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| Ioannis Tsolkas | Amended before Working Group Meeting (04/04/11) | 01/04/11 | 0.1 |
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**Cash Staffing Budgets: Standard operating procedures –Professional Services Areas (PSA)**

The purpose of this document is to provide a set of rules surrounding the Cash Staffing Budgets (CSB) for Professional Services Areas.

**Definition of Terms:**

* Service Leader: An employee designated by the School as the Budget Controller for the CSB. The Budget Controller responsibilities are set out in the School’s Financial Regulations.
* CSB: A budget controlled by a Service Leader which presents and documents all approved centrally funded staffing costs.
* Establishment: A list of posts in a budgetary area, either filled or vacant, which are formally agreed by APRC. Changes to the list that require the net addition of resources will require approval through the New Budget process. Establishment Forms (CSB1) are managed and maintained by the Planning Unit.
* New Posts: Are posts which are added to the Establishment through the New Budget process, the unbudgeted expenditure process or by direct allocation of resource by Finance Committee via APRC.
* Financial Planning & Analysis Manager: Is a Finance Division employee responsible for producing salary forecast information for Service areas and providing CSB Budget support and advice to the Service Leaders.
* Pay Award: Is the annual percentage pay increase which increases all spine point salary’s by the designated percentage amount.
* Contribution Pay and promotions budget[[1]](#footnote-1): The budget approved by Finance Committee to fund recurrent and non-recurrent awards and promotions. Promotions and Awards proposals are reviewed by Remuneration Committee and its sub-committees
* Market rate supplements: A time limited addition to salary, reflecting the current market value of a specialist skill or subject area. It must be approved by HR and the Finance Director before the recruitment process begins.
* School Savings: A reduction in assumed levels of pay award (which is a change in budgetary assumptions, not a change in actual costs) is a School saving. In the same way, an increase in costs owing to a change in budgetary assumptions would not belong to the Division, but to the School. To avoid creating any budgetary incentives to discourage pension scheme membership any savings generated or costs incurred when a member of staff decides not to join or leave SAUL/USS will be classified as School savings or costs and the Divisional Vacancy Savings will be adjusted accordingly. Budgets and forecasts will assume that all vacancies will be filled by appointees who opt to join the appropriate scheme at the point of appointment
* Divisional Vacancy Savings: The difference between the budgeted amount for a post and the actual costs generated for that post during a financial year (savings created from posts being vacant, starters appointed lower than 2 spine points above the bottom of the scale, etc.) net of any School Vacancy Savings.

1. **General**

a) Each relevant unit is allocated a pay budget by Council to fund the approved CSB1 (Establishment) of staffing. Service Leaders will receive confirmation of its composition prior to the start of each financial year, (1st August) for the forthcoming 12 months. The Division’s budget will be devised by calculating the salary cost of each employee, (including NIC, Employer’s Pension contributions and Apprenticeships Levy) based on each member of staff’s salary spine point (incremental increases are taken into account by the model). This information is included in the salary forecast forms (CSB2s). This budget will be used to fund the establishment which is agreed between the Service Leader and the Finance Division, in consultation and agreement with the relevant DMT member. Each year the budget for each post will be automatically increased by the agreed pay award.

b) The information will be kept on Excel spreadsheets (CSB1 and CSB2) on the P drive and will be accessible by the Service Leaders and the relevant staff in Finance and Planning Unit:

1. Planning will have write access to the Establishment forms (CSP1) and will be responsible for maintaining and updating them. CSB1 forms will be updated on a quarterly basis in consultation with the Finance Division. Finance Division will have read access only. Service Leaders will have read access to the appropriate Division. (Annex 1a shows an example of the spreadsheet to be distributed).
2. Finance will have write access to the CSB2 spreadsheets. Service Leaders will have read access to the appropriate Division.

Security access for the Establishment forms will be granted by Planning Unit. Finance division will provide security access to the CSB spreadsheets.

c) The Service Leader has overall responsibility for the CSB and cannot delegate it. The Service Leader remains accountable for all the spend on their budget, as well as the security and confidentiality of the data sent to them. *This is a major change in the responsibility of the Service Leader, who previously was only responsible for the overall MSL balance in the 5 year planning cycle (Financial Regulation C2.4)*. All CSB2 reports will be saved into the P drive and access will be granted to the Budget Controller by IMT. In order to add an additional layer of security the reports are password protected and encrypted.

d) The Finance Division will provide monthly analysis, within 8 working days of the financial month closing. This will contain year to date actuals, a forecast of expected spend to the year end, year to date Divisional vacancy savings, actual and forecast “Additional Expenditure” (detailed in section 4) and post by post comparisons with the budget. (Annex 1b shows an example of the spreadsheet to be distributed).

e) Every second month meetings between the Service Leaders and the Financial Planning & Analysis Manager will allow the salary forecast to be kept up to date and ensure that the unit remains within the budget for the year. More regular meetings can be arranged at the Service Leader’s request.

**2.** **Appointments**

a) The CSB2 will provide an entry for each full-time or fractional salaried member of staff who has a permanent or fixed-term appointment and is funded centrally by the School. Any employee that is funded from other budgets may be included on the Establishment, with the agreement of the Director of the Finance Division, resulting in the other budgets being decreased by the cost of the employees moved on to the Establishment if they are recurrent.

b) Where vacancies arise, and before a post can be advertised Service Divisions should seek a 1st Fund Check (Establishment) from Finance in order to confirm that the provided post grade, title, spine point, start date (where applicable) and FTE are consistent with the Establishment listing. All approved Professional Services 1st Funds Checks will be sent to the Chief Operating Officer (COO) automatically for information. The COO has the authority to halt the recruitment process even if a 1st Funds Check has been approved by Finance. After the successful candidate is identified and before a contract is sent Departments should seek a 2nd Funds Check as per section FIN\_PRO XXX “Staff Appointment Fund Check Procedure” of the Financial Procedures. Details of the process are shown in Annex 2.

c) Automatic replacements for leavers or retirements will be included in the calculations. It is the responsibility of the unit to inform the Finance Division if the post is not to be replaced. If the funds are required for a different position then the division must follow the guidance in section 6.

d) Posts that are vacant when the establishment is approved for the year will be allocated a budget 2 points above the bottom of the salary scale (reflecting current HR policy). Any savings achieved by the division (placing the starter on the bottom 1.5 spine points in the band) can be used by the division to meet other staffing needs. Any proposal to appoint at the contribution zone of a salary band or a market supplement will require written approval from HR before any oral or written offer is made to a candidate in line with HR’s “Starting salary policy”. Failure to observe this rule will be treated as a breach of the Financial Regulations as a financial commitment in excess of the budget will have been made.

e) Employees appointed above the bottom 2 spine points will need to be funded by the service area. Market rated supplements, if officially approved by HR, will be added to the unit’s budget, and funded from the central Recruitment and Retention budget.

f) Under the CSB if sufficient funding is not available for an appointment then the request will be referred to the Finance Division and the Planning Unit who will follow the appropriate steps designated in section 6.

g) If there are significant changes to the job description and person specification it needs to be passed to HR for grading. If the grading is higher than the establishment grade the advice of HR should be sought.

**3.** **New Posts**

a) All applications for extra staffing require the unit to define a specific post title during the New Budget process. If agreed, this post will be included on the unit’s establishment. For clarity and consistency the unit should use the same post title agreed through the New Budget process when completing recruitment documents.

b) Funds for New Posts will not be released until a post is appointed. Divisional vacancy savings will exclude any savings generated from New Posts.

c) Funds may be released for New Posts when short term staffing arrangements are in place to cover work while recruitment is in progress. Any such request should be made to the Financial Planning & Analysis Manager to approve the release of these funds.

d) If a New Post remains unfilled for more than 6 months from the agreed start date, the unit will be contacted and asked for comment about the resourcing needs. A report will be regularly produced and sent to the COO by the Finance Division detailing all New Posts which have been approved but not filled.

e) New posts are subject to FIN\_PRO XXX “Staff Appointment Fund Check Procedure” of the Financial Procedures so a 1st and 2nd funds check should be generated by the department at all times. Details of the process are shown in Annex 3.

**4.** **Hourly Paid Staff / Temp Costs / Overtime**

a) Each Unit will be allocated a budget for “Additional Expenditure” (to meet costs detailed in Annex 4), which requires agreement through the New Budget process. The size of this budget will be determined by the individual factors affecting a Division, i.e. the seasonality and nature of the work performed. All Units are required to make a case annually for “Additional Expenditure” required as part of the New Budget process. It will be assumed that if no case is made there will be no changes to the “Additional Expenditure” budget for future years.

b) The “Additional Expenditure” budget will be combined with the CSB calculated from the Establishment to form the overall pay budget for the year for the Department. As budget controller the Service Leader will be responsible for the “Additional Expenditure” budget, ensuring that the total Cash Based Salary Budget is not overspent.

c) If an establishment post is not filled in a year or a proportion of the year (creating vacancy savings) the savings can fund “Additional Expenditure” to cover the work normally completed by the vacant post. The simple example below shows how this process would work. Miss D’s position is vacant for the year and the funds are spent on additional hourly paid staff and overtime:

|  |  |  |  |
| --- | --- | --- | --- |
| **Post** | **Name** | **Budget** | **Actual** |
| a | Mr. A | 10 | 10 |
| b | Mrs. B | 10 | 10 |
| c | Ms. C | 10 | 10 |
| d | Miss. D | 10 | 0 |
| e | Dr. E | 10 | 10 |
| f | Prof. F | 10 | 10 |
| g | Sir. G | 10 | 10 |
|  |  | **70** | **60** |
| Additional Expenditure: | Hourly Paid | 5 | 10 |
|  | Temps | 5 | 5 |
|  | Overtime | 0 | 5 |
|  |  | **10** | **20** |
| Total |  | **80** | **80** |

1. Divisional vacancy savings will be clearly identified in the monthly salary forecast. Upon request the Financial Planning & Analysis Manager will provide a breakdown of the total vacancy savings available per month (e.g. post title, employee names, etc.).

e) To ensure that “Additional Expenditure” are updated in a timely manner it is important that Temp invoices are passed to Accounts Payable in the week that they are received to ensure that they are efficiently reflected on the CSB spreadsheet.

f) All agency temp staff must be booked via the Schools preferred suppliers (follow the [link](https://www.lse.ac.uk/intranet/staff/humanResources/joiningLSE/recruitingContracting/internal/bookingTempStaff/home.aspx) for a list of the School’s current preferred suppliers). If you are planning to use an alternative supplier you will have to contact Procurement before you book any agency temp staff.

**5.** **Special Leave and Staff Absence**

a) Any unpaid leave granted to an employee will permit the unit to spend the leave period savings on staffing to cover the leave. This can be in the form of a secondment replacement, acting up allowances, a fixed term contract, payments of “Additional Expenditure” or a combination.

b) The actual cost of a member of staff on maternity or sick leave will be included in the unit’s forecast spend for the year. The division can request assistance with additional costs required to recruit temporary replacement staff from the Sickness and Maternity Contingency fund. Funds are only normally available where other funding within the service area is exhausted.

c) If members of staff are absent on secondment the organisational unit saves their costs and is free to spend the savings to cover the work.

d) When a member of staff is absent through long-term sickness or on maternity leave, the forecast will be amended to reflect any reduction in cost.

e) Where Statutory Maternity Pay (“SMP”) is payable, 92% of the net SMP paid can be recovered by the School from HM Revenue and Customs. This will appear as a reduction in cost for the employee involved on the face of the Cash Based Pay Forecast.

f) Split Cost (Temporary): If the salary is being moved into a non-CSB it will result into a saving for the CSB. If the salary moves from CSB into another CSB is up to the Departments involved to negotiate the change.

g) Split Cost (Permanent): A permanent move from a CSB into a non-CSB will have to be approved by Planning. If the salary is being moved from CSB into another CSB then the budget should move. Permanent split costs requests should be requested in the AM process.

h) Secondment (not related to a Grant): It can only be temporary. If the salary is being moved into a non-CSB it will result into a saving for the CSB. If the salary moves into a different department within CSB it is up to the Departments involved to negotiate the change.

**6.** **Promotions and changes to the approved Establishment**

As detailed in section 1, the Establishment represents a budget approved by Council. Any change to staffing (promotions, additional or discretionary increments), changes in working hours, that creates additional cost requires an appropriate budget to pay for it. As a consequence of this constraint care should be exercised by Service leaders when considering re-organisations or revisions to job descriptions to ensure that the budget to fund any resultant additional costs has been identified and approved. The Financial Planning & Analysis Manager will aid the Unit in producing the financial analysis and associated business case necessary to support this. Changes to the Professional Services Establishment will have to be approved by the Director of the Finance Division (in liaison with the COO). A change that does not have an effect on this year’s budget could have a detrimental effect over the planning period (5 years) and therefore not permitted. Recurrent staffing changes (such as permanent changes in fte, salary band or conversion of fixed term posts to permanent) can only be funded by recurrent savings. Fixed term changes can be funded by the forecasted underspent and/or June & July carry-forward. Service Leaders must seek advice from Finance before any decision is made. Divisions that fail to do so might have funds clawed back from their Additional Expenditure budget over the planning cycle (current year + next 5 years).

**a)** **HERA Promotions**

i) Given that all academic support posts have now been assessed through the HERA job evaluation process, in broad principle a re-grading will only now occur through restructuring of work where new duties are being undertaken by an individual. In those cases, where extra resources are required to support a re-grading, this will need to be agreed through the New Budget process and supported by resources allocated by APRC for that purpose or from the Discretionary awards and promotions budget.

ii) Before a post (or posts) is modified and re-graded by HERA the Service Leader should, with the assistance of the Financial Planning & Analysis Manager, identify and secure approval of the budget or Budget allocation that will meet any cost implications.

**b) Restructuring/Re-organisation**

1. Any proposed changes to the composition of the Establishment (which are not individual promotions) resulting in an increase in cost should be detailed and requested in the New Budget process.
2. If unfilled New Posts are not affected by the suggested re-organisation the Director of the Finance Division can approve the proposed changes.
3. Divisions under Professional Service Division Review are not permitted to carry out any restructures/reorganisations during the review process without first consulting the Chair of their review panel and the VC-APRC. Units being reviewed in 2015-16 are HR and IMT. Note: In future editions of these rules any Divisions reviewed in prior years to the current year that are still subject to this rule will be listed here.

**c) Contribution Pay**

Contribution pay (whether lump sums, accelerated increments within the standard range of a salary band or additional increments within the contribution range) are currently awarded through a collective competitive process and funded from a separate budget. Where awards are made they will be accompanied by a transfer of budget from the Contribution Pay budget to the service area’s CSB2 form.

**d) Transfer of Posts between Divisions**

Because transferring resources from one Division to another can have future resource implications, Divisions that are planning to transfer/receive posts to/from other areas will have to provide a business case providing detailed information on how the transfer will affect current resources and any implications the move is expected to have on future resources requests. The business case should be sent to theFinancial Planning & Analysis Manager, in the first instance, before any decisions can been made.

**7.** **Premature retirement, voluntary severance packages and arrangements relating to annual leave for leavers**

a) In accordance with the Financial Regulations proposed premature retirement and voluntary severance packages require approval of the Directors of HR and the Finance Division. Budgetary implications of severance proposals must be properly understood. The Financial Planning & Analysis Manager will assist in the preparation of such a business case as required. The one-off costs of premature retirement or voluntary severance packages will ordinarily be charged to the organisational unit's CSB (form CSB2). If insufficient funds are available to cover the cost and allow the normal operation of the unit it will be met by the central budget.

b) Leavers are entitled to annual leave on a pro-rata basis in the year in which they leave which will be reflected as follows:

i) If a leaver has untaken holiday paid as a lump sum this cost will be reflected on the CSB (form CSB2).

ii) If a leaver has taken more holiday than entitled they will be charged the element of leave that exceeds their pro-rata entitlement. This will result in less spend showing on the CSB (form CSB2).

**8.** **Carry forwards**

a) CSBs will be operated in a manner consistent with non-pay budgets and documented in Financial Regulation C2.6.

b) If money is unspent due to a timing difference or if there is some other legitimate reason for carrying forward budgets, e.g. a fixed term contract starting late, a written case, including specific details, costs, reasons for delays and start dates, should be submitted to the Director of the Finance Division by the 31st of August for approval (Financial Regulation C2.6 “*At the year end, Budget holders normally do not have the authority to carry forward a balance on their budget to the following year, unless the Director of Finance and Facilities has approved a specific scheme for carrying forward all or part of unspent amounts. Request for approval for carry forward will require detailed plans for the proposed use of the balances and should be made to the Director of the Finance Division by 31 August.*”)

**9. Year End Arrangements**

Due to the fact that forecast is distributed 15 days after the payroll is posted, June’s vacancy savings will be known by the 15th of July and July’s vacancy savings by Aug 15th . In order to remedy this problem Divisions will be allowed to carry forward any unspent Jun-Jul vacancy savings (which were generated in June or July) to the next financial year (only if they show a full year underspend). The Jun and July savings cannot exceed the total underspend and can only be used in the next financial year.

**10.** **Virements**

Virement within Budget Groups held by a Budget Controller are allowed subject to approval by the Budget Controller’s Line manager. Virement between Budget Groups

may be possible however if it leads to an increase in staff Establishment headcount, FTE or (in some cases) grade it requires an additional level approval by the Finance Director and, in the case of academic departments, the Pro-director Planning and Resources in accordance with the Financial Procedure for virements (FIN\_PRO XXX). Given the additional complexity of the process, it is recommended that proposals which fall into this category are discussed with the relevant FP&A manager before preparing form B/2.

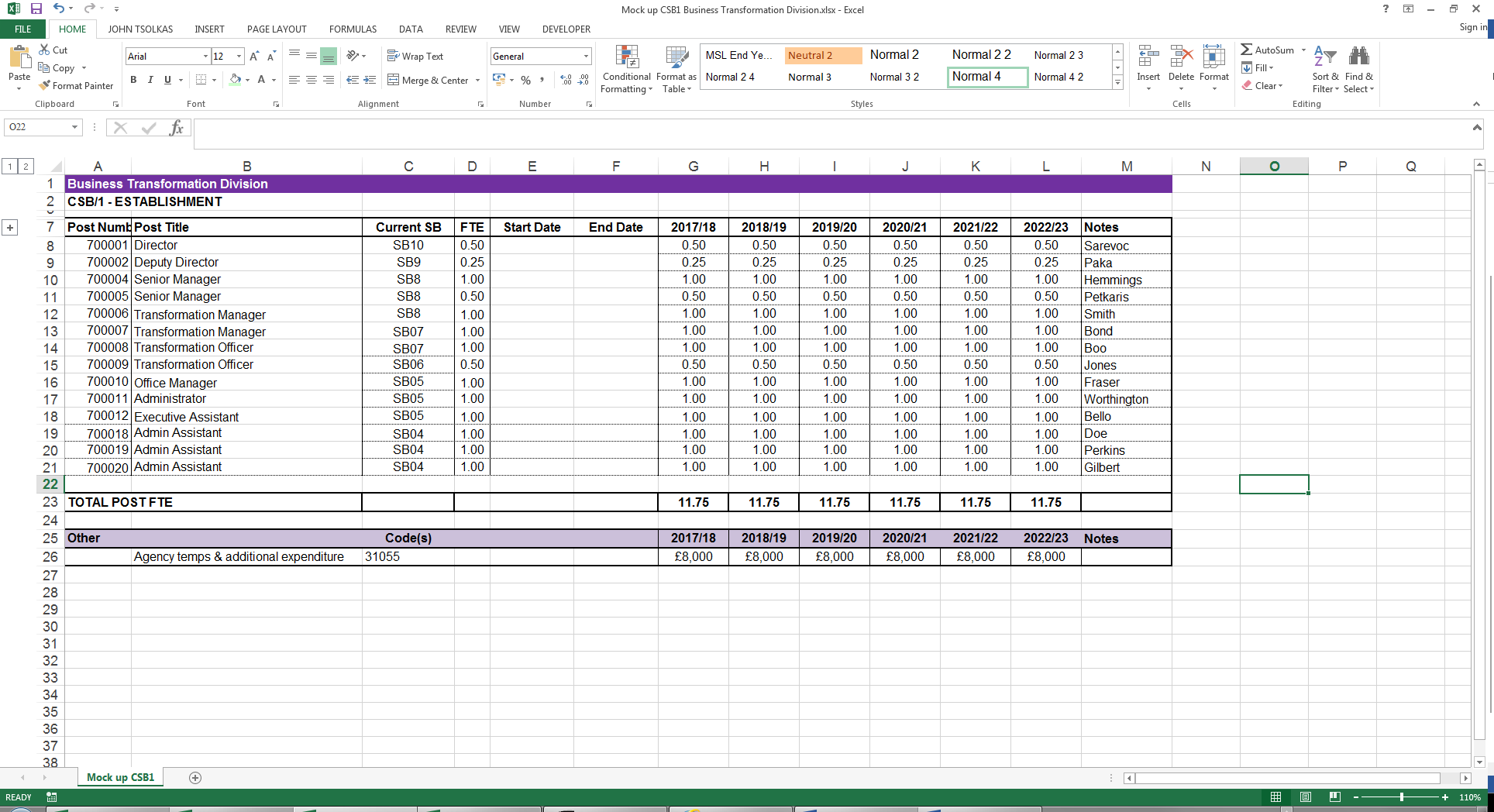
Virements are permanent transfers. To avoid undermining the authority of Budget Controllers to manage their budgets responsibly, a permanent record of Virement will be retained and a subsequent request for additional resources for budgets which had previously been subject to Virement will require additional justification and may be declined on that basis.

**11.** **Pay Awards and Employer Taxes**

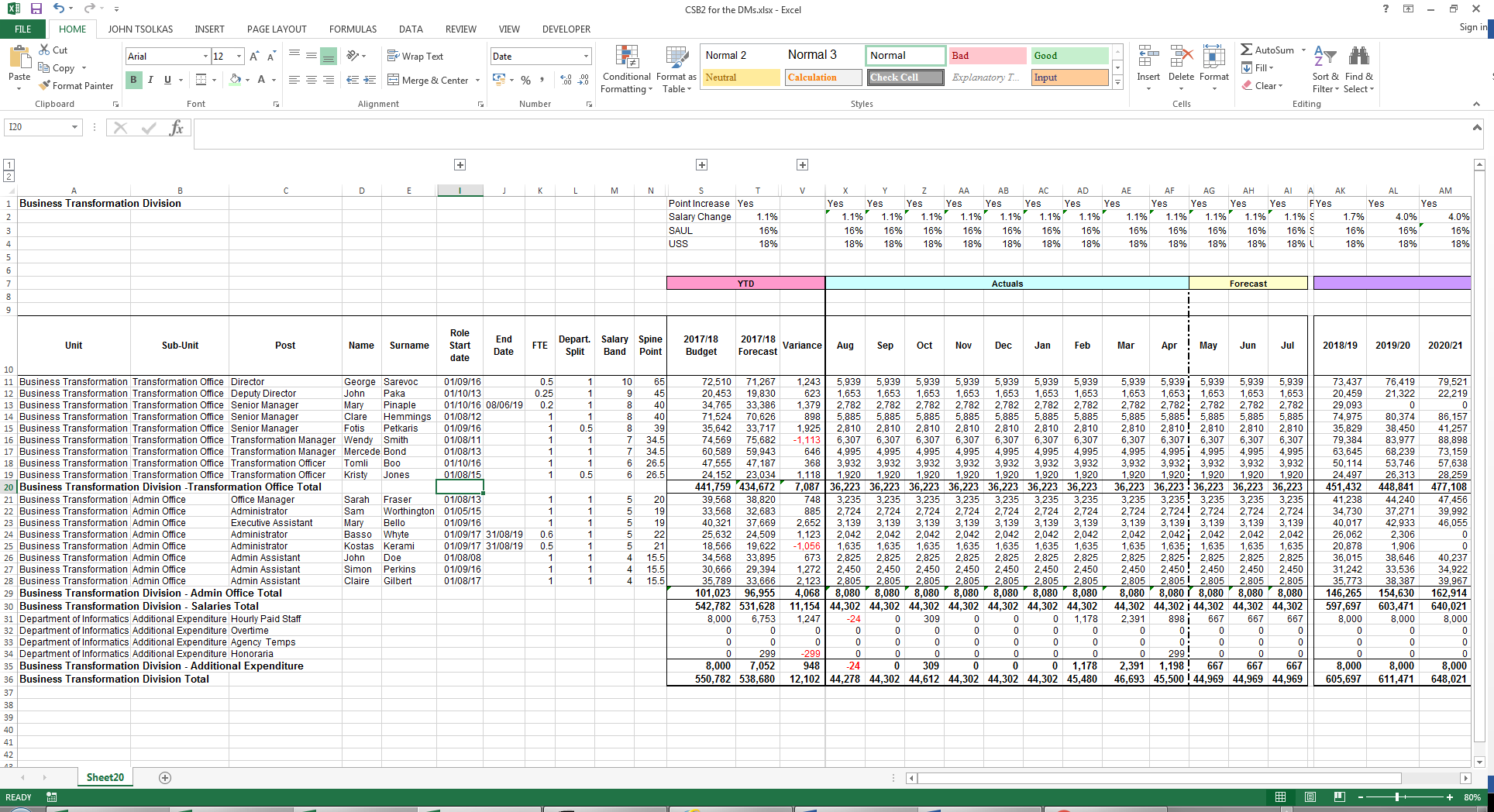
a) Council approves the budget for the forthcoming financial year in June. At this time the pay award may not be finalised.

b) When the pay award is not settled at the start of the year an adjustment will be made to ensure that divisional vacancy savings exclude school vacancy savings.

**Annex 1a**



**Annex 1b**



**Annex 2 – Diagram of Recruitment Process (Existing Posts)**

Service Division

1st Fund Check – Establishment

Oral offer made – Contract sent

Post Advertised

Interviews

Approved

2nd Fund Check - Appointment

Appointment

Successful Candidate Identified

Approved

**Annex 3 – Diagram of Recruitment Process (New Posts)**

Service Division

HR

RF2

HERA

1st Fund Check – Establishment

Oral offer made – Contract sent

Post Advertised

Interviews

Approved

2nd Fund Check - Appointment

Appointment

Successful Candidate Identified

**Annex 4:**

**Additional Expenditure:**

|  |  |
| --- | --- |
| **Expense Description** | **Expense Code** |
| **Overtime** | **30051** |
| **Hourly Paid Support Staff** | **30052** |
| **Acting Allowances** | **30054** |
| **Agency Temps** | **31055** |
| **Honoraria** | **30180** |
| **Hourly Paid Research Assistant** | **30192** |
| **IT Support ORA Temp Appointment** | **30252** |
| **Library Security Temps** | **31065** |
| **Agency Placement Costs** | **TBC** |
| **Consultants** | **30050** |
| **Recruitment Costs** | **Over and above whatever HR pays for** |
| **Training and Development Costs** | **Over and above whatever HR pays for** |

**Annex 5:**

**Unspent Staff budget virement examples:**

|  |  |
| --- | --- |
| **Expense Description** | **Expense Code** |
| **Advertising Costs** | **52020** |
| **Staff Training and Development** | **52081** |
| **IT Equipment** | **46001** |
| **Phones** | **40013** |
| **Other Office Equipment** | **43001** |
| **Subscriptions** | **51001** |

1. There is a budget for contribution pay (lump sums and increments); an allocation to cover promotions; and a Recruitment and Retention Allocation for exceptional R&R packages, including new awards of market supplements. [↑](#footnote-ref-1)