



Financial Operating Procedure: Budget Monitoring

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1 Scope of Procedure

This Financial Operating Procedure provides guidance to Budget Holders on the best practise for Budget Monitoring. It will help to ensure that the University's financial matters are managed to the highest professional standards and in accordance with best current practice. The procedure is mandatory to all budget holders and/or authorised delegates.

2 Aim of Procedure

The aim of this procedure is ensure standardisation of approach to budget monitoring across the University. It is also the aim of this procedure to ensure that the University achieves it's financial plans.

3 Roles & Responsibilities

3.1 Introduction

3.1.1: What is a budget?

A budget is a numerical representation of an action plan for a specific time period, which details planned expenditure and income.

3.1.2: What is budget monitoring?

Budget Monitoring is the continuous process by which we ensure the action plan is achieved, in terms of expenditure and income.

3.1.3: Why do we do Budget Monitoring?

Budget monitoring ensures that resources are used for their planned purposes and are properly accounted for to internal or to external bodies. This is to ensure the economic, effective and efficient use of resources and the identification of potential opportunities and/or problems and the taking of corrective action.

3.1.4: Who is responsible for Budget Monitoring?

The budget holder is ultimately responsible for monitoring the budget but they may delegate authority to other members of staff. However, they cannot delegate their responsibility for the management of resources within that budget.

Examples of budget holders are heads of schools, director of units, principal investigators, etc.

Examples of authorised delegates are school secretaries, technicians, research assistants, administrators and managers.

3.1.5: Frequency

The frequency of budget monitoring will depend on each individual budget holder's requirements. The budget holder or authorised delegate should monitor the budget at a frequency with which they are comfortable to ensure they are confident that they are in control of the



budget and are on track to achieving the planned position. For schools and units this would typically be at least monthly.

The process should be continuous and should be able to be performed on demand and in as close to real time as possible.

3.2 Budget Set Up

3.2.1: Splitting the Budget

On receipt of the awarded budget, the budget holder or delegate is encouraged to split the budget across cost centres, analysis codes and detail codes, to the desired level, to reflect planned activity.

The benefits of splitting the budget include:

- The monitoring of distinct areas of activity
- The ability to devolve budget monitoring for specific areas to individuals with operational responsibility and/or reporting requirements
- The ability to allocate resources locally to reflect local priorities
- The ability to quickly identify areas of over and under performance

This split can be done with the advice and assistance of Finance, although ultimately the decision rests with the budget holder.

Finance will then reflect any local allocations in the accounting system.

These splits can be altered if required at any point within the budget period via the agreed process for making budget amendments.¹

3.2.2: Phasing Budget (also known as Profiling Budget)

Budget phasing involves looking at your intended activities over the budget period and allocating the resources across that period. Each phased period may contain a different value, reflecting when the activity is planned to occur.

For example, utility bills are higher in the winter months; therefore as a university we would allocate a larger portion of our utilities budget to those months.

On receipt of the awarded budget, the budget holder or delegate is encouraged to phase the budget across the budget period, to reflect the timing of the planned activity.

The benefits of phasing the budget include:

¹ Currently through email communication with Finance, with approval from the budget holder or funding body



- The University's bank balance is easier to predict
- It can aid forward planning for future periods
- It allows for variance analysis
- It enables easier management of operational resources

Unlike splitting the budget, phasing the budget should be set at the beginning of the budget period via the agreed process.

3.3 Budget Monitoring Process

3.3.1: Identify Current Position

Run the Web based reports at the appropriate level to identify current income, expenditure and commitments.

These reports are flexible to allow you to either;

- Run for specific time period if phasing is applied
- Show you the position to date if phasing is not applied

These reports will also show you the planned position identified in 2 above.

It is advisable to run transaction reports and review the transactions to ensure that all transactions are in the correct cost centre/analysis code/detail code and there are no erroneous entries, thereby ensuring that the current position is correct.

Budget holders should control all entries into their accounts and therefore reduce the number of errors.

3.3.2: Compare Current Position to Planned Position

The reports run in 3.1 above will allow you to compare current position to planned position.

The reports will allow the budget holder to identify areas of under or overspend and also areas of over or under recovery of income where appropriate.

The reports can be used to drill down to individual transaction level to identify the sources of spend/income.

3.3.3: Identify any Actions Required

After comparing the current and planned position, the next step is to identify whether or not there is a requirement to take action.

If you are spending and receiving income in line with your original plan, then no further action may be required at this stage.

However, you may have received more income than anticipated and there may be an opportunity to do something in the budget period which was not originally planned for, e.g. replace some computers,



send staff on additional training courses, attend an additional seminar, or purchase additional equipment.

If, at this stage, more has been spent than anticipated, the budget holder will need to address this and identify areas where expenditure could be reduced, e.g. reduce the amount of travel or postpone the replacement of small items of equipment.

If you have identified new, unbudgeted opportunities, liaise with Finance, who can advise on possible courses of action.

3.3.4: Report to Budget Holder

Where a budget holder has delegated authority, that delegate must inform the budget holder of progress toward the planned position, as the budget holder is ultimately responsible for achieving that position.

3.3.5: Agree Action Required

At this stage agreement must be reached as to how the current position can be brought in line with the planned position. It would be advisable to engage with Finance at this stage, who can offer advice and guidance.

Actions may include:

- Re-allocation of local budgets
- Agreeing areas where costs need to be reduced
- Agreeing where additional money is to be spent, and allocating an appropriate budget

If at this stage, no future cost savings can be identified and/or additional income generated, then the departure from the original plan must be communicated to Finance.

If a new unbudgeted opportunity for teaching/research/service provision has been identified, this should be discussed with Finance.

3.3.6: Take Action

The budget holder is required to take action necessary to ensure alignment to planned position.

It must be emphasised that this is a continuous cycle.



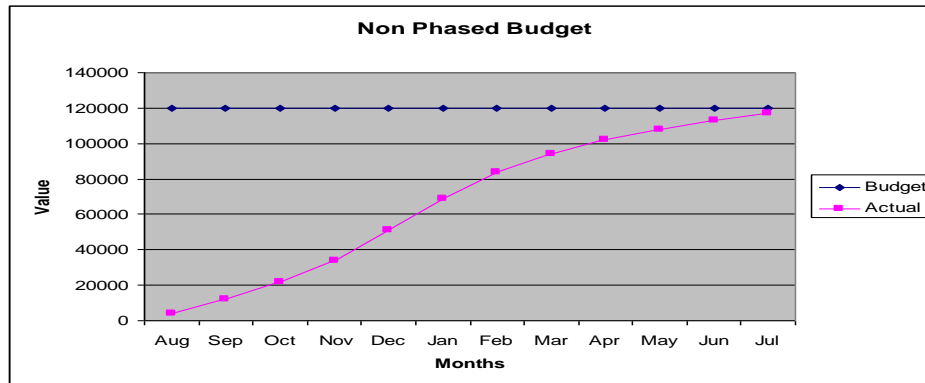
Appendix A – Timetable

- Research Grants – These can begin at any time and the end date will be driven by the sponsor.
- Endowments – These can begin at any time.
- Capital Budgets – These can begin and end at anytime (Although the overall Capital Budget is set on an annual basis)
- School/Unit Operational Budgets (Income & Expenditure) – These budgets are set annually:

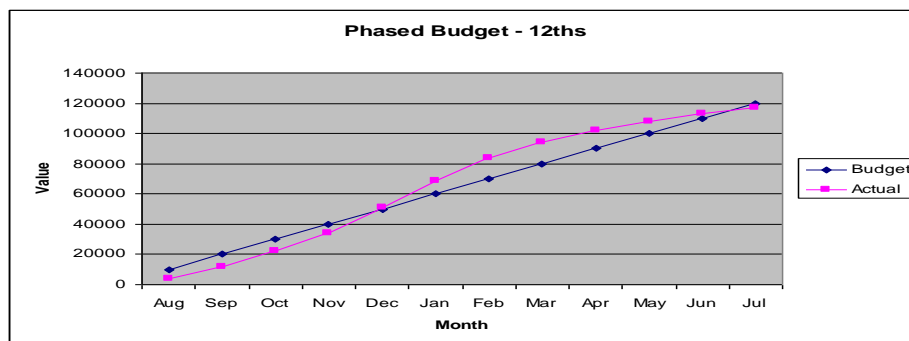
Jan – March	Consultation with Finance re staff, research, income and expenditure budgets etc.
April – May	Committee approval (PARC & Court) Strategic Planning Meetings
May	Final Approval and letter issued by finance
June-August	Agree budget split and phasing
September	Agree any carry forward balances
October	All budgets reflected in Web reports.



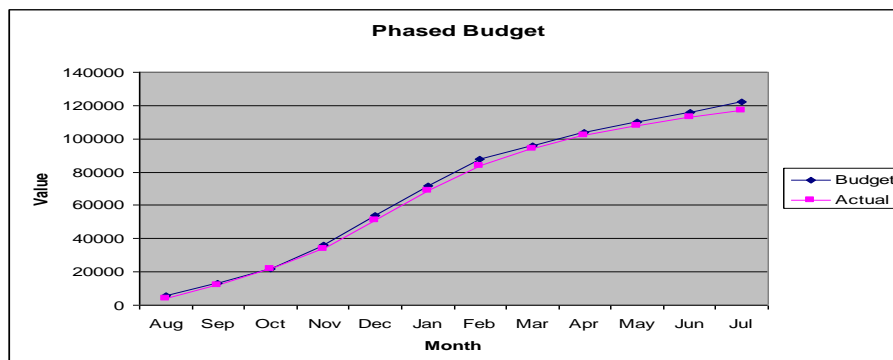
Appendix B – Phasing



The non phased budget graph demonstrates the monitoring of the balance left in order to reach the plan. In this case, the total budget will be allocated to period 1. This is method adopted for Research Grants.



The phased budget by 12ths graph demonstrates the assumed phasing by Finance in the absence of instructed phasing from the budget holder. This also shows monitoring of the progress made in reaching the plan but assumes progress happens steadily throughout the budget period.



The phased budget graph demonstrates the monitoring of the progress made in reaching the plan as anticipated by the budget holder.



This is the preferred option for school/unit operational budget.



Appendix C – Process Chart

Best Practice Guide for
Budget Monitoring
University of St Andrews 15/10/2009

