



## YUFA Response to SHARP Budget Model

Kean Birch  
YUFA Co-Chair for Long Range Planning Joint Committee

11 May 2015

### Preamble

The Employer has been developing a new activity-based budget (ABB) model at York University since at least 2011 when the Working Group on Budget Modelling (WGBM) was established. The WGBM recommended the introduction of an ABB model that: aligned resources with priorities; was transparent, predictable and sustainable; created performance incentives and accountability; and was based on clear methodologies. This ABB model being implemented at York University is called the SHARP model [Shared Accountability and Resource Planning].

The Employer originally promised to share the SHARP model with LRP/JCOAA back in November 2014. However, the Employer then delayed their full presentation of the SHARP model – including numbers – from November’s 2014 meeting until December 2014 and then to “early in 2015”. In November 2014, the Employer did provide a verbal outline of SHARP to JCOAA/LRP, but no numbers or concrete details were provided as part of this presentation. In April 2015, the Employer provided a detailed, PowerPoint outline of SHARP to JCOAA/LRP. Again, however, no numbers were included in the presentation.

This report represents the response of the YUFA caucus of the JCOAA/LRP to the SHARP model presentation in April 2015.

### Context

Activity-based budget (ABB) models have been or are being introduced in a number of Canadian universities, replacing existing incremental budget models. At York University, the Employer has made the case that SHARP – an ABB model – will be a vehicle for transparency, accountability and a tool to incentivize individual units and Faculties. The Canadian Association of University Teachers (CAUT) also points out that the purpose of activity-based budgeting is to provide a clearer link between revenues and costs, in order “to incentivize faculties and departments to cut costs and to seek alternative sources of funding”.<sup>1</sup> However, CAUT highlights a number of problematic implications arising from activity-based budgeting based on their study at various institutions:

---

<sup>1</sup> CAUT (2015) *The Recent Evolution of Internal Budgeting & Managerial Models in Canadian Colleges & Universities*, CAUT Briefing Note (March 2015), p.2.

- It can provide the Employer and senior administrators with greater discretion over resource allocations
- It can lead to budget decisions driving academic decisions
- It can create significant, negative and perverse outcomes (e.g. winner-takes-all strategies)

Consequently, CAUT has cautioned against the uncritical embracing of ABB models and suggests that faculty and faculty associations need to be wary of the structure and ways that ABB models are implemented.

### **Response to the SHARP Model**

In response to the Employer's presentation of the SHARP model, the YUFA caucus of JCOAA/LRP formed an *ad hoc* committee in order: to request clarifications about SHARP's implementation from the Employer; to identify potential pitfalls in its implementation; to critique the rationale, form and method of its implementation; and to recommend changes to the model. It is important to note that our response to the Employer's presentation here acknowledges the commonly accepted idea that all accounting and budgeting tools are socio-technical artefacts, and cannot be considered as 'truthful' representations of reality; they are, in this sense, contested, contestable and the result of making specific choices. The following observations represent YUFA's concerns and analyses of the choices, omissions, and potential consequences the Employer has decided to embrace with the move toward activity-based budgeting at York.

#### *Clarifications*

- Transparency:
  - i. Numbers: details are needed on the revenues and costs of each Faculty (i.e. the numbers)
  - ii. Internal Faculty budgeting: details and specifics of internal Faculty budgeting processes and frameworks are needed (if they exist)
  - iii. Financial information: details are needed on how SHARP fits within existing financial reporting requirements (e.g. its relation to the University's financial statements)
  - iv. University Budget Planning Committee (UBPC): more details are needed on the operations, composition and accountability reporting of the UBPC
- Costs & duplication of effort:
  - i. More details are needed on the costs of downloading budgeting onto Faculties, especially as this relates to the need for each Faculty to internally expand their independent budget management infrastructure and processes
  - ii. More details are needed on how Faculties are expected to become more efficient by sharing central costs
  - iii. More details are needed on how central administration is going to improve its efficiency by reducing its costs (e.g. reducing senior administrative and staff positions to avoid duplication at the Faculty level)

### *Potential Pitfalls*

- General University Fund
  - i. The SHARP model sequesters a General University Fund for Strategic Initiatives, Transition, and Contingency
  - ii. However, there are no details on how these amounts are determined or maintained as separate fund, who determines the use to which they will be put (whose strategic priorities?), and how they will be paid out. There is no sense of the size of this fund, nor what will happen with carry-forwards
  - iii. Consequently, and as with other elements of the model, SHARP puts more financial power in the hands of the central administration (even away from the Deans), and is not transparent or accountable within existing collegial governance processes
  
- Shared services costs:
  - i. The SHARP model seeks to introduce a quasi-market, requiring every Faculty to pay for shared services costs
  - ii. However, there are no details on how these shared service fees will be costed by the service units providing them; nor are there details on how these fees will be scrutinized for reasonableness; nor is there information on how it will be judged that a shared service is even necessary. This may be left to the UBPC, a body for which the processes and ladder of accountability remains unclear
  - iii. Consequently, since Faculties have no recourse to other service providers (i.e. external contractors) for services (e.g. lighting, maintenance, IT, security, etc.), there is a possibility that service units will end up raising their 'prices' excessively (i.e. internal price-gouging), which will further increase competition and adversarial relations between Faculties, and undermine community building within York as whole
  
- Faculty budget control:
  - i. SHARP is premised on each Faculty managing their own budgets within a University-level framework established by the UBPC
  - ii. However, there is no transparency or accountability framework at the Faculty-level, which means that internal Faculty information reporting, responsibilities and decision-making are left opaque. This is a step backwards from the current situation and a blow to the transparency motivation that the SHARP has been presented as addressing
  - iii. Consequently, there is a risk that existing forms of collegial governance will be bypassed by new forms of Faculty-level management radiating from the various Deans' offices, for example bypassing the role of chairs and departmental councils
  - iv. Moreover, the lack of a prescribed framework for the Faculty-level can lead to 'reinventing the wheel' many times across various Faculties: a trial and error approach to procedures and allocations wastes limited resources and adds to duplication
  
- Varied cost structures:
  - i. Different Faculties, programs, courses and study levels have very different cost structures (e.g. social sciences are cheaper than fine arts due to space and equipment needs; economics is cheaper than languages due to necessary pedagogical approaches; undergraduate teaching is cheaper than graduate teaching due to size of courses; etc.)

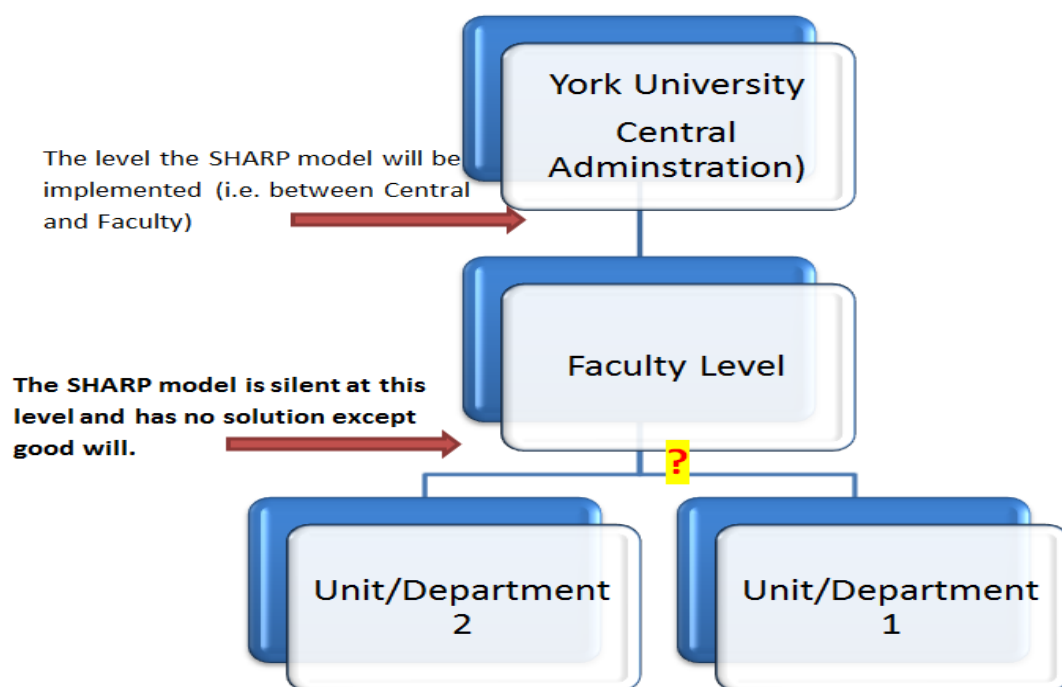
- ii. However, these differences should not be allowed to drive the budget decisions being made at the University or, as importantly, in individual Faculties, although this is what the SHARP does propose
  - iii. Consequently, while shared services costs may reflect certain elements of these different cost structures, this budgetary model may also militate against the introduction of new programs or establishment of new units and Faculties as a direct result of cost considerations
- Unintended consequences:
  - i. SHARP is based on creating incentives for improving performance at the Faculty-level by shifting budget responsibility onto Faculties; this is likely to lead to a range of unintended, and potentially negative, consequences
  - ii. There is a strong possibility that costs of some types of legal or contractual compliance will be downloaded onto individual units, rather than borne more centrally, with potentially damaging effects for equity or inter-colleague relationships (e.g. cost of accommodations, leaves, etc.)
  - iii. There is a strong possibility that inter-Faculty relations will descend into damaging competition, especially when it comes to the downloading of budget responsibility to Faculties for things like salary increments, PER, PTR, etc. For example, some Faculties may seek to reduce their salary and benefit costs through greater use of contract faculty
  - iv. There is a strong possibility of increasing intra-Faculty tensions as units compete with one another for resources; for example, it is possible that 'high profit' units will demand more resources, while 'low profit' ones will be starved of resources
  - v. There is a strong possibility that the monetization of everything implied by the SHARP model will impinge, over time, on the legitimacy of specific types and forms of research and teaching (e.g. non-external revenue-generating), thereby impacting academic freedom
  - vi. As a consequence of these tensions and competition within and between Faculties, it is difficult to see how resources can be spread around the University to ameliorate differing cost structures when the SHARP model is premised on incentivizing Faculties and units to think of themselves as individual cost centres and revenue generators

### *Critique*

- Budgets driving academic decisions:
  - i. The SHARP model is driven by budgetary decisions about the relative costs incurred by different Faculties
  - ii. It is possible, if not probable, that budgetary decisions will come to drive academic decisions in this model, no matter the intentions for the model now; for example, the effects of incentivizing performance depend on how performance is defined (e.g. enrolments, revenues, global research rankings, etc.). This is especially problematic in light of the Faculty-level opacity of the SHARP model and lack of Faculty-level transparency and accountability framework
  - iii. Budgets cannot be allowed to drive academic decisions, but there is no direct academic control over the budgetary framework; see Figure 1 below
- Governance & Faculty management:
  - i. The SHARP model shifts responsibility onto Faculties and, in so doing, it places increased and considerable budgetary power in the hands of Deans

- ii. As each Dean's budgetary power increases, this creates the risk that budgetary decisions become the preserve of each Dean's personal preferences and individual strategic priorities, thereby weakening Faculty-level collegial governance and decision-making
- iii. Each Dean could use SHARP as a management tool to reward and/or punish units that meet each Dean's preferences and priorities
- Governance & accountability:
  - i. While the SHARP model may offer greater transparency at the University-level, this does not in and of itself provide any greater budget accountability within existing processes of Faculty-level and University-level collegial governance
  - ii. The proposed UBPC directly impacts on academic decisions but it is not, as currently configured, accountable to Senate; rather it reports to senior administrators, and there is no guarantee that its workings or decisions are open or transparent
  - iii. Moreover, the composition of the UBPC is unclear and does not reflect the need to include all significant academic stakeholders (e.g. staff, students, contract faculty, etc.)

**Figure 1: SHARP Model as Proposed at York**



## Recommendations

In follow-up to the above response, we make the following recommendations which should be followed before there is further implementation of this model across the University:

- Faculty-level frameworks: to make SHARP transparent and accountable across the University requires the introduction of transparency mechanisms and accountability frameworks at the

Faculty-level so that Deans cannot use it as a regressive management tool. This is not a recommendation that activity-based budgeting is implemented at the Faculty-level, but rather than transparency and accountability are reinforced in collegial governance processes

- UBPC: since SHARP is meant to support the University's academic mission and academic priorities – and should not be used to drive them – the UBPC should fit within existing Faculty-level and University-level collegial governance processes. Therefore it should be made accountable to Senate – and not to senior administrators as currently suggested. Composition of the UBPC should also include a range of stakeholders and should have a majority membership elected from the Senate and/or Faculty Councils
- Senate Budget & Finance Committee: in light of the above, we recommend that the Senate form a Budget & Finance Committee and that the UBPC is made accountable to this committee rather than to senior administrators

If these recommendations cannot be adopted within this model, then YUFA urges the Employer as well as the York University community at large to reject it, primarily because its costs outweigh its benefits, and are even potentially antithetical, to the context, nature and core values of the University.

Kean Birch, LRP Co-Chair  
(on behalf of the YUFA caucus of the JCOAA and the YUFA Executive)