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Document Title: **Budget Oversight Policy**		**Page 1 of 4**
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Policy Approval Authority: President	**Designated Executive Officer(s):** Vice-President Administration and Finance	**WWW Access:** (Yes or No) YES

1. Purpose

1.1. UPEI's Core Values include *Accountability and Integrity.*

1.2. UPEI demonstrates accountability and integrity through strong stewardship of funds entrusted to it. This document outlines how UPEI exercises stewardship through application of authority; roles and responsibilities; guiding principles; and requirements to its Operating Fund and Capital Assets Fund budgets.

2. Scope

2.1. This document applies to the revenues and expenditures of UPEI's Operating Fund and Capital Assets Fund (as outlined by UPEI's annual audited financial statements) regardless of their inclusion in a Special Funding Package.

2.2. This document does not apply to the revenues and expenditures of UPEI's:

2.2.1.1. Research Fund;

2.2.1.2. Post-retirement benefits Fund;

2.2.1.3. Endowment and Special Purpose Funds.

3. Definitions

3.1. **Account Authority** means an individual with Spending Authority[1] for a specific university general ledger account. In general, an Account Authority means the applicable Dean; Chair; Director; Department Head for operational accounts; or Principal Investigator ("PI") for research accounts.

3.2. **Budget Manager** means an **Account Authority** who is specifically responsible for budget development, monitoring, and review of Operating and Capital Asset Budget general ledger accounts within their authority.

3.3. **Capital Assets Fund** is a restricted financial statement fund used to report financial transactions related to the acquisition, construction and development of long-term physical asset**s.**

3.4. **Operating Fund** is an unrestricted financial statement fund used to report financial transactions related to the day-to-day operations of the university including but not limited to government grants, student tuition and fees, investment income, and other sources of revenue as well as expenditures such as salaries and benefits; as well as non-salary items.

[1] https://files.upei.ca/policy/spending_authority_policy_admfingnl0009.pdf

3.5. **Research Fund** is a restricted financial statement fund used to report financial transactions related to sponsored research activities.

3.6. **Post-retirement Benefits Fund** is a restricted financial statement fund used to report financial transactions related to employee future benefits.

3.7. **Endowment Fund** is a restricted financial statement fund used to report donations in which the principal is protected in perpetuity and invested to support purposes specified by the donor or the University.

3.8. **Special Funding Package** is a designated component of UPEI operations that is primarily funded through external restricted funding agreements and requires separate budgeting, monitoring, and financial reporting due to its significance, complexity, or strategic importance, as determined by the Vice-President Administration and Finance. As of the effective date of this policy, the Atlantic Veterinary College and the Faculty of Medicine are the only designated Special Funding Packages.

3.9. **Special Purpose Funds** are invested funds where both the original donation and its investment income are available for the purpose intended by the donor or by the University in accordance with the Endowment & Special Purpose Funds Governance and Administration[2].

4. Authority

4.1. Pursuant to the University Act[3], "*The Board shall not incur any liability or make any expenditure for the purchase of land or the erection of buildings or for any other purpose (a) unless the liability or expenditure can be provided for out of the annual income of the year or out of other moneys available for the purpose; or (b) unless the liability or expenditure is approved by the Lieutenant Governor in Council" (s. 17.(1)).*

4.2. Pursuant to the Finance, Audit & Risk Committee Terms of Reference[4], "*The Committee shall (14.2.1) oversee the annual process for the development of the University's annual operating and capital budgets and (14.2.2) review and recommend to the Board the approval of the annual operating and capital budgets of the University develop and oversee a policy respecting non-audit services*".

4.3. Pursuant to the University Act, "*The President shall supervise and direct the implementation of the educational policy and general administration of the University, faculty, officers, employees and the students thereof*" (s. 28.(3)).

5. Roles and Responsibilities

5.1. The President shall ensure that operating and capital budget development, implementation, and review processes meet the requirements of this policy.

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2 https://files.upei.ca/policy/endowment_and_special_purpose_funds_governance_administration_policy_govbrdgn10014.pdf

3 https://www.princeedwardisland.ca/sites/default/files/legislation/u-04-university_act.pdf

4 https://files.upei.ca/governance/committees/upei_bog_far_committee_terms_of_reference.pdf

5.2. The President delegates responsibility for the development, implementation and review of such processes, including the development of supporting policy, procedures and guidelines, to the Vice-President Administration and Finance.

5.3. Budget Managers shall comply with university policy(s), procedures and guidelines as well as exercising stewardship through the development, implementation, and review of their budgets. As Account Authorities, Budget Managers shall ensure university policy is followed when approving financial transactions that fall within their assigned general ledger accounts.

6. Guiding Principles

Guiding Principles on which UPEI's budget shall be based:

6.1. Alignment with UPEI's Core Values

6.2. Alignment with UPEI's strategic plan and priorities[5]

6.3. Alignment with UPEI's operational plans and requirements

6.4. Alignment with UPEI's enterprise risk management framework

6.5. Consultative and collaborative approaches including but not limited to feedback from senior administrative leaders and key stakeholders.

6.6. Transparency regarding the budgeting process and decisions

6.7. Multi-year planning that balances short-term operational requirements with long-term strategic priorities

6.8. Reasonable assumptions about government funding, enrolments, tuition rates, cost inflation and such other factors as may be appropriate

6.9. Fiscal conservatism with regard to budget (and related in-year forecasting) assumptions

6.10. Maintenance or growth of reasonable flexibility within the budget to allow the reallocation or redeployment of resources when faced with changing or unforeseen requirements (i.e., contingencies)

7. Operating Budgets

Wherever possible, the Operating Fund Budget should adhere to the following requirements:

7.1. The budget should be proposed and approved in advance of each fiscal year, i.e., the twelve-month period starting May 1st and ending April 30th.

7.2. The proposed budget should not reduce UPEI's overall Accumulated Operating Fund Balance.

7.3. The proposed budget for each Special Funding Package should be balanced on a stand-alone basis.

7.4. The budget should not propose or maintain incremental permanent expenditures (including positions) funded by one-time or term sources without matching ongoing

[5] https://www.upei.ca/about-upei/upei-strategic-plan

funding. Permanent costs should be funded solely by ongoing revenues or, alternately, redeployment from existing ongoing revenues or expenditure budgets.

7.5. The budget should not propose term expenditures (including positions) where the term and amount of the revenues do not match or exceed the term and amount of the required outlay.

7.6. Appropriate contingencies should be incorporated to maintain flexibility and respond to unforeseen events.

7.7. A multi-year budget should be developed annually and shared with the Board to support planning and decision making.

7.8. Board approval shall apply only to the budget for the upcoming fiscal year.

8. Capital Budgets

Wherever possible, the Capital Asset Fund Budget should adhere to the following requirements:

8.1. The budget should be proposed and approved in advance of each fiscal year, i.e., the twelve-month period starting May 1st and ending April 30th

8.2. The budget should only include proposed projects that align with the university's strategic plan and related goals; latest campus master plan; and operational requirements.

8.3. Projects should not propose or maintain incremental permanent expenditures (including positions) funded by one-time or term project funding. Any project-related permanent expenditure should be included in the Operating Budget

8.4. A multi-year budget should be developed annually and shared with the Board to support planning and decision making.

8.5. Board approval shall apply only to the budget for the upcoming fiscal year and multi-year impacts of projects approved in that budget.

9. Interpretation

Questions regarding this Policy may be directed to the Vice-President Administration and Finance or Comptroller.

10. Review

This Policy will be reviewed every five (5) years (or earlier as required).

11. Related Documents

Campus Master Plan

Finance, Audit and Risk Committee Terms of Reference

University Act

UPEI Strategic Plan