When a higher education institution questioned the efficiency of their budgeting and forecasting process

We introduced leading practice initiatives which enabled a 40% cost reduction

The Challenge
A higher education institution expressed concerns over their budgeting and forecasting process. The budget process was perceived to require more time and resources than the value they produced.

A common view of performance measures was difficult to introduce due to the varied nature of revenue-generating activities and their associated costs.

Budget and performance measures did not reflect the strategic direction of the institution, nor did they cascade down to measures of operational activity to align day-to-day processes with budget targets. Budgeting took place at a very detailed level, requiring budget owners to undertake significant levels of data entry.

Capital expenditure allocations frequently deviated from strategic imperatives.

Forecasting was aligned with the annual budget period, resulting in a reducing horizon of information upon which to make key decisions toward the end of the financial year.

Finally, budgeting and forecasting at the institution was heavily dependent on a myriad of spreadsheets, leading to a lack of process automation that contributed to the length of the budget development cycle and introduced significant levels of human error.

How we helped?
Deloitte designed a suite of leading-practice initiatives designed to marry best practice across several market sectors with the specific needs and operating environment of the institution. This suite included:

- A modular approach to budget setting that leveraged driver-based, choice-based and spend-based methodologies to reflect the differing nature of budget items and define the right level of budget owner input
- A four-step capital expenditure allocation process that highlighted expected risk and return and took into account strategic imperatives and the nature of value maximisation in the higher education sector
- A performance management framework that acknowledged the differing operating environments and process maturity of operating units. This would facilitate a common performance landscape that allowed comparison between units and promoted accountability
- Rolling forecasts of varying duration that effectively supported decision-making by reflecting the operational cycles of the institution from the strategic to the operational.

Deloitte identified the performance management software packages that could be used to support the institution’s budgeting and planning process, and we also explained the benefits and concerns of each application.

Deloitte also leveraged benchmarking and process reviews to develop a view on potential savings that could be realised.

Value delivered
- Using median benchmarks, the cost savings that could be expected to be realised across the budgeting and planning cycle through the introduction of leading practice exceeded the clients individual target of 40%
- We also provided the client with a more meaningful and easier-to-understand budget process to help their senior management to have a better picture of their overall budget position.
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