

**Planning, budgeting and funding**

A decade ago there was very little relationship between strategic planning, budgets and funding. While clearly the Faculty of Education did plan and make strategic decisions about its future directions, and these plans would have been largely informed by the drive to optimise (a) student load in particular directions and (b) research outcomes, as they are now, plans did not directly inform the budget process or determine funding. Strategic decisions were taken without attempting to align these decisions with resource decisions. Formal planning processes came into vogue in the mid to late nineties and it was at the end of 1998 that the first Operational Plan was produced. However, the production of the Operational Plan generally followed the budget allocation rather than informing it. The process now is that, around March/April, faculties prepare a list of key strategies or priorities for the following year. This will foreshadow areas of expected expenditure particularly those of strategic significance to the faculty and/or university more generally. This list is discussed with the Vice Chancellors Group (VCG), which advises and provides feedback and directions. To the extent that the VCG endorses these priorities, or facets of it, the Faculty then proceed to produce an Operational Plan (May/June) which can then be built into its financial plans produced for the end of September. The financial plan is informed by the Faculty's revenue projections but not completely determined by them. Thus faculties will anticipate bringing in different levels of deficit or surplus according to their circumstances and their strategic plans. Individual financial plans are again discussed with the VCG and revised as required. They then become part of university wide discussions and negotiations about priorities and strategic initiatives (each faculty and service centre presenting its financial plan to the rest).

Thus, our faculty budget process is now aligned with the University strategic planning cycle. The University budget is produced quite late in the process based on the financial plans of faculties and administrative divisions. University budget allocations should 'fall into place' with the only major decision being to determine where to set the cut-off for strategic priorities and major infrastructure to be funded or not funded. Following this, faculties produce their internal, line item recurrent budgets. This should be relatively straightforward since there should be few surprises.

**Financial management**

A decade ago, the financial management and budgeting process also proceeded in a rather different manner than it does today. Essentially, the University received the funds from DEST (then DEET) and other sources, took a certain proportion 'off the top' and distributed the remaining funds to faculties in some formulaic way late in the year prior to the budgeted year. University budgets were largely developed on a historical plus cost increase basis. Infrastructure and major ongoing maintenance costs such as repairs and upgrades to buildings, cleaning, electricity, telephone installations, IT infrastructure costs such as data ports, insurance and so on were met centrally. Consistent with this, there was little by way of 'financial planning' at the faculty level — essentially faculties, upon receiving their allocation for the coming year, prepared an internal budget to guide expenditure of the funds received. Preferably they would spend no more, but also preferably not much less. A surplus at the end of the year of a few percent of the recurrent budget was regarded as prudent financial management. Non-operating accounts (such as those for research grants and Centre activities) were not seen as having any real relationship with the Faculty in a financial sense since they could not be accessed by the Faculty for recurrently funded activities such as salaries, or other expenses.

The University has now moved to a different budget model based on Strategic Cost Management. Income earned is distributed directly to the faculties as revenue. Faculties are charged for Central Support Services based on agreed drivers and subject to Service Level Agreements (SLAs). The SLA is an agreement between central administrative units (Student Services, Corporate services, etc) and the faculties about the kind and level of service to be provided to faculties. All service units carried out Activity Based Costing to determine where the

costs lay and this informed the organization of the SLAs and the drivers to be used in making charges.

Estimates of Central Support Charges are provided to faculties ahead of us submitting our financial plans. The total cost of the service is charged to faculties proportional to drivers such as student enrolment, student taught load (EFTSL), staff FTE, area of space etc. The estimates are based on our estimates of load, staffing, etc but the charges are adjusted when we know the actual figures during 2006. So, in 2006, the Faculty of Education expects to pay around \$12.6 million of which \$2.3 million is for the Library, \$2.5 million for Space (occupancy, that is, rent, minor refurbishment, cleaning, maintenance, insurance and security) etc. In addition, in 2005, we were charged around \$645 000 for other services on a direct use basis (data services, insurance, copyright, telephones, etc) and will use that to predict for 2006. In producing our financial plans, the Faculty is also expected to plan for reserves to cover its staff's entitlements, including accumulated recreational and long service leave and termination payments.

It is expected that faculties will bring in surpluses sufficient to ensure that the University as a whole can fund strategic initiatives, major refurbishments, major IT infrastructure and borrowings for buildings. Each faculty is given a target intended to reflect its capacity to deliver. One Faculty may run a deficit for one or several years due to certain external factors or a strategic decision, and others may therefore have to deliver higher than average surpluses to cover the deficits.

In 2006, the Faculty of Education expects to return 35% of its operational revenue to the university as Central Support Charges, another 2% in Direct Charges and approximately a 4.5% surplus to a total of 41-2%.

Apart from charges for services, the University's income comprises the surpluses delivered by Faculties, income from investments, donations, etc. It uses this income to underwrite borrowings for new buildings and to fund major refurbishments, IT infrastructure developments and strategic initiatives such as, for example, Research Fellowships, University Centres, competitive research or teaching grants, awards and prizes.

Note that it is not possible to compare in any simple way the 'share' of revenue spent at the centre and at the faculty level from university to university because of differences in the distribution of responsibilities. Services at Monash are quite devolved. Faculties provide services that in many universities would be carried out centrally or at a Divisional level, including load management, enrolment, progress and other student services, management of many HR matters, timetabling, handling of credit accounts, contracts, marketing, and so on. Also relatively more funds may be kept centrally to support research and teaching grants, or Outside Studies Programs, rather than devolving responsibility to faculties. Recently the Faculty of Education compared itself with another faculty of similar size in terms of student load, and found that the composition of general staff was quite different reflecting differences in the administrative services provided. Whereas Monash had 95 FTE academic T&R staff (ongoing) and 60 FTE general staff, the other Faculty also had almost 85 FTE ongoing academic staff but only 20 FTE general staff, the majority of the latter working on directly supporting teaching and research, the major administrative services being carried out centrally or at a Divisional level.

## CENTRAL SUPPORT CHARGES (based on drivers)

### 2006 estimates for Faculty of Education

		Unit Cost	Driver Qty	Total
				<b>2,360,243</b>
<b>1. Library Services</b>				
Manage and Develop Book Collection	2004 Book Distribution Formula	1.41	566,594.50	801,613
Provide Library Services – Off campus Students	EFTSU (Off Campus) ex PS OL MA SA	1,004.30	433.20	435,063
Provide Library Services – On campus Students	EFTSU (On campus) ex PS OL MA SA	565.80	1,915.20	1,083,620
Provide Library Services - Partner Supp Students	EFTSU (PS) ex OL MA SA	228.40	174.90	39,947
				<b>605,672</b>
<b>2. Research Services</b>				
Manage & Admin Res Students & Scholarships	EFTSU (HDR)	1,381.30	184.90	255,402
Manage Application Process	Research Grant Applications	1,726.30	32.00	55,242
Provide Research Administration Services	Active Grants	1,457.70	42.00	61,223
Provide Scholarship for Research Students	Scholarships Research	18,124.40	12.90	233,805
				<b>4,611,430</b>
<b>3. Student Services</b>				
Provide IT Support for Students	Enrolments (Total Ex PS OL MA SA)	250.20	3,783.10	946,532
Provide Scholarships for Access Program	HECS Premium Revenue	1.00	16,325.10	16,325
Provide Scholarships for Coursework Students	ETFSU (Coursework ex HRD PS OL)	156.90	2,170.10	340,489
Provide Student Serv – Off campus ex PS & OL	Enrolments (Off campus) ex PS OL MA SA	655.70	1,131.50	741,925
Provide Student Serv – On campus	Enrolments (On campus) ex PS OL MA SA	623.40	2,642.40	1,647,272
Provide Student Serv - PS & OL	Enrolments (PS OL) ex MA SA	371.60	320.30	119,023
Provide Support for International Students	Enrolments (International) ex PS OL MA SA	500.20	365.30	182,723
Recruit International Students	Enrolments (Inter Com) ex PS OL MA SA	2,893.30	213.30	617,141
				<b>1,995,345</b>
<b>4. Dedicated Space</b>				
Provide Security & Cleaning	Sq Metres Cleaned	38.90	7,016.80	272,954
Provide Space : A/Low	Sq Metres Occupied	300.90	852.60	256,547
Provide Space : B/Low	Sq Metres Occupied	236.40	903.00	213,469
Provide Space : B/Medium	Sq Metres Occupied	365.30	38.30	13,991
Provide Space : C/Low	Sq Metres Occupied	214.90	5,695.70	1,224,006
Provide Space : D/Low	Sq Metres Occupied	150.40	95.60	14,378
				<b>499,434</b>
<b>5. Centrally Programmed Space</b>				
Provide Centrally Programmed Space A/001-026	CP Space Hours	29.30	619.00	18,137
Provide Centrally Programmed Space A/026-075	CP Space Hours	38.10	8,928.50	340,176
Provide Centrally Programmed Space A/076-400	CP Space Hours	49.80	299.00	14,890
Provide Centrally Programmed Space B/001-050	CP Space Hours	61.50	501.50	30,842
Provide Centrally Programmed Space B/051-100	CP Space Hours	79.10	258.50	20,447
Provide Centrally Programmed Space B/101-180	CP Space Hours	105.50	398.00	41,989
Provide Centrally Programmed Space B/181-250	CP Space Hours	123.10	110.00	13,541
Provide Centrally Programmed Space B/251-400	CP Space Hours	134.80	144.00	19,411
				<b>2,528,793</b>
<b>6. Corporate Services</b>				
Provide Corporate Services	Size (FTE Staff Tenured and Fixed Term)	6,915.90	214.90	1,486,227
Provide Financial Services	Size (FTE Staff Tenured and Fixed Term)	1,950.60	214.90	419,184
Provide HR Services	Size (FTE Staff Tenured and Fixed Term)	1,711.80	214.90	367,866
Provide IT Supp for Staff (excl Network & Phone)	Size (FTE Staff Tenured and Fixed Term)	1,189.00	214.90	255,516

### Total expected Central Support Charges for 2006

**12,600,916**

## DIRECT CHARGES BY THE UNIVERSITY (2005)

Faculties are charged directly for a number of costs that might in some universities be paid from a central 'off the top' percentage of income. In 2005, these were:

Insurance	28 700
Copyright and screen rights	71 400
Data Ports for staff and students	145 400
Data Services for staff and students	78 000
Tele network installations	44 300
Telephone rental and calls	80 200
Electricity	59 200
Maintenance — minor works/building maintenance	60 500
<b>Total</b>	<b>567 700</b>

We anticipate an increase in these costs of the order of 10% for 2006, 6% dues to growth and another 4% related to CPI (Thus estimate \$625 000.)

In addition, there are charges that are on a more commercial basis, for example, in 2005, printing costs (\$232 000), postage (\$87 600) and car hire (\$18 000) were be charged for, however, the Faculty could chose to purchase these services outside the University.

## Activity based costing at the Faculty level

Our financial management has become more realistic over recent years as a result both of our need to control costs more tightly and our increased diversification of income sources including from fee-for-service activities. A major task has been to improve decision making about the various activities in which the Faculty engages. We have divested ourselves of business activities (such as organising conferences) which were producing turn over but no profit when all costs were factored in and which had no obvious other benefits for the Faculty's research or teaching. It became clear that, in common with most Faculties of Education, we were regularly undercharging for courses and other services because we did not take into account the provision of infrastructure and the real costs involved (eg. the contracts you win have to produce enough surplus to fund the cost involved in tendering for the contracts you don't win.)

The Faculty has also undertaken an Activity Based Costing exercise. This should give a clearer picture of the real cost of major activities in which we engage. It will show areas that are generating surplus income and those that are costing more than they earn. This will not determine educational and research priorities, we expect some cross subsidies in educational enterprises. It will, however, inform decisions, help us to better understand and manage our cost structure and, hopefully, better place us to allocate resources to priority areas.

A final note:

At present 40% of the Faculty's income comes from Commonwealth Grants (coursework student load, research student load, research), 40% from direct fees from students and another 20% from research consultancy and other commercial activities or grants and donations. This is our prediction for 2006.

<b>Revenue</b>	<b>'000</b>	
Commonwealth grants – DEST income	15 793	40%
Coursework students load: CGS	12 965	
Research training – HDR	2 052	
Research – IGS, RIBG	787	
Direct student payments	15 688	40%
CGS Places	6 749	
International	6 116	
Local full fee	2 824	
Direct research income	2 724	7%
Commercial, consultancy and other income	5 021	13%
<b>Total revenue</b>	<b>39 227</b>	<b>100%</b>
<b>Expenses</b>		
Salary and related expenses	18 990	50%
Direct payments to placements teachers	1 187	3%
Faculty infrastructure, admin and other operating	4 160	11%
Placement costs		
Financial and administrative charges incl FBT		
Building related including insurance and maintenance		
Communication, media and computer related		
Printing, stationary, teaching materials, books and periodicals		
Laboratory and workshop costs		
Direct charges such as data ports etc		
Motor vehicle and travel related including conference and OSP		
Student scholarships, sponsorships (eg Indigenous)	819	2%
Central support charges	12 601	33%
<b>Total expenses</b>	<b>37 757</b>	<b>100%</b>
<b>Surplus</b>	<b>1470</b>	