

# Achieving Financial Sustainability in Universities

CLIENT BRIEF

Universities are complex and dynamic organisations. The environment they operate within is proving to be even more challenging. For example, the Bradley Review changes, pressures on research funding, space utilisation, efficiency/capital requirements, international competition for students and unstable economic conditions. The scope and magnitude of these pressures is unlikely to abate. But through all this, university leadership must ensure the financial sustainability of their institutions.

## Old Approaches Hamper Decision Making

The tools of choice to assess financial sustainability have ranged from the opaque accounts and reports provided by Enterprise Resource Planning (ERP) or standard accounting packages through to the complexity and error-prone detail of spreadsheet analysis. Neither approach delivers the insight nor the answers university management require.

### Limited Defensibility and Transparency

Sound financial decision-making requires cause and effect relationships between inputs, operations and performance to be teased out and made clear. But too often university management must fall back on partial analyses and assumptions to make decisions that may ripple consequences through the institution. Each time teaching, research, infrastructure or cost priorities change, these decision-making uncertainties, and their consequences, return.

### Inaccurate Data

Too often the disbursement of revenues and costs across the various operational areas of a university has been clouded by expedience. The pragmatic drive for account simplicity can compound the consequences of decisions based upon misleading data.

### Limited Flexibility

The tools available to assist financial decision-making are inherently inflexible. Finance staff resort to compiling a “mash-up” of disparate data sources to create a usable data set. The result is usually delay, compromise and uncertainty. And when management asks for a re-cut of the numbers the result is often frustration for both parties.

## A Better Approach

The Pilbara Group solution combines **ACE for Universities** with extensive knowledge of Australian university operations. Utilising international best practice, a full university model can be implemented in only six weeks, dependent on the data quality of the existing management systems, and then refined over time. The software is very flexible and can be used for both historical analysis and forecasting.



Gone will be the days of waiting for data to be extracted from a range of ERP and legacy data sources. University leadership and management can now use **a single source of truth** to base their decisions on, and not a jigsaw of disparate information and spreadsheets.

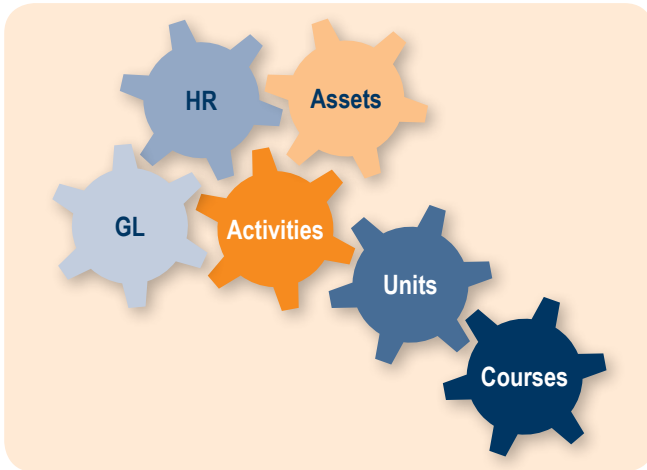
## ACE for Universities

**ACE for Universities – a powerful and easily deployed cost modelling system backed by extensive knowledge of Australian university operations.**

With the deep university domain experience and support of the Pilbara Group, it typically takes as little as six weeks to build and deploy a full university model and start making decisions with confidence.

Using this methodology, you will be able to determine not only the direct costs of your university’s teaching and research outputs and, where applicable, commercial entities, but also the fully absorbed cost.

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Pilbara Group's **ACE for Universities** enables you to link disparate data sets with ease and flexibility.



## Common Financial Sustainability Requirements

**ACE for Universities** has been deployed at multiple Australian universities, where it has allowed management to confidently answer some very challenging and insightful questions, including:

### Margin Analysis

- Which areas (schools/disciplines) offer the most attractive margins when expanding into new or existing space?
- What units / courses are running at a loss?
- What is the fully burdened cost of Australian Commonwealth Grant (ACG) research, commercially funded research or internal research?
- How are our international campuses performing compared to our domestic campuses?
- What are margin differences between offering a certain unit / course on campus versus on-line?
- What fees should be associated with new units or courses to ensure that we aren't making a loss?
- What is the minimum number of students for a unit/course, to break even?

### Predictive Analysis

- How many Equivalent Full-Time Student Load (EFTSL) do we need to break even:
  - University-wide?
  - In this school or faculty?
  - In this unit or course?
  - In this funding cluster?
  - By student type?
- Where is there currently under utilised teaching space?
- Where can the institution grow to utilise its existing resources?
- Given current and future growth trends, where will capacity need to increase?
- Will the cost of expanding capacity be met by the growth in revenue/margin?
- Which areas (schools/disciplines) offer the most attractive margins when expanding into new or existing space?

## Benefits of ACE for Universities in Financial Sustainability

Universities in Australia, like their counter-parts around the world, face a new paradigm of change and diversity.

**ACE for Universities** provides a proven platform, allowing you to model your current and future operations. Doing so at a granular level will ensure that leadership decisions are based upon accurate, transparent, timely and defensible information.

**Financial sustainability in the university sector has never been more important – are you prepared?**