

BRIEFING			
<b>By</b>	Provost Airini	<b>Subject</b>	Preparation of the University's budget and allocation of financial resources.
<b>Date</b>	October 22, 2021	<b>Initiative</b>	Establishment of the Budget Committee, and terms of reference
<b>Portfolio</b>	Provost & VP Academic	<b>Pages</b>	7

FOR INFORMATION	
<b>Executive Summary</b>	<p>Authority over the university's financial assets and resources rests with the Board. This authority is delegated and entrusted to those who occupy Chief Executive positions within Responsibility Centres. The Financial Authority policy states that "the Provost is responsible for overseeing the preparation of the University's budget and is entrusted with allocating financial resources to the Chief Executive Officers of Responsibility Centres".</p> <p>This paper describes how the Provost will exercise delegated authority in the best interests of the university, and in collaboration with senior leadership and colleagues.</p> <p>The <i>Budget Committee</i> will be established. This eight-person committee will have the following purpose: To recommend on the university budget for the forthcoming year. The Budget Committee will make recommendations to the Provost, and report to the President through the Provost.</p> <p>The Budget Committee will replace the Provost's Advisory Committee (including Provost's Budget Committee) and will be reviewed in 2023.</p> <p>Forthcoming papers will describe arrangements for related areas of responsibility for the Provost and Vice President Academic, namely: institutional-level planning processes (including alignment of academic and administrative plans, interests, and outcomes with broader institutional plans); and the creation of the institution's academic strategy (including pedagogy, student and faculty recruitment, academic policies and structures, and integration of the teaching and research missions of the institution).</p>
<b>Background information</b>	<p><b>Principles</b></p> <p>The principles underpinning the budget processes are:</p> <ul style="list-style-type: none"> <li>• <b>academic values<sup>1</sup> lead decision-making</b>, with budget informing these decisions;</li> <li>• recognition that <b>academic planning and resource allocation must be linked</b> through a strategic approach to institutional development;</li> <li>• the need for a budget committee structure and process that <b>supports the mission of the university</b>, and the advancement of our academic and research priorities and aspirations, <b>within our means</b>;</li> <li>• the Budget Committee and its members have <b>an institutional focus, operating in the best interests of the university</b>;</li> <li>• commitment to an <b>efficient, simple and responsive</b> budget committee structure and processes;</li> </ul>

<sup>1</sup> See University of Saskatchewan [values](#), and University 2025 [Plan](#).

- commitment to budget **transparency**;
- commitment to **devolution of decision-making** to the appropriate level of university structures;
- the need to protect **collegiality while increasing accountability and efficiency**;
- commitment to principles of **Indigenization, and EDI**;
- the need to maximize activities that **add value to the teaching, learning, research and creative activities** of the university;
- the need for **sound financial management and budgeting practices**, including forecasting the university's future financial needs to ensure long-term sustainability, ensuring revenue generation strategies are in place to support long-term needs, and efficient financial operations across responsibility centres; and
- the need to provide the university with **high quality advice, good information flows, and sound and well-timed decision-making**.

### Guidelines

The following guidelines have been adopted in examining the current budget-related committee structure:

- a budget committee must support the university taking action to **address immediate financial pressures at USask**, and that the change we make will advance our academic and research priorities and aspirations, within our means. The budget committee's recommendations must support the university moving forward to a sustainable financial position (Phase 1: April 2023; Phase 2: April 2026) so that budget can be reassigned to advance teaching and learning, research, and community engagement;
- a budget committee must be **aligned** with university processes;
- the functions of a budget committee must be **clear**;
- a **parallelism** between College/School and University committees for budget is desirable: parallelism implies that a) where appropriate, there are College/School committees to deal at a College/School level with budget issues that the University deals with at a University level, b) there are College/School voices on the University budget committee and c) effective linkages between College/School and university budget committee are best achieved when College/School members of University committees hold relevant College/School responsibilities;
- a budget committee should be **informed** and request development of models and information such as TABBS, Uniforum, support centre models, and specific;
- a budget committee should be **informed of the university risk register** and consider these risks in their deliberations;
- a budget committee should be clearly **necessary and have discrete functions**;
- the meeting schedule should **fit with university process timetables** and be appropriate to the business of a budget committee;
- decision making should be as **efficient** as possible;
- a budget committee should have an **appropriate mix of members**, and all members should be equipped to contribute fully to the work of the committee;
- a budget committee should be informed by **multi-year** strategic planning and multi-year financial plans;

- **delegated authorities** should be identified and assigned; and
- the most efficient and appropriate **reporting mechanisms** for a budget committee should be used.

In making these arrangements, two further points are also pertinent. First some matters, and particularly some matters of detail, will have to be left for later determination. As such, the terms of reference of the Budget Committee will be reviewed during 2023. Second, it is in the nature of enterprises such as this one that there will be a need for subsequent review and adjustment in the light of experience, changing external circumstances, etc.

### The Budget Committee

Purpose: To recommend on the university budget for the forthcoming year.

Explanation: 'Budget' in this context aligns with **policy** delegation, that is: The Provost is "responsible for overseeing the preparation of the University's budget and is entrusted with allocating financial resources to the Chief Executive Officers of Responsibility Centres". This responsibility is necessarily about comprehensive budget matters. While the budget committee provides oversight for the operating budget (resource allocation activity), the budget committee must have an understanding of the comprehensive budget of the university, which includes activities that are outside the scope of resource allocation, in order to ensure that the overall financial health of the institution is maintained over the long term. Preparation of the budget related to the outcomes of the resource allocation process currently comprises only a portion of the budget associated with the operating fund of the university. It is this portion of the budget & related resource allocation activity that currently falls under the direct oversight of the budget committee.

Membership: The committee membership is described below:

- |                          |   |
|--------------------------|---|
| Chair:                   | Provost and Vice President<br>Academic: Prof. Airini          |
| Vice Chair:              | Vice President Finance and<br>Administration: Mr. Greg Fowler |
| VP Research:             | Prof. Baljit Singh  |
| VP University Relations: | Dr. Debra Pozega Osburn                                       |
|                          | Up to two Deans appointed by the Provost                      |
|                          | Up to two senior academics confirmed by the President.        |

Membership by deans and senior academics will be for two years, and ensure continuity is available to the Committee through a staggered rotation.

Quorum consists of at least three Budget Committee members, two of whom are to be vice-presidents. If the provost is absent, the vice-chair (Vice-President Finance and Resources) will chair the meeting.

A budget committee support group (BCSG) will be in attendance as required/requested, in any combination from the following:

- Deputy Provost (Chair)
- Interim Associate Provost, Strategic Priorities

- Senior Strategist, Office of the President
- Senior Director, Resource Allocation and Planning, Institutional, Planning and Assessment
- Senior Director, Assessment and Analytics, IPA
- Controller, Finance and Resources
- Manager, Office of Financial Strategy
- Vice Provost Indigenous Engagement
- Director of Administration, Office of the Provost
- Experts/Advisors in professional areas, and/or from Associate/Vice Deans.

The Budget Committee reports to the President through the Provost.

Through the Budget Committee and/or budget committee support group (below), membership will include Indigenous expertise, consistent with our University 2025 plan: “Systems and structures that support reconciliation.”

Schedule of meetings for the Budget Committee:

- Monthly meetings
- Oct (training, planning for budget), Nov, Dec, Jan, Feb, March, April.

The Budget Committee's terms of reference will be reviewed in 2023.

#### **Devolved budget leadership**

While the Budget Committee will recommend on the university budget for the forthcoming year, university [policy](#) explicitly recognises devolved responsibilities with regards financial authority for responsibility centres:

Executive Officers of the university and Chief Executive Officers of colleges/schools have financial authority delegated from the Board and are responsible for the operational management of responsibility centres. They may delegate financial authority to: Vice Provosts, Associate and Assistant Deans, Department Heads, and Associate Vice Presidents or the equivalent. Authority to repurpose, reclaim or reallocate financial balances, in the interest of the responsibility centre's mission, is retained within the governance framework, subject only to the university's contractual obligations.

This devolved responsibility includes accountability:

Those to whom financial authority has been delegated are answerable for assuring financial resources are used to their best advantage and intended purposes. This includes accountability for accumulated and deficit balances. They may assign operational management responsibility to individuals who undertake financial duties and activities, while retaining financial accountability for the use of delegated financial resources. Those to whom operational management responsibility has been assigned are accountable for financial duties and activities, and for providing assurances through regular financial reporting mechanisms.

The reporting mechanisms include:

- Quarterly reports: forecasting, variance analysis and mitigation.
- Action plans where are the CEO of a responsibility centre must address cost-revenue, and reserve balance issues within a specific timeframe.

	<ul style="list-style-type: none"> <li>• Completion of temporary cost share arrangements for strategic purposes.</li> </ul> <p><b>Financial and budget policy requirements and accountabilities</b></p> <p>Policy-required, and role-related accountabilities that were formerly undertaken through PAC and PBG, will be completed per Table 1 below.</p> <p><b>Financial and budget administrative leadership<sup>2</sup></b></p> <p>Within the administrative leadership of the University of Saskatchewan, responsibility for financial decisions and their consequences rests principally with two offices that each report to the President: The Vice-President Finance and Resources and the Provost and Vice-President Academic. Their responsibilities are distinguished on the basis of scope and time horizon. Each will be engaged in university budget and financial resource allocation.</p> <p><i>The Provost and Vice-President Academic</i> is responsible for overseeing the allocation of resources to agreed-upon academic priorities. The creation and review of these priorities is the product of an integrated planning process ('the University 2025 plan') and in which opportunities for investment and the need for disinvestments have been identified and are to be acted upon. The Provost guides the preparation of annual budgets and their presentation to funding agencies, stakeholders, and the university's governing bodies. Budgetary decisions are premised on the imperatives of the academic mission, principally the university's teaching and research programs. To the extent that progress toward academic priorities and aspirations described in the University 2025 plan are constrained by resource availability, it is the Provost's responsibility to communicate and coordinate budgetary adjustments. In this office the decision time frame is the immediate planning cycle within the time-frame of the university strategic plan, and the planning time frame corresponds to that of the Vice-President Finance and Resources.</p> <p><i>The Vice-President Finance and Resources</i> is responsible for the overall financial health of the institution. The Vice-President Finance and Resources is expected to adopt a long term and comprehensive approach to the assembly and mobilization of resources. The state of the University's physical plant, the quality of its managerial practices and the soundness of its various investments are critical areas of financial responsibility. The incumbent is responsible for the state of all of the assets of the institution and for an assessment of the risks associated with the stewardship and expansion of those assets. In this office the time frame for anticipating changes and creating conditions for success extends well beyond planning cycles or the normal terms of senior administrators.</p> <p>The work of these two offices is highly complementary and benefits from a strong and collaborative relationship maintained between the two incumbents and their staff. Staff in both offices contribute to the assembly and provision of critical information that bears on budgetary and planning decisions. Most of these are formulated in the context of the Budget Committee for recommendation to the relevant role and body, and for review by the President and President's Executive. Finance and planning officers, regardless of the position to which they formally report, should consider themselves connected in a professional service sense to the Budget Committee and its work.</p>
<p><b>Timeline</b></p>	<ul style="list-style-type: none"> <li>⇒ PEC (September 9, October 21)</li> <li>⇒ Deans' Council (September 14)</li> <li>⇒ Provost's Advisory Committee (September 20)</li> <li>⇒ Implemented from October 2021</li> <li>⇒ Reported to PPC (October 6, 2021), SLF (Oct, 2021), and the Board (December 13-14, 2021)</li> <li>⇒ Progress reports to PEC (annually: December, March, September)</li> </ul>

<sup>2</sup> This section draws directly from the paper prepared by Provost Michael Atkinson (Dec 12, 2016): *Zones of financial and budgetary responsibility at the University of Saskatchewan*.

**Table 1: Financial and budget policy requirements and accountabilities**

	Previously	October 2021	Notes
Academic Strategy	Provost	Provost	“The Provost and Vice-President Academic assumes a leadership role in the creation of the institution’s academic strategy including pedagogy, student and faculty recruitment, academic policies and structures, and integration of the teaching and research missions of the institution.”
Institutional Planning	Provost	Provost	“The Provost holds primary responsibility for developing and implementing institutional-level planning processes. They will ensure alignment of academic and administrative plans, interests, and outcomes with broader institutional plans.”
Review of Board papers including financial affairs	PAC, PBG, PEC, SCIC, OVPR, OVUR, OVPRF, Office of Provost	Budget Committee VPs <sup>3</sup> to review, with budget and financial report to PEC from Provost & VP F&R.	(Oct-April): To recommend on the university budget for the forthcoming year. The Budget Committee will report to the President through the Provost. (May-Sept): Board papers including financial affairs will be available to be reviewed by Vice Presidents, and collectively in the VP meeting, prior to the papers being recommended to PEC for inclusion in the Board agenda.
Authorization of General Operating Funding	PCIP	Budget Committee <sup>4</sup>	“Permanent Budget increases of up to \$100,000 per item and of up to \$100,000 for a specific College/Administrative Unit may be approved by the President on recommendation from PCIP. In any year, permanent budget increases cannot exceed \$250,000 in total.” <a href="#">Here</a> .
Authorization of General Operating Funding	PCIP	Budget Committee <sup>5</sup>	“One time Budget increases of up to \$25,000 may be approved by a Vice-President, with the proviso that the increase is not provided to that Vice-President’s operating unit. One time increases of up to \$100,000 may be approved by the President on recommendation from PCIP.” <a href="#">Here</a> .
Authorization of General Operating Funding	PCIP	Budget Committee <sup>6</sup>	“Where errors in application of budget policy have occurred they will be corrected by Financial Services (Budget Management) and reported periodically to PCIP.” <a href="#">Here</a>

<sup>3</sup> ‘VPs’: Provost and Vice President Academic, Vice President Finance and Resources, Vice President Research, Vice President University Relations; meeting monthly. The BCSG will provide support as required.

<sup>4</sup> Applications for permanent increases should be received by November 30 in the year preceding the new fiscal year, to reflect resource allocation discussions prior.

<sup>5</sup> Applications for one time increases of up to \$100,000 should be received by November 30 in the year preceding the new fiscal year if there is to be consideration for inclusion in the forthcoming resource allocation.

<sup>6</sup> To be reported annually to the Budget Committee.

Debt – internal loan	PAC	Budget Committee <sup>7</sup>	The Provost Advisory Committee (PAC) and Board of Governors approval is required for internal loans in excess of \$500,000. <a href="#">Here.</a>
Debt – internal loan	PAC	Budget Committee <sup>8</sup>	Colleges, centres, administrative units or subsidiary companies may request internal financing for equipment and other capital projects greater than \$500,000. Interest charged on internal loans shall compensate for the opportunity cost of lost investment revenue and rates will be set according to the following: <ul style="list-style-type: none"> <li>• Bank Prime Rate plus 1%</li> <li>• Rate adjusted annually at May 1</li> </ul> Proposals to obtain an internal loan must be submitted to Financial Services with a supporting business case which will include a loan repayment plan. After review by Financial Services, applications will be forwarded to the Board of Governors for approval after receiving approval from PAC. <a href="#">Here.</a>  Proposals to obtain an internal loan must be submitted to Financial Services with a supporting business case which will include a loan repayment plan. After review by Financial Services, applications will be forwarded to the Board of Governors for approval after receiving approval from PAC. <a href="#">Here.</a>
Investment income allocation	PCIP	Budget Committee <sup>9</sup>	“PCIP approval is required for all transfers of funds to an earnings-bearing fund and designation of a fund as earnings-bearing”. <a href="#">Here.</a>
Financial Reserves	PCIP	Budget Committee	<i>Financial Reserves Procedures:</i> Year-end surplus/(deficits) that arise from General Fund activities carry-forward to the subsequent year and are available for Academic /Administrative units to spend under the authority of the unit manager subject to the following requirements. On an annual basis as part of the planning process, the academic/administrative manager must: <ul style="list-style-type: none"> <li>• complete an assessment of risks, opportunities and commitments, and</li> <li>• identify all General Funds balances as either Risk Reserve, Academic Opportunity Reserve, or Designated Funds.</li> </ul> As an outcome of the assessment, the academic/administrative manager must prepare a report for Senior Management (as currently represented by the Provost’s Committee on Integrated Planning (PCIP). This report will outline the proposed level of financial reserves (comprised of a risk reserve and an academic opportunities reserve) compared to actual financial reserve balances. <a href="#">Here.</a>

<sup>7</sup> Applications for internal loans in excess of \$500,000 should be received by October 1 in the year preceding the new fiscal year.

<sup>8</sup> Applications for internal loans in excess of \$500,000 should be received by October 1 in the year preceding the new fiscal year.

<sup>9</sup> Approved Nov-April annually by the Budget Committee.