Operational Budgeting Guidelines

This guide is intended to provide general advice to University faculties and administrative units to develop annual budgets and to monitor against these budgets using forecasting throughout the year.

Document Owner: Resource Planning, Integrated Financial Services
Version: March 6, 2018

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General Overview

Strategic Planning

Operational budgets reflect the strategic priorities established at both the institutional and the faculty/unit level. It is recommended that faculties/units reflect on their strategic priorities for the upcoming year to ensure budgets reflect those priorities in terms of both revenues and expenditures.

An annual faculty/unit strategic plan captures priorities for the coming year. It includes the following elements:

- Strategic goals which outline what the unit hopes to achieve over a particular time period
    - These goals are supported by objectives that include specific measurable targets. The measurable targets can also be quantified in terms of revenues and expenses that form a basis for part of the unit's budget.
    - It is recognized that a large portion of a typical unit's budget is somewhat static from year to year and these activities are not often the focus of a strategic plan. However, the strategic plan often provides areas of focus which generally would result in increased revenues and / or expenditures for a given activity.

- The strategic plan is often supported by the following (please note that all items may not be applicable to all units):
    - Academic strategic plan
    - Operational plans including:
        - Communication and Marketing plan
        - Human resource plan
        - Finance plan
            - Budget assumptions
            - Forecast

The strategic plan provides the foundation upon which a budget will be built. The development of a budget will also inform the strategic plan as to whether all the stated priorities are achievable in the coming fiscal year. Where there are potential budget shortfalls, a faculty/unit may need to re-prioritize initiatives for the current and future years to achieve the strategic goals and objectives.

Institutional Budget

Each year, the University submits a balanced, consolidated institutional budget to the Board of Governors for approval. The institutional budget process begins in October, with the final budget typically being approved in February/March for the upcoming fiscal year (beginning April 1).

The institutional budget is developed with funding assumptions for increases / decreases to the Provincial Grant and Tuition Fee amounts. Depending on the actualization of these assumptions, the University may receive more or less revenues than originally anticipated when the Provincial Budget is announced. Changes to institutional operating revenues may be passed along to faculties/units either before the fiscal budget is confirmed or during the fiscal year via additional incremental funding or budget reductions to their base allocation.

Budgeting at the University

The University budgets using a full statement of operations (profit/loss) approach. All Faculties/Units are required to create budget plans prior to the start of each fiscal year for revenues they expect to receive and plan for the associated expenditures. These budget plans are entered into the uPlan budgeting system and form the basis against which a faculty/unit can manage its financial activities for the year.

This approach to budgeting allows faculties and units to:

- Easily identify the amount and type of their central budget allocation
- Plan or budget for the receipt of expected revenues outside of the central budget allocations
- Easily identify the beginning flex allocation
- Easily identify the expected financial position at the end of the end of the fiscal year

An example of a Statement of Operations follows and is referenced in the sections below:

403000 - Non-Exempt (Instructional)-BL	
403050 - Non-Exempt (MNIF)-BL	
403030 - Non-Exempt (Fees & Sp Serv)-BL	
403100 - Non Credit Fees-BL	
420000 - Provincial Government-BL	
405000 - Federal & Other Gov't Grants-BL	
407500 - Donations and Other Grants-BL	
401000 - Internal Revenue-BL	
402000 - External Revenue-BL	
404000 - Investment Income-BL	
DC0100 - Distribution Credit-BL	
Tc0000 - Transfer-Credit-BL	

430000 - Base Allocation-BL	Populated by Central.
430010 - Temp Allocation-BL	
430030 - Benefits Allocation-BL	
Total Revenue	

500010 - Faculty - BL	Each of these budget line (BL) accounts are populated through the Salary Model.
500020 - Admin Professional Officers - BL	
500024 - Faculty Service Officers - BL	
500030 - Professional Librarians - BL	
500310 - Support Staff - Continuing BL	
500330 - Temporary Support Staff-BL	
500320 - Excluded - BL	
500040 - Temporary Academic - BL	
500044 - Other Academic Staff - BL	
500060 - Graduate Salaries- BL	
Salary Accruals and Suspense	

501000 - Employee Benefits-BL	
500124 - Graduate Awards and Bursaries-BL	
500120 - Undergrad Award & Burs - BL	
502000 - Supplies Serv & Sundries-BL	
503000 - Communications-BL	
503800 - Finance And Investment Fees-BL	
503200 - Travel -BL	
504000 - Rentals -BL	
502800 - Utilities-BL	
503400 - Repairs & Maint Equipment-BL	
507800 - Debt Principal Pmts-BL	
505000 - Amortization Expense-BL	
505030 - Amortization Funding-BL	
506000 - Cost of Goods Sold-BL	
507000 - Capital Assets-BL	
DD0100 - Distribution Debit-BL	
TD0000 - Transfer-Debit-BL	
Total Expense	

Net Revenue and Expense	

430020 - Flex Allocation-BL	

Net Estimated Financial Position	

Throughout the fiscal year, Faculties/Units are encouraged to use the uPlan Forecast tool to manage and reflect financial decisions. More detailed information on the uPlan budget planning system (including technical training guides on the budgeting, forecasting and transfer modules) is available at: https://www.ualberta.ca/risk-management/resource-planning/uplan.

Areas to be budgeted (i.e. Chart of Accounts)

uPlan budgeting is mandatory for funds 100 Central Institutional, 210 Operating and 310 Ancillary. Research funds will continue to be managed in the PeopleSoft Grant Management (Grants 3.0) as project level details are not be included in uPlan. However, all other funds are available for budget input into the uPlan system, by department/program in a statement of operations (profit/loss) format. Budgeting is mandatory at the department level (uPlan functionality requires that the budget be entered for a department using program 0 for departmental level budgeting). Budgeting can be done for all programs identified as budgeted within the PeopleSoft system.

The budgeting process and uPlan budgeting tool are being rolled out over multi-phases whereby the uPlan budgeting tool will eventually be available for all funds. The current budgeting focus is for funds 100, 210 and 310. The following chart outlines the budgeting possibilities:

Chartfield	uPlan
Fund	Inclusion of **all funds** for budgeting in uPlan: ● Mandatory budgeting of funds 100, 210 and 310 starting in 2017-2018; budgeting other funds is at the discretion of each faculty/unit. ● Budgets will be uploaded into PeopleSoft with the exception of research funds *[330, 53X, and 540]* which will continue to be managed through Grants 3.0. ● Endowment funds are included if they have >$25K in annual revenue, or had a rostered staff the prior fiscal year, or at the discretion of the faculty/unit.
Department (DeptID)	All departments are available for budgeting across the institution.
Program	Budgeted programs only [1]
Class and Project	Budget planning is not available at the class or project level.
Account	Budget to the budget line (BL) account for all revenues and expenses. Refer to Appendix A for a list of BL account codes.

[1]*Programs are set-up and managed via the PeopleSoft financial system. A program can be changed to "budgeted" by submitting a COA program change form to Financial Services. New budgeted programs or programs changed to "budgeted" will automatically be included in uPlan each month.*

Faculties/units must determine the level of budgeting required to effectively monitor faculty / department outcomes. The minimum level of budgeting required in uPlan is at the department level however due to uPlan functionality, department level budgets are typically entered in program 0. Budgeting at the class level is not available within the uPlan system.

To prepare for uPlan input, Faculties/units may choose to undergo a budgeting exercise using Microsoft Excel spreadsheets to develop budgets consistent with uPlan. Data used in worksheets should be consistent with data provided via uPlan (e.g. salary rosters).

There may be circumstances whereby it is deemed beneficial to enter budgets into uPlan at the program level. Consider the following:

- The uPlan Compensation Module creates salary budget at the program level if rostered staff salaries are set-up in the PeopleSoft Human Capital Management (HCM) System to a program level other than 0.
- Program level budgeting may benefit from faculty/unit staff input to determine a realistic program-level budget. As the faculty/unit consultation process may require additional effort, faculties/units may choose to initially enter budgets at the department level and later transfer budget allocations down to the lower program level to ensure faculty/unit budgets are entered in uPlan by the stated deadline. Refer to the section below on *Budget Transfers*.
- Evaluate the dollar value of the potential program-level budget. Program-level budgets should only be considered when the dollar value of a program is significant or program-level budgets will enhance department-level budget planning and monitoring. Program-level budgets for low dollar values may not generate sufficient detail to warrant the additional effort required to generate the budget.

Outline Budget Lines (BL's)

General ledger accounts are consolidated within a single budget line (BL) for budgeting purposes. This consolidation enables units to budget revenues or expenditures based on groupings of similar accounts.

The major categories or groups of budget line accounts along with comments on their intended usage are outlined in Appendix A.

uPlan Budget Cycle

All Faculties and Support Units use uPlan to create and manage their budgets. uPlan contains three distinct capabilities Faculties/Units can use to manage their finances throughout the fiscal year: Budget, Forecast and Transfer. Refer to Appendix B for the summary of budgeting timelines.

Budget Development

Prior to the end of a fiscal year, budgets are created for the next fiscal year for the following areas

- Revenue

- Base allocations will be pre-loaded prior to the initiation of the budget input phase
- Salary Expense Planning
- Non-Salary Expense Planning

Date/Timeline	Activity	Comment
By October	Faculties/Units to review and update PeopleSoft HCM to ensure all employees are accurately reflected in the system	This task needs to be completed prior to the initial load of rostered employees into the uPlan system. Ensure that employees are listed in the correct department, program and fund from which they are paid.
Prior to November	Resource Planning provides faculties/units with a working paper for base allocation planning	A working paper process allows Faculties and units to choose where they would like the initial base allocations loaded.
Late-October/Early November	Resource Planning runs salary extract	Changes entered by Faculties/Units into PeopleSoft HCM up until this time will be reflected in the salary roster.
November to February for the upcoming fiscal year	Faculties/Units input Budget into uPlan	The minimum level of budgeting required in uPlan is at the department (DeptID) level; however, due to uPlan functionality, department level budgets must be entered in program 0. uPlan budgets can be: • spread evenly over 12 months, • spread based on pattern of actuals from prior year or • input manually by the user on a month by month basis

Forecast

Faculties/units may adjust the current year's monthly revenue and spending plans throughout the fiscal year to reflect updated operational plans.

Date/Timeline	Activity	Comment
April 1 onward	Faculties/units update monthly forecasts to reflect new anticipated monthly flows for revenue and spending	uPlan budgets are reflected on a month-by-month basis reflecting one of three approaches outlined above. Each forecast month in uPlan is over written monthly with actual amounts with the monthly forecasts reflecting the initial budgeted amount for that month. Faculties/units may wish to update the monthly forecasts to reflect a realistic expectation for the remaining months.

Transfer: (Budget Revenue Allocations, funds 100/210 only)

Transfers are used to move budget allocations between departments and programs or with other faculties/units. Base allocation transfers are permanent transfers whereas temporary and flex allocations are one-time transfers.

Date/Timeline	Activity	Comment
April 1 – Sept 30	The initial base allocation (430000) can be transferred to other departments/ programs.	Only existing balances are available for base transfer
April 1 – March 31	Transfer a Temp Allocation (430010) to other departments/ programs	A temporary (Temp) allocation represents a one or more-year commitment for an additional budget allocation (i.e. Provost Office allocations).
July 1 – March 31	The initial balance for a Flex Allocation (430020) is loaded to uPlan in July	Prior to the flex being loaded into uPlan each faculty/unit is provided with a template to allocate negative or positive flex to individual departments and budgeted programs. After the flex is loaded in uPlan, transfers can only be done for available flex funding; negative flex balances cannot be transferred.

- *Budget transfers can only be made within one of the above three accounts above.*
- *Budgets cannot be transferred between different budget lines (BL accounts).*
- *Budget transfers can take place between different faculties/units but only using the three accounts above.*
- *Budget transfers can only be made within the same fund (Resource Planning can transfer between fund 100 and 210 if required).*

Budget Development

Budgeting for Revenues

The institutional budget informs the spending authority given to faculties/units in the form of budget allocations which are loaded into uPlan using three separate revenue accounts within the new budget framework. Budget allocations are only applicable to funds 100 and 210.

- 430000 – Base Allocation represents institutional continuing, ongoing funding
- 430010 – Temp Allocation represents one time or temporary institutional funding
- 430020 – Flex Allocation represents one time or temporary funding resulting from unspent / overspent funds from prior periods.
    - The actual amount of flex is input into the system by Resource Planning in July of each fiscal year (i.e. these funds will not be reflected in each fiscal year until July).
    - Unspent flex from previous years are funds available for the unit to spend in future years
    - Overspent flex resulting from overspending in previous years that is to be recuperated by the unit in future years.

Revenue budgets should be developed to reflect operating revenues. The budgeting focus should be on revenue streams deemed to be material to the unit's overall operations, and where revenues are reasonably expected to be received based on historical trends, signed contracts or agreements, and the application of professional judgment. There are 12 budget lines that can be used for revenue budgeting. Refer to Appendix A for the list.

Budgeting for Existing Revenue Streams

Historical revenues earned can be used as the foundation for determining budgets for future revenue streams generated by the faculty/unit (e.g. continuing education tuition fees, shops and technical services, bookstore sales, sale of sundry goods, etc.). Some considerations to apply to the historical figures:

- Is the current interest in program levels expected to increase over the current year? Do you have marketing plans to increase sales and revenues? Take the percentage increase and apply to the historical revenue figures to derive the future budgeted revenues.
- Are there changes to the program or sales conditions that may decrease demand (e.g. fewer offerings for sale or a discontinuation of a service or sales offering)? Decrease the future budgeted revenues accordingly.
- Are there inflationary factors (e.g. fee increases) that should be applied to historical revenues? Apply the percentage factor to historical figures to derive future budgeted revenues.
- In general, budgeted revenues are often built from the historical figures while reflecting any known changes that will impact future revenues.

New Revenue Streams

Where a faculty/unit is planning to offer new educational programs, events, services or goods for sale, future revenue budget projections should be based on a conservative level of tuition fees, sales, sponsorships or donations. The following are considerations when estimating new revenue budgets:

- Is the new revenue like other streams of revenues? If yes, scale the future revenue budget against the historical data by considering size of new revenue opportunity against the existing revenues.
- How many students are reasonably expected to enroll in a new program or course? What do you know or not know about the market demand for a program/course? If there is unsubstantiated market research, it may be wise to budget for a conservative level of revenues.

	In normal operating circumstances, ensure that related expenditure budgets do not exceed the related revenues budgets. For strategic start-up initiatives, consider how costs may be established before revenues grow and normalize. In these situations, faculties/units would benefit from a future year forecast projection of both revenues and costs to determine if there is a reasonable payback period of the new initiative.

Budgeting for Expenses

Salaries

A compensation module has been included in uPlan to assist departments in preparing their salary budgets for the upcoming fiscal year. All current continuing, salaried staff will be included in the compensation module, using a concept called rostering. Rostered staff members appear by name/position and salary to form the basis of the salary budget. The source system for the rostered staff salaries is the PeopleSoft Human Capital Management (HCM) System. The extract will be run and loaded into uPlan once a year in October/November, to form the basis for salary budgets in the upcoming fiscal year, beginning April 1.

Units should strive to ensure that all staff members are entered in HCM with the correct department, program and fund from which they are paid as this is how uPlan is populated with salary budgets.

The following table outlines the treatment of salary accounts in uPlan. An explanation of the treatment for each category is in the sections that follow.

GL Code	Description	Treatment
500011	Faculty	
500021	Admin Professional Officers	
500025	Faculty Service Officers	
500031	Professional Librarians	**Rostered**
500311	Support Staff – Continuing	
500322	Excluded - Management/Other	
500312	Support Staff – Temporary	**Split Rostered**
500321	Excluded - Support/Students	
500041	Sessional & Other Temp Staff	
500042	Contract Acad Staff Teaching	
500043	Trust/Research Academic Staff	
500046	Other Academic Colleagues	**Non Rostered**
500048	Postdoctoral Fellows	
500061	Graduate Salaries	

Rostered Staff

Employees are loaded and displayed in the department, program and fund they are paid from as per HCM. Total salary includes all base salary, market supplements and stipends. The total salary amount also includes one prorated merit increment, which is based on the anniversary date of support staff and the provision of merit increments on July 1 for academic staff. Across-the-board (ATB) increases are not included for rostered staff but the uPlan system automatically enters these amounts into the accounts globally for all salary accounts (rostered and non-rostered). The ATB percentage is entered into the system by Resource Planning based on staff agreements or estimates if settlements have not been reached.

The uPlan system will be loaded with the appropriate ATB percentage whenever practically possible. Please note that once loaded to uPlan, the salary budget cannot be updated to the appropriate ATB percentage if it is different than the original estimate.

What is Included for Rostered Staff?

1. All continuing, salaried staff, by employee ID, position number and name
2. Employees are listed in the department, program and fund they are being paid from
3. All funds are included if faculties or units wish to budget outside of the operating funds. However, the budgeting focus pertains to operating funds at this time.
4. Annual salary rate for all regular earning codes (these amounts make up the 'base salary')
5. Market supplements and stipends *(note: salary supplements are considered non-continuing in nature and are not included)*
6. Merit: value of one prorated merit increment is included
7. ATB: included for all rostered salaries, *calculated on base salary only*
8. Termination Date entry field
9. HCM termination date (information only)
10. Employee status: either 'Active' or 'Leave with Pay' (information only)
11. Ability to add employees through to-be hired (TBH) and vacancy forms
12. Ability to budget lump-sum values for other earn codes for items like overtime or allowances and academic budget line savings from sabbaticals

Through the compensation module, users can adjust budgeted salary amounts for:

1. Changes to regular salary and/or market supplement/stipend amounts
2. Adjust an individual's merit up or down to include more or less than one increment (these adjustments may be done on an individual basis or via a lump sum)
3. Termination date entry will prorate salary to accommodate the individual leaving during the fiscal year.
4. Consideration should be given to the amount of effort required to make individual adjustments, and whether estimating the total amount for adjustments for a faculty/unit would provide accurate information for budget purposes.

If an HCM termination date is present, it is used for information only. The salary will still be reflected at full annual value. Users must input a termination date to ensure the salary value accurately represents when the employee will leave

Non-Rostered Staff

Staff members included in these accounts are not budgeted by individual. Additional support and information can also be obtained via HCM payroll reporting and the finance data warehouse to better refine or develop these estimates.

Some general guidance on how to determine budgets for non-rostered staff:

- If program delivery is largely unchanged, review the previous year expenses and budget lump sum based on experience.
- Prepare a detailed academic plan in Excel to map instructors to courses to determine required salaries to meet program delivery demands.

Non-rostered staff members are budgeted as follows:

- <u>Temp Academic (500040)-BL includes</u>:
    - Sessional Staff (500041)
    - Contract Academic Teaching staff (500042)
- <u>Other academic (500044)-BL includes</u>:
    - Trust/Research Academic Staff (500043)
    - Other academic colleagues (500046)
    - PostDocs (500048)
- <u>Graduate Salaries (500060)-BL includes</u>:
    - Grad Salaries (500061).
    - Note: *Graduate Scholarships and Bursaries should be budgeted in expense BL: 500124*
- <u>Support Staff Temporary (500320)-BL includes</u>:
    - Support Staff Temp (500312) – for appointments less than one year

Split Rostered

Temporary Support staff (500312) members are only rostered if they are appointed for more than one year and are paid salary (monthly). Hourly support staff members are not rostered and must be budgeted as a lump-sum (not by name).

Excluded Support staff members are rostered. However excluded students are paid from the same account code and students are not rostered -- they are also budgeted as a lump-sum amount. Note that Excluded support/students and excluded management roll into the same budget line account (500320 Excluded Salaries - BL).

To Be Hired

uPlan also allows the user to input a placeholder for an employee to be hired (TBH). This function allows users to input employees that are going to be hired in the future or were not included in the compensation module as they had not been entered into HCM at that time. Placeholders are entered generically (not by name), but uPlan does have a note field which can be used to enter known information. The placeholder form includes the following fields:

- Employee start month (annual salary is prorated based this date)
- Total annual salary
- Funding % HCM should be the percentage to be paid from the specific 'fund - department - program - account'. The annual salary amount will be prorated based on this percentage.
- Salary funded = Annual salary adjusted for the start month and funding %
- Notes: provides a place to list specifics about the position number, new hire (i.e. name, position number, position title)
- ATB salary increases will be applied automatically to the salary funded

Benefits

Starting with the 2018-19 budget year, Resource Planning will make a base revenue budget allocation to faculties/units for the cost of benefits for those employees funded through the operating budget, (which will not include an allocation for revenue-funded positions). Faculties/units will be responsible for the difference in benefit costs (positive or negative) due to staff changes and also for annual inflationary benefit cost increases.

Non-Salary and Benefit Expense Budgets

While budgets for typical University units are comprised primarily of salary and benefits costs, units are required to budget for non-salary expenditures that make up the remainder of their activities.

To determine expense budgets, consider the following:

- What was the level of spending in the various budget categories in prior years?
- What changes are planned in the faculty/unit from prior year which may impact expenses?
- What are the strategic goals and new initiatives that are planned for the coming year?
- What are the new expenditures anticipated to earn new revenue streams?
- Does the faculty/unit have or expect to have an unspent flex to absorb the cost of new initiatives?
- Does the faculty/unit have or expect to have an overspent flex requiring a reduction in spending for the coming year?

Refer to Appendix A for a list of budget lines (BL) for expenditures.

Monitoring Financial Outcomes

Monitoring financial outcomes using budgets and forecasts is a method of exercising financial control and ensuring that decision-making is made using the most up-to-date information. It is important to monitor actual results against the annual budget using forecasting to determine if there are negative / positive variances that require immediate attention. For example, if there are lower levels of revenues realized when compared to the budget, then spending levels may need to be reduced accordingly. Or in some situations greater levels of revenues may result in an increase in expenses (e.g. larger program enrolment may increase both revenues and expenses). And sometimes there are unexpected expenses that may require a reduction in spending elsewhere to offset the variance.

Monitoring actual results (forecasted to year-end) with budget can take place monthly to ensure actual revenues and expenditures are in alignment with the budget or forecast. This activity has many benefits:

- Regular reviews ensure the accuracy of financial information by catching errors and problems as soon as they occur.
- Regular monitoring of financial outcomes informs the faculty/unit of variances or timing differences which not only improves forecasts but also future budgeting processes.
- Early detection of variances affords the time to adjust decisions and behaviours as necessary to realign actual spending to budget or forecast. By the end of the 3rd quarter, it can often be too late to make meaningful changes to spending decision.

Reports for Monitoring Budgets

In general, uPlan is meant to be a budget input tool, not a reporting tool. The University continues to provide financial reporting functionality through one of two systems, the PeopleSoft Financials system and Tableau (Data Warehouse).

- Original Budget: Revenue and Spending plans from uPlan will be finalized each March for the upcoming fiscal year and will be available for reporting in PeopleSoft/Tableau for April 1.
- Revised Budget: Comprised of the Original Budget plus/minus any changes to the budget allocation accounts made in-year. Changes will be updated in PeopleSoft/Tableau after each month end.
- Forecast: uPlan contains a rolling 12-month forecast which users can edit throughout the fiscal year. At the end of each month, a snapshot of the annual forecast will be exported to Tableau for reporting.
- Institution Budget Allocations as actuals: Institution Budget allocations are populated in both the budget and actual ledgers in the revenue budget line (BL) accounts in PeopleSoft.

Reports used to compare actual outcomes to budgets and forecasts, such as the example below, may be generated in uPlan and in Tableau (Data Warehouse).

Annual Statement of Operations Review

Fiscal Year 2017-2018

Fund: F210 - Operating

Department: D900000 - Hyperion Test

Program: Program 0 (No Program)

UNIVERSITY OF ALBERTA
EDMONTON·ALBERTA·CANADA

	Actual	Budget	Forecast	Variance Forecast to Budget over / (under)
	2016-2017	2017-2018	2017-2018	2017-2018
Tuition Instructional	283,900	285,000	327,500	42,500
Federal & Other Gov Grants	79,584	75,000	1,083,200	1,008,200
External Revenue	334,232	334,232	287,217	(47,015)
430000 - Base Allocation-BL	5,850,030	6,319,033	6,319,033	0
430010 - Temp Allocation-BL	4,560	-	(2,157,794)	(2,157,794)
430030 - Benefits Allocation-BL	685,400	882,042	904,461	22,419
Total Revenue	**7,237,706**	**7,895,307**	**6,763,617**	**(1,131,690)**
Salaries	5,115,395	6,325,093	5,366,543	(958,550)
Salary Accruals and Suspense	805	-	79,222	79,222
Benefits	690,607	857,280	790,875	(66,406)
Graduate Scholarship and Awards	445	2,500	1,500	(1,000)
Supplies Svcs Sundri	4,817	85,000	11,025	(73,975)
Communications	13,642	12,909	13,002	92
Travel & Hosting	1,959	3,500	895	(2,605)
Rentals	850,000	150,000	586,000	436,000
Transfers Out	195,103	195,103	65,855	(129,248)
Total Expense	**6,872,774**	**7,631,386**	**6,914,917**	**(716,469)**
Net Revenue and Expense	**364,932**	**263,921**	**(151,300)**	**(415,221)**
430020 - FlexAllocation-BL	(235,046)	-	135,094	135,094
Net Estimated (Before Bnft Adj.)	**129,886**	**263,921**	**(16,206)**	**(280,127)**
Net Estimated (After Bnft Adj.)	**135,094**	**239,159**	**(129,792)**	**(368,952)**

Monitoring Department-level Budgets

To monitor actual progress against the budget, generate a department-Level *Annual Statement of Operations Review* report from uPlan or from Tableau (Data Warehouse) which will include prior year-to-date actuals, current year-to-date actual account totals and the budget-line (BL) account budget.

Compare forecasted revenues and expenses against the budgeted values for each section of the report.

- When are revenues expected to be realized? Are the actual revenues reflective of those expectations?
- Does it look like actual revenues will be less than budgeted? If so, does the unit need to reduce spending so as not to generate a deficit?
- Have you achieved the budgeted revenues? If so, investigate the level of spending to ensure costs are in alignment with revenues.
- How do current year-to-date revenues and expenses compare to the previous year. Investigate any large discrepancies to determine the cause of the variance (e.g. timing differences or different circumstances).
- Are actual expenditures in alignment with the expenditure budgets?
    - If expenses are incurred evenly over the year, does the current level of spending reflect the appropriate number of months past? E.g. At the end of June (with ¼ of the fiscal year complete), have you spent ¼ of the expenditure budget?
    - If expenses are front-loaded or back-loaded in the fiscal year, is the current level of spending in alignment with those expectations?
- Review the bottom line. How do expenditures compare with revenues? Expenditures should not exceed revenues so bottom-line net deficits should be investigated to ensure revenues and expenditures will align before the end of the fiscal year.

If a review of the department-level financial report raises questions about variances that need further investigation, generate the financial reports for all programs (whether budgeted or not) within a department ID and review at the lower level of detail.

Monitoring Program-level Budgets

Faculties/Units may determine that program-level budgets would generate sufficient value to offset the effort to enter those budgets in uPlan. In these situations, use the *Annual Statement of Operations Review* report from uPlan to:

- Compare program-level budgets to actual year-to-date revenues and expenditures.
- Investigate variances with the appropriate program manager.

Financial Forecasting

Financial forecast reviews should be conducted throughout the fiscal year to identify and explain any significant variances expected at the end of the fiscal year (i.e. March 31). This is an essential step in estimating overall unit or faculty performance for the current fiscal year and in preparing the initial budget for the next year.

The purpose of the financial forecast is to evaluate current fiscal conditions to guide current year budgetary decisions. Forecasting can help to identify revenue and expenditure trends that may influence a department's operational plans for the current fiscal year.

The forecast is an integral part of the annual budget process. An effective forecasting process allows for improved decision-making thereby increasing the ability of units to demonstrate effective financial stewardship.

Forecasts in uPlan

During the fiscal year, uPlan will replace monthly budget amounts with actual financial outcomes. The forecast at any given point in time is a combination of the realization of actual financial results for past months combined with a forecast (based on the original budget) for upcoming months. A comparison of the forecast to the original budget allows units to identify areas of concern or issues that require further in-depth analysis.

Further, assumptions made during the initial budgeting exercise need to be validated to determine if there is a change to the total expected revenues or expenses during the year (e.g. a change in circumstances may change assumptions). Through this, faculties or units can determine whether the forecast needs to be updated in uPlan based on new information.

When to Forecast

At a minimum, forecasts should be updated on a quarterly basis (with specific emphasis on Q2 and Q3) as more and better financial information becomes available. Faculties or units may wish to forecast more frequently in order to ensure timely monitoring of financial outcomes especially during times where increased volatility in revenues and expenditures is expected. If a unit expects that external revenues will be lower (e.g. based on lower enrolments or activity) or expenditures will be higher (e.g. due to an unexpected new hire, increased supplier costs, etc.), these should be incorporated into the forecast immediately as this may trigger units to adjust spending if required.

A typical timeline to prepare forecasts:

Time Period	Type of Forecast	Explanation/Purpose
October	Mid-Year Review	Review mid-year performance and explain projected variances from the budget submission
January	Third Quarter Review	Review budget performance at third quarter and explain projected variances from the budget submission

Forecasting after Q1 can be done however given that so little of the university's activities occur during that period, there is very limited new information to inform the forecasting activity.

How to Forecast

The uPlan budget represents the unit's original spending plan for the year whereas the forecast represents the expected revenues and spending plan to the end of the year. The budget is a static plan for the fiscal year whereas the forecast can be adjusted to reflect in year changes as they become known.

The expected approach is to review the forecast to year end and compare this forecast to the uPlan budget. By doing so, the unit or faculty can:

1) Identify areas that require further investigation due to significant variances between the forecast and the initial budget.
2) Determine what spending adjustments need to be made for the remainder of the year to ensure spending is in alignment with forecasted revenues. The faculty or unit needs to understand <u>why</u> variances are occurring as this will inform decision making to adjust operational plans and/or update financial forecasts.
3) Determine what changes may be needed to the forecast in order to reflect new information concerning both revenues and expenditures. This is a required step as the initial forecast is built using both actuals-to-date and the initial budget entered into uPlan and as such should not be viewed as a perfect indicator of the year-end position.

The analysis should commence at the high level (i.e. at the department level and at the BL rollup level) to focus attention on the big picture first and then move into the small details later when a further investigation is warranted. Further analysis can be done at the program level or the account level, but this should be done in cases where an issue is noted at the higher level first or in areas where the user deems this necessary due to known changes or deviations in results.

Focus on significant or material variances prior to moving onto minor variances. Significant variances should be investigated to ensure they do not have a negative impact on the unit's overall financial situation and to ensure that corrective action is taken as necessary.

Be cautious when looking at variances as they could be a result of favorable and unfavorable changes in both directions. For example, a 3% net favorable variance compared to prior year could be deemed insignificant at a high level. However, the variance could be comprised of 20% unfavorable change of item A, and a 23% favorable change of item B. The changes in item A and item B are significant, which would warrant an analysis, despite a net variance of 3%.

Forecast for Revenues

Budgets for revenues would have originally been based on knowledge of existing revenue streams or on new agreements, programs and services planned for the current fiscal year. A comparison of the forecasted revenues to the original budget may highlight areas where the actual amount of revenues is lower than expected.

- Are there internal revenues that have not been recorded? If yes, follow up with the faculty or unit to ensure the internal revenue transaction will be recorded before the end of the fiscal year.
- Are there missing external revenues that were expected by the time of forecast? If yes, follow up with the external party to determine when receipt of revenue is expected. Some external organizations may have a time-consuming process to affect payment, so the earlier the faculty/unit follows up, the greater chances of receiving the revenue funds before year end close.
- Are revenues for fees in alignment with budgeted expectations? If not, evaluate if the expected student attendance is higher or lower than originally budgeted and adjust the forecast in uPlan accordingly. Revenue budgets for new initiatives should be monitored and adjusted regularly as there would have been a lack of historical data for the original budget projections. Expenses for new initiatives need to align with anticipated revenues to avoid or minimize a net loss for new initiatives.
- Have all government grants and donations been received in the budgeted timeline? If not, follow up with the appropriate body to determine the status and timing of these payments and adjust the monthly forecast in uPlan accordingly.
- Have all budget allocation transfers been recorded? If not, follow up with units from which you expected to receive budget transfers.
- If any of the above revenue streams are no longer expected or are expected to be more or less than budgeted, adjust the forecast in uPlan accordingly. In addition, units should also consider reducing expenditures to compensate for the expected loss in revenues.

Forecasts for Salary and Benefits

The timing of actual salary and benefit expenditures will be dependent on the nature of the staff agreement. Salaries for full-time staff may be evenly paid and expensed over the fiscal year. Other wages may be paid when the time is worked (e.g. hourly paid employees) or services are provided (e.g. sessional lecturer). Faculties/units must have a good understanding of the nature of how different salary types are paid and expensed to determine accurate monthly budgets and forecasts. In evaluating the forecast versus initial budget variances, units may want to consider:

- For full-time staff salary expenses, evaluate the total percentage budget spent versus the amount of fiscal calendar time that has passed. For example, if you are forecasting as of September 30 where 50% of fiscal year has completed, determine if 50% of the budget is expensed. Determine the nature of any differences and amend the fiscal forecast accordingly.
- For hourly paid employees, compare the year-to-date budget with the year-to-date actual expense to see if there is an anomaly. The original budget may have been based on historic

trend so determine if something has changed in the current fiscal year that would change the timing of these expenses. Amend the fiscal forecast as required.

- Salaries are not always paid evenly over the fiscal year. For example, some academic staff and graduate salaries may not be paid during the summer months. Monthly forecasts should reflect the timing of when salaries are typically paid to provide accurate information for comparative purposes. Compare the year-to-date original budget to the forecasted amounts to determine if there are any variances that require further investigation. Amend the fiscal forecast as required.
- Projected hires as of a certain date might not occur due to delays in hiring. As a result, there could be a reduction in salary expenses due to late hires. For example, the original budget accounted for a new hire at April 1. However, as of September 30, the position was still vacant, determine if there is a new expected hire date and amend the fiscal forecast as required.

Forecasts for non-Salary and Benefit Expenses

Typically, the original budget for non-salary and benefit expenses is based on historical spending. However, this can be impacted by new initiatives. Things to consider in relation to noted variances between the initial budget and the forecast could include:

- Where expenditures are incurred relatively evenly though out the fiscal year (e.g. telephone, office supplies, etc.), determine if the percentage of spend vs. budget is in alignment with the percentage of the fiscal year completed. For example, if the forecast review is evaluating actual expenditures to September 30 which is 50% of the fiscal year, determine if 50% of the expense budgets are spent. Investigate any significant variances and amend the monthly forecast accordingly.
- Where expenditures are incurred sporadically throughout the fiscal year, compare the year-to-date against the budget to see if spending is in alignment. Where spending is significantly higher or lower than originally budgeted, research possible variances to the original assumptions or look at the monthly spending pattern in the previous fiscal year to see if the original monthly budgets varied from historical patterns.
- If the revenues for new initiatives are expected to be lower than originally budget, the corresponding expenditures should also be evaluated and possibly lowered to avoid or minimize a net loss for the activity.
- Ensure that any required outgoing budget allocation transfers have been performed.

Appendix A – Budget Line (BL) Accounts

Following are the general ledger account codes used to reflect the budget for a group of accounts. Note: Some units may not have a business reason to use all revenue and expense accounts.

Type (Revenue or Expense)	Account Number	Account Name	Comment
Revenue	401000	Internal Revenue - BL	Budget for revenues related to the sale of goods and / or services to other units on campus.
Revenue	402000	External Revenue- BL	Budget for revenues related to the sale of goods and / or services to external parties (i.e. not part of the campus community)
Revenue	403000	Non-Exempt (Instructional)-BL	Budget for revenues associated with international differential fees, program differential fees and market modifiers.
Revenue	403030	Non-Exempt (Fees & SP Serv)-BL	Budget all other fee revenues related to credit courses (other than instructional tuition and MNIF fees)
Revenue	403050	Non-Exempt (MNIF)-BL	Budget for revenues related to mandatory non-instructional fees allocated to various student service units.
Revenue	403100	Non Credit Fees-BL	Budget for revenues associated with tuition and related fees for non-credit courses.
Revenue	404000	Investment Income-BL	Budget for transfers from other units or funds.
Revenue	DC0100	Distribution Credit - BL	Budget for donations or non-government grants.
Revenue	TC0000	Transfer-Credit-BL	Budget for grants received from the Government of Canada or other foreign jurisdictions.
Revenue	407500	Donations and Other Grants-BL	Budget for grants received from the Government of Alberta.
Revenue	405000	Federal & Other Gov't Grants-BL	Budget for revenues related to the sale of goods and / or services to other units on campus.
Revenue	420000	Provincial Government - BL	Budget for grants received from the Government of Alberta.

Revenue	430000	Base Allocation - BL	Allocations represent the official institutionally approved spending authority. These are "locked" at the time of budget development, i.e. a unit cannot create/self-approve a change to spending authority. Once the budget year is open, authorized users can transfer base/temp allocations between deptID/program codes.
Revenue	430010	Temp Allocation - BL	
Revenue	430020	Flex Allocation - BL	In most instances, the initial (fiscal year start) value is $0. This reflects how the prior year's ending balances roll into Flex for funds 100/210. Flex amounts are finalized and allocated to this account in June/July.
Expenditure	500010	Faculty-BL	Budget for academic faculty staff
Expenditure	500020	Admin Professional Officers-BL	Budget for administrative professional offers (APOs)
Expenditure	500024	Faculty Service Officers-BL	Budget for service officers
Expenditure	500030	Professional Librarians - BL	Budget for professional librarians
Expenditure	500040	Temporary Academic-BL	Budget for sessional, temp and contract academic staff
Expenditure	500044	Other Academic Staff - BL	Budget for Trust/Research academic staff, other academic colleagues and PostDocs.
Expenditure	500060	Graduate Salaries - BL	Budget for graduate salaries
Expenditure	500310	Support Staff - Continuing-BL	Budget for continuing support staff
Expenditure	500330	Temporary Support Staff-BL	Budget for temporary support staff
Expenditure	500320	Excluded Salaries - BL	Budget for continuing support staff excluded from NASA and excluded managers/leaders
Expenditure	501000	Employee Benefits-BL	The budget may be calculated and pre-populated based on rostered and non-rostered employees in HCM.
Expenditure	500120	Undergrad Awards and Burs-BL	Budget for scholarships, awards and bursaries provided to undergraduate students.
Expenditure	500124	Graduate Awards and Bursaries-BL	Budget for awards and bursaries provided to graduate students.
Expenditure	502000	Supplies Serv & Sundries-BL	Budget for general supplies and services.

Expenditure	502800	Utilities - BL	This budget rollup is used only within certain centralized units.
Expenditure	503000	Communications-BL	Budget for communication related expenditures such as telephones and postage costs.
Expenditure	503200	Travel-BL	Budget for travel related costs.
Expenditure	503400	Repairs & Maint Equipment-BL	Budget for repairs and maintenance costs related to facilities, equipment and infrastructure.
Expenditure	503800	Finance and Investment Fees-BL	Budget for any incidental banking or finance costs.
Expenditure	504000	Rentals-BL	Budget for equipment, vehicle and space rentals.
Expenditure	505030	Amortization Expense - BL	Budget rollup is used only within certain centralized units.
Expenditure	505031	Amortization Funding - BL	This budget rollup is used only within certain centralized units.
Expenditure	506000	Cost of Goods Sold - BL	
Expenditure	507000	Capital Assets - BL	
Expenditure	507800	Debt Principal Pmts-BL	This budget rollup is used only within certain centralized units.
Expenditure	DD0100	Distribution Debit - BL	This budget rollup is used only within certain centralized units.
Expenditure	TD0000	Transfer-Debit-BL	Budget for transfers to other units or funds.

Appendix B – Additional Resources

Review the following University websites for more information on uPlan and budgeting at the University:

- About the University budget: https://www.ualberta.ca/vice-president-finance/resource-planning/understanding-budgeting
- Key Planning and Budget Documents: https://www.ualberta.ca/vice-president-finance/resource-planning/planning-docs