

## Budget Allocation and Monitoring

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## Section 1 : Policy Overview

### 1.1 Policy Statement

The management of Ara Institute of Canterbury <sup>1</sup>resources is conducted by an analytical, transparent, accountable and fiscally responsible process. This is to ensure the long-term financial viability of Ara, consistency with internal and external policy and that future growth and development are adequately resourced.

### 1.2 Application of Policy

- a This policy applies to all operational budgets in divisions (ie staffing, general expenses, capital, professional development and special grants).
- b It does not apply to the central Research Fund, which is overseen by the Academic Board's Research Committee and managed by the Academic Director.
- c This policy relates primarily to ITPNZ Academic Quality Standards 1 (Institutional Academic Quality Management) and 3 (Resources).

<sup>1</sup> From herein referred to as Ara

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### 1.3 Formal Delegations & Variation to Policy

- a As from 2007, the Chief Executive delegated Executive level responsibility for the oversight and monitoring of financial budgeting to the Chief Financial Officer (CFO); refer Corporate Delegations Register.
- b Division Directors have delegated responsibility for ensuring their respective division operates within the agreed budget and meets the agreed contribution margin and 'bottom line' each year.
- c Directors have authority to sub-delegate specific responsibilities to divisional managers or other specified managers, but they maintain overall accountability to the CFO.

### 1.4 Definitions

- a General Overhead: Contribution made by divisions to fund divisions and other Ara wide operational costs.
- b General Expenses Grant (GEG): The allocated budget that covers all operational costs except depreciation and occupancy costs. 'Operational costs' excludes staffing and capital.

<b>Further Documentation</b> <ul style="list-style-type: none"><li>• Corporate Delegations Register: Held by Chief Executive and senior managers</li><li>• Staffing Resource Form: InfoWeb (HR Division/forms/employment related)</li><li>• Variation to Budget Form: Finance Division</li><li>• Budget Sign-off Document: Provided annually by Finance Division</li><li>• Research Fund: Research Website or Academic Division</li></ul>	<b>Related Policies</b> <ul style="list-style-type: none"><li>• All Finance policies (Section 3, Corporate Policies &amp; Procedures Manual)</li><li>• Workload</li></ul>
<b>Notes</b> <p>The first version of this policy replaced several related policies: 'Staffing Budget &amp; Variations', 'Management Responsibility for MoE EFTS' and 'Strategic Development Fund'. It also formally documented procedures related to budget allocation for the first time. There is significantly less detail in the 2007 version, as all aspects are now part of operational processes overseen by the Finance Division.</p>	

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# Budget Allocation and Monitoring

## Section 2: Procedures

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### 2.1 Budget Principles

- a Budgets reflect Ara Institute of Canterbury's values and strategic directions and are both educationally and financially sound.
- b Budgets are set in an open and transparent way and are consistent with internal and external policy.
- c Directors have flexibility within their signed-off budgets, while remaining accountable for meeting the 'bottom line'.
- d Initial budgets submitted to the CFO are expected to be realistic, viable and include allowance for the necessary general overheads.
- e Directors prioritise expenditure so that a contingency plan can be developed if an adverse change in circumstances arises. Interventions are imposed if there are any indications that adverse circumstances are not being managed in the best possible way (refer Sections 2.10 – 2.11).
- f All managers are accountable for ensuring that their division/school/section remains within budget. Managers' performance appraisal takes account of financial management.

### 2.2 Key Cost Components

The budget for expenditure items is analysed by key components, as listed below. In addition to the budget principles outlined in Section 2.1, each of the items must meet specified criteria to be approved (refer Sections 2.3 – 2.8).

- a Staffing
  - Teaching Full Time/Proportional
  - Teaching Part Time/Casual
  - Allied/Non-teaching/ Management
- b Operating Costs
  - Depreciation
  - Occupancy Costs
  - General Expenses Grant (GEG), which includes all other operational costs including Professional Development
- c Capital Items

### 2.3 Academic Staffing Component

- a Divisional managers provide the following data to their Director and, if requested, to the Director, Human Resources:
  - i Tutor workload: a break-down of full time and proportional tutor teaching by Total Teaching Hours (TTH) or student : tutor ratio
  - ii Class size: student enrolments in previous year/s (defined by course and programme) and projected student enrolments for the coming year
  - iii Course/programme structure: approved programme matrix showing course by course class contact, assessed/supervised work experience, other directed hours

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(which equals Total Tuition Hours) and student self directed hours (which together account for Total Learning Hours). Refer Programme Approval Committee Guidelines for definitions, available on InfoWeb or from Academic Coordinators and Academic Division.

- b The programme structure is analysed by considering the Total Learning Hours (including direct class or e-learning contact, assessed/supervised work experience, other directed and student self directed hours) and approved credit values, on a course by course basis. The ratio of claimed total tuition hours to self directed hours is evaluated against the programme matrix approved by the Academic Board and any financial constraints.
- c Tutorial workload, assessed using Ara Institute of Canterbury's Workload policy and the student numbers in courses/occurrences, takes the following into account:
  - i Courses that can be taught in lecture/large group format and still maintain quality
  - ii Courses in which a high level of in-class interaction with each student is required (eg class discussion, group work, formative assessment)
  - iii Trade or other applied/studio based courses with identified safety issues and/or equipment restraints
  - iv Courses in which special needs or potential high risk to students are identified.
- d The above factors are taken into consideration when setting the student : tutor ratio for each school/programme. However, Directors have additional discretion within their division to allocate staffing budgets to individual schools.
- e The staffing budget is a 'dollars' allocation, not a 'teaching hours' allocation. It is, therefore, unacceptable to convert the budget to hours and change the mix of full time and part time staffing if this approach exceeds the allocated 'dollars budget'.

## 2.4 Allied / Non-teaching Staffing Component

The HR Division provides a spreadsheet detailing current allied/non-teaching staffing in each division. Directors must signal any proposed changes or additional bids. The following indicators are used to evaluate the data supplied:

- the calculated dollar cost of division overhead staffing, ie management, administration and technical support, as appropriate, per EFTS
- benchmarking across divisions
- comparisons across divisions, using full time staff equivalents.

## 2.5 Staffing

The HR Division provides a spreadsheet detailing current staffing within the division. Directors must signal any proposed changes or additional bids. The following indicators are used to analyse the data:

- Cost of the division/service per (i) overall EFTS for the institution or the overall Full time Equivalent Staffing (FTE), depending on which is more relevant for the service and/or (ii) volume of work within the division
- Benchmarks against services provided by other tertiary providers
- Comparison of cost to outsourcing options, where appropriate
- Relevance of the service to student learning and maintaining EFTS/accreditation/other quality indicators.

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## 2.6 Capital Allocation

The only items that are capitalised are single non-consumable items within the cost brackets set by the CFO. Other items are included in the GEG budgets under the appropriate cost code. All requested capital items are ranked by the Director in order of priority. The CFO prioritises all capital bids, called for each year, in consultation with Te Kāhui Manukura and then prepares the annual Ara capital budget.

## 2.7 General Expenses Grant (GEG)

Ara uses a zero based budget system that requires managers to analyse the components of the total budget each year. This provides a sound basis for understanding the cost structures of schools/divisions, as well as a starting point if alterations are required. Repeating budget items from one year to the next without analysis (eg the impact of EFTS, course or equipment changes is not acceptable). The CFO may ask to see the working papers that support each budget bid.

## 2.8 Professional Development

There is a flat rate based on the division Full Time Equivalent Staff, plus an amount per FTE depending on the individual staff member's employment contract.

## 2.9 Annual Budget Allocation Process

- a The CFO sets the timeframe in which each year's budget allocation process will occur.
- b The stages of the process are as follows:

### **Stage 1:** Preparation of EFTS and GEG budgets for each division

The process set out by the CFO each year is followed. The Finance Division provides guidance as to the level of GEG expenditure within each division required to meet the necessary contribution to Ara General Overhead.

### **Stage 2:** Preparation of GEG budgets for each division

The Finance Division uses the completed division budgets as the basis for producing the draft calculations for divisions contribution to General Overheads.

### **Stage 3:** Preparation of draft division staffing budgets

Details re projected EFTS, proposed staffing usage and supporting historical information provided by Divisional managers to the Director are used as the basis. The HR Director reviews the draft staffing budgets against the projected EFTS and other information available to ensure that the overall staffing budget costs are in line with acceptable staffing ratios.

### **Stage 4:** Contingency Planning

Each Director develops a contingency plan as part of the budget process, to be implemented if there is a shortfall in budgeted income. Each Division Director formulates a strategy for dealing with an unexpected decrease in Ara Institute of Canterbury's income.

### **Stage 5:** Negotiation and Sign-off

When negotiations of each budget are completed, each Director signs off their final (draft) budget. Directors are responsible for ensuring their managers sign off their respective budgets. The CFO monitors the final (draft) budget for any changes in circumstances prior to Council approval of what is then the final budget.

## 2.10 Monitoring and Controls

- a Managers receive regular finance reports summarising income and costs by school and division.
- b Division Directors and managers meet regularly with the CFO and HR Director to discuss the current budget, any significant changes or issues to resolve.
- c If any division/section or school is not within budget, controls or other actions are taken until the matter is resolved, unless the over-expenditure can be accommodated within the division overall budget. Controls may include a freeze on all expenditure, amendments to delegations and/or other limitations as appropriate to the circumstances.

## 2.11 Trouble Shooting

If any programme/course or other activity is identified as being at or potentially at financial and/or quality risk, the following actions are taken:

- The Director and managers produces a full analysis of the issues and steps taken or to be taken to resolve the problem, with a timeline, costs involved and statement of risks
- Immediate discussions with CFO and HR Director
- Discussions with Academic Director if quality issues are identified
- Agreed action plan adopted
- Monitoring process and timelines for further review put in place.

## 2.12 Variations to Budget

Expenditure over the agreed budget may occur where there is (i) a significant increase in EFTS and income in the relevant division, and the General Overhead contribution has been improved or (ii) there have been cost improvements in the relevant division. The CFO must authorise any additional expenditure, which is recorded on the official Budget Variation Form and/or the Staffing Resource Form.

Authorised expenditure above the original budget is taken into account during future budget discussions. Efficiency is encouraged, so significant under-expenditure is also recorded.