2013 BUDGET INSTRUCTIONS
Support Areas

NOTE: This document is strictly Confidential to Curtin staff only
1. Curtin Budget Process

Curtin University continues to face a dynamic environment. To allow us to plan and respond, a number of changes have been made to the budget process for 2013:

- Phasing of the budget – Faculty budgeting process now starts after the second semester census date, to provide a better understanding of student preferences in a demand driven system;
- The introduction of a three year budget model; and
- CITS, Properties and Office of Research and Development have been asked to complete project estimates for 2014-15.

The annual budget process is an estimate of revenue (including internal funding) and expenditure. The financial performance of the University is measured and reported against the budget on a quarterly basis through the Management Report. Variances in revenue and expenditure categories between budget and actual results greater than $200,000 at Faculty/ Support Area levels are analysed and explained in the Management Report.

Curtin’s annual budget is part of a larger resource planning cycle that includes the University Strategic Plan, Enabling Plans, Faculty/Area Plans and the longer term Financial Projections. Resources are allocated in accordance with the University’s strategic priorities.

The development of the budget involves staff from all areas across the University. Budgets are required to be set at a minimum of School or Support Area-equivalent level. However, the budget system has been configured to allow budget entry down to cost centre level if necessary for ongoing management purposes.

Budgeting for revenue and expenditure is generally by revenue and expenditure categories as used in the quarterly Management Report. These categories are recorded in the financial reporting system (FinanceOne) as “Fin Reporting L2B”. Notable exceptions to this are salaried expenditure and student fees which, due to their materiality, are budgeted at a more detailed level.

The budget for each Faculty/ Support Area is required to be reviewed and endorsed by the relevant Executive Manager. Functionality for this approval path is built into the FinanceOne Enterprise Budgeting Module.
Budget submissions for Support Areas are due by 5pm on Friday 17 August 2012. The consolidated University Budget based on these and Faculty submissions (which are prepared at a later date this year) will be followed by a period of review and fine tuning.

All Support Areas are expected to comply with the identified budget parameters in their budget submissions and are required to prepare narrative documents on the content of their budget, links to strategy and explanations of key variances.

The budget is not approved until a resolution to adopt it is passed by Council (expected to be Wednesday 12 December 2012). However, we hope to give an indication of what the likely outcome will be after the Finance Committee meeting on 26 November 2012.

2. University Funding Model

Curtin’s funding model allocates funds to Support Areas, the cost of which is distributed to Faculties (where income is earned) based on services provided - e.g. numbers of students taught, level of space utilisation, etc.

The budget model applies the following principles:

- It is aligned to the University’s strategic planning process
- It provides a funding framework to enhance teaching & learning and research & development
- It is not limited by Curtin’s organisation structures
- It is relatively simple
- It provides a high level of transparency
- It provides flexibility to pursue new initiatives and to be responsive to new opportunities
- It has built-in incentives and provides clear authority for decision-making
- It provides for greater future financial security for Curtin
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2.1 Revenue
In general, income is directed to areas as received. For example, Commonwealth Supported Student and Fee-Paying Student income are directed to the Faculties where the student is taught. The model recognises that restricted income streams such as research grants, scholarships and bequests are tied and only used as specified.

Interdepartmental income, being the charge by one Curtin department for the provision of goods or services to another Curtin department, is included in the scope of revenue. It is distinct from other revenue sources in that it does not come from a source external to the University.

2.2 Direct Expenditure
Direct expenditure is to be budgeted in the area where it is expected to be incurred. The direct expenditure for an area reflects the cost of delivering goods or services by that area. In most cases the area will contract directly with a supplier for direct expenditure. For sound commercial reasons, in some cases direct expenditure is managed by one area of the University and the costs allocated across the University on a consumption basis. Telecommunications is an example of such an arrangement. Areas should be aware of amounts they pay for in this manner and ensure they budget for the associated expense accordingly.

2.3 Internal Funding
Excluding interdepartmental transfers, the University has five internal funding mechanisms:
   - VC Support
   - Strategic Funding
   - Scholarship Funding
   - R&D Funding
   - Operating Surplus

**VC Support** provides funding for the ongoing operations of Support Areas that provide services to staff and students in the Curtin community. Examples of these areas include Corporate Communications, Financial Services, Properties, Human Resources, Student Services and the Library. Support Areas within teaching Faculties fall outside the scope of this funding.

**Strategic Funding** provides funding for projects identified as aligning with Curtin’s strategic priorities. These projects are generally for a limited term.

**Scholarship Funding** provides a central pool of funds for the payment of scholarships to students. Scholarships are part of Curtin’s commitment to rewarding academic excellence and enabling students from all backgrounds to realise their potential.
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**R&D Funding** provides a central pool of funds to increase research productivity and improve the University’s research profile in alignment with the University’s Strategic Plan. It enhances Curtin’s reputation and also improves the ability of the University to attract other research funding.

**Operating Surplus** provides funds for capital investment, enables investment for the future and provides reserves for financial sustainability.

**2.4 Budget Model Refinements (changes to prior year)**

The budget model has been refined for 2013 to address items that were identified during the 2012 budget process or which have arisen subsequently:

2.4.1. Previously, EFTSL data was based on prior year actuals. For the 2013 Budget and beyond, EFTSL data will be based on the current year Semester 2 census data. (Driver for Faculty VC support paid)

2.4.2. Previously, the method for allocating VC Support paid by the Faculties was based on the prior year budgeted VC Support received plus an annual increment. For the 2013 Budget, given the later timeframe for Faculty budget preparation VC Support paid will be able to be based on the 2013 budgeted VC Support received.

2.4.3. The assumption for salary increases for the 2013 budget is 2% each in April and October for Permanent/Limited staff and average annual 2% increase for Casual/Sessional staff. However, the actual amount is subject to the finalisation of EBA negotiations.

**3. Budget Parameters**

Curtin is in the process of setting its Strategic Plan and Vision for 2013 to 2017. Though the Vision is still being refined it will likely require substantial additional investment in the University’s core activities of teaching and research, as well as the facilities and infrastructure required to support it.

Many factors such as the strong Australia Dollar, changes to visa requirements, the “half cohort” impact, lower investment distributions and increased competition for students mean that the financial environment for the higher education sector will continue to be extremely volatile.

The 2013 budget parameters therefore focus on activities that generate a substantial contribution to University outcomes, whether financial or otherwise.

The budget parameters are to be applied by all Support Areas in the preparation of their 2013 budget. Unless otherwise specified, the parameters are to be applied and measured at the Support Area level, providing the flexibility for management to apply different requirements within the Support Area.
## 2013 Budget Parameters at a Glance

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Parameter Limit</th>
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| **Operating Result** (Ref 3.2) | The University has a target of a 5% underlying surplus\(^1\) (measured at University level) to fund capital facilities and equipment needs while maintaining the spending power of cash and investments. Academic delivery under Support Areas is required to budget for:  
- Contribution to overheads and surplus\(^2\) as follows:  
  - Curtin English 35.0%  
  - Curtin College 70.0%  
Support Areas funded by way of VC Support are required to break even as a minimum.  
Self-funded Support Areas (such as Health Services) are required to break even as a minimum.  
Business Areas (such as the Bookshop) are required to present a minimum 5% operating surplus. |
| **Student numbers** (Ref 3.3) | Teaching under Support Areas will set student number growth targets as part of a wider University level strategic approach in the context of the necessary contribution levels noted above. |
| **Staffing Costs FTE** (Ref 3.4) | No specific staffing targets are set at this stage. However, Support Areas must develop their staffing levels in the context of required contribution/funding levels. |
| **VC Support** (Ref 3.6) | VC Support funding for Support Areas to be increased from 2012 budgeted levels by 3%, except for building and infrastructure depreciation in Properties, which will be funded at budgeted expense levels. |
| **Strategic Funding** (Ref 3.7) | Strategic Funding will be allocated to the following pools to be managed by the respective areas:  
- Vice-Chancellor Discretionary Reserve $2.0m  
- Strategic Positioning Reserve $2.0m  
- Teaching & Learning $1.3m  
- Medical School $1.4m  
- Curtin Town $2.0m  
- Transformation Funding $20.0m |
| **Scholarship Funding** | No increase in central Scholarship Funding Pool from 2012 budgeted level of $12.9m. |
| **R&D Funding** | No increase in central R&D Funding Pool from 2012 budgeted level of $33.4m. |

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1. Underlying surplus represents the University’s operational surplus, which excludes investment income and other one-off non-operational items such as capital grants.

2. “Contribution” is measured as revenues less expenses (excluding contributions to overheads, strategic funds, scholarships and surplus).

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\(2\) “Contribution” is measured as revenues less expenses (excluding contributions to overheads, strategic funds, scholarships and surplus).
3.1 General

Support Areas are required to align their respective budgets and operations with the University's Strategic Plan, Supporting Plans and local Operational Plans (which implement the University's Strategic Plan in a local context).

Achievement of the targets and KPIs specified in the Strategic Plan and Operational Plans are to be attained within the budget parameters.

In preparing the 2013 budget, Executive Managers should consider the measures necessary to meet parameters at a Support Area level rather than, for example, requiring each sub-unit to meet equal targets. This will require a strategic approach to decision-making, enabling focus on matters such as growth and efficiency where necessary.

3.2 Operating Result

The University targets a 5% underlying surplus (measured at University level) to enable funding of fund capital facilities and equipment needs, while maintaining the spending power of cash and investments.

Underlying surplus is the operating result after adjustment for one-off non-operational items (such as capital grants), investment income, and timing differences due to non-deferrable revenues.

All revenues and expenditure are to be included in the budget.

Academic delivery under Support Areas is required to budget for minimum levels of contribution to overheads and surplus as follows:

- Curtin English: 35.0%
- Curtin College: 70.0%

Support Areas (i.e. those funded by way of VC Support) are required to break even as a minimum.

Self-funded Support Areas (such as Health Services) are required to break even as a minimum.

Business areas (such as the Bookshop) are required to present a minimum 5% operating surplus.

Budgets are to be prepared using accrual accounting and are to include all revenues receivable and expenses for the budget year.

In doing so you are to consider the following:

- what is the likelihood of being able to spend planned amounts in the budget year?
- do my budgeted external revenues and expenses appear reasonable when compared to my area’s estimated 2012 outcome and after taking into account known or likely future changes?

Any known carried forward expenditure is to be included in your area’s budget.
Carried forward expenditure is to be limited to expenditure related to tied funds (e.g. Commonwealth grants). Savings in expenditure during a year due to lower than budgeted costs does not give rise to carried forward expenditure.

3.3 Student Numbers
Planned student numbers for the Centre for E-learning (CeL) and Curtin English will be loaded into their budget packs after Semester 2 census date. A review will be required to ensure substantial changes to the budget are not required.

3.4 Expenditure
No specific expenditure parameters are provided for the 2013 budget. However, the need to meet other budget parameters means that staffing numbers will need to be very carefully considered.

Staff are required to take annual leave in the year in which it is accrued. For full-time staff this is an annual entitlement of 20 days.

3.5 VC Support
Support Area funding via VC Support is to be increased by 3% from budget levels except for building and infrastructure depreciation in Properties, which will be funded at budgeted expense levels.

3.6 Strategic Funding
Strategic Funding will be allocated to the following pools:

- Vice-Chancellor Discretionary Reserve $2.0m
- Strategic Positioning Reserve $2.0m
- Teaching & Learning $1.3m
- Medical School $1.4m
- Curtin Town $2.0m
- Research & Development $32.7m
- Transformation Funding $20.0m (see below)

3.7 Transformation Funding
An amount of $20.0m has been set aside towards strategic projects and/or essential compliance needs. This pool will be managed by the Budget Steering Group to allow the University to meet needs identified during the Strategic Planning process.

3.8 Capital Expenditure
Capital expenditure does not appear in the Income Statement and therefore is not directly deducted in reaching the University’s operating result. It is, however, equally as important as operating revenues and expenses in assessing the University’s financial position.
Capital expenditure (i.e. items costing greater than $5,000 with a useful life of greater than one year) should be budgeted for by each Support Area based on the Support Area’s needs to maintain operations at a satisfactory level. Capital expenditure is not funded and should be met from each Support Area’s notional cash reserves.

4. Budget Timetable

The budget timetable is at Appendix A. Key dates to note are:

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Date/Time</th>
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<tbody>
<tr>
<td>Support Area budget preparation</td>
<td>9 Jul 2012 to 17 Aug 2012</td>
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<tr>
<td>Support Area budget submission deadline</td>
<td>5pm Friday 17 August 2012</td>
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<td>Note: Departments will need to submit their budgets to the Support Area by this date to enable time for consolidation, review and local approval. Please refer to your Support Area Accountant or Business Manager for their requirements.</td>
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<tr>
<td>Support Area budget narrative documents due</td>
<td>5pm Friday 14 Sep 2012</td>
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<tr>
<td>Presentation of consolidated University budget to Budget Steering Group</td>
<td>5 November 2012</td>
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<tr>
<td>Finance Committee Review</td>
<td>26 November 2012</td>
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<td>Council Meeting for budget approval</td>
<td>12 December 2012</td>
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5. Budget Requests and Requirements

5.1 Budget Preparation

The budgeting module allows users the option of recording budget data at a cost centre level.

Support Area budgets are to be recorded in the Enterprise Budgeting Module. No other submission format is allowed. The Enterprise Budgeting Module will include the following financial data by cost centre (if the information is available at that level):

- 2011 Actual
- 2012 Budget

Training in the use of the Budget Module will be available from 20 June 2012, with written instructions provided at the training. They will also be available as a Quick Reference Sheet on the Financial Services website.

Changes in systems access requirements should be directed to the Assistant Accountant - Budget on 2230.
5.2 Budget Narration

Each Executive Manager will be required to submit a budget narrative document outlining key initiatives, links to strategy and explanations of key variances. This document must be submitted to the Senior Accountant Budgets no later than 5pm Friday 14 September 2012.

A template identifying the required format for narrations will be provided by Financial Services. At a minimum the narrative must cover:

- Total Operating Budget for the Support Area
- Increases in total revenue and total expenditure
- Salary cost changes, analysing between staff changes (number/mix) and salary increases
- Net Result by Department
- Capital Expenditure

Depending upon the level of variances between current year budget and estimated outcomes, matters to be presented should also include:

- Commonwealth Supported Student revenues
- Research income (split between its components: Commonwealth/State Government/Other)
- Fee Paying Student Income
- Royalties, Trademarks and Licenses
- Consultancy & Contract Research
- Other Revenue
- Salaried Expenditure
- Depreciation, Repairs & Maintenance, Computing & Non-Capitalised Equipment
- Offshore Partner Payments
- Other Expenses
- Internal Transfers

5.3 Salaried Expenditure

Salaried expenditure comprises approximately 60% of University expenditure and represents a significant commitment. Financial Services will receive details of all permanent and fixed term staff as at 21 June 2012 for Support Areas from Human Resources and pre-populate this data in the Budgeting Module. Based on these details, and assumptions made around increases purely for budget purposes, the Module has projection capabilities to calculate the 2013 salary expenditure.

To assist budget users, position number and position description details have been added to the pre-populated data for 2013. This will also enhance the ability of managers to compare their actual and budget staff FTE during 2013.
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Salaried expenditure that has not been captured in the data provided (e.g. sessional staff, vacant positions that will be filled) is to be updated directly in the Budgeting Module. Remember that an accurate reconciliation will be required analysing all changes in salary costs between 2012 budget, 2012 estimated outcomes and 2013 budget.

5.4 Depreciation

Estimation of depreciation is a two-staged process:

1. Estimated depreciation on existing assets is calculated by Financial Services based on the Fixed Asset Register as at 30 June 2012. This information will be provided within the Budgeting Module.

2. The Budgeting Module contains a facility to calculate depreciation on anticipated asset purchases in the remainder of 2012 and for 2013 and should be completed by budgeting areas. This process also informs Financial Services of anticipated asset purchase information for cash flow and balance sheet estimation purposes.

Purchases of individual assets costing no more than $5,000 are immediately expensed. This needs to be remembered when setting your capital and expenditure budgets.

NOTE: If assets that do not belong to your area appear in the pre-populated data in the Budgeting Module, please advise the F1 Helpdesk on 2211 or email at F1Helpdesk@curtin.edu.au.

5.5 Interdepartmental Transfers

The consolidated amounts paid and received at University level are to match. Functionality for this process has been built into the Budgeting Module. The area making a transfer is responsible for entry in the Module. If a transfer from another area is expected, or if there is a query regarding the amount of a transfer, the area generating the transfer should be contacted.

6. Longer term Projections

Following submission of the 2013 budget to Financial Services, forecasts for 2014 and 2015 will be prepared at Faculty and Support Area level. These projections will use the 2013 budget as year zero and estimate the financial result for the following years. University level projections will also be prepared to 2022.

The Office of Research & Development, Properties and CITS are required to submit their own 3 year projections due to the more variable nature of the business.

7. Checklist for Budget Submissions

Each Support Area is required to complete the following by 17 August 2012:

- Budget loaded in the Budgeting Module
- Budget prepared at Department level
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- Budget sign-off in accordance with Budgeting Module process
- Salary data entered in Budgeting Module
- New Asset purchases worksheet updated for fixed asset additions
- 3 year Projections (if apply)

Each Support Area is required to complete the following by 14 September 2012:
- Budget narrative report (format to be provided by Financial Services)

** PLEASE CONSULT FINANCIAL SERVICES IF YOU REQUIRE ASSISTANCE OR CLARIFICATION ON ANY ASPECT OF THE BUDGET PROCESS **

Lyn Liu, Senior Accountant Budget x2802
Rozalia Po, Accountant Budget x3278
Finance One Helpdesk x2211