

## **THE FINANCIAL MANAGEMENT CONFERENCE FOR HIGHER EDUCATION**

**Theme: Staying Afloat Despite the Turbulence**

**Venue: Flamingo Beach Resort & Spa, Mombasa**

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Topic: Multi - Budgeting and Planning: An Activity-based Approach

By Dr. Nicholas Letting,  
Vice-Chancellor, Management University of Africa (MUA)

# Presentation Outline



- ☐ Overview
- ☐ Types of Budgeting
- ☐ Multi-Annual Budgeting and Planning - An Activity-based Approach
- ☐ Areas of concern in budgeting
- ☐ Conclusion
- ☐ Interactive Session

# Overview



- ❑ 'A budget refers to **resources**, mainly **money** that an organization **plans** to raise and spend for a set **purpose** over a given period of **time** – usually one financial year'
- ❑ Budgeting and financial planning is both a strategic and operational process linked to the achievement of organizational objectives.
- ❑ It involves building both longer - term funding strategies and shorter-term budgets and forecasts.
- ❑ Budgeting and Financial Planning lie at the heart of effective financial management.
- ❑ Universities and Higher Education Institutions (HEI) are expected by law and best practice to plan their activities based on their almanacs in financial terms through budgets

# Budgetary Viability



- ☐ **'Viable'** development programmes must be in line with national or organisational goals to form a basis of planning and budgeting.
- ☐ Achieving a credible budget (implemented as planned, all inclusive, affordable, sustainable and accurately reflects the project's priorities) is the **core of a good budgeting system**.

Budgeting summary includes:

- ☐ Review of past performance against budgets and the procurement plan;
- ☐ Prepare annual, semi-annual, quarterly and even monthly financial plans;
- ☐ Identify potential areas for efficiency savings and re-directing the saving to priority areas;
- ☐ Review the main expenditure headings in light of implementation plan, procurement plan, and expected variations in cost e.g. pay increases, inflation and other anticipated changes.

# Types of Budgets



- ☐ National Budgets Vs County Government Budgets
- ☐ Income and Expenditure Budgets
- ☐ Capital Budgets
- ☐ Cash flow budgets
- ☐ Surplus Budgets Vs Deficit Budgets
- ☐ Zero based budgets Vs Activity based
- ☐ Annual vs Multi – annual
- ☐ Top – down vs bottom – up

# Multi- Annual Budgeting and Planning



- ☐ These are budgets covering more than one year
  - ☐ May be short – term, medium – term or long – term
- ☐ Key assumptions and guidelines may differ from one year to another
- ☐ Long-term planning is expected to provide assurance of going concerns for the HEI to the stakeholders
- ☐ Prioritization of projects using IRR or NPV when acquiring assets and making capital expenditure (CAPEX) investments

# Financial Budgeting in Universities and HEI



- ☐ Universities in Kenya are regulated by the Commission for University Education (CUE)
- ☐ While CUE is mandated to accredit academic programmes, it also audit financial sustainability of Universities in Kenya
- ☐ A few years ago, public Universities used to be funded almost entirely by the Government of Kenya.
  - ☐ There is a changing landscape for public Universities on finance matters
- ☐ Private Universities are established and funded by:
  - ☐ individuals (family - owned),
  - ☐ religious organisations,
  - ☐ professional bodies or
  - ☐ affiliated internationally

# Activity Based Approach



- ☐ Meaning of activity based approach
- ☐ The main University activities include:
  - ☐ Teaching and learning
    - ☐ Tuition fees used to pay lecturers
  - ☐ Research and development
    - ☐ Research grants
  - ☐ Executive development programmes
    - ☐ Short – courses
  - ☐ Endowment funds
    - ☐ Mobilizing alumni

# Areas of Concern in budgeting



- ☐ Lack of effective stakeholder participation during budgeting
- ☐ Intense **competition** in the HEI sector
- ☐ Dealing with **borrowings** and interest rates
- ☐ Understanding, communicating & appreciating roles of various offices
- ☐ **Supporting** documentation and **eligibility** of the expenditure items
- ☐ Procurement plans and covenants
- ☐ **Timely**, relevant and reliable financial reporting

# Conclusion



- ❑ In the current competitive environment, resources are getting more scarce as demands increase
- ❑ Staying afloat despite the turbulence requires prudent management of the scarce resources by the various governance structures through participatory budgeting approach
- ❑ Budgeting is a form of measurement of performance of organisations including Higher Education Institutions (HEI).
- ❑ Monitoring and evaluation of institutional resource usage is done weekly, monthly, quarterly, half-yearly, annually, every three years, every five years or ten years

# Interactive Session



Comments and questions