

Policy Name:	Annual Operating Budget and Balanced Financial Position		
Policy No:	4.7	Approval Authority:	Board of Governors
Volume	4, Finance & Administration	Responsible Executive:	President
Chapter	7, Annual Operating Budget and Balanced Financial Position Policy	Responsible Office:	Office of the President Office of Finance & Administration
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Policy Statement

The University's annual operating budget is a centrally administered budget and is a commitment of resources to accomplish the mission of the University. The annual operating budget must be balanced on a cash basis and is provided for the consideration of the Board of Governors, which has the authority and responsibility to approve the University's annual budgets.

Reason for Policy

In order to facilitate appropriate financial planning and control, each year the University will develop a fiscal budget for unrestricted operating funds used for academic program delivery and administration of the University. The University's consolidated fiscal budget must be balanced on a cash basis and reflects the best estimate of planned revenues and expenditures, capital expenditures paid with operating funds, and principal payments on debt as of a point in time.

Policy Applies to

- All units of the University

Who Should Read this Policy

- All members of the University community
- All regular staff members
- Chairs and Directors, and Division heads
- Board of Governors

Contacts

Vice President, Finance and Administration

Definitions

Fiscal Year: The University's financial year which is a twelve-month period from April 1 to March 31
Restricted: Revenue or expenses which are restricted by an external party (donor or granting body)
Operating: Includes all of the unrestricted revenues and expenses of the University
Budget Manager: A faculty or staff member responsible for a departmental budget
Cash Basis: Includes all capital expenditures paid with operating funds and principal payments on debt

The Policy

1. Policy Directives

- 1.1 The annual budget process is committed to transparency and openness.
- 1.2 The operating budget shall be balanced on a cash basis.
- 1.3 The year-end actual financial position shall be balanced on a cash basis.
- 1.4 The budget process shall promote institutional sustainability, curricular and program innovation, and the teaching and research reputation of the University.
- 1.5 The budget development is overseen by the Budget Advisory Committee which includes staff, faculty and students.
- 1.6 Chairs and Directors will have meaningful opportunities to make their budget needs known early in the budget process.
- 1.7 The University's goals and objectives as outlined in the strategic plan will underpin the budget process.
- 1.8 Total operating expenditures should be comparable to those at other universities of a similar size and similar range of programs and services, all things being equal.
- 1.9 Annual recurring expenditure obligations must not be funded from non-recurring revenues.
- 1.10 Ancillary operations must be operated to cover all direct and indirect operating costs.
- 1.11 The University shall not proceed with major building projects or capital expenditures unless funding for the full capital and operating costs have been identified.
- 1.12 Actual operating revenue and expenditure amounts will be used to prepare the budget insofar as they are known. Where it is necessary to estimate, the practice will be to underestimate revenues and overestimate expenditures, the amounts dependent on the level of uncertainty inherent in a given estimate.
- 1.13 The operating budget shall comprise all of the operating revenues and expenses of the University on a cash basis. Any restructuring required to maintain a balanced position will occur as quickly as incremental funding will allow.
- 1.14 Budget decisions shall rely on a careful balance of evidence and informed judgement.

2. Preparation, Approval and Monitoring of the Annual Operating Budget

- 2.1. The policy directives noted above require that the University budget be prepared in a transparent and inclusive process. Budget preparation requires engagement of many areas of the University.
 - 2.1.1. The University Senior Management Team and in particular the two Vice Presidents have the primary role to gather information from the Budget Advisory Committee, Academic Resource Committee and through other community forums and provide support to the President in the preparation of the budget for Board of Governors review and approval.
 - 2.1.2. The Office of Finance and Administration is responsible for recommending the University's annual operating budget for submission to the University President and then through the Finance and Physical Resources Committee of the Board of Governors,
 - 2.1.3. The Finance and Physical Resources Committee makes the recommendation to the full Board as to whether to approve the annual operating budget as presented.
 - 2.1.4. The Office of Finance and Administration has the fiduciary responsibility for overseeing and monitoring the actual results, communicating any spending violations, and reporting actual financial results to University stakeholders. The Office of Finance and Administration provides recommendations on budget adjustments and revisions throughout the year.

3. Committees and Advisory Groups Supporting the Preparation of the Annual Operating Budget

- 3.1 Academic Resource Committee -sets academic priorities for the budget process
- 3.2 Budget Advisory Committee – is advisory to the President in the development of the annual operating budget.
- 3.3 Senior Management Team – assist to set strategic priorities for the budget and ensures that a balanced budget is presented to the Board of Governors. Once the budget is approved, the Senior Management Team is assigned the financial responsibility and accountability for delivering on the budgets.
- 3.4 Finance and Physical Resources Committee – a committee of the Board of Governors which monitors financial risks, contingencies, and reviews the proposed budget plan and budget for recommendation to the Board of Governors.

4. Budget Submissions

- 4.1 Budget Managers will be provided with an operating budget submission template that describes the parameters for and deadline for, a budget submission each year.
- 4.2 Budget Managers will also be provided with a capital equipment, computer, furniture and renovation request template that describes the parameters for and deadline for, a budget submission each year.
- 4.4 Budget Managers for union exempt positions will be required to submit a professional development request in accordance with the union exempt employee handbook.
- 4.5 Budget Managers of academic and administrative departments provide a budget submission in accordance with the prescribed budget template. Budget Managers may also be provided an opportunity to present the submission, if requested.
- 4.6 Budget Managers should not incur expenses in excess of their approved budgets.
- 4.7 The budget submissions along with input from all committees and advisory groups, as well as other stakeholders will all be considered in the preparation of the budget for the approval of the Board.

5. Budget Process

- 5.1 Assessment of enrolment trends and tuition revenue
- 5.2 Review of government funding, rent income and undesignated donor giving
- 5.3 Assess feedback from Academic Resource Committee on academic priorities
- 5.4 Calculate compensation increases calculations per the collective agreements and market trends
- 5.5 If there has been turnover and/or there is budget room to consider new positions, priorities are established by the Senior Management Team.
- 5.6 An initial budget is prepared for review by the Budget Advisory Committee and Senior Management Team.
- 5.7 A Risk Impact Assessment process will be used for all material deficit reduction strategies
- 5.8 The Budget Advisory Committee and Senior Management Team will ensure the budget is balanced by January of each year, so that it can be tabled for Finance and Physical Resources Committee.

6. Budget Timeline

- 6.1 The Budget Advisory Committee and Senior Management Team will ensure the budget is balanced by January of each year, for the upcoming fiscal year.
- 6.2 The budgeting process commences in the fall of the preceding year, with a finalized version presented to Finance and Physical Resources in February or early March and then tabled for the Board in March.

7. Associated Policies

Policy on Budgetary Overruns <http://nscad.ca/site-nscad/media/nscad/305-001%20Budgets%20Operating%20and%20Capital.pdf>