
University Financial and Budget Planning Principles

Vice-President (Finance & Corporate Services)

Policy

1.0 Purpose

- 1.1 As Chief Executive Officer of the University, the President is responsible for the appropriate financial management, fiscal accountability, the system of internal controls, resource allocation and planning processes for the University. The President relies on the support and activities of the Vice-President (Finance & Corporate Services), the Comptroller, other University Vice-Presidents and senior University administrators in discharging these responsibilities. The President, Vice-Presidents and the Comptroller are accountable for these activities to the Board of Governors and the respective Board committees. The purpose of this policy is to describe the main financial and budget planning policies for the University of New Brunswick. These policies outline the significant core financial and budget principles and policies that apply to all University operations. More specific and detailed policies are in place for campus-specific administration and the University-wide policies establish the framework within which campus-specific principles and policies are developed.

2.0 Applicability

- 2.1 University-wide

3.0 Definitions

- 3.1 None applicable

4.0 Implementation

- 4.1 Financial and Budget Planning Principles and Policies. The main financial and budget planning principles and policies are:
- 4.1.1 Academic Objectives and Priorities: Allocation of resources is informed by Academic Objectives and Priorities as articulated in Academic and Operational Plans. Campus budgets contain mechanisms to ensure resources are allocated to highest priorities within a strategic financial framework.
 - 4.1.2 Inclusive Process :The budget process is organized in a manner to reflect the objectives of receiving input and advice from the key stakeholders including faculties, departments, students, committees of the Board and the Board of Governors, as well as information stakeholders about overall priorities and resource allocations.

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- 4.1.3 Encourages and Rewards Innovations and Results: The budget process contains mechanisms to motivate and reward budget managers for effectiveness, efficiency and innovation, for both revenue generation and expenditure control.
- 4.1.4 Encourages Long-Term Planning with Focus on Financial Sustainability
 - 4.1.4.1 The budget process encourages budget managers to take a longer-term view to financial planning. In addition to the current year plans and resource allocations, the budget process includes multi-year academic plans and multi-year financial forecasts. Resources are allocated to initiatives that are financially sustainable.
 - 4.1.4.2 The operating budget is prepared so that the allocation of overall resources can be compared from year to year on a consistent basis.
 - 4.1.4.3 The operating budget respects generational neutrality. Activities and programs that benefit current students should be funded from the budgets that apply to those students.
- 4.1.5 Flexibility: The operating budget contains sufficient flexibility so that resources can be allocated and redeployed to priorities. Flexibility levels are clearly illustrated in campus budgets. Mechanisms are in place to ensure resources can be reallocated to priorities as they change and evolve.
- 4.1.6 Responsibility and Accountability:
 - 4.1.6.1 Each campus has a documented chart of budget accountability. All revenue and expenditure budgets are assigned to a recognized budget envelope. Senior officers review envelopes before they are submitted to the campus Budget Committee.
 - 4.1.6.2 Each campus has formal documentation of the authority for spending of University funds. This documentation integrates with the chart of budget accountability and specifies the authority that has been delegated by the envelope manager within their area of budget responsibility.
 - 4.1.6.3 Each campus ensures that a process is in place for the regular review of the status of the operating budget. This review is meant to determine if the actual pattern of revenues and expenditures is on track with budgeted amounts and to provide an explanation of significant variances as well as an assessment of the overall projected status of the campus budget for the fiscal year.
 - 4.1.6.4 Each campus has developed a series of planning indicators to assist in the planning and evaluation of actual operations and outcomes in comparison to goals and objectives. These indicators include financial statistics that assist in evaluating the efficiency and effectiveness of

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- operations and resource allocations. Each campus maintains summary financial information that provides appropriate comparisons of revenue sources, and resource allocations to other universities or campuses of similar composition.
- 4.1.6.5 Ancillary operations of the University are accounted for separately from core University operations. Each campus keeps a clear listing of ancillary operations and provides budgets, financial objectives and performance reports on these activities. As a minimum, ancillary operations are self sufficient, therefore, not requiring the use of University core operating funds. Strategic targets for contributions beyond self sufficiency will be assessed for each ancillary operation within its specific mandate. The financial model for determining self sufficiency is clearly specified for each ancillary activity. In general, this model includes the direct operating and capital activities associated with the ancillary activities, the agreed upon allocation of University administrative and capital financing provisions.
- 4.1.7 Checks and Balances: An adequate system of financial and operational information is maintained to inform the planning process. The budget process and administration of the approved budget includes an important system of controls and procedures to ensure compliance with financial policies and to assess results in comparison with objectives. Important elements in this control framework are:
- 4.1.7.1 A degree of fiscal conservatism is built into the budget and underlying assumptions in order to reduce the risk of year-end deficits. The budget includes an appropriate level of contingency provisions to provide for unexpected cost increases or shortfalls in revenue.
- 4.1.7.2 One-time or short-term funds should only be used to finance one-time or short-term activities.
- 4.1.7.3 Appointments to continuing faculty positions require the approval of the campus Vice-President and the University President. Approval is only granted when a continuing source of funding has been identified.
- 4.1.7.4 Appointments to continuing staff positions require approval of the appropriate Budget Manager, Dean or Director and the appropriate University officer to whom the envelope reports. Approval is only granted when a continuing source of funding has been identified.
- 4.1.7.5 Each campus budget process develops a schedule of "soft money" or externally funded positions. This schedule is reviewed as part of the annual budget process. Particular attention is placed on monitoring the

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- level of costs associated with continuing faculty positions in relation to the outlook for external funding. The degree of these commitments relative to overall costs is assessed on an annual basis.
- 4.1.7.6 The University only makes financial commitments when a source of funding has been established. Funding sources may include approved budgets, operating, capital, ancillary, grants, contracts and expenditures from trust and endowment accounts business/investment plans or fund raising initiatives that have a reasonable expectation of, as a minimum, returning the level of investment. These initiatives require the prior approval of the University Management Committee.
 - 4.1.7.7 A system of accountability and disclosure of internally restricted reserves or endowed accounts is in place. Annual disclosure of the main activities within these accounts is provided to the Audit Committee.
 - 4.1.7.8 All proposed capital projects in excess of \$500,000 are supported by an approved capital cost estimate along with a proposed source of funding, and a plan as to how associated ongoing operating and capital renewal costs will be funded.
- 4.1.8 Completeness and Balance
- 4.1.8.1 Annual operating budgets are balanced. Planned expenditures do not exceed expected revenues.
 - 4.1.8.2 Resource allocations are made so that salary and benefit costs for an employee group are funded from within the budgets associated with that group.
 - 4.1.8.3 There is an appropriate balance in the allocation of resources to various aspects of University operations. This balance is reflected in annual and long-term campus and University plans and priorities.
 - 4.1.8.4 There is sufficient provision in faculty and departmental operating and capital budgets for the acquisition of teaching equipment and for the maintenance and timely, periodic replacement of such equipment.
- 4.1.9 Annual Capital Budgets: Annual capital budgets are informed by academic objectives and priorities with appropriate consideration given to capital renewal requirements and standards.
- 4.1.9.1 Campus capital and ancillary budgets clearly identify the level of annual provisions for capital renewal. Budget documentation compares these provisions to industry standards and established University targets. A periodic, no less than every three years, assessment of the status of

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capital renewal requirements of the campus is provided to the Board Properties Committee.

4.1.9.2 Operating budgets clearly specify the level of expenditures on regular and preventive maintenance. The budget package includes comparisons of these levels to industry standards.

4.1.10 Campus Budget Principles: Each campus documents the Planning and Budget Principles specific to the campus including the approach for resource allocation.

4.1.11 Compliance: The Finance and Properties Committees scrutinize the campus and overall University operating and capital budgets to ensure that the budgets conform with established Board policies and guidelines for budget development. The Audit Committee instructs the Internal Audits to include scrutiny of this policy document in their work plan and report annually on adherence to this policy.

5.0 Interpretation and Questions

5.1 The Vice-President (Finance & Corporate Services) office is located in Room 112 of Sir Howard Douglas Hall. Questions concerning this policy may be directed to budgethelp@unb.ca