

2024-2026 ROLLING BUDGET - PROCESS AND TIMELINE

The NWU budget process is an interactive process whereby all levels of management take ownership and participate actively in compiling the budget. To ensure a transparent and effective process the UMC annually approves the budget process, the principles to use during the process and the time line, before the process started.

1 Budget Process

An interactive budget process is proposed where managers link their portfolio/department's strategy and annual performance plan (APP) with resources, thus put R-value against the plans for the next 3 years. Certain assumptions, trends of the past, risks and concerns, benchmarking and zero-based budgeting principles where possible, are tools that can assist a manager during this process. As part of the interactive budget process managers need to revise the 2024 and 2025 detailed budgets on IDU and compile detail budgets (per KFS account) for 2026.

A high-level budget, taking into account the approved Annual Performance Plan, the viability and sustainability indicators, the impact of known risks, the NWU mitigation plan as well as other financial information available, will be used as the budget framework during the process.

2 Principles to use in the 2024 – 2026 high level budget framework

2.1 Integrated planning

Priority will be given to align the timelines of the following processes: Budget, APP revision, infrastructure planning, macro maintenance planning, strategic projects allocation and workforce planning. All off above needs to be informed and aligned with the NWU strategy and APP. The current year's budget together with a three-year forecast needs to be submitted as part of the APP to the DHET. The rolling three-year budget will be used in the APP. All assumptions used during this process must be recorded, as proof needs to be given during the annual external audit on how the budget was linked to the APP.

2.2 Different sources of income

Distinguish between the different sources of income as prescribed by DHET:

- a) Council controlled: IS 1&4 (Unrestricted or Designated) i.e., subsidy, tuition fees and investment income.
- b) Council controlled: IS 2,3&5 (Unrestricted or Designated) i.e., external funding.
- c) Specifically funded activities (Restricted) i.e., external funding.
- d) Student and Staff Accommodation i.e., activities which include mainly residence and catering services, but also food and beverage services.

2.3 Realistic prediction of income

The budget is shaped by the realistic prediction of income, translating to expenses that can be "afforded". The 2023 budgeted cash flow expense ratios are used to allocate the expense budget into the main expense categories (personnel cost, operating cost and capital cost).

2.4 Subsidy

The available information from the latest Ministerial statement, the 2022 HEMIS information as submitted, the enrolment plan, the assumption that NWU will have the same share of the sector market and the FIM information related to subsidy will be used to revise/forecast subsidy income.

2.5 Tuition and related fees

Actual tuition fee income at the end of March 2023 as a basis, adjusted with an annual increase and aligned with the enrolment plan and the FIM information related to tuition fees will be used to revise tuition and related fees. Room for consultation with the relevant role players will be built into the process.

2.6 Investment income

The cash flow forecast as well as forecasted interest rates, where applicable, will be used to revise/forecast the budget for investment income on the Money Market. The investment portfolio managed by the Investment Committee does not form part of the recurrent budget, since it is held as an endowment fund, with a long term view and invested in financial instruments that are not liquid (and therefore not readily available for recurrent expenses).

2.7 IS Other (external funding, income stream 2, 3, and 5 activity)

An analysis of the past 2 year's budget vs actuals, on a high level, as a basis and the FIM information related to external funding will be used to revise IS Other income. Room for consultation will be built into the process.

2.8 Business Enterprise and Development (BED)

The BED management team will use their own set of principles and assumptions peculiar to their environment to revise/forecast the BED 3-year rolling budget.

2.9 Expense allocation within the high-level expense budget

As indicated above, the focus during the budget process will be the realistic prediction of income that will be translated to expenses that can be "afforded". The 2023 budgeted expense ratios will be used as the basis for the expense budget framework. The standard deviation between budget and actual (especially on the staff cost budget due to full year budget for all vacancies) will be taken into account and reported.

2.10 Normative framework

Managers will be encouraged to use (and develop where there is not) a normative framework for expense allocation (e.g., basic operating cost per staff member, R-value amount per publication for page fees) to ensure equity of provision in their departments.

2.11 Personnel cost

The staff costs are budgeted for as per the budget allocation principles approved by UMC during December 2022.

- a) Budget for 50% cash flow on the IRR budget in year of allocation (previously budgeted for full year cash flow) with the implementation date as 1 July each year.
- b) Budget for 9 months cash flow on COLA budget in year of allocation (previously budgeted for full year cash flow) with the implementation date as 1 April each year.
- c) Budget for a standard saving of 5% of the personnel cost budget as savings on vacancies (previously budgeted for the full year per position in the permanent staff structure).
- d) Budget to fund the current permanent structure (as per active position list, vacancies budgeted at 85% of the key scale).
- e) Budget for temp, ad hoc and allowances (2023 budget allocation plus 2023 COLA), with the pre-condition to re-allocate the funding where needed considering actual spending and motivations for new temp and ad hoc funding.
- f) Budget for the standard central personnel cost.
- g) Budget for COLA.
- h) Budget for salary revisions and promotions (3% of permanent structure, previously budgeted 2% of permanent structure. The additional 1% per year is needs to be allocated to salary revisions for the next 3 years, to increase the IRR budget to cater for better salaries **with the pre-condition that there is a 1% saving on the permanent structure each year for 3 years (2023-2025). If the organisation fails to realise the saving needed, the 1% additional IRR above, will not be allocated**).
- i) Budget for bonuses and incentives.
- j) Budget for new staff cost allocation (aligned with the integrated planning information)

Allocation principles for the allocation of new staff cost budget

- i) New allocations in the academic environment must be motivated by a growth in student numbers identified in the enrolment plan. Academic positions must be linked with Academic personnel: Student ratios.
- ii) Existing vacancies at SMC and Portfolio level can be used to accommodate growth areas where possible.
- iii) In the support environment only new areas of service and mission critical positions will be considered. The motivation must be informed by the consideration as to whether existing roles have been considered for repurposing where appropriate.
- iv) The provision of additional staff must be linked to enhanced productivity.
- v) When vacancies arise because of attrition, explore whether the resultant vacancy can be utilised for another position.

The staff costs budget also need to accommodate the staff cost savings needed for the staff cost mitigation plan, these savings will also increase the actual surplus for the next few years. The current structure, related FIM information and the staff mitigation plan will be used to revise the personnel cost budget and adjust the allocation principles if needed.

2.12 Approval process

The approval process regarding the 2024-2026 three-year-rolling budget will be the same as in the past namely the University Budget Committee will recommend the budget to the University Management Committee who needs to approve and recommend the budget to the Finance Committee and then recommends the budget for final approval to Council. The use of task teams (as in the past) to compile a recommendation to the University Budget Committee will be supported and encouraged e.g. staff costs, infrastructure, strategic fund.

3 Budget timeline

Action		Dates and Deadlines
1	Approval of the budget process, principles, and timeline University Budget Committee (UBC) University Management Committee (UMC) Finance Committee (for noting)	6 February 2023 22 February 2023 24 May 2023
2	Budget task team to prepare draft NWU 2024-2026 high level budget framework (HLBF)	March/April 2023
3	UBC meeting to discuss the draft HLBF	25 April 2023
4	Planning and training (included budget information session for NWU managers – open invite)	April - June 2023
5	Management teams to revise the detailed 2024 and 2025 budgets and budget in detail for 2026 on IDU	3 July – 25 August 2023
6	Budget Show and Tell: Strategic discussion with Executive Managers (UMC) and Deans (Faculties)	2 days (end of Aug) Date to be confirmed
7	UBC meeting to discuss and recommend budget report to UMC (Agenda ready 12 September 2023)	18 September 2023
8	Extended SMC meeting: Consultation	27 September 2023

Action		Dates and Deadlines
	UMC meeting: Approval & recommendation to Finance Committee (Agenda ready 21 September 2023)	
9	Finance Committee meeting: Approval & recommendation to Council	27 October 2023
10	Council approval	16 November 2023
11	Prepare budget upload journals	December 2023
12	Upload budget into KFS	First week in January 2024

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