



## Procedure

Procedure Name	<b>Operating Budgets</b>		
Procedure #	RM 3.1	Parent Policy	RM 3.0 Budget
Policy Owner	Board of Governors	Effective Date	January 1, 2019
Procedure Owner	Associate Vice President, Finance and Corporate Services	Review Date	January 1, 2025
Approved by	Executive Committee	Approval Date	December 11, 2018

### 1.0 Purpose/ Background

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 of Advanced Education (the “Minister”).

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

### 2.0 General Principles

- 2.1 The Institute will budget operating revenues and expenses on a fiscal year that begins on July 1 and ends on the following June 30.
- 2.2 Each year, NAIT will prepare a business plan that includes an operating budget and financial projections for Board of Governors and Ministerial approval in accordance with the Post-secondary Learning Act.
- 2.3 Budget preparation activities will normally commence in December preceding the fiscal year being planned and conclude with submission of a business plan to the Minister of Advanced Education on or before June 30.
- 2.4 Financial Services will determine timelines for the creation and submission of operating budgets required to meet the June 30 deadline.
- 2.5 Timelines for the review and preparation of variance analysis will be determined by Financial Services based on the meeting dates of the Finance Committee and the Board of Governors.

### 3.0 Definitions

Term	Definition
Budget Adjustment	Changes to budget amounts included in the final Board approved budget
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
Executive Committee	Chaired by the President and Chief Executive Officer (CEO), the Executive Committee consists of: <ul style="list-style-type: none"> <li>• President and Chief Executive Officer (CEO),</li> <li>• Provost</li> <li>• Vice-President Academic,</li> <li>• Vice-President Administration and Chief Financial Officer (CFO),</li> <li>• Vice-President External Relations and Chief Development Officer (CDO)</li> </ul>
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 Procedures

#### 4.1 Operating Budget Development and Approval

- 4.1.1 Prior to the commencement of operating budget activities, the Executive Committee may provide direction and key messages to guide operating budget development.
- 4.1.2 Financial Services will transfer information required to develop operating budgets from the finance, human resources, and student administration systems into the financial planning and budgeting program including but not limited to:
  - Prior year revenue and expense figures (actuals)

- Current year budget figures
  - Current base salary from the human resources system, including scheduled changes for grid moves and cost of living adjustments
  - Upcoming year program and course data from the student administration system.
- 4.1.3 Budget Managers will prepare operating budgets for each Budget Unit for the upcoming fiscal year and financial forecasts for the subsequent two fiscal years using the information transferred from the financial reporting system and any further guidance or direction provided by Financial Services and Executive. Operating budgets must include estimates for salaries of current, new and casual/sessional employees, non-salary expenses and revenues.
- 4.1.4 Prior to the submission date established by Financial Services, Budget Managers must notify their supervisors and advise them that the operating budget is ready for review and approval. Review and approval of the operating budgets must be completed through their respective divisional hierarchy and finally to the appropriate Executive Committee member.
- 4.1.5 Once approved by the individual Executive Committee member, Financial Services will prepare the consolidated Institute budget.
- 4.1.6 Financial Services will consolidate the operating budgets prepared by the Budget Managers and add budget amounts for standard and corporate allocations, as approved by the Vice- President Administration and CFO, for items including, but not limited to, employee benefit percentages, investment revenues, amortization, etc.
- 4.1.7 Financial Services will consolidate, analyze, and prepare recommendations for presentation of the budget to the President and CEO and the Vice-President Administration and CFO for review. This may include a request for all Budget Managers to revise budgets with additional parameters or targeted changes.
- 4.1.8 The President and CEO and the Vice-President Administration and CFO may meet with any Budget Manager and respective Deans/Directors, the Associate Vice-Presidents and / or Vice-Presidents (as appropriate), providing an opportunity to discuss their budget requests in detail.
- 4.1.9 The President and CEO, the Vice-President Administration and CFO, and the Associate Vice-President, Finance and Corporate Services will meet with the Executive Committee to present and discuss the proposed consolidated operating budget.
- 4.1.10 Financial Services will update the proposed operating budget for any feedback received from the Budget Managers, Deans/Directors, the Associate Vice-Presidents, the Vice-Presidents and Executive Committee.
- 4.1.11 The Vice-President Administration and CFO or delegate will present the proposed operating budget to the Finance Committee of the Board of Governors for review and recommendation to the Board of Governors for approval.
- 4.1.12 The consolidated operating budget, once reviewed and approved by the Board of Governors will be included in the Comprehensive Institutional Plan for submission to the Minister of Advanced Education by June 30.
- 4.1.13 The Vice-President Administration and CFO or delegate will present the consolidated operating budget to NAIT leadership for information purposes.

## **4.2 Budget Monitoring**

- 4.2.1 At a minimum, on a quarterly basis, Budget Managers will provide updated annual forecasted revenues and expenditures for each Budget Unit up through their divisional hierarchy to Financial Services for consolidation and reporting to Executive Committee, Finance Committee, and the Board of Governors.
- 4.2.2 Budget Managers are required to provide explanations for variances between budget revenue/expenses and forecasted revenue/expenses or if planned objectives are not being met. Variances between forecasted revenue/expense amounts and budgeted revenue/expense amounts exceeding +/- 10% or +/- \$100k by Budget Unit should be explained. Variances should be tied back to key Institution or budget unit decisions or specific activities to support the variance explanation (e.g. budget considered adding three sections of the course and only two sections were added, resulting in a positive staffing variance). Budget Managers should provide explanations if the activities or the objectives of the unit are not being met, even if the Budget Unit is within its approved budget.
- 4.2.3 If the variances meet or exceed the thresholds outlined in 4.2.2 for over-expenditures or surpluses, the Budget Managers must also provide a plan to address the over expenditures for review and approval up through their divisional hierarchy to Financial Services for consolidation and reporting to Executive Committee. Where the variances results in under expenditures, Budget Managers should provide an explanation and reporting of whether the goals will still be achieved. Subsequent adjustments to the operating budget will be processed in accordance with the procedures outlined in Section 4.3.
- 4.2.4 Financial Services will consolidate and analyze the variance reports received from the Budget Managers and add forecasts and variance explanations for corporate provisions such as tuition, investment revenue, grant funds, etc. and provide reporting and recommendations to Executive Committee as required.
- 4.2.5 Financial Services will provide the consolidated reports to the Vice-President Administration and CFO or delegate for review and presentation to the Finance Committee for review and recommendation to the Board of Governors.
- 4.2.6 The Finance Committee Chair or delegate will present the consolidated reports to the Board of Governors for review and approval.

## **4.3 Budget Adjustments or New Budget Requests**

- 4.3.1 Throughout the year, Financial Services will adjust operating budgets as required for items including, but not limited to:
- Permanent changes in revenue, expenses, donations, grants, etc.
  - New projects/budget allocations that require financial monitoring
  - Transfers of budgeted funds between budget units
- Items that are one-time or short term changes will not be adjusted, unless they are related to special funding (e.g. grants, funds and reserves, etc.).
- 4.3.2 Budgets must be used for the intended purpose, as approved in the annual financial plan, and unused budgets in excess of \$100k cannot be redirected for other uses without approval of the Vice Provost / Associate Vice President / Executive Director/Dean/Equivalent and in excess of \$250k will require approval of the appropriate Vice President. For example surpluses resulting from delays in hiring or vacancies cannot be redirected to hiring a different position,

purchase computer equipment or be used in another Budget Unit unless approved.

- 4.3.3 Required budget adjustments will be approved by the appropriate Vice-President and Executive Director, Financial Services.
- 4.3.4 New budget requests must be approved through Executive Committee and a [Business Case Template](#) is required to be completed and submitted through one's Vice President for Executive Committee approval.
- 4.3.5 Once a Business Case is approved Financial Services will adjust the appropriate budgets or setup new budgets as required.

## 5.0 Exceptions to the Procedure

5.1 Exceptions to this procedure must be documented and formally approved by the Procedure Owner.

Procedure exceptions must include:

- The nature of the exception
- A reasonable explanation for why the procedure exception is required
- Confirmation that the exception aligns with the general principles
- Any risks created by the procedure exception and how they will be managed.

## 6.0 Related Documentation

RM 3.0 Budget

RM 3.2 Capital Budgets

RM 3.3 Capitalization of Internal Resources

Business Case Template

### ***Document History***

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