Purpose:

The purpose of this policy is to provide assurance to the University Council and Senior Leadership Team (SLT) that responsibility for financial performance and stewardship of assets is clearly defined.

Definitions:

Annual Budget: Annual financial statements budget approved by the University Council

Baseline: An agreed level of financial resourcing for costs for each reporting line. Baseline resourcing covers those University costs that are funded by SAC, PBRF, Equity Funding, student fees, interest and trust income. Costs not covered by the baseline are those that arise principally from activities funded by external third parties or through charges to students for voluntary services.

Budget Centre Manager: The Budget Centre Manager is a level three or level four manager with delegated financial authority to make financial commitments for the budget centre. Other staff with sub delegations for a budget centre are not budget centre managers.

Materiality: An item can be material if it has a significant financial impact on the financial performance of the budget centre. Professional judgement is required in assessing material items but as a guide 5% of the budget centre’s total cost or revenue budget or $100,000 whichever is lower might be considered material.

Other examples of items that may be materially important and should be included in reports include contract disputes, overdue debtors, receiverships, non-performance of contract and potential for University reputational damage.

Risk Management: Refer to the University’s risk management framework.

Ten Year Capital Plan (TYCP): Rolling ten year capital plan approved by the University Council annually.

Uncontrollable Costs: Costs within an individual reporting line which relate whole of University costs and cannot be controlled by the individual reporting line.

Policy:

Overview

The SLT will make recommendation to the University Council, for approval, an annual budget each year after considering the annual plan, TYCP, investment plan, strategy and financial goals of the University. This will provide the
framework for managing the University finances including meeting financial performance targets, effective balance sheet management and ensuring treasury and cash flow commitments are met.

The annual baseline and budget process is initiated through an annual budget policy statement, linked to the University’s strategy, that outlines the high level economic considerations that will impact the baseline and budget process.

Financial targets will be approved by the SLT based on the budget policy statement, University strategy and objectives, baseline agreements and the University’s investment, financial sustainability goals and agreed surplus requirements.

The annual planning and investment plan processes will identify how the strategic goals of the University will be met, including achievement of the financial targets.

Budget Centre Managers will prepare budgets for the budget centre, including any projects within the budget centre, following the planning process guidelines so the financial implications from the planning round are identified within the financial plans.

1. **Baseline Process**

   Baselines are tracked on an on-going basis, and are updated to reflect changes in the levels of Government and student fees income, to reflect Vice-Chancellor, Senior Leadership Team (SLT) and Council decisions or resource changes between reporting lines or changes to the level of surplus target. Only approved baseline decisions with associated “Fin Ref” numbers, as required by the SLT approval process, will be included as baseline changes, with the exception of salary increases, depreciation charges and uncontrollable costs, which are calculated and added to baselines annually by Finance as part of the annual budget process.

   Once the baseline has been finalised annually for each reporting line, and signed by the respective SLT member, each budget centre within that reporting line is required to prepare its own budget. The aggregate of all budget centre costs, excluding activities funded by third parties, must not exceed the total baseline amount for the reporting line.

2. **Budget Phasing**

   To ensure financial performance and cash flow management are appropriately monitored and managed, Budget Centre Managers will phase the annual budgets across the twelve months of the financial year. This budget phasing will form the basis of variance analysis and commentary on financial performance.

   Capital budgets will be phased by the Facilities Directors and Capital Projects managers in consultation with the National Capital Manager.

3. **Financial Management**

   Budget Centre Managers are responsible for ensuring all income and expenditure budgets approved by Council are met including the individual projects within their budget centres. The delegations policy and framework outline specific responsibilities in respect of commitment to contracts and purchasing goods or services.

   All Budget Centre Managers are expected to have an appropriate level of financial literacy and will ensure they develop and maintain their financial competency. This includes understanding the fundamental financial concepts of accruals, commitments, income, operating expenditure, capital expenditure, cash flow, delegations, and the impact of their actions on the financial statements.

   The Chief Financial Officer (CFO) will request Budget Centre Managers to reforecast their income and expenditure periodically to reflect where factors behind assumptions included in the original annual budget have changed significantly.

4. **Financial Monitoring and Reporting**
Budget Centre Managers

Budget Centre Managers are accountable for reporting against their approved budgets and forecasts on a monthly basis. A commentary in relation to material variances should be provided, including action being taken to address the variance.

Reporting Line Managers

SLT members are responsible for reporting against their Council-approved Reporting Line budget and forecast to the Vice-Chancellor on a monthly basis. The specific reporting requirements will be defined by the Vice-Chancellor.

Material variances should be commented on, noting the reason for the variance and any action being taken to mitigate the variance.

Finance will provide an independent assessment of reporting line performance to the SLT member.

SLT & Council

SLT will recommend an annual budget for University Council to approve.

The Vice-Chancellor and SLT are responsible for the University’s compliance with the Council approved budget and will report to the Council at each Council meeting.

The AVC Strategy, Finance, IT and Commercial Operations (AVC SFIC), through the CFO, will provide an independent assessment of financial performance, financial position and cash flows for the University and clearly identify responsibility for changes in financial performance, financial position or cash flow.

The AVC SFIC, through the CFO, is responsible for preparing the annual report for the University.

5. Delegations & Internal Controls

Financial delegations must be adhered to.

Good financial management requires that Budget Centre Managers enforce internal control systems that ensure (1) segregation of duties in the purchasing process, and (2) ethical commercial practice.

Budget Centre Managers must ensure that all potential conflicts of interest arising from commercial transactions are identified and appropriately managed.

All external and internal financial reporting must comply with generally accepted accounting practice as defined in the Financial Reporting Act 1993 and Amendments.

Audience:

All staff.

Relevant Legislation:

Public Finance Act 1989 and Amendments
Education Act 1989 and Amendments
Financial Reporting Act 1993 and Amendments
Legal Compliance:

Section 41 of the Public Finance Act 1989 requires Universities to prepare the annual report as soon as possible after the end of the financial year.

Section 203 of the Education Act 1989 states that Section 41 will apply to every (tertiary) institution, and further that the financial year will read as academic year.

Financial Reporting Act 1993 and Amendments requires a reporting entity to prepare financial statements in accordance with generally accepted accounting practice, and present a true and fair view of their affairs. The University falls within the Financial Reporting Acts 1993’s definition of a reporting entity.

Related Procedures and Documents:

- Conflict of Commitment and Interest Policy
- Delegations of Authority Document
- Performance and Risk Reporting Policy
- Procurement Policy
- Procurement Procedures

Document Management Control:

Prepared by: Chief Financial Officer
Owned by: Assistant Vice-Chancellor Strategy, Finance, IT & Commercial Operations
Authorised by: Council C15/89 – October: 4.3.1
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