



The following Motions and Documents were considered by the Board Finance and Property Committee during the Open Session of its October 1, 2024 meeting.

Agenda Title: **Updated Financial Policies**

APPROVED MOTION: THAT the Board Finance and Property Committee recommend that the Board of Governors approve the University Fund Policy, as outlined in Attachment 1.

Final Recommended Item: 3c.



Decision **Discussion** **Information**

ITEM OBJECTIVE: To obtain Board of Governors approval of the University Fund Policy and provide the Operating Revenue Planning and Budgeting Policy and Financial Management and Practices Policy for information.

DATE	October 1, 2024
TO	Board Finance and Property Committee
RESPONSIBLE PORTFOLIO	Vice-President (University Services, Operations and Finance)

MOTION: That the Board Finance and Property Committee recommend that the Board of Governors approve the University Fund Policy, as outlined in Attachment 1.

EXECUTIVE SUMMARY:

A set of principles to guide the design of Budget Model 2.0 was recommended by Academic Planning Committee (APC), General Faculties Council (GFC), and the Board Finance and Property Committee, and then approved by the Board of Governors in March 2023. These principles supported the establishment of five expert working groups led by the Provost and Vice-President (Academic) and Vice-President (University Services, Operations and Finance) to design the new budget model. The new model was implemented in fiscal year 2024-25. To further operationalize the new model, a Policy Working Group was established in late 2023, and tasked to review, update and create new policies, procedures and guidance where necessary to align with the new model.

The working group identified that the following would be required:

- A new policy, the **University Fund Policy** (Supporting Materials 1), to ensure that the University Fund (a single consolidated fund allocated separately from the operating fund) is awarded to faculties and university-wide service units in support of priority initiatives and for strategic purposes consistent with the university’s mission.
- A revised **Operating Fund Planning and Budgeting Policy** (Supporting Materials 2) to ensure effective stewardship, and state the principles of managing and allocating the university’s operating funds revenue.
- A revised **Financial Management and Practices Policy** (Supporting Materials 3) to ensure financial management activities and practices that promote the appropriate and effective stewardship of all university funds, including unrestricted and restricted revenue.

Background and Analysis / Discussion

Following the implementation of its new operating model and strategic plan, the university implemented a new budget model to better support the institution's operational and strategic priorities. The principles of the budget model were approved by the Board of Governors on March 24, 2023. Based on those principles, the model was designed, implemented in fiscal year 2024-25, and a full transition is expected to occur incrementally over a five-year period.



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Alongside the implementation and iteration of the model, both the Board of Governors and General Faculties Council were advised in 2023 that Resource Planning will **identify and update** relevant university policies and processes as required.

As such, the Vice-President (University Services, Operations, and Finance) and the Provost and Vice-President (Academic) established a Policy Working Group consisting of subject matter experts to review, update and draft policies, procedures, and guidance that would formalize and document key features of the budget model.

This group determined that the following policies and procedures are needed by virtue of the adoption of the new budget model:

- A new University Fund Policy and a new associated University Sub-Funds Procedure to manage and maintain the University Fund and distribute sub-funds which are new features in the budget model.
- A revised Operating Fund Planning and Budgeting policy and new associated procedures that set out mechanisms and processes for budget accountability, unit planning and the allocation of revenue.
- A revised Financial Management and Practice Policy that promotes the appropriate and effective stewardship of all university funds.

As such, the following are drafted:

The University Fund Policy (for recommendation)

This new policy will ensure that the University Fund, which is a single consolidated fund and allocated separately from the operating fund, is maintained and distributed to relevant faculties and units in support of priority initiatives and for strategic purposes consistent with the university's mission.

It sets out that the funding amount available to the University Fund will be established as a percentage of all relevant unrestricted revenue to be determined by the Provost and Vice-President (Academic) and the Vice-President (University Services, Operations and Finance), and that Sub-Funds will be established and maintained to administer the allocation of these funds.

Operating Fund Planning and Budgeting Policy (for information)

This revised policy will ensure the effective stewardship, and state the principles of managing and allocating the university's operating fund revenue to units in a way that is consistent with the University's mission. It establishes that the Provost and Vice-President (Academic) and the Vice President (University Services, Operations and Finance) are accountable for the annual planning, budgeting and allocation process and can create or further define procedures that set out detailed requirements for any part of this process. This policy establishes the principles under which the budget accountability and planning will occur.



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The Financial Management and Practices Policy (for information)

This revised policy will ensure the practices and activities that promote appropriate and effective stewardship of all university funds including unrestricted and restricted revenue by stating the guiding principles under which this should occur.

As indicated to the Board and GFC, the Office of Resource Planning will continue to **identify and update** policies and procedures to ensure continuous alignment with budget model iterations.

Risk Discussion / Mitigation of the Risk

The policies and associated procedures have been drafted to operationalize the budget model implemented in the fiscal year 2024-25. Therefore, any risk is minimal.

The transition to the new budget model is anticipated to take place over five years to allow faculties and units adequate time to adapt, and the model will be reviewed after three years of operation to identify opportunities for improvement or refinement.

As part of this review, the associated policies should also be reviewed and updated where necessary to ensure they are accurate and reflect any potential changes in the internal and external operating environment.

Next Steps

The University Fund Policy will be in front of the Board of Governors' for approval at their October 11, 2024 meeting.

Supporting Materials:

1. University Fund Policy (Draft) (3 pages) - *for recommendation*
2. Operating Fund Planning and Budgeting Policy (3 pages) - *for information*
3. Financial Management and Practices Policy (3 pages) - *for information*



Original Approval Date: N/A
 Most Recent Approval: N/A
 Most Recent Editorial Date: September 20, 2024

The University Fund Policy

Office of Accountability:	Vice President (University Services, Operations and Finance) Provost and Vice-President (Academic)
Office of Administrative Responsibility:	Vice President (University Services, Operations and Finance) Provost and Vice-President (Academic)
Approver:	Board of Governors
Scope:	Compliance with this university-wide policy extends to all members of the University Community.

OVERVIEW

The University Fund is a single consolidated fund, allocated separately from the operating fund, to advance the university’s mission. The majority of the University Fund is awarded to **units** in support of priority initiatives, faculties and research growth.

PURPOSE

This policy will ensure that the University Fund is maintained and distributed for strategic purposes consistent with the university’s mission.

POLICY

1. The University of Alberta will establish and maintain a University Fund to support strategic initiatives, faculties, and research growth.
2. The funding amount available to the University Fund will be established as a percentage of all relevant **unrestricted revenue**. The exact percentage will be determined each year by the

Provost and Vice-President (Academic) and Vice President (University Services, Operations and Finance).

3. Other unrestricted revenues can be included for distribution in the University Fund, from time to time and at the discretion of the Provost and Vice-President (Academic) and the Vice President (University Services, Operations and Finance).
4. The Provost and Vice-President (Academic) and the Vice President (University Services, Operations and Finance) will establish and maintain **Sub-Funds** to administer the allocation of funds each year. A related procedure to this Policy will set out requirements for the distribution of these.
5. The Provost and Vice-President (Academic) and Vice President (University Services, Operations and Finance) can determine whether any unused amounts in Sub-Funds carry over at the end of a fiscal year or become available for redistribution to other Sub-Funds.
6. The Provost and Vice-President (Academic) and the Vice President (University Services, Operations and Finance) can decide to close a Sub-Fund through rescission of the related procedure. Any remaining funds will become available for redistribution to other Sub-Funds.
7. A report on the activities of the University Fund and the projects supported will be made to the Statutory Deans' Council and PEC-O each year as a part of year-end reporting.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use.		[▲Top]
Unrestricted Revenue	Includes government grants, student tuition fees, revenues from ancillary services and other fee for service activities and investment income available for general spending.	
Sub-Fund	A fund established for the purposes of distributing funds to the university through the University Fund.	
Units	An university-wide service portfolio, or faculty at the University of Alberta.	

RELATED POLICIES, FRAMEWORKS, AND PROCEDURES

If any links are broken, please contact uappol@ualberta.ca	[▲Top]
The University Sub-Fund Procedure Tuition Revenue Allocation Procedure Operating Program Support Grant Revenue Allocation Procedure Budgeted Investment Revenue Allocation Procedure Research Support Fund Revenue Allocation Procedure	

RELATED LINKS

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Not applicable	

Original Approval Date: **May 4, 2001**
 Most Recent Approval: **September 20, 2024**
 Most Recent Editorial Date: **September 19, 2024**

Operating Fund Planning and Budgeting Policy

Office of Accountability:	Vice President (University Services, Operations and Finance) Provost and Vice President (Academic)
Office of Administrative Responsibility:	Vice President (University Services, Operations and Finance) Provost and Vice President (Academic)
Approver:	Board of Governors
Scope:	Compliance with this university-wide policy extends to all members of the University Community.

OVERVIEW

The University of Alberta uses an annual **planning** and **budgeting** process to determine the inputs, allocation, and management of the university's **operating revenue available for institutional budgeting** and other relevant **unrestricted revenue to units**. The purpose of this process is to achieve a balanced budget at an institutional level while maximizing the allocation of resources to align with key university goals.

PURPOSE

This policy will ensure effective stewardship, and state the principles of managing and allocating the university's operating revenue in a way that is consistent with the university's mission.

Policy

1. The Provost and Vice President (Academic) and the Vice President (University Services, Operations and Finance) are accountable for the annual planning, budgeting and allocation process. This is to be done in a way that:

- Is open and transparent, encouraging comprehensive input and consultation with students, academic and support staff.
 - Is driven by the Institution's vision and the academic priorities of teaching and research.
 - Facilitates long-term planning and ensures a structurally balanced budget at an institutional level for the budget planning cycle.
 - Enables the provision of the necessary financial information, institutional data, budget projections and other documentation.
 - Encourages the effective stewardship and explicit allocation and reallocation of resources.
 - Supports resource accountability.
 - To the extent practical, delegates budget responsibilities to the level in which operational decisions are made.
 - Results in an institutional budget and forecast that represents all aspects of the University's operations and is consistent in format with the Institution's financial statements.
2. The Provost and Vice President (Academic) and the Vice President (University Services, Operations and Finance) can create or further define procedures that set out detailed requirements for any part of this process, including but not limited to: unit planning, revenue allocation, the budget cycle and budget accountability.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use.		[▲Top]
Budgeting	The process that the University follows annually to prepare its fiscal estimates that are approved by the Board of Governors and then implemented throughout the University.	
Operating revenue available for institutional budgeting	The University of Alberta's revenues includes: Government of Alberta grants, federal and other government grants, donations and other grants, tuition and other fees, investment incomes and revenue from sales of services and products.	
Planning	Is the process whereby all planning and budgeting activities throughout every level of the organization are effectively linked and coordinated and driven by the institution's vision, mission and academic priorities.	
Unit/Units	A university-wide service portfolio or faculty at the University of Alberta.	

Unrestricted revenue	Includes government grants, student tuition, revenues from ancillary services and other fee for service activities and investment income available for general spending.
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RELATED POLICIES, FRAMEWORKS, AND PROCEDURES

If any links are broken, please contact uappol@ualberta.ca	▲Top
<p>Tuition Revenue Allocation Procedure</p> <p>Operating Program Support Grant Revenue Allocation Procedure</p> <p>Research Support Fund Revenue Allocation Procedure</p> <p>Budgeted Investment Revenue Allocation Procedure</p> <p>Unit Planning Procedure</p> <p>Budget Monitoring Procedure</p>	

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Not applicable	

Original Approval Date: December 9, 2008
 Most Recent Approval: September 20, 2024
 Most Recent Editorial Date: September 16, 2024

Financial Management and Practices Policy

Office of Accountability:	Vice President (University Services, Operations and Finance)
Office of Administrative Responsibility:	Associate Vice President (Finance, Procurement and Planning)
Approver:	Vice President (University Services, Operations and Finance)
Scope:	Compliance with this university-wide policy extends to all members of the University Community.

OVERVIEW

The Board of Governors of the University of Alberta is accountable for the effective and efficient stewardship of University funds. As well as legislative related compliances, a large component of the funding received by the University is restricted in use by the terms and conditions attached by sponsors and donors. These and other requirements compel the University to have an effective system of internal financial controls.

The University's system of internal financial controls consists of policies, procedures, and financial systems that provide for financial transaction processing as well as financial reporting for control, planning, budgeting and decision making purposes.

PURPOSE

To ensure financial management activities and practices that promote appropriate and effective stewardship of all University funds.

POLICY

The University of Alberta will conduct its financial operations within the following guiding principles:

- Complying with applicable legislation, University of Alberta policies and procedures, sponsor and donor terms and conditions
- Reporting in accordance with Canadian generally accepted accounting principles (GAAP) and public sector accounting standards (PSAS),
- Maintaining appropriate and effective systems of internal controls with the emphasis on relevant institutional policy and procedures, data integrity and clearly defined roles and accountabilities,
- Maximizing utilization of available resources,
- Not paying interest, except in specific situations (refer to *Interest Procedure – Restricted Accounts*),
- Disallowing over expenditures, except in specific situations (refer to *Budget Variance Accountability Procedure, Research Over Expenditure (Authorized) Procedure*),
- Using a best practices approach, and
- Leveraging technology.

DEFINITIONS

Not applicable

RELATED POLICIES, FRAMEWORKS, AND PROCEDURES

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[Cash Depositing Procedure](#) (UAPPOL)

[Electronic Funds Transfer \(EFT\) Incoming Payment Procedure](#) (UAPPOL)

[External Billing Procedure](#) (UAPPOL)

[Financial Controls Self-Assessment Procedure](#) (UAPPOL)

[General Ledger Journal Entry \(GLJE\) Requests Procedure](#) (UAPPOL)

[Gift Expenditure Procedure](#) (UAPPOL)
[Hospitality, Working Sessions/Meetings and University Employee Functions Procedure](#)
(UAPPOL)
[Indirect Costs of Research Procedure](#) (UAPPOL)
[Interest Procedure - Restricted Accounts](#) (UAPPOL)
In-Year Fund Transfer Procedure
[Payment by Electronic Banking/Direct Deposit Procedure](#) (UAPPOL)
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[Research – Over Expenditure \(Authorized\) Procedure](#) (UAPPOL)
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