Purpose

The following Procedure outlines the University's requirements in respect of the University's budget, financial forecasting, processes adopted to carry forward balances and the development of management reports to assist the University to make decisions and monitor its performance.

Scope

The University's annual budget is prepared and presented to Budget Advisory Committee who then presents this to Finance Committee in advance of Council approval.

Annual Budget

Each Portfolio or Faculty, (also referred to as a cost centre) for both operating and research activities (where applicable) must prepare an annual budget in line with the guidelines set by the Finance Directorate.

Budget units will be required to control spending within the limits of the approved budget. Commercial areas are required to operate to achieve an agreed contribution margin. Corporate and central areas, research areas and regional campuses are required to operate within their expenditure targets. Unless specific approval has been granted to over spend in a given year, all areas are not allowed to spend more than their agreed budget.
Expenditure from carried forward balances is to be identified within the budget submission so that appropriate approval for such expenditure may be sought.

The operating budget consists of the following main funding streams:

a) Commonwealth Grants Scheme (CGS)

b) Student Contributions

c) Student Fees

d) Other income generated in the course of performing the teaching & learning function. It also includes commercial income, other grants and donations

The research budget includes grants and contracts for special research projects, generally external agreements with the University.

The annual budget also includes University-wide activities such as any University initiatives, investment income, operating capital expenditure and scholarships.

A significant grant received by the University is the CGS. The authority for the provision of the CGS is covered under sections 30-25 of the Higher Education Support Act 2003 Act. Section 30-28 of the Act requires that a copy of each funding agreement is published on the Departmental website. The CGS provides funding to eligible Higher Education providers for students enrolling in bachelor degrees and other Higher Education courses of study ‘designated’ by the Minister for Tertiary Education.

Public universities determine the number of students they enrol in bachelor level courses (excluding medicine) and receive funding for these places.

For designated courses of study, the Australian Government provides funding to public universities for an agreed number of Commonwealth Supported Places (CSP) in a given year. Designated courses of study include non-research postgraduate courses, medicine, enabling courses and courses of study leading to a diploma, advanced diploma or associate degree.

1. The University’s Budget model is maintained by Central Finance. The model captures all University expense and income estimates, based on submissions from schools. In addition, information is fed into this in relation to student fee income based on data from the planning department.

2. Statement of Accounting Policies: All budget units are required to assess their monthly management reports and submit projected forecasts to Financial Planning and Budget team.

**Accrual Accounting**

The University prepares its Annual Financial Statements and management reports on a full accrual accounting basis and in accordance with the Financial Management Act 1994 which incorporates relevant Australian and International Accounting Standards.

Accrual accounting recognises events on a basis other than the timing of receipts and payments. It is designed to record the full cost of providing services e.g. Cost of utilising assets (depreciation) and staff resources (provision for Long Service Leave etc.) at the time of employment of those resources, not when cash transactions such as payment of Long Service Leave occur.

**Cash/Fund Accounting**
The University uses a 'Fund Accounting Concept' for management accounting purposes to account for the activities undertaken by the budget units.

**Funding Sources**

All budget units, in addition to budgeting for income and expenditure by the organisational unit, are also required to budget by activity department codes (5 characters) for operating and activity project codes (6 characters) for research activities. The categories for operating and research activities are:

- Operating 10 – Commonwealth Operating
- Operating 15 – Commonwealth Research
- Operating 20 – TAFE
- Operating 35 – Consultancy
- Operating 40 – Continuing Education
- Operating 45 – Fee for Service
- Operating 50 – External Research
- Operating 55 – Student Fees
- Operating 60 – Other

**Definitions**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Budget</td>
<td>A budget is an organisational plan in financial terms. The financial document is used to estimate future income and expenses. A budget can also serve as a plan for action for achieving quantified objectives, standard for measuring performance and a device for coping with foreseeable adverse situations.</td>
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<tr>
<td>Brought forward balances</td>
<td>A balance which is entered in a general ledger at the start of a year (1 January) and represents the net balance of income less expenditure for a fund, at the end of the preceding year (31 December).</td>
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<tr>
<td>Forecast</td>
<td>Is a projection about the year end position, based on a number of factors including the use of historical data and current information and knowledge. It is developed in conjunction with the financial planning and budget team on a monthly basis for budget holders during the year.</td>
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<tr>
<td>Monthly Management Reporting</td>
<td>Management reporting is a detailed report of the actual year to date position and a full year forecast. It includes a Profit and Loss statement, cash flow statement and Balance Sheet.</td>
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**Budget Basic Principles**

The following principles underpin the development of the budget:

1. The budget supports the implementation of the University’s Strategic Plan and Operational Priorities
2. The budget is transparent and flexible and encourages efficiency in the use of resources

3. The budget is fully comprehensive and covers all activities including all expenditure commitments held against prior year grant funding where applicable

4. The budget aims to place the University on a more viable and long term sustainable financial basis

5. The budget will ensure accountability for budget outcomes and support better understanding of the University’s financial situation by providing each head of the budget unit the responsibility for the monitoring and performance of their individual budget against target.

6. In order to ensure long term financial sustainability and support future growth and renewal, the budget is based on the achievement of a positive underlying operating margin.

7. Budget units are encouraged to improve efficiency and to pursue activities which contribute to the University’s strategic direction through implementing a continuous improvement approach.

8. Recognition of Carry Forward Balances- Funds brought forward include externally funded research which have specific contractual obligations along with consultancy. When planning on utilising carry forward balances areas are required to budget in the year the expense will occur.

**Budget Categories**

**The main high level categories of income within the chart of accounts are as follows:**

- Commonwealth Grants – DEEWR
- Student Contributions
- State Government Grants
- Research Revenue
- Student Fees
- Other fees and charges
- Investment revenue
- Commercial revenue
- Other grants & donations
- Other revenue

**The main high level categories of expenditure include:**

- Employee Benefits and Oncosts
- Depreciation
- Professional Fees
- Student related
- General Operating
Planning & Budgeting Cycle

The Planning and Budgeting Cycle is deemed to be a continual cycle. The budgeting process will ensure that during the course of the year, current year forecasting is reviewed. This will provide an indication on whether the existing budgets are providing satisfactory performance. Together with estimates of the following years Student Fee Income and Government Grants, plans will need to start being developed.

The nature of Government Grant reductions mean that invariably, savings strategies will need to be implemented each year, resulting in budgets being reduced year on year.

Central Costs

There are a number of central items which will need to be budgeted for at a central level. These items are those that cannot be attributed to a responsible budget officer.

Development of Financial Plans

In formulating budgets, the operating unit should have a plan of their anticipated activity for the forthcoming year. This will invariably result in financial plans being developed on how the plans will need to be resourced.

Budgeting & Planning Consolidation

Budgets will invariably start to be developed early on in the cycle, however there are a certain number of unknown variables once the firm student numbers are known budget is then approved.

Student Load Projections

Regular updates in respect of student load plans are constantly reviewed throughout the budgetary process and as a result of this budgets may need to be adjusted. When final Census dates are finalised, the overall University Budget is reviewed to reflect whether there are any adjustments needed.

Research Activities

Research activity is reflected in annual plans to ensure that the expense is factored into any budgetary plans. However, the income in respect of these projects may have been received in prior years, so it is necessary as part of the year end to ensure that appropriate carry forward requests are made.

Non-Salary Expenditure
When establishing budgets, appropriate regard will need to be made for non-salary related expenditure. Items include travel, subsistence, and stationery.

**Capital Budget**

A corporate allowance is made each year in respect of Capital Items. Within this allocation is predominantly planned maintenance of works; however there is a balance of monies available each year. In order to attract capital funding, an appropriate business case needs to be developed and then all bids are then prioritised in accordance with needs of the business.

**Budget Timetable**

The Budget Timetable will be released annually, outlining appropriate budget targets.

**Financial Forecasting**

Financial forecasting procedures provide information on the monthly forecasting processes and the key parameters within which forecasts are prepared.

**Introduction**

Financial forecasts are prepared on a monthly basis at the consolidated University level. All budget units are expected to provide information on all areas in respect of activity across all facilities. Commercial areas, Corporate and Central areas, Research and Regional campuses.

A financial forecast should be based on all available information at the time of preparation, including historical data, commitments and expected income and expenditure.

Financial Planning and Budget together with budget units are required to prepare monthly forecasts and monitor the University’s performance against the approved budget.

Monthly Management reports anticipate to be available within 10 days of the month end. Upon receiving monthly management reports, it is expected that business managers provide projections to the year-end within 10 days of receiving reports.

Comments highlighting the major changes to the forecast should be submitted for review along with this forecast.

**Managing the Forecasts**

Reporting and forecasting on the University’s operating position is undertaken on a monthly basis and reported to Senior Management with the latest available reports submitted to each Finance Committee meeting. It is essential that we receive information from business units in order to feed these forecasts to ensure that we are reflecting activity. The move towards a greater demand driven environment means that it is essential that regular forecasting and tracking is done to ensure that the organisation's financial position is not detrimented.

**Capital Projects**

Reporting and forecasting on the University’s Capital Projects; infrastructure and operations and all other projects is on a monthly basis via the Budget Advisory Committee. Information is incorporated in both the top down and bottom up processes for budget preparation, reporting and forecasting.
Budget Variations

Budget variations should be minimal and any significant variations will be reported through Senior Management to Finance Committee.

Supporting Documents

Budgeting, Forecasting & Management Reporting Policy

Implementation and Communication

Responsibility for implementation:
Directors of Sections, Deans of Faculties and Business Managers

Responsibility for implementation, monitoring and compliance:
Chief Operating Officer/Chief Financial Officer
Associate Director - Financial Planning and Budget
Senior, Deputy Vice Chancellor Corporate & Student Services

The Budgeting, Forecasting & Management Reporting Policy will be implemented throughout the University via:
1. Announcement on the FedNews website;
2. ‘Recently Approved Documents’ webpage to alert the University-wide community of the approved Policy;
3. Information/Training Sessions; and/or
4. Inclusion in the University's online Policy Library;
5. Distribution of e-mails to relevant University Staff and Stakeholders