



UNIVERSITETI I EVROPËS JUGLINDORE
УНИВЕРЗИТЕТ НА ЈУГОИСТОЧНА ЕВРОПА
SOUTH EAST EUROPEAN UNIVERSITY

Consolidated Operating Budget

FY 2020-2021

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I. Executive summary

Presented here is the Academic Year 2020/2021 Consolidated Operating Budget proposal for South East European University. The Consolidated Operating Budget consists of the operating budgets for the departments' units of the University, Business and Innovation Center and SEEU foundation. The consolidated operating budget includes planned revenues and expenditures of all University units' operations, and entities for AY 2020/2021. Upon completion of the review process of consolidated operating budget by the Rector's executive members it is proposed to the SEEU Board for approval. After the approval of consolidated operating budget, the SEEU's units, BIC and SEEU Foundation will be informed for the approved budget and a detailed operating budget.

- **Total consolidated operating budget incomes** – forecasted incomes for AY2020/21 are **€4,880,174,00** which are increased by **€150,369.00** or **3,17%** of planned incomes over the AY2019/2020 year-end projection. The increase of the incomes is due to the increase of the commercial incomes and incomes from research project of the AY2020/2021.
- **Total consolidated operating budget expenses** – forecasted expenditure are **€4,775,802.00** which are increased by **€85,779,00** or **1,82%** of planned expenditure over the AY2019/2021 year-end projection. The increase of the expenditure is due to the new accreditation programs, scholarships and R&D of the University.
- **Consolidated Budget Surplus/Deficit** – In the AY2020/2021 of consolidated operating budget is planned budget surplus by **€ 104,372.00**. Compared with AY2019/2020 planned budget surplus is increased from **€ 39,782,00 to budget surplus € 104,372,00** or **enhancement of the University's financial performance by € 64,590,00**

II. AY 2020/2021 Budget overview

II.1 Overview

The AY 2020/2021 Operating Budget was prepared on a consolidated basis. The main objective of the budget process was to develop a budget that balanced needs of the University while maintaining affordability for our students. To accomplish this, the process involved reviewing all proposed expenditures for appropriateness and need that were proposed by all University units and entities.

In addition, the primary rule of the Budget Planning was defined that each department units and entities to categorize and prioritize expenditures, which must be forecasted and adjusted (according the strategic and operating needs, priorities and long-term financial sustainability criteria in cooperation with executive management) on the base of the possible real expected incomes.

The Consolidated operating Budget of the SEE University is prepared by the Pro-Rector for planning and entrepreneurship with technical support from Academic and Administrative Units.

This financial planning framework compiled a set of series of planning parameters derived from the policy objectives and financial regulations of the University. The chosen parameters should be stable but, on the other hand, to be sufficiently flexible to enable

management to monitor the interim changes in both internal and external policy parameters. Thus, SEEU needs to install a set of presumptions or scenario designed to absorb the volatility and risks arising from the most important income side of the consolidated budget.

A consolidated SEEU budget planning framework will ensure that the University's budget processes are closely coordinated with, and explicitly linked to its academic and strategic plans and priorities. This framework is defined by following six key complex attributes:

1. Transparency
2. Documentation
3. Efficiency and Effectiveness
4. Accountability
5. Responsibility
6. Integrity and accuracy

II.2 Budget planning process: principles and budgeting criteria

The Budget is compiled as a consolidated financial document at the University level. The department operating units of the University and entities should maintain balanced operating budgets within defined planning periods.

Department operating units and entities budget priorities should be generally aligned and reasonably consistent with the University's defined priorities. Therefore, operating budget resources should be allocated and applied in a way corresponding with current unit budget priorities. Changes in priorities and/or growth in particular areas should be addressed first through feasible reallocation among the items of budget in order to rationalize/optimize and to minimize the outflow of cash and other fixed and operating resources. Department operating units have considerable discretion over the use of available resources and are responsible for ensuring such resources that are used prudently in line with unit and institutional values.

Observing the mentioned principles, the University carried out a carefully planned budgeting process across the institution with inclusion of all budget constituents (departments) and entities. This process incorporated steps like initiation of the budget compilation process, which was done in the beginning of April, followed by extensive support rendered by University administration to all participants to complete proposals. Completed consolidated budget proposals were initially discussed between each head of department and entities and the Pro-rector for planning and entrepreneurship in order to achieve balanced budget proposals. By the end of May, the integral negotiated draft consolidated budget was discussed with Rector's executive team where several productive suggestions arose and were incorporated into the draft consolidated budget. In accordance with the Statute of the University, the Draft of the new consolidated budget is sent to the SEEU Board for approval.

Adopted Consolidated Budget Proposal criteria for the AY2020/2021 are:

a) Incomes

- The level of tuition fees for undergraduate and graduate studies will remain the same as in the academic year 2019-2020.
- Budget is prepared generally on cash basis criteria, except student financial support that is forecasted on both sides of the financial plan.
- Average retention rate for UGS&GS (FT & PT) in University level is calculated on individual basis.

- For first cycle studies, for the I-st year is projected as an actual number of 662 students (for all programs).
- For second cycle studies, for the I-st year is projected actual number of 281 students (For all programs).
- For PhD studies, for the I-st year is projected actual number of 46 students (For all programs).
- This year, similar to current academic year, we expect 700,000 € income as state subsidy from the Government of Republic of North Macedonian on the basis of submitted Program for public important activities and policy.

b) Expenses

- University supports funding such as: University scholarships, academic and administrative staff development support, accelerated pace of the programs on R&D, tuition fee reduction policies for second and third child with the status of student, work & study program, etc.
- Scholarships schemes is same as in the previous academic year (60% for the students with 5,00 GPA, 40% to those between 4,5 and 4,99).
- Investments for University assets and equipment maintenance, IT capacity development (hardware and software), other equipment, the maintenance of the existing capacities and dormitories.
- Research and Development expenses are calculated based on the region where the conference will take place. According to new criteria (installed on AY 2018/19) the optimal value per academic staff is €700, if the conference is international, otherwise if conference is national or regional the fund will be €100 and €300 respectively.
- Staff development fund for each faculty and department should be used according the Action Plan for that purpose for each academic year.
- Calculating Depreciation (Amortization) expenses in Off-balance sheet (according the cash-based budget approach standards)

III. AY 2020/2021 University Consolidated Operating Budget

III.1 General Budget

The overall AY2020/2021 University operating consolidated budget is increased by 3,17%, compared with previous AY2019/2020, due to the higher commercial income and research projects.

The pessimistic scenario is applied for planning the incomes, and the optimistic scenario is applied for expected expenses. This approach is expected to lead towards the realistic budget scenario. According to this scenario budget surplus is foreseen.

The financial analysis and forecasted items of operating consolidated budget show that the University's operating consolidated budget for the AY2020-2021 will operate with €104,372.00 budget surplus which can oscillate depending on the number of enrolled students, cost optimization strategy and COVID-19. *After 10 years of the operating structural budget deficit, as in the previous AY 2019/2020, and in this draft consolidated operating budget of AY 2020/2021, budget surplus occurred.* Planned operating budget surplus is consistent with SEEU strategy and conformed financial consolidation which is accompanying with budget discipline and providing sufficient room for supporting SEEU needs and educational quality.

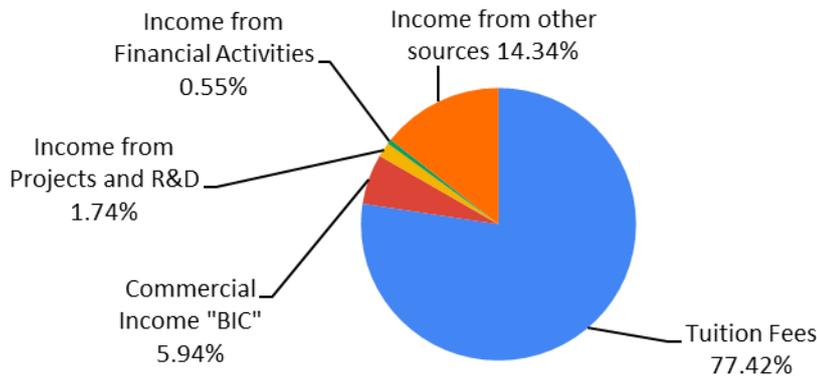
Table 1. Draft Operating Consolidated Budget of SEE University for AY 2020/2021

Academic Year	2019-2020	2020-2021
I. INCOMES	€4,729,805.00	€4,880,174.00
I.1. Tuition Fees	€3,833,501.00	€3,778,179.00
I.2. Commercial Income "BIC"	€120,000.00	€290,000.00
I.3. Income from Projects and R&D	€40,000.00	€85,000.00
I.4. Income from Financial Activities	€36,304.00	€26,995.00
I.5. Income from other sources	€700,000.00	€700,000.00
II. EXPENSES	€4,690,022.93	€4,775,801.93
II.1. Salaries and Salary Reimbursements	€3,175,204.00	€3,195,823.00
II.2. Facilities	€917,557.93	€845,178.93
II.3. Administration Expenses	€197,554.00	€205,343.00
II.4. Policy and Financial Facilities	€7,300.00	€6,900.00
II.5. Work & Study Expenses	€25,217.00	€21,500.00
II.6. Scholarships and Discounts	€253,470.00	€322,307.00
II.7. Research & Development Expenses	€48,820.00	€71,900.00
III. Investments	€64,900.00	€106,850.00
IV. Budget Surplus/Deficit	€39,782.07	€104,372.07
V. Off-Balance Sheet	€902,385.00	€647,381.00
V.1. Depreciation-Amortization Expenses	€902,385.00	€647,381.00

III.2 Revenue Highlights

Forecasted total consolidated operating budget incomes in AY 2020/2021 are based on the realization of incomes in the previous AY 2019/2020 and expected income by commercial and research projects activities. Forecasted total consolidated operating budget incomes in AY2020/2021 are **€4,880,174.00**, which are higher than previous AY 2019/2020 by **€150,369.00** or **3,17%**

Figure 1. AY 2020/2021 consolidated operating budget revenue



Planned incomes from tuition fees are major part of total incomes, which are 77,42%, whereas the income from other sources (state donation) is 14,34% and income from financial activities, projects and R&D, and commercial incomes are 8,23%.

a. Incomes from tuition fees

Figure 1 shows that tuition fees constitute 77,42% of the total generated income, which are lower than previous academic year for 3,58%. The empirical evidence shows moderate decreasing of overall number of students due to natality, migration and COVID-19. However, the number of enrolled students in undergraduate studies we foresee this trend to change in this academic year even though it is a moderate shift. That means that we have accepted a conservative scenario as a basis for calculation of the expected incomes, based on targets from previous year realization. For the AY2020/2021 we have foreseen a moderate decrease in the number of new enrolled students for by 24 students or 2,36%, due to the above-mentioned factors. On the other hand, we haven't calculated income from students that appear to be a student on evidence but never show on campus.

As seen from *Figure 1* the main indicator of incomes is the number of students. Based on empirical data for this year, we planned 662 new enrollments in first cycle of studies and 281 new graduate students. How incomes are spread out over sub lines could be seen in the financial plan attached at the end of this document (Annex I). As was stated in the paragraph for UGS enrolments, the worst-case income scenario was projected. Total revenues that are foreseen to be realized from these cycles are presented in (Annex I). The new enrolled students in PhD study are forecasted 46.

b. Commercial Income

All commercial incomes are realized through a Business and Innovation Center. The expected amount of net commercial incomes for the AY 2020-2021 are estimated by €290,000.00 €. This part of income is generated from (i) dormitories (ii) rents and (iii) expertise and consultancy services.

c. Income from Projects and R&D

The planned amount of this budget item is calculated from the staff costs (overhead) and indirect costs of the project income that academic staff receives from individual projects and expertise. The planned amount of income from projects and R&D is € 85,000,00 or 1,74% in this AY2020/2021. Compared with previous academic year, this budget line is increased for 112,5%. Yet this budget line is lower and management need to take action.

d. Income from Financial Activities

SEEU, as a public-private not-for-profit institution, invests in different financial instruments in order gradually to decrease the percentage of revenue dependency from tuition fees. SEEU invests in short and long-term securities (Term Deposits and Treasury Bills) and particular “risky” investments that brings additional income to the University. Considering the exchange rate fluctuations, and corresponding minimizing risk management efforts the overall interest rate is projected on the lowest level. That is the reason for the decrease of the expected incomes from the financial activities on the level of € 26.995,00 comparing with the previous years.

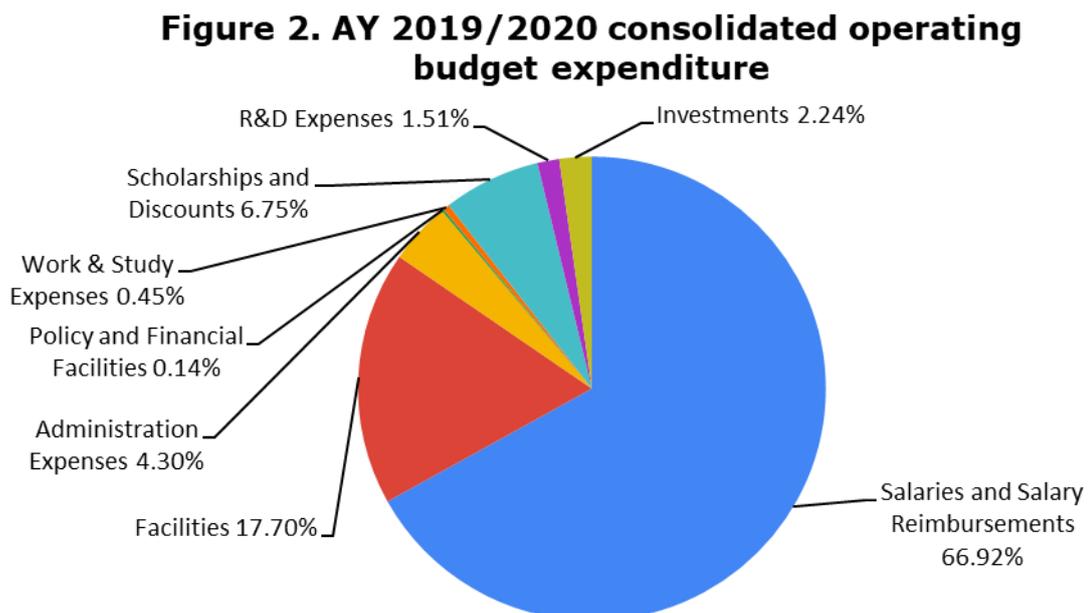
e. Income from other sources-State subvention

In the AY2015/2016 for the first time SEEU gained a portion of incomes as a state subsidy from the Government of the Republic of North Macedonia. This amount is foreseen to be € 700,000 or 14,34% in the budget structure, which will fulfill the cash gap for the Academic Year 2020/2021. Compared with previous AY2019/2020 the amount of this item is same. In the long term, SEEU needs to be supported with 20% by treasury in order to provide financial sustainability.

III.3 Expenditure Highlights

Forecasted total operating budget expenditures in AY 2020/2021 are based on the realization of expenditure in the previous AY 2019/2020. Forecasted total operating budget expenditures in AY2020/2021 are **€4,775,802.00**. Compared with previous AY2019/2020, the budget expenditures **are higher by € 85,779.00 or 1.82%**, which is due to the new accreditation programs, scholarships and R&D of the University.

Planned expenses from Salaries and salary reimbursement are major part of total expenses, which are 66,9%, whereas the facilities, administrative expenses and scholarships discount are 17,7%, 4,3% and 6,7% respectively. Other expenses research and development, working study and investments comprise only 4,4%.



a. Salaries and Salary reimbursements (Gross)

The major part of expenses are Salaries and Salary Reimbursements. After several negotiations with departments during the planning period for their budget applications, where they have projected the needed staff for their departments. In this budget line are also included new employment for new accreditation program (architecture and design) and academic progress. The planned amount for this budget line is € 3,195,823.00 or 66,9% of total expenses. Compare with previous academic year (2019-2020, which was 67,7%), this item is lower by 0.8%. In this regard the University should continue to apply strategy for cost optimisation and to bring this item in the budget structure (Salary and Salary reimbursement) within the ranged between 55% to 60%.

b. Facilities

The overall facility budget is projected to be 845,179.00 € or 17,7%. Compared with previous year, this budget line is lower for 3,3%, due to the cost optimization strategy by the management body. The process of preparing useful data in budgeting process should take several months and involve intensive analysis and discussions. The Facilities department, with other departments, should analyze the needs for maintenance, restructuring and construction of all buildings and equipment in the campus in order to:

- Provide a comprehensive analysis of existing physical conditions and needs
- Develop recommendations for meeting those physical needs
- Provide a framework for SEEU physical development for the next year.

c. Administration expenses

There is no substantial change in this budget item and all expenses in this budget line are on the same level except in some cases where slight changes are expected. The planned amount of administrative expenditures is € 205,343.00 or 4.3%. Compared with previous academic year (2019-2020, which was 4.21%), this item is lower by 0.09%. In this regard the University should continue to apply strategy for cost optimisation.

d. Policy and financial facilities

The projected amount for policy and financial facilities expenses is €6,900.00 due to bank provision and negative exchange rate and others.

e. Working and Study

Planned amount of working and study is €21.500, which is less than in the previous academic year. The decrease of this budget item is due to lower realization in the previous period.

f. SEEU Scholarships

In the AY 2007-2008 SEEU for the first time we started to allocate scholarships to the students. In the AY 2010-11 the SEEU Management body brought a decision to give merit-based scholarships in order to attract students with higher average grades. In the AY 2014-15 the SEEU Management body brought a decision to give merit-based scholarships to all students with GPA higher than 4.51. In the AY 2019/2020, SEEU Management body took decision to increase scholarships scheme by 10 % over the previous academic year, such as 60% with GPA 5 and 40% between GPA 4,5 and 4,99. Moreover, the University give discount for 2-nd and 3-nd Child and disability and special need.

In AY 2020/2021, the budget item scholarships are forecasted €322,307,00 which is higher than in the previous AY2019/2020 for by €68,837.00 or 27,15%.

g. Research and Development

In order to ensure teaching, research and servicing excellence, staff development is an important vehicle. University personnel is encouraged to increase their own potentials, abilities and knowledge to deliver the best academic services to the students and surrounding business and social environment. Staff development is a significant part of SEEU's mission and needs to be enabled and implemented according the financial and other material capacities of the University. Long term financial sustainability of the SEEU is the "*conditio sine qua non*" for all the activities planned for the abovementioned development. Taking into consideration the global economic and financial surrounding conditions and circumstances for this budget line is projected €71,900.00. Compared with previous academic year, this budget line is increased by €23,080.00 or 47.27%. Each department previously applied (with brief explanation) for an amount distributed in three levels (international, regional and national conference levels) that will ensure reaching their goals in the FY 2020-2021.

h. Capital Investments

In the AY2020/2021, the budget line capital investments are forecasted by €106,850.00. Compared with previous AY 2019/2020, this budget item is higher for €41,950.00 or 64,63%. The capital investments are forecasted for IT departments, departments of facilities and dormitories.

i. Depreciation-Amortization expenses

In the FY2019-2020 calculated depreciation is **€647.381,00**. Having in mind that Budget for the academic 2020-2021 year is prepared based on the cash principle (approximation of the cash inflows and outflows) depreciation-amortization is not stated in the budget. Most of the amortization have cash implications in real approximations of the current and investment maintenance of the facilities and are included in the expenses or should be covered from budget surplus).

