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## **Universities Implementing Full Costing**

***Country Workshop – Paris  
14 January 2011***

**Operational Aspects of FEC at NUIM**

**Presented by Mike O'Malley, Bursar, NUI  
Maynooth.**

# Agenda

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- **What costs are used?**
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# Introduction

- Mike O'Malley, Bursar/CFO, National University of Ireland, Maynooth & Chair Irish FEC Project National Steering Group.
- A Chartered Accountant.
- Five years with an American manufacturing subsidiary in Ireland.
- Thirteen years as a management consultant with KPMG and Arthur Andersen, always based in Dublin but carried out assignments in Australia, Luxemburg, Sweden, Spain, Belgium, USA, UK and Ireland.
- Activity Based Costing...and financial shared services.
- Joined National University of Ireland, Maynooth in 2003.



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# Ireland: Some simple statistics

- 1. Population 4m.**
- 2. Joined the EU January 1973 (with UK and Demark making a nine country EEC at the time).**
- 3. Currency €**
- 4. Deepest recession in EU in 2008, IMF/ECF/EU support in 2010.**
- 5. National objective is to turn the economy into a smart, innovation driven, people led economy....**
- 6. Higher education.**



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# Irish Higher Education: A short overview

1. **A Binary System with seven universities and thirteen other HEI's called Institutes of Technology.**
2. **Looking to have 72% of 18 year olds enter HE by 2020, currently approximately 60% undertake HE studies.**
3. **In 1980 14% of 18 year olds entered HE.**
4. **Trinity College Dublin, University College Dublin, University College Cork, NUI Galway, NUI Maynooth, University of Limerick and Dublin City University.**
5. **80,000 students**
6. **C. €1,300m Income and Expenditure of which €350m is funded research**
7. **Reform and efficiency have focus along with research growth, participation and collaboration.**
8. **Higher Education Authority is the government Funding Agency**



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# Irish Higher Education: A financial overview

- Core education funding not keeping pace with rising costs
- UG student demand growing – both 18 year old and adult learners
- Rapid growth of research and PhDs – but not fully funded
- Consequent stresses on university finances and infrastructure
- Competition and collaboration sitting side by side
- Research funders demanding substantiation of costs and plans for spending
- Limited ability to earn non-State or discretionary income
- Constraints on staff costs, pensions, fixed term workers directive
- Most universities' surpluses too small to permit necessary long-term investment

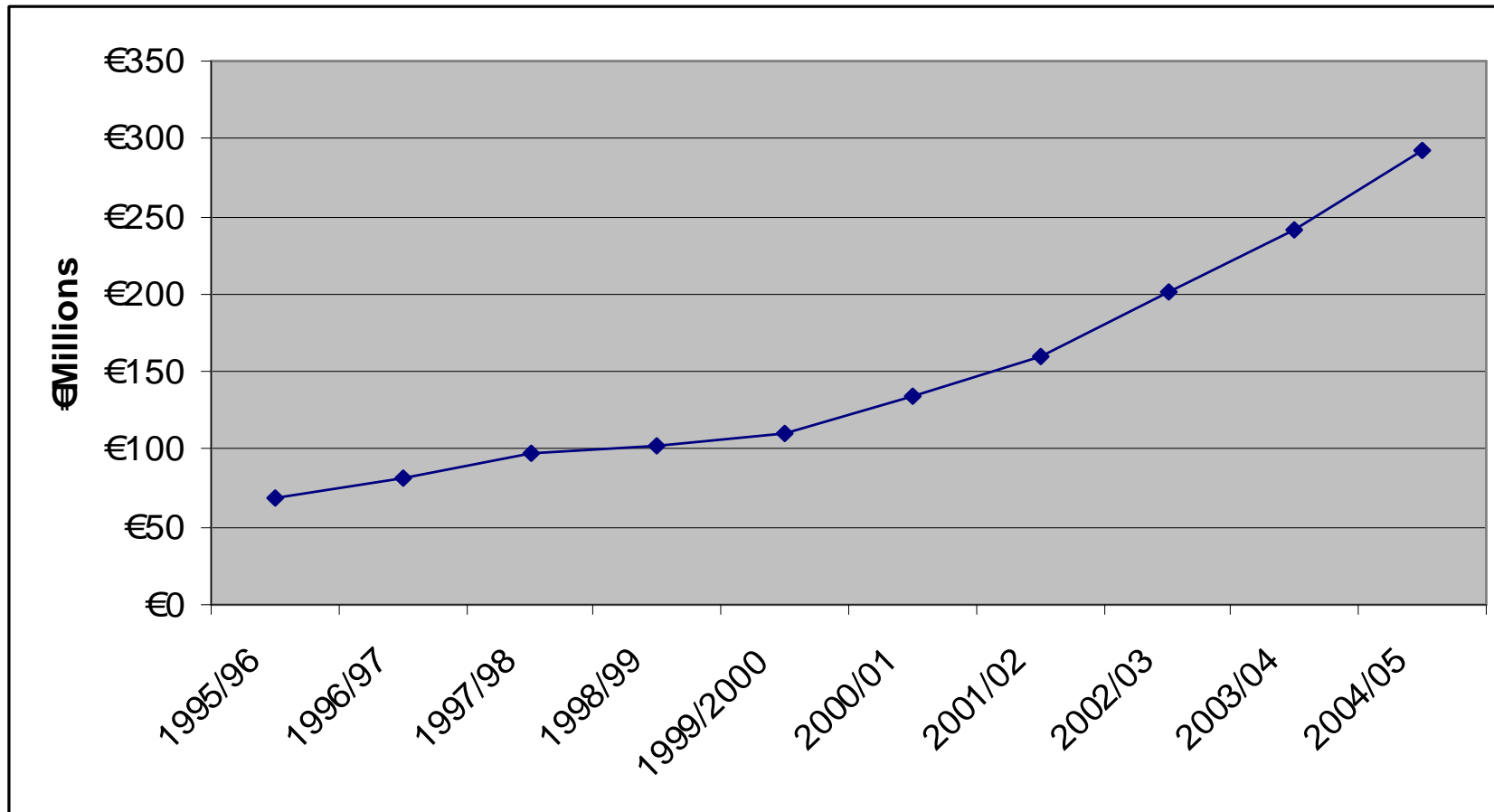
*Not a crisis, but these are threats to sustainability of the system, and indirectly to the autonomy and freedom of the universities*



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# Irish Higher Education: Growth in research income



However low awareness of FEC...not sustainable



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# Objectives of the project

- 1. General cost awareness and understanding of the true cost of activities to support sustainable management in universities.**
- 2. Specific financial management information for planning and decision-making – e.g.**
  - FEC of activities**
  - Surplus/deficits of schools, departments etc.**
  - Direct and indirect costs of projects.**
- 3. Determine an institutional research overhead rate.**
- 4. Determine the cost, absolute and relative, of HEA subject types e.g. Social Studies, Humanities, Geography, Mathematics, Biosciences, Physics, Dentistry, Veterinary Medicine.**

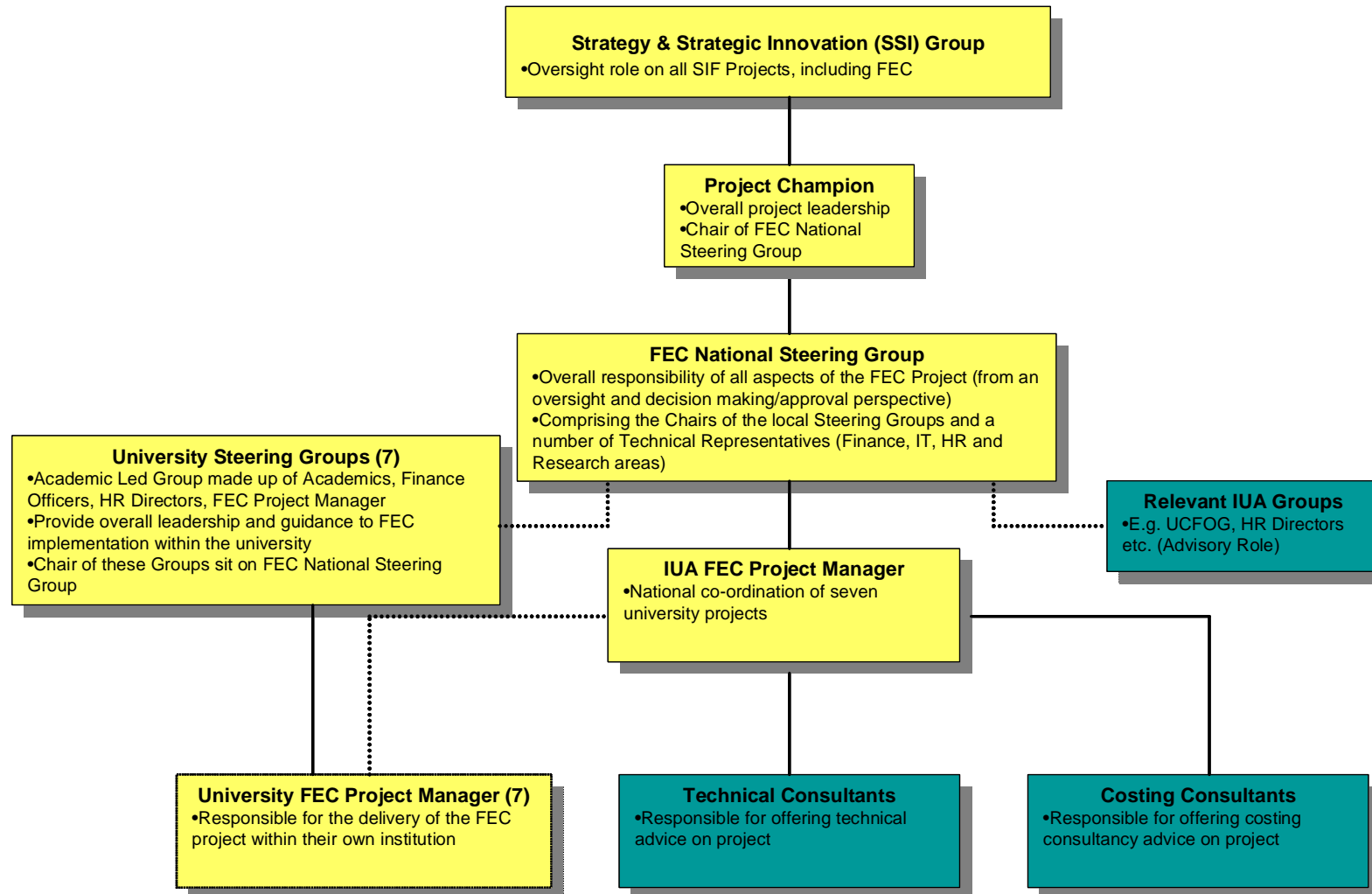


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# Project governance



# Workpackages

1. Academic Activity Profile
2. Payroll assignment
3. Estates assignment
4. Other cost assignments e.g. library, central administration, IT, student services, examination costs
5. Web-front end for AAP data entry
6. Reporting from the system

***In parallel a public procurement project selected software, technical and costing consultants to develop a comprehensive system incorporating all the workpackages***



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# Workpackages: AAP - Academic Activity Profile

Academic Activity Profile Form

[NEXT >](#)

Year 2008-2009

Staff Number Or Unique Identifier

S1234

NUIM

Period 1 September 08 to December 08

PROFESSOR

Please tick the relevant box below if on Leave for more than one week (excluding annual leave) within the reporting period

ADULT EDUCATION

[Leave \(other than Annual Leave\) Why?](#)

Paid Leave (> 1 Week)	<input type="checkbox"/>	Unpaid Leave (> 1 Week)	<input type="checkbox"/>	NO	FALSE
				NO	FALSE

Activity	Percentage of Time	Guidance please include only time spent on university duties (click on the underlined text for Help)
1. TEACHING - UNDERGRADUATE	30%	<a href="#">Guidance on Teaching-Undergraduate</a>
2. TEACHING - POSTGRADUATE TAUGHT	10%	<a href="#">Guidance on Teaching-Postgraduate Taught</a>
3. TEACHING - POSTGRADUATE RESEARCH	10%	<a href="#">Guidance on Teaching-Postgraduate Research</a>
4. RESEARCH - SPONSORED WITH OUTPUT	15%	<a href="#">Guidance on Research-Sponsored with Output</a>
5. RESEARCH - NO EXTERNAL SPONSOR WITH OUTPUT	5%	<a href="#">Guidance on Research with No External Sponsor with Output</a>
6. OTHER RESEARCH & SCHOLARLY ACTIVITY	5%	<a href="#">Guidance on Other Research &amp; Scholarly Activity</a>
7. OTHER INCOME GENERATING ACTIVITIES	5%	<a href="#">Guidance on Other Income Generating Activities</a>
8. CLINICAL SERVICES	0%	<a href="#">Guidance on Clinical Services</a>
9. ADMINISTRATION & MANAGEMENT	20%	<a href="#">Guidance on Administration &amp; Management</a>
TOTAL OF SECTIONS 1, 2, 3, 4, 5, 6, 7, 8, 9	100%	

The total of all sections equals 100%



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# About NUI Maynooth

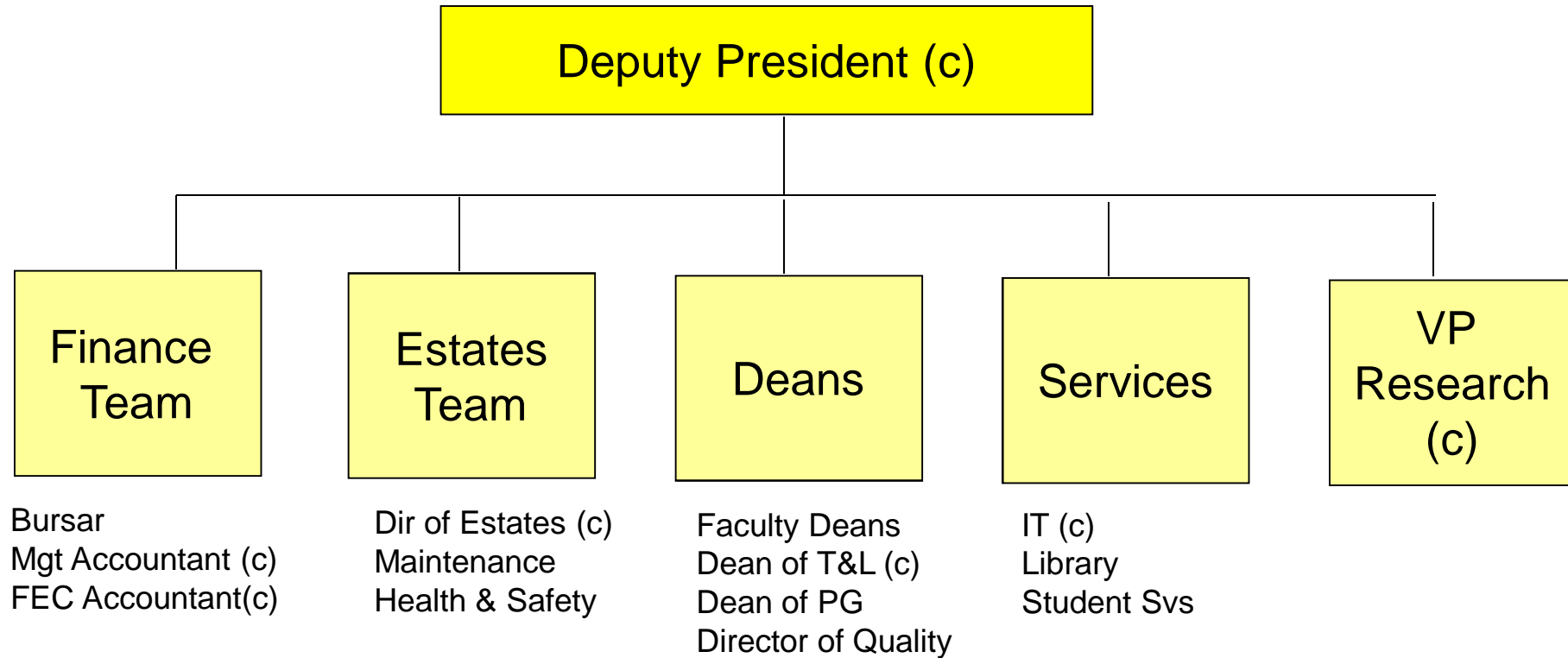
1. **Founded in 1795.**
2. **8,400 students.**
3. **330 academic staff and 500 non-academic staff.**
4. **20% of students are Postgraduate.**
5. **Income €100m pa...**
6. **Including Research Income €24m.**
7. **Liberal Arts and Sciences: Three faculties Arts, Humanities & Celtic Studies; Social Sciences; Science & Engineering.**
8. **Ethos focuses on marginalised and disadvantaged coupled with excellence and quality in everything we do.**
9. **Publicly funded.**
10. **[www.nuim.ie](http://www.nuim.ie)**



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# Local Steering Team



(c) Core team.



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# FEC Accountant

- 1. NUI Maynooth appointed an inhouse management accountant with ten years experience of the university to be the local FEC Accountant.**
- 2. He knew his way around and where to get data and information.**
- 3. Good with spreadsheets but needed training on SAS software and reporting using SAS.**
- 4. In-built continuity.**
- 5. Not all universities took this approach.**
- 6. At NUIM we feel this worked well for us.**



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# Communication

- 1. Communication was and is constant from the office of the Deputy President.**
- 2. Full support of the President.**
- 3. DP initially briefed both the Governing Authority and Academic Council about the project and what is involved.**
- 4. DP briefed local “Partnership Committee” on the project – this is an IR/ER forum where staff unions and management meet to discuss issues.**
- 5. DP briefed faculty meetings on the project and the nature and purpose of the AAP form – also DP requested the forms to be completed (not Finance and not the FEC Accountant).**
- 6. FEC Accountant met with individual academic departments and staff to help them complete AAP.**
- 7. Overall progress updates delivered to GA and AC.**



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# What costs are used?

1. **All expenditure reported in annual HEA funding statements**
2. **Expenditure**
  1. **Academic departments and Faculties**
  2. **Academic Support Services e.g. Library, IT, Language Centre**
  3. **Premises and Estate costs**
  4. **Central Administration and Services**
  5. **General Educational**
  6. **Student Services and**
  7. **Other**
3. **Two FEC adjustments:**
  1. **Return for financing and investment**
  2. **Infrastructure adjustment**

FEC output must reconcile to the published accounts



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# AAP: Approach at NUI Maynooth

- 1. Following communications with GA, AC, Partnership and Faculties each academic received a blank AAP form for semester one (Sept to Jan) along with a glossary of terms and frequently asked questions. Initially 79% of all academic staff made an individual AAP return for the first semester.**
- 2. Core team then completed the returns not received in consultation with Department Heads using like staff actual returns. Steering Committee formally agreed this was acceptable.**
- 3. Then.....the financial crisis and pay cuts in the public service...**
- 4. Instruction from academic staff union to members not to cooperate with FEC. Second semester (Feb to Jun) had been circulated but very low response received at the time of the union instruction.**
- 5. Local Steering Committee agreed first semester could be extrapolated.**
- 6. For third semester asked Department Heads to complete on behalf of staff in their area...full 100% response received.**



# Academic Activity Profile: NUI Maynooth approach

AAP HOD estimate by Pay Scale

DEPARTMENT:

		Teaching			Research		Other			Total	
Pay Scale	Staff Number or Staff Name	Undergraduate	Postgraduate Taught	Postgraduate Research	Research Sponsored with Output	No External Sponsor with Output	Research & Scholarly Activity	Income Generating activities	Clinical Services	Administration & Management	
PROFESSOR A									0%		0%
									0%		0%
									0%		0%
PROFESSOR B									0%		0%
									0%		0%
									0%		0%
SENIOR LECTURER									0%		0%
									0%		0%
									0%		0%
LECTURER									0%		0%
									0%		0%
									0%		0%
OTHER ACADEMIC STAFF									0%		0%
									0%		0%
									0%		0%
HOURLY PAID STAFF									0%		0%
									0%		0%
									0%		0%



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## Some other cost drivers

- 1. Occupancy with a four to one weighting for wet laboratory space.**
- 2. Central administration assigned to staff facing and student facing based on administration time analysis, then assigned academic departments or student facing cost pool for onward assignment to HEA subject type using student numbers as the driver.**
- 3. IT split between student facing and staff facing.**
- 4. Library assigned based on subject type spend plus and student and staff number driver.**
- 5. Technician staff costs split based on estimated time analysis from senior technician or Head of Department. Assigned to teaching support and research support.**
- 6. Total student FTE's**



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# Some uses of FEC Output at NUI Maynooth

- 1. Surplus/Deficit reporting by academic departments – Previously aware of income generated and direct costs...FEC generated an indirect cost per student per academic discipline/subject type...this information used to support an adjustment strategy responding to overall budget cuts.**
- 2. Internal resource allocation changed based on FEC data e.g. non-pay department budgets assigned in separate bundles of staff facing and student facing.**
- 3. Research pricing, private foundation research.**
- 4. More realistic cross charges to commercial activities.**
- 5. Beginning to examine the whole area of academic workloads.**



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# Lessons learned

- 1. Unused data not necessarily reliable e.g. external agencies had on occasion asked university to provide details on space utilisation...without having internal use for the data responses were made...when we tried to use this pre-existing data it proved inaccurate.**
- 2. Constant communication.**
- 3. Get software training early in the process and insist the trainee uses the system and its features.**
- 4. Work with staff associations and unions.**
- 5. Tell academic staff before the semester starts that you will want AAP data at the end of the semester.**
- 6. Get your AAP data immediately after the end of the semester...academics will complain if required to give data for a historical period.**
- 7. “Do not let the great get in the way of the good”.**

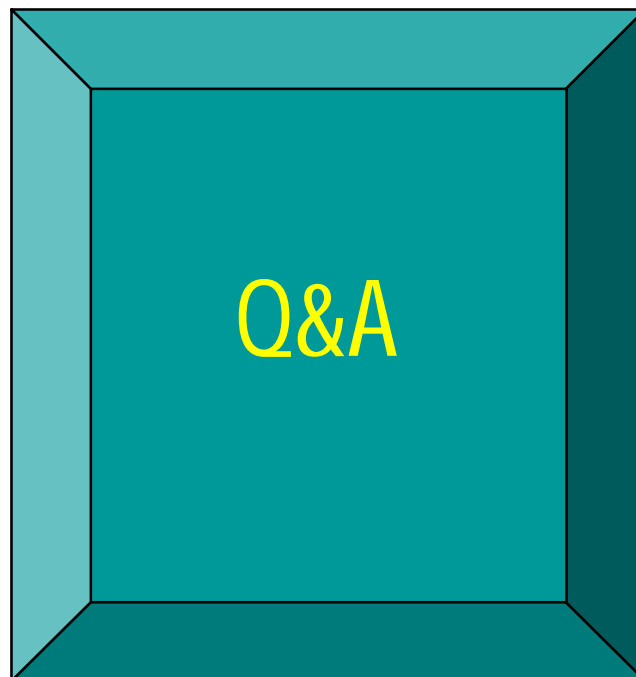


# Lessons learned

- 1. Do not underestimate the work effort involved, the concept is simple but the implementation is difficult.**
- 2. Academic involvement is key.**
- 3. A great deal of time spent debating whether costs should be addressed at a summary level e.g. Finance or at a detail level e.g. Fees Office, Accounts Payable, Salaries, Staff Expenses, Accounting Team, Cash Office – a great deal of resistance to creating work in some universities.**
- 4. You cannot involve frontline staff enough.**
- 5. You cannot control everything. All universities are different at several levels.**
- 6. FEC is not a panacea for all management information.**
- 7. Communication is key.**
- 8. Presidential support is a must.**



# Questions?



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