

# Budget basics for bosses: what your bursar wishes you knew about budgets

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**D**o you ever wonder why bursars and business managers tend to frown so frequently? They are probably expressing their sadness over the un-read budgets sitting disregarded and misunderstood, in the bottom drawer of your filing cabinet.

The role of a bursar is broad, with responsibilities for the day-to-day recording of financial transactions, implementation of systems and administrative procedures, for the presentation of monthly, quarterly, and year-end financial results, as well as the reporting of accounting data and ratio analysis to school governing boards or state government departments. They apply for large grant applications and are required to account for the management and spending of these funds. They have to deal with complicated human resource management issues, remuneration, superannuation, salary sacrificing arrangements, and must also keep track of casual teaching and administration staff time sheets. It is their job also, to assist with setting budget parameters and the preparation of the annual financial budgets, based on agreed goals.

As an educational leader, you may not have had any formal training in accounting or business management. You've probably managed to pick up a few financial skills along the way, but your strengths are in other areas such as leadership, communication, learning, teaching, and assessment. An important personal priority should therefore be to educate yourself about financial matters and budgets. Partner with

your bursar and be willing to be mentored in this area. Attend some professional development sessions regarding financial reports and the budget process.

A budget is simply a plan with a dollar sign in front of it. It is like a road-map. You don't journey to unknown parts of the country without a map or an active GPS device. So too, budgets help to guide the direction that the school desires to travel over the next 12 months. If we go off course on our road journey, the map shows us how to get back on track. Likewise, budgets are helpful monitoring tools, revealing when we are straying away from our goals and financial parameters. They allow us to monitor our anticipated revenue streams and to control our expenditure.

These terms 'monitoring' and 'controlling' can have negative connotations, and are sometimes misunderstood, yet they have very positive and vital functions. We rely on monitoring and controlling in many aspects of life. To use the driving analogy again, we watch the speedometer to ensure we are within the legal limits; we check the temperature gauge on occasion, to ensure the car is not over-heating; we monitor the fuel levels to avoid becoming stranded without petrol. So too, we should be viewing the budget as a vital part of the successful management of our school's financial resources.

Below are four simple guidelines that will assist school leaders, bursars and business managers to work together in managing the school's finances.

## 1 Communicate

The communication process has to be two-way. First, bursars need to be closely involved in the budget discussions right from the outset. They need to know the direction and strategic goals that are being set for the next year. For example, if the aim is to increase enrolments in the primary school, then they need to know this, so that the requisite marketing expenditure can be increased accordingly.

If the aim is to expand the co-curricular opportunities for students, this will need to be supported by appropriate expenditure to fund new equipment and facilities.

To facilitate planning, heads of departments/faculties and other middle managers will need to be advised what their budget allocations are so that they can make appropriate decisions when approving requests. How can they, if they don't have any idea what funding is available to them? Not all information will be relevant or appropriate for all department heads to see, but sometimes senior leaders and principals will withhold vital financial information from their middle management, in what can often be perceived to be a power-hungry game of control.

A department head at a Tasmanian secondary school complained that she had been chastised for overspending her budget allocation on academic resources, yet she had never been told what the approved annual allocation was, nor had she been kept up to date with progressive monthly spending. Another faculty head of a Victorian school said that he was given a copy of the budget for his department, but he didn't understand the document. "It seemed just like a bunch of numbers on a page, with some debits and credits which made no sense at all to me." This school's attempt at inter-departmental communication was rendered ineffective, due to the complexity of the document and the lack of training provided in how to interpret the figures.

## 2 Educate

Middle managers, particularly those newly appointed to their roles, are often unaware that their roles require an understanding of budgets and finances. The Bursar should ensure that time is spent training department heads about the content and function of budgets. This could occur during one of the school's allocated professional development days.

Bursars will be likely to remind faculty leaders that they don't have to

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say "yes" to every great idea. Your staff may return from a conference and want to implement all of the wonderful suggestions that were mentioned by the keynote speaker, or spruiked by the stall-holders in the exhibition hall. Bursars will encourage leaders to first obtain conservative and fully-costed estimates of proposed projects, before making funding requests. A typical error made by those unfamiliar with budget preparation, is to underestimate costs. For example, that conference that they just attended had many additional costs on top of the conference registration fee. Their classes had to be supervised by relatively expensive relief teachers and there were travel, accommodation, parking and meal costs which also required reimbursement.

## 3 Time is of the essence

Regular timely reports, on actual progress, compared with the budget guidelines, are vitally important. You should encourage your bursar to provide some key information on a regular basis, in an understandable, 'non-accountant-speak' format. Decide which items of revenue and expenditure are important for your school at this point in time, and develop Key Performance Indicators linked back to your budget and to other industry benchmarking data.

Preparation of the next year's budget must begin no later than the start of Term 3 of the preceding year. This vital information gathering time will provide the necessary input from relevant staff and school leaders, to shape the following year's budget. It is no use simply digging out last year's budget, late in November, and just adding a magic CPI-indexed amount to each item.

## 4 Have systems

Does this sound like an all-too familiar scenario? A package arrives at reception containing an expensive reference book. There is no name on the invoice, and no one seems to recall who ordered the book, or who authorised the expenditure. Was it ordered by the library, learning support, or the humanities department? To avoid situations like this, encourage and support your bursar or business manager to set up systems of accountability, especially for ordering of materials and resources.

Purchase orders should be prepared for all items ordered. Create a system of approval and accountability. Determine exactly who is able to approve certain types of expenditure and the monetary limits of spending, and ensure this is communicated to all staff, and then from time to time, remind them of the process.

The General Ledger codes should be logical and easy to follow, set up according to the various identified cost centres, rather than just allocated from 'general' funds.

By following these basic guidelines, you'll be on your way to creating a meaningful and useful budgeting process. Next quarter, we'll explore some common 'Budget Black-holes' and how to avoid them. Until then, here's something to think about. The executive of a large community organisation recently said "*We didn't actually overspend our budget. The allocation simply fell short of our expenditure*".

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