

7.2

Institutional budgeting

Budgeting and collegial governance

The role of the senate in budgetary matters

Academic and financial decision-making are not independent: academic governance decisions often have financial implications, and institutional decisions about resource allocation have implications for the academic mission. If a senate is to uphold its responsibility for the academic affairs of the institution, it must be able to provide meaningful recommendations to the board of governors about financial and administrative matters that either directly or indirectly affect academic operations, including the delivery, quality and sustainability of educational programs.

It is therefore necessary that the senate is kept sufficiently informed, is sufficiently consulted, and is properly integrated into key institutional processes concerning budgeting, financial reporting, and related aspects of institutional planning and reporting.

Academic drivers of a budget

A budget is a plan for the allocation of resources, articulated in financial terms. A budget reflects both the current reality of the institution's operations, including their relative priorities, and plans for the institution's ongoing reproduction and development.

Institutional operating budget development is guided in large part by a set of non-academic drivers – often called business drivers. Examples on the revenue side include estimates of grant funding levels, enrolments (credit/credit-free, domestic/international), retail activity, and others. On the expense side, examples include salary settlements, projected benefit costs, facility maintenance and utility expense estimates, etc.

Business drivers of a budget are inherently amenable to articulation in financial terms. Therefore, they are understood and captured with relative ease within budget development processes.

In light of institutions' educational and scholarly missions, academic drivers must also guide the allocation of resources. For example, underlying issues may include the actual and desired levels of academic-staff-to-student ratios, the actual and

desired levels of operational support for the research and scholarship function, and various other issues (perhaps identified in senate-approved academic planning documents), such as commitments to equity.

The establishment of academic budget drivers, clearly articulated in terms of resource requirements, will enable a sound understanding of current (and perhaps historical) levels of actual support, a more robust contemplation of target levels and attendant trade-offs, and the meaningful integration of academic and pedagogical considerations into budget planning, all in the interest of achieving and maintaining an environment that supports high-quality teaching, learning and scholarship at the institution.

Developing and recommending to the board a set of academic budget drivers should be understood as being within the senate's purview, so that resource allocation decisions can be taken after a transparent and systematic balancing of academic and business considerations. This approach recognizes that budget approval power typically remains with the board of governors, with responsibility for preparation of the budget assigned to administration.

This approach is intended to inform and improve rather than compromise this arrangement and to provide a consistent lens through which the tensions inherent in budget decisions can be made visible and understood, with the administration prepared to give account to both the senate and board about how the relevant issues have been addressed.

Academic staff association role

- Regularly reviewing and analyzing institutional data, to monitor and elucidate issues and trends
- Educating members about the important role that the senate should play in budgeting and monitoring the financial health of the institution
- Helping to identify budget drivers or potential drivers about which members should be aware
- Organizing members to seek better budgets and better budget-related practices

Checklist

Academic staff association's role

- The academic staff association has organized itself to play a role in supporting sound institutional practices.
- The association regularly gathers, reviews and analyzes institutional data to monitor and elucidate issues and trends.
- The association communicates with its members about issues and trends, listens to member concerns, and develops and maintains information and educational resources about the budget, finances and the senate's role in these matters.
- The association has identified problem areas (for example, using the remainder of this checklist) and potential improvement campaigns.

Institutional budgeting and financial transparency

- The institution has a clear process for budget development and financial reporting which includes checkpoints with the senate and, ideally, a senate budget committee (see Senate Budget Committee below).
- Meetings of the board and its finance committee are open by default, and its agenda and minutes are publicly available.
- The institution has senate-approved academic budget drivers. These and the resource allocation commitments made in institutional plans (for example, the institution's academic plan) are referenced during the development of budgets and in relevant reports.

The institution takes a transparent approach to enrolment management and to academic staff complement planning. The senate is engaged in these planning activities and annually receives reports that provide essential context, including:

- Employee complement and associated data required for complement planning (for example, equity data, age, rank, etc.), broken down by unit, employment category, etc.
- Credit enrolment and registration data
- Academic staff teaching workload data, including by contact hour and enrolments, broken down by academic unit, employment category, etc.

Senate Budget Committee: structure and responsibilities

- The senate has a standing budget committee.
- Appropriate training is provided to committee members.
- The committee meets regularly, according to a schedule aligned with institutional timelines for budget development, budget approval, and review of quarterly and annual financial reports. Meetings are scheduled sufficiently in advance of budget decision points that there is a meaningful opportunity for the committee to review information, to formulate recommendations, and for any such recommendations to be forwarded and fully considered.

The committee is integrated into the budgeting process in at least the following ways:

- It is apprised of all budget assumptions (for example, about business drivers), including when they are revised, and is updated during scenario planning.
- It receives a report on each budget draft.
- It is consulted about “strategic”¹ priorities, it is apprised of any recommendations from other bodies or any tentative budget directions, and it can consider and formulate recommendations prior to the finalization of budget directions.
- It is apprised of any approved budget directions.

The committee receives the same reports and proposals relating to capital budgets, operating budgets, and reserve funds as are received by a board finance committee. These include:

- Quarterly/annual financial reports and narratives (including with respect to projections and significant variances)
- Information about supplemental budget adjustments during the year, if any
- The proposed annual operating budget
- Any relevant institutional annual reports
- Annual reserve fund balances, proposals concerning reserve fund designations, and proposals concerning longer-term plans for reserves

- Proposals concerning tuition and fees
- Other reports or proposals provided to the board's finance committee relating to operating budgets and reserve funds
- Both the board of governors and the senate, based on work done by their finance/budget committees, can verify that budgets align with other institutional plans and balance any tensions between or inherent within them.

Institutional reporting and internal information-sharing practices

- Budget and financial reporting instrument structures are aligned for ease of comparison and analysis of variance.
- Practices are reviewed regularly to ensure that they clearly and accurately convey meaningful information about operating budgets and about actual revenues/expenses.
 - For example, it is clear how revenues directly related to credit-instructional activity (especially base operating funding and credit tuition revenues) are utilized to support the instruction/research function as well as related expenses in support of the core academic mandate of the institution.
 - For example, it is clear how other revenues, such as those from other fees, conditional grants, donations, unrestricted investment income, credit-free programs, and ancillary business activities, provide net contributions and therefore additional support for core institutional activity, including where spending is discretionary or conditional. This includes clarity that core credit instruction and research operations are not subsidizing ancillary activities.
- Comprehensive reports are available and/or data is easily available via a system that supports query-based report generation, according to a categorization schema that is appropriate to the institution (see the appendix below for suggestions).
- During institutional budget-development processes, faculty councils are presented with draft and final budgets for their respective faculties. Further, they annually receive information on the previous year's actuals and variance.

Appendix: Reporting schema categories

Possible schema categories for meaningful financial reports

- Breakdown of the institution's unconsolidated operating revenues by category, with availability of disaggregated data (subcategorized as appropriate) for each of:
 - base operating grant revenue
 - credit tuition revenue
 - other fee revenue associated with credit enrolments, by type
 - non-credit tuition and fee revenue
 - other grant revenues, including conditional/restricted
 - donation revenues
 - ancillary business activity revenues
 - investment income
- Breakdown of the institution's unconsolidated operating expenses, both by function and object categories, with availability of disaggregated data (subcategorized as appropriate) such as:
 - reporting of credit-free expenses distinct from the (credit) instruction function
 - distinct reporting of academic support and student support functions
 - distinct reporting of the computing, network and communications function
 - distinct reporting of the institutional support, facility operations and maintenance, and ancillary services functions
 - breakdown of each of the salaries, wages and benefits objects by employment category (full-time academic staff, contract academic staff, non-academic staff who are not management/exempt, management, exempt, casual, etc.)

- distinct reporting of the supplies and services object
- clearer reporting of reserve disbursements for both operating and capital activities, including with respect to categorization by function, object and division/unit; better distinguish “strategic” resource allocations from other “operational” spending
- distinct reporting of expenses by division and units (including by faculties, the library, etc.)
- breakdown of expenses related to amortization and payment of debt
- Detailed and transparent reporting of financial statements for institutes, centres, schools and related units

Endnotes

¹ See the note on “strategic” planning in the *Institutional planning* resource of this governance library.