecasting for Research Institutes which mirrors the approach that is required to be undertaken by the School. In simple terms, each Institute will be asked (with the support of the relevant Portfolio Manager) to forecast its income over the rolling four-year planning cycle and to identify, at a high level, the expenditures that the Institute would anticipate making against that income, each year, including multi-year commitments. These forecasts of income and expenditure will then be agreed by the School, allowing the Institute to make multi-year financial commitments, without the need for the current, imaginary, 'carry-forward' of budgets from one financial year to another.

The detail of the operation of the new model will be worked through with Research Institutes during 2019/20 with a view to introduction from 2020/21 onwards. This will be led by the Head of Finance and Administration. The new model will be brought to Strategy Committee for agreement.

Equality and diversity implications – None.

Resource implications (staff, space, budget) – Changes will impact on how Research Institutes budget and forecast for multi-year financial commitments. It is not envisaged that there will be any material change to overall School finances.