



Policy

Policy Name	Budget		
Policy #	RM 3.0	Category	Financial and Risk Management
Policy Owner	Board of Governors	Effective Date	January 1, 2019
Policy Lead	Chair, Board Finance Committee	Review Date	January 1, 2024
Approved by	Board of Governors	Approval Date	December 11, 2018

1.0 Policy Statement

In accordance with the Post-Secondary Learning Act, each year the Northern Alberta Institute of Technology (“NAIT” or the Institute) is required to prepare a Comprehensive Institutional Plan (CIP) that includes a budget for approval by the Board of Governors and the Minister responsible for post-secondary education (the “Minister”).

NAIT satisfies this requirement by preparing an annual operating budget plus two years forecasts for inclusion in its CIP. The purpose of the CIP is to ensure the Institute plans use of its resources in an open, transparent and accountable manner that supports and ties to the continued achievement of its strategic goals meeting the needs of students and communities over the long term.

The CIP is an important tool prepared for NAIT to better understand the financial needs, linkage of individual plans to the strategic plan, budget and financial sustainability of the organization.

2.0 Scope

This policy applies to the Board of Governors and employees involved in budgeting activities, including but not limited to budget creation, approval, management and monitoring for both operating and capital budgets.

3.0 Definitions

Term	Definition
Budget Manager	The employee, within each budget unit, that has been delegated responsibility for creating, managing, monitoring and reporting on the budget unit’s budget
Budget Unit	A school/department/administrative unit/ancillary unit/business unit that, as an organizational grouping, operates as a single entity and as such is required to prepare annual operating and capital budgets and forecasts
Business Plan	An annual plan which outlines the key initiatives and desired outcomes the Institution will undertake to support the achievement of its vision and strategic plan and is in alignment with its mandate as set out by the Government of

	Alberta. Within NAIT, the Comprehensive Institutional Plan is the Institution's business plan and contains an annual operating budget.
Capital Budget	Contains the approved spending for tangible capital assets for the fiscal year
Executive Committee	<p>Chaired by the President and Chief Executive Officer (CEO), the Executive Committee consists of:</p> <ul style="list-style-type: none"> • the President and Chief Executive Officer (CEO) • the Provost • the Vice-President Academic • the Vice-President Administration and Chief Financial Officer (CFO) • the Vice-President External Relations and Chief Development Officer (CDO).
Financial Plan	Annual strategy, including the operating and capital budget requirements, to meet goals and objectives of the business unit
Fiscal Year	A period commencing July 1 and ending on June 30 the following year
Forecast	An estimate of future revenue and expenses
Operating Budget	The estimated operating revenues and expenses required to provide services for a fiscal year

4.0 Guiding Principles

- 4.1** Aligned with the Institute's Net Assets Policy, the goal is to achieve our mandate while maintaining a sustainable annual surplus or balanced operating position. Any operating deficit would be temporary, typically a short-term investment of prior surpluses to support growth or other Board approved priorities. The Institute is required to demonstrate that there is a plan in place to ensure the Institute is financially sustainable on a normal ongoing basis.
- 4.2** The Board of Governors shall not submit an operating budget for Ministerial approval in which consolidated expenses exceed consolidated revenue resulting in a deficit, unless the Institute has received written permission from the Minister in accordance with the Post-secondary Learning Act.
- 4.3** NAIT will prepare a business plan (CIP) each year that includes an operating budget for the upcoming fiscal year and financial projections for the two years following for Board of Governors and Ministerial approval in accordance with the Post-secondary Learning Act.
- 4.4** In keeping with NAIT's values, financial plans are prepared by budget managers who are at the level most closely aligned with and, knowledgeable of, the business unit. Those financial plans are reviewed through their respective divisional hierarchy and then recommended at the Executive Committee level, to arrive at an overall budget that is aligned with NAIT's overall vision.
- 4.5** The budget manager for each budget unit is responsible for managing and monitoring budgets to ensure actual expenses remain within budgeted expenses. However, all

employees are responsible for efficient use of Institution resources and to use resources with NAIT's best interest in mind, even within the approved budget.

- 4.6** Budget managers must provide explanations for variances between annual forecasted revenue/expense amounts and operating budget revenue/expense amounts for each Budget unit that they are responsible for. The consolidated variances, both positive and negative, must be reviewed through their divisional hierarchy and reported to the Finance Committee and the Board of Governors at least quarterly.
- 4.7** Surpluses in an annual operating budget should not be used to commit the Institute to expenditures beyond the year in which the surplus arose (e.g. hiring of permanent employees, lease agreement beyond one year, etc.).
- 4.8** Budgets must be used for the intended purpose, as approved in the annual financial plan, and unused budgets cannot be redirected for other uses without appropriate approval.
- 4.9** The plans for addressing Budget Unit over-expenditures and / or surplus variances are to be presented to the Executive Committee for review and approval as part of the forecast reporting.
- 4.10** New expenditures (initiatives not planned in the original CIP), that are not supported by new revenues or funded through the Strategic Investment Fund reserve, in excess of \$1,000,000 for operating and \$3,000,000 for capital will be presented to the Finance Committee and Capital Development Committee, if applicable, for recommendation to the Board of Governors.
- 4.11** New initiatives that Executive Committee assesses as high risk, regardless of value, will be presented to the appropriate Board Committee for recommendation to the Board of Governors. Examples of high risk initiatives include those which could have significant impact to students, public perception, staff etc.

5.0 Other Related Documents

RM 3.1 Operating Budget Procedure

RM 3.2 Capital Budget Procedure

RM 3.3 Capitalization of Internal Resources

Business Case Template

Document History

<i>Date</i>	<i>Action/ Change</i>
December 11, 2018	New