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## BUDGETS AND FORECASTS PROCEDURE

<b>Section</b>	Finance		
<b>Approval Date</b>	11.02.2019	<b>Approved by</b>	Executive Team
<b>Next Review</b>	11.01.2023	<b>Responsibility</b>	Executive Director: Finance and Campus Services
<b>Last Reviewed</b>	11.01.2021	<b>Key Evaluation Question</b>	6

### PURPOSE

To set financial targets for Nelson Marlborough Institute of Technology Ltd's (NMIT's) income, operating expenses (OPEX), staffing costs (pays), and capital expenditure (CAPEX) for all budget units (cost centres) for the following financial year.

To agree EFTS provision per course/programme within NMIT's EFTS cap and category allocations.

To provide a forecast of NMIT's expected full year EFTS and financial results for the current financial year.

To ensure that NMIT complies with its obligations under the following Acts:

- Crown Entities Act 2004 (CEA)
- Education Amendments Act 1990 (EEA)
- Public Finance Act 1989 (PFA)
- Public Audit Act 2001 (PAA)

### DEFINITIONS

<b>Budget</b>	Fixed financial and non-financial target for a financial year per cost centre for income, OPEX, pays, CAPEX and EFTS
<b>Budget Manager</b>	A person having financial control over a defined budget area, for example, a cost centre, programme or team.
<b>Capital Expenditure (capex)</b>	Expenditure on items which have an economic life of more than one year and a cost of more than \$2,000. This may include a group of items which make up a "set" and internally manufactured items which meet the above criteria. All capex purchases require an approved capital expenditure request to be completed prior to order. Inclusion of an item in the budget does not constitute the authorization to purchase the item.
<b>Centralised Costs</b>	Costs incurred by more than one cost centre that are budgeted within a single cost centre, e.g. NMIT vehicles.
<b>Centrally Calculated Costs</b>	Costs calculated centrally by Finance but allocated to individual cost centres, e.g. <del>international commissions, salary costs.</del> Annual Cost of Living (COL) increase
<b>EFTS Projection</b>	Estimated full year EFTS reflecting latest data.

<b>Forecast</b>	Revised financial and non-financial target for a financial year that reflects latest known data and assumptions.
<b>Operating Expenditure (OPEX)</b>	Expenditure, other than capital expenditure, staffing costs, and contractors incurred in the day-to-day operations of NMIT.

## RESPONSIBILITIES

Executive Director: Finance and Campus Services	<ul style="list-style-type: none"> <li>▪ Review and challenge draft annual budgets.</li> <li>▪ Regularly meet with budget managers to review actual performance against budget/live budget.</li> </ul>
Finance Manager	<ul style="list-style-type: none"> <li>▪ Coordinate the annual budget process.</li> <li>▪ Manage NMIT's budgeting software.</li> <li>▪ Prepare centrally calculated costs.</li> <li>▪ Provide guidance to budget managers when completing annual budget and live budget packs.</li> <li>▪ Distribute approved budget packs to budget managers.</li> <li>▪ Distribute financial and non-financial performance reports to Directorate, Managers (Programme Areas), and support team leaders.</li> <li>▪ Attend scheduled review meetings with budget managers.</li> <li>▪ Regularly review NMIT's Forecast throughout the year and update it to reflect latest known data and assumptions.</li> </ul>
Budget Managers	<ul style="list-style-type: none"> <li>▪ Complete annual budget packs within specified timeframes.</li> <li>▪ Complete capital expenditure request forms for all capital expenditure items</li> <li>▪ Update live budget packs on a regular basis to reflect latest known data and assumptions.</li> <li>▪ Attend Budget and Forecast review meetings as required.</li> <li>▪ Manage costs within agreed Budget/ Forecast.</li> </ul>
Board	<ul style="list-style-type: none"> <li>▪ Approve annual budget.</li> </ul>

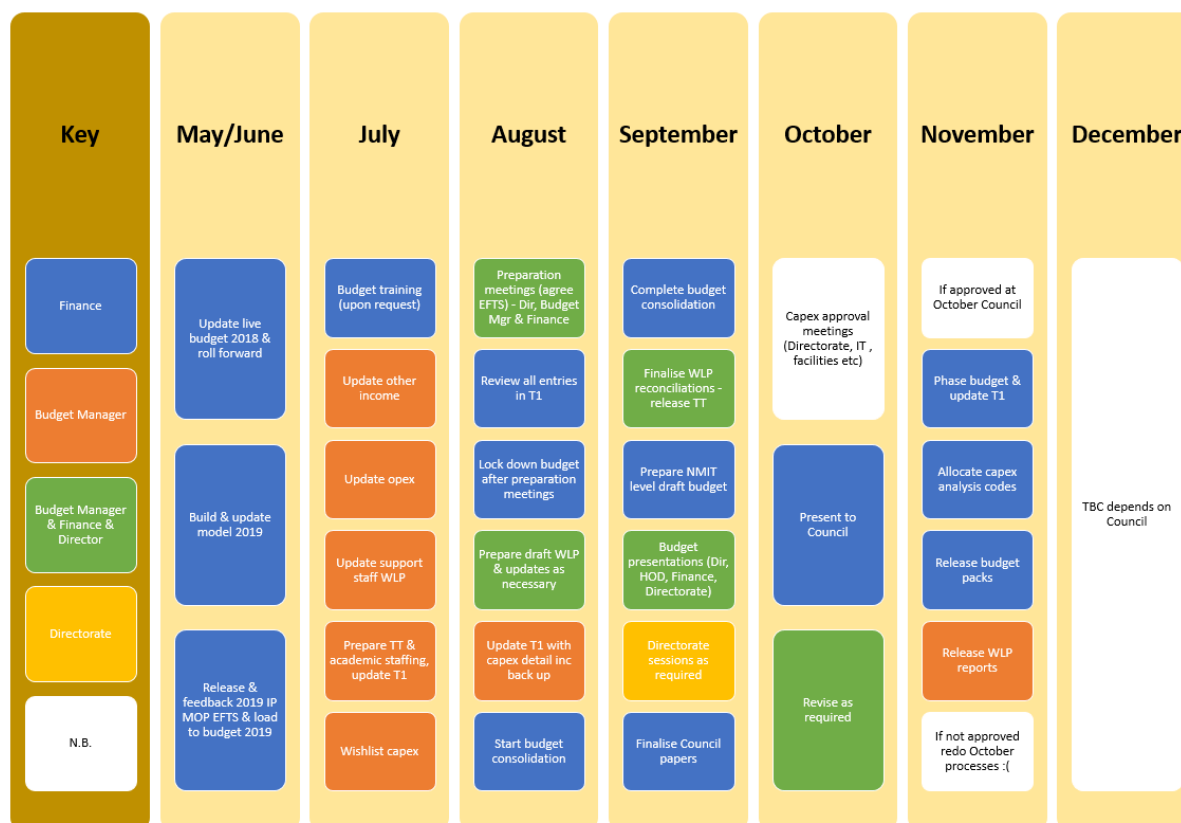
## TIMEFRAME

The Executive Director: Finance and Campus Services sets the annual budgeting schedule at the start of each academic year.

The Forecast is updated regularly throughout the financial year by budget managers and Finance Manager

## PROCEDURE

### ANNUAL BUDGET INDICATIVE TIMEFRAME



## BUDGET REVIEW

Once the annual budget has been agreed by the Board, it becomes the 'measure' or 'target' to compare the actual results to.

Financial performance reports are prepared and distributed on a regular basis to the Board, Executive Team, Curriculum Managers and Business Support Managers/Team Leaders as appropriate.

Regular review meetings involving (as required) budget managers, Curriculum Managers (Programme Area), the Executive Director: Finance and Campus Services, Executive Team, and Chief Executive are held.

## LIVE BUDGET

The Forecast is a copy of the annual budget which budget managers and the Finance Manager regularly update during the financial year to reflect the latest data and changes to assumptions. This provides a forecast of NMIT's financial result for the financial year.

## BUDGET MANAGER

A Budget Manager may be responsible for some or all of the following:

- Income
- Operating Expenses (OPEX)
- Pays
- Capital Expenditure (CAPEX)

A Budget Manager will have specified Delegation Limits. Delegation Limits may be restricted to natural account codes, cost centres, programmes, programme areas or teams. There may also be exclusions. For example, a Budget Manager may control Operating Expenditure (OPEX) but not Pays within their authorised budget areas.

A Budget Manager must not make any purchase or commitment in excess of their delegated financial authority. Sub-delegation of financial authority does not absolve the Budget Managers of their financial authority. Refer to the *Procurement and Purchasing Policy* for authorisation limits.

Budget Managers are responsible for the following:

- Managing their costs within their allocated budget.
- Meeting their revenue budgets.
- Ensuring that all revenue for their area of responsibility is invoiced according to contracts.
- Ensuring that all new contracts and changes to existing contracts that have a financial component are notified to the Executive Director: Finance and Campus Services and the Contract Administrator.
- Advising the Finance Department promptly of any errors in their financial reports.
- Participating in the annual budget process as outlined above.
- Regularly updating their forecasts as outlined above.
- Assisting with debt collection as required by the Management of Debtors policy.
- Managing the equipment that is used by their area(s) of responsibility.
- Notifying the Finance Department in advance of the sale or disposal of any assets used by their area.
- Managing their staff and promptly advising the People and Organisation Development department of any changes to their staffing requirements.
- Present approved budgeted hours for Saphire business case requests.
- Advising the Finance Department where they have sub-delegated financial authority to a member of staff.

## BUDGET MONITORING

Budgets will be monitored on a monthly basis with commentary required from budget managers on all significant contribution differences between Budget and Forecast. This will be included in the relevant team's performance panel where the Executive Team and Chief Executive will be made aware of the overspend. Contribution will be grouped as follows:

<b>Budget Manager - Academic</b>	<b>Budget Manager - Business Support</b>
Cluster	Team

## COMPLIANCE WITH OTHER POLICIES

Budget Managers must comply with all NMIT policies. In particular, Budget Managers should be aware of the rules in relation to the following documents:

Personal Spending	<a href="#"><i>Procurement and Purchasing Policy</i></a>
Conflict of Interest	<a href="#"><i>Related Parties and Conflicts of Interest</i></a>
Use of NMIT Corporate Credit Cards	<a href="#"><i>Procurement and Purchasing Policy</i></a>
Sensitive Expenditure	<a href="#"><i>Procurement and Purchasing Policy</i></a>
Purchasing & Authorisation of Expenditure	<a href="#"><i>Procurement and Purchasing Policy</i></a>