
Carry Forward Policy

University of Guelph
Carry Forward Policy
Approved by the Board of Governors
January 27, 2016

1. Purpose

Each year University departments receive operating funds from a number of sources to support expenses incurred in the delivery of college/division programs. In the University's Operating budget, funds are allocated to colleges or divisions as approved annual budgets intended for disbursement for expenses such as salaries and operating supplies over the course of a fiscal year. It is recognized that actual spending in any year will not always match the level of funding provided (as budget allocations) and variances will occur. (At the University level, unit -level underspending relative to the unit's budget allocation will contribute to a surplus and overspending will generate a deficit.)

The purpose of this policy is to establish a framework under which annual operating Unit deficits or surpluses will be managed at fiscal year-end (April 30). The objective is to provide Units with the opportunity to manage funds prudently over time. For example, positive (underspending) variances provide units the opportunity to undertake multi-year planning for projects and provide for unexpected events in form of unit reserves. However it is also important to balance the accumulation of unspent funds with the use of annual operation budget allocations toward their intended purposes.

This policy will:

1. Identify University funds that fall under this policy.
2. Establish limits for maximum level of funding that may be transferred from one year to the next i.e., allowable "carry forward" funds.

2. Definitions

"Unit"

is defined as an operational college/division as established in the University's Chart of Accounts. The organization hierarchy for financial report and control is defined in the University's Financial Report System "FRS". The Chart of Accounts is the coding structure used to map transactions on to the hierarchy.

"Gross Budget"

is defined as the sum of budgeted expenses including internal charges, transfers and recoveries as recorded in the University's Financial Reporting System "FRS". For the purpose of this policy, "Budget" will include both base and one-time funds. (Unit revenues are excluded.)

"Net Expense"

is defined as the the sum of all recorded revenues and expenses credited or charged to a Unit. Net Expenses are measured in terms of both actual and budget.

"Carry Forward"

is a value is calculated at the end of each fiscal year as the difference between a Unit's actual Net Expense and the related Net Expense Budget . Carry Forward values will be calculated at the Unit level only. Allocations

below that level e.g. to departments/programs within a Unit are the responsibility of the Unit head.

3. Funds Covered under This Policy

This policy applies to all expendable operating funds that have no approved and documented “restriction.” Restrictions in this case are specific directions that determine that certain funds are to be spent on a particular purpose e.g., on a specific project, program or asset. There are two types of restrictions; those of external (non-University) sponsors or those established under internal policy by the University or by a resolution of the Board of Governors. Units cannot designate that funding is restricted because they wish to designate it for a specific project/purpose. While funds may be intended for a specific use, unless expressly covered by University policy (or a documented external restriction), all operating funds are designated as unrestricted.

The following are the major types of funds that have some form of restriction and are therefore excluded from this policy:

1. Funding received under the OMAFRA contract or other funds received from OMAFRA for designated purposes.
2. Ancillary or other operations funds with a University-approved objective to fund all Unit costs, both direct and indirect. Major examples include Student Housing Services, Hospitality Services and Parking & Transportation Services.
3. Heritage Trust Fund operations including the operations of the Real Estate Division.
4. Funds established and committed as endowments. These funds can be either internally or externally restricted.
5. Donations, grants and contracts with clearly documented external restrictions set by an outside individual or organization.
6. Certain centrally managed funds designated for specific purposes e.g., the central utilities and student aid budgets.
7. Funding in the Capital Fund to support an approved active capital project. Capital Fund as recorded in the University's Chart of Accounts.

4. Carry Forwards Limit

The accumulated carry forwards limit at the end of any fiscal year will be capped at 10% of a Unit's Gross Budget. The Budget column in FRS for the Unit at April 30 each year will be used as the base for this measure. Funds in excess of the limit will be transferred to central reserves.

100% of any deficits will be carried forward. Units will be expected to prepare plans for elimination of any deficits for approval by the responsible (for the unit) Vice-President.

Under exceptional circumstances, the responsible Vice-President may approve carry forward funds above the 10% limit. Exceptions will be considered only for specific committed purposes/projects that have a documented and approved purpose. Failure to use the funds for the stated purpose/project will result in transfer of the funds from the Unit.

“Exception” funds must be allocated for investments that enhance the quality and productivity of programs/services within the Units. The priority for approvals will be given for direct operating costs in major program areas within the Unit. In addition, where there is well-documented justification, consideration will be made for project objects such as;

- Major capital projects e.g., building and major renovations if identified as University priorities in the annual Capital Plan;
- Minor renovations and capital equipment acquisitions contributing to the sustainability or enhancement of the quality and productivity of programs/services;
- “Bridging” new hires to anticipated replacement, contractual support or temporary support for students e.g., teaching assistances. *(Carry forward funds should not be committed for structural or ongoing costs such a*



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regular tenured track faculty positions unless there is a plan to replace carry forward funding when necessary.)

Deadline; Carry forwards will be determined by June 30 following the close of the fiscal year (April 30). All exceptions must be documented, approved and forwarded to Budget & Financial Planning prior to this date. No exceptions or adjustments will be processed after that date.

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