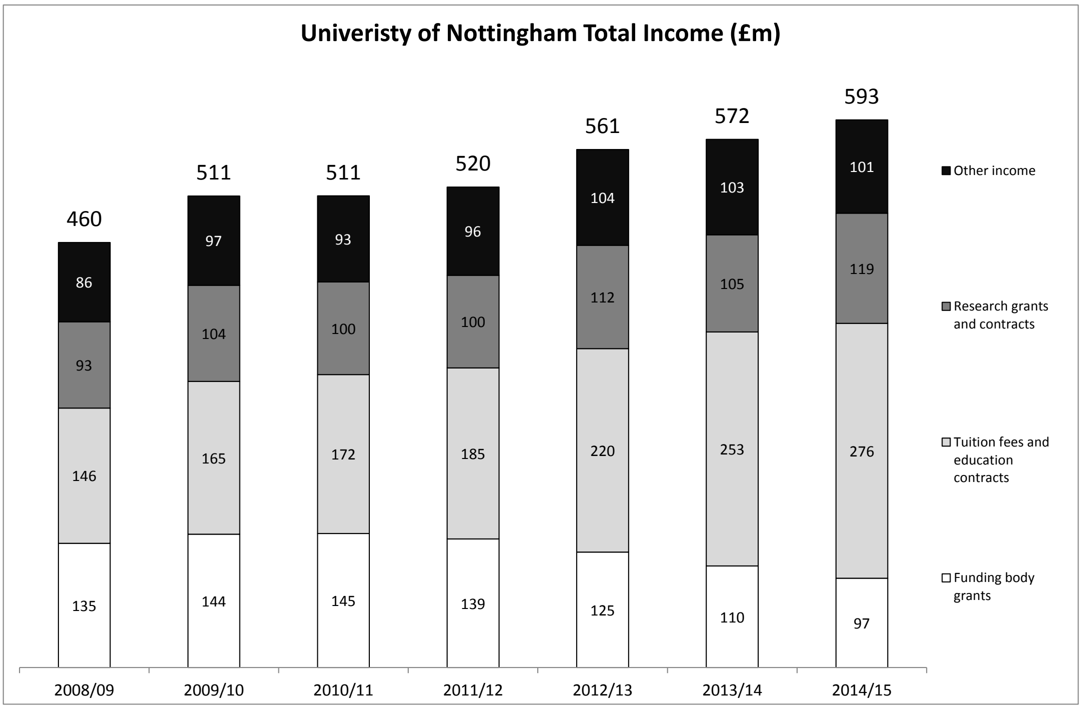
The University of Nottingham Finances Explained

The University is an 'exempt charity' – this means we have no external shareholders and we currently have very limited external debt. Any money we have, we reinvest in the University — we are required to do this by law.

1. Sources of our income

The University's Financial Statements contain detailed analysis of income and expenditure. In summary, income comes from the following sources:



The biggest single source of University income comes from Home/EU undergraduates. For some Faculties this can be a very high proportion of their income.

The maximum fee for these students has been set at £9,000 since 2012/13. The freezing of the fee means that it has been effectively eroded by inflation over that period. The £9,000 in September 2012 would have had to increase to £9,580 by September 2015 to keep pace with inflation. All universities have had to absorb this effective cut in the student fee.

2. How this income is spent

The University budget has to meet a number of demands:

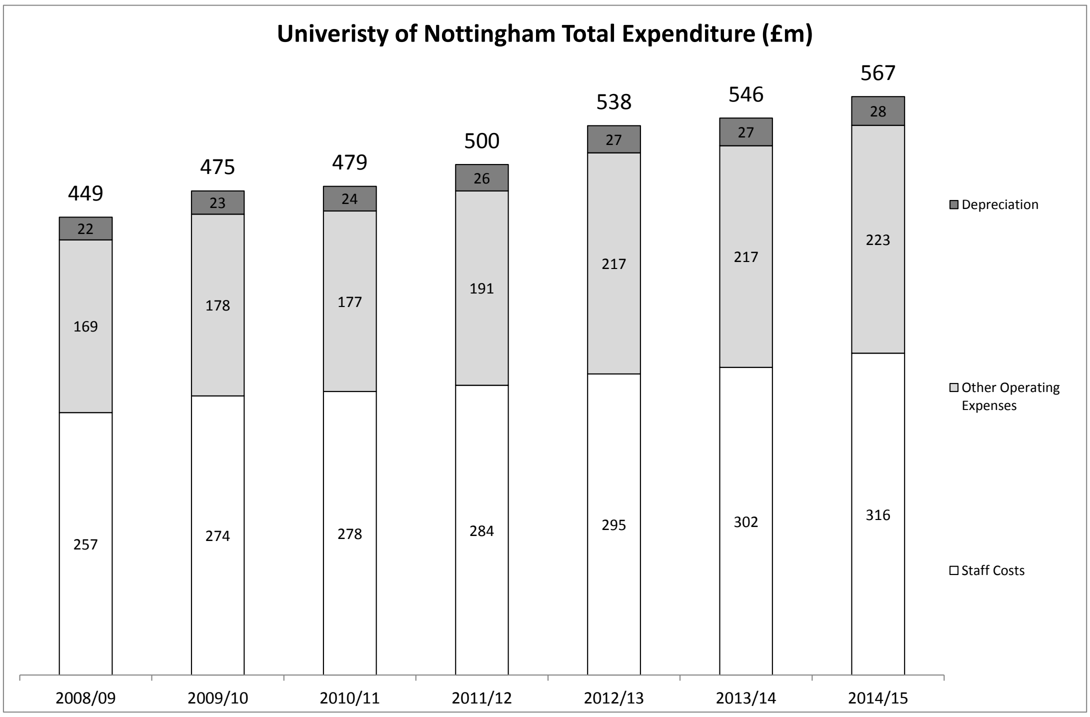
- Day-to-day operating costs
- Capital investment – buildings and facilities
- Supporting the implementation of the University's Strategy 2020

The challenge we face is how best to balance these often competing needs – demand for resources will almost always exceed supply.

2.1 Day-to-day operating costs

By far the biggest single cost the University faces is the running of our day-to-day operations. Most of this cost relates to people – from academics doing teaching and research to technicians, administrative staff, catering teams and Estates colleagues.

The proportion of spend on staff can also be seen in the following graph:



The University allows Faculties significant freedom to run their operations as they see fit and as directed by the Faculty Pro-Vice-Chancellor. Clearly a proportion of the income generated by each Faculty is directed to supporting the running costs of the institution, such as for:

- Libraries
- Information Systems
- Strategic support (allocations to Research Board, the Strategic Development Fund and so on)
- Estates (buildings maintenance, cleaning, campus maintenance)
- Utility costs (water, gas, electricity)

- Professional Services (Student Services, External Relations, International Office, Finance, HR, Campaign and Alumni Relations)
- Support for the Students' Union

The percentage each Faculty contributes is based on the costs of delivery within each Faculty. It also recognises the different sources of funding available to each Faculty (tuition fees, HEFCE grants, research income, CPD, executive education and so on). The budget model incentivises Faculties to broaden their income base, as this gives them more control over how resources are spent.

Professional Services are targeted with an annual budget based on previous costs and performance against budget. For the last two years, Professional Services have been required to absorb any inflationary pressures (including pay and promotion uplifts) and deliver savings to ensure they spend the same amount in the following year as they were budgeted to spend this year.

2.2 Capital Investment – buildings and facilities

Capital Investment is investment for the long term – normally new buildings (eg Humanities Building, Carbon Neutral Laboratories) or large redevelopments (new Science and Engineering Library, Portland Building). It also includes major equipment (MRI Scanners, engineering equipment, high performance computing). Cash is needed to fund that investment and it is written off in the University's Financial Statements over its useful life ('depreciation' in accounting terms). The key though, is cash. As a charity, we can generate cash in three basic ways:

- By spending less than we earn from our income sources (fees, research income, services rendered)
- By borrowing money
- By securing donations from companies, individuals, Trusts and Foundations

The University has a significant capital investment programme: up to £250m over the next few years (subject to Finance Committee and Council approval). At the moment at least £100m of this will be funded from donations. The rest of the cash required to pay for this investment has to be generated through spending less than we earn or through borrowing.

Borrowing is fine for a University just as for an individual – provided we can generate the additional income to pay the interest charges and repayments as they fall due.

2.3 Strategy 2020 Implementation

Implementing the University's strategy often requires one-off expenditure to make the change that the strategy requires to remain competitive. This can be anything from investing in new teaching and learning technology, investing in research priority areas, developing new partnerships or implementing new processes and systems like Project Transform.

Full details of the University's financial operations are published every year on the Financial Statements webpage.