ADOPTED by the Council of the University of Tartu Regulation no. 5 of 26 October 2015
(effective as of 1 January 2016)

BUDGETING RULES

Adopted based on subsections 22\(^2\) (1) and 22\(^2\) (5) of the University of Tartu Act and pursuant to clauses 22\(^2\) (4) 3) and 22\(^2\) (4) 6) of the University of Tartu Act.

I. General provisions
1. These rules establish the procedure of preparing, adopting, amending and implementing the budget of the University of Tartu (hereinafter the university).
2. The university budget is a financial plan which shows the financial resources (hereinafter resources) which the university intends to earn, receive as support, mediate and use during the financial year.
3. The university budget is prepared for one financial year. The financial year begins on 1 January and ends on 31 December.
4. The content of the university budget is planning the revenue and expenditure of the university for one financial year.
5. The university’s revenue is all resources the university earns or receives as support.
6. The university’s expenditure is the resources the university uses.
7. The university budget is prepared as a consolidated budget (hereinafter the budget) which comprises the main budget and capital budget.
8. The main budget includes revenue from the university’s economic activity and the expenditure related to the university’s economic activity. The main budget does not include the revenue or expenditure of the capital budget.
9. The capital budget shows accruals for targeted investments in immovable property, loans taken by the university and financial revenue. In addition, the capital budget shows dividends for construction work and major repairs, loan repayments, interest payments and other expenditure related to financing transactions.
10. The budgets of faculties, non-faculty institutions and support units are prepared as sub-budgets of the university’s main budget.

II. Revenue and expenditure of the university budget
11. Budget revenue is the revenue of the financial year when they are receivable by the budget, regardless for which year they are accounted or when they should have been receivable.
12. Main budget revenue is
   12.1. revenue from teaching and studies (activity support, tuition fees, continuing education revenue, revenue from resident training and other revenue and grants related to teaching and studies);
   12.2. revenue from research (institutional and personal research grants, revenue from state research and development agreements, revenue from international agreements and
grants, baseline funding of research institutions and other revenue related to research activity);
12.3. other operating revenue (revenue which cannot be considered revenue from teaching and studies or research).

13. Main budget expenditure is
   13.1. expenditure of faculties and non-faculty institutions;
   13.2. expenditure of the university council, Rector’s Office and support units;
   13.3. expenditure of university-wide operational projects managed by the support structure;
   13.4. university’s institutional membership fees in organisations and associations;
   13.5. allocations to the capital budget;
   13.6. expenditure covered from the reserve and development funds.

14. Capital budget revenue is
   14.1. state allocations for investments;
   14.2. other targeted allocations and donations for investments;
   14.3. allocations from the main budget;
   14.4. loans;
   14.5. revenue from sales of immovable property;
   14.6. revenue from financial investments.

15. Capital budget expenditure is
   15.1. allocations for loan repayments;
   15.2. allocations for paying loan interests and service fees of financial activities;
   15.3. investments according to immovable property objects.

16. Budget revenue is classified by the type and source of revenue. Head of finance establishes the classification of budget revenue.

17. Budget expenditure is classified by their economic substance. Head of finance establishes the classification of budget expenditure.

18. Expenditure is defined in the budget as definitive or transferable expenditure.

19. Definitive expenditure is expenditure of university-wide operational projects and capital budget expenditure. The possible further use of the remainder of the amount defined as definitive expenditure at the year-end is decided by the university council on the proposal of the rector.

20. Expenditure of the faculties, non-faculty institutions, university council, Rector’s Office and support units and allocations to the reserve and development funds are transferable expenditure. The remainder of the amount defined as transferable expenditure is generally transferred to the following financial year as the remainder of the respective structural unit. If the remainder of the resources financed from the general fund of the support unit at the year-end exceeds 10% of the resources allocated for the year, the possible further use of the exceeding remainder is decided by the university council on the proposal of the rector.

III. Budget subjects and general fund
21. Subjects of the university budget are faculties, non-faculty institutions, council, Rector’s Office and support units. Subjects of the faculty budget are the faculty’s structural units.
22. The subject budget shows all revenue (incl. allocations by the council, rector, vice rectors, director of administration and head of finance) and expenditure which is related to the specific structural unit through principle investigators or the conducted work.
23. General fund is a fund of financial resources which is established with the aim to
23.1. cover the expenditure of the council, audit committee and the Rector’s Office;
23.2. cover the expenditure of the university’s support structure which arises from providing services to the council, faculties and non-faculty institutions;
23.3. partially cover the expenditure of non-faculty institutions;
23.4. cover the expenditure of university-wide operational projects in a separate budget line in the university budget;
23.5. partially cover the university’s institutional membership fees in organisations and associations;
23.6. establish the reserve funds of the rector, vice rectors and the director of administration;
23.7. partially cover the expenditure of the capital budget; i.e. investments into immovable property and servicing loans.

24. General fund revenue is
24.1. the council’s allocation from the activity support;
24.2. the council’s allocation from the baseline funding of research institutions;
24.3. allocations appointed by the rector’s directive for the division and use of revenue.

IV. Preparing and adopting the draft budget
25. The university council establishes the budget committee. The council establishes the regulation of the budget committee which provides the tasks of the budget committee.
26. The university council establishes the principles of preparing the budget of the following financial year by 15 September.
27. The rector establishes the rules of dividing and using the revenue of the following financial year by 30 September.
28. Head of finance organises the preparation of the draft budget.
29. Preparing the draft budget of the budget subject is based on
   29.1. the classification of revenue and expenditure defined by the head of finance;
   29.2. the university’s strategic plans;
   29.3. the university’s applicable bylaws which regulate financial activity;
   29.4. the principles of preparing the budget approved by the council;
   29.5. the terms established by funders;
   29.6. the overview by the head of finance which characterises the development of the state budget and national economy in the planned year;
   29.7. the guidelines by the head of finance.
30. The council establishes the schedule of preparing the draft budget by 15 September.
31. Support units prepare applications for university-wide operational projects which the unit is responsible for promoting. These applications are added to the draft budget of the support unit.
32. The bases of preparing the university’s draft budget are, in addition to those listed in clause 29,
   32.1. the ranking of the university’s investment applications;
   32.2. guidelines by the university council’s budget committee;
   32.3. guidelines by the Rector’s Office;
   32.4. the draft budgets of the budget subjects.
33. The Rector’s Office prepares the university’s draft budget on the basis of the draft budgets submitted by budget subjects. The Rector’s Office forwards the draft budget to the budget committee and council.
34. The senate discusses the draft budget before its second reading in the council. A senate’s protocoll is prepared about reviewing the draft in which the senate forms an opinion on the draft budget. The opinion is submitted to the university council.

35. On the same day as the draft budget is submitted to the university council it is also published on the intranet for university employees. Head of finance ensures publishing the draft budget.

36. Processing the draft budget in the university council is done in accordance with the rules of procedure of the council, these rules and clause 30 of the Statutes of the University of Tartu. The senate can exercise its right of veto in accordance with subsection 30 (3) of the Statutes of the University of Tartu.

37. If a proposal to amend the draft budget is made at the second reading of the budget in the university council and according to the amendment the planned revenue is decreased, expenditure increased or reallocated, the initiator shall add financial calculations which show the changes in expenditure arising from decreasing the revenue or the necessary sources of revenue to cover the increase of expenditure.

38. If the university council fails to adopt the university budget by the beginning of the financial year, the rector establishes the rules of incurring expenditure which are effective until the budget is adopted.

V. Amending the university budget and budgets of budget subjects

39. The university council adopts the budgets of faculties.

40. Faculty councils shall approve or agree on the principles of preparing the faculty budget by the beginning of the financial year.

41. The university council sets the deadline by which the faculty councils shall prepare the budgets of the faculty’s structural units.

42. The dean submits to the head of finance proposals about the budgets of structural units which have been approved by the faculty council.

43. The budgets of the faculty’s structural units which have been approved by the faculty council shall comply with the following requirements:
   43.1. the planned expenditure of the faculty cannot exceed the planned revenue;
   43.2. the planned revenue of the faculty cannot be less than the volume of revenue in the faculty budget adopted by the university council;
   43.3. the sum allocated to the general fund from the revenue of the faculty cannot be less than in the faculty budget adopted by the university council.

44. If the budgets of structural units submitted by the faculties are in accordance with the requirements specified in clause 43, the head of finance issues a directive about their entry into force.

45. If the budgets of structural units submitted by the faculties are not in accordance with the requirements specified in clause 43, the head of finance sends the proposals back to the faculty.

46. The faculty council has the right to make proposals to amend the budgets of the faculty’s structural units throughout the financial year. The budget amendment proposals shall comply with the requirements specified in clause 43. The dean submits the faculty’s budget amendment proposal to the head of finance.

47. The university council adopts the budgets of non-faculty institutions and support units.

48. In order to amend the budgets of non-faculty institutions, Rector’s Office and support units, the head of structural unit submits the amendment proposal to the head of finance. Budget amendments shall comply with the following requirements:
   48.1. the planned expenditure of the structural unit cannot exceed the planned revenue;
48.2. the planned revenue cannot be less than the volume of revenue adopted by the university council;

48.3. the amendment cannot decrease the sum allocated to the general fund from the revenue of the structural unit.

49. If the proposed amendment to the budget of the university’s non-faculty institutions, Rector’s Office and support units complies with the requirements provided in clause 48, the head of finance issues a directive about the amendment.

50. If the proposed amendment to the budget of a structural unit does not comply with the requirements provided in clause 48, the head of finance returns the amendment proposal to the structural unit.

51. Proposed amendments to the budget which affect several budget subjects shall summarily comply with the requirements provided in clauses 43 and 48.

52. Amendments to the capital budget:
   52.1. amendments to the capital budget can be made by a council resolution;
   52.2. the rector, vice rectors and director of administration can direct additional funds from their reserves to finance objects already approved in the capital budget or to add a new object;
   52.3. the head of finance can add an additional object to the capital budget or increase the funding of an object already approved if the university receives additional targeted funding for a specific object.

53. If the resources in the capital budget which are intended for loan write-offs, payments of loan interests or servicing loans are not enough to cover expenditure, the head of finance informs the rector of the situation. The head of finance is tasked with developing measures to resolve the situation. Repayments of loans and loan interests are not suspended.

54. If a deficit of financial resources is emerging for a construction or renovation object financed from the capital budget, the director of administration has the right to allow the deficit to the extent of a sufficient surplus of financial resources for another capital budget object to cover the deficit.

55. In order to bring the resources allocated by the state into compliance with the university budget, the university council can give the respective authorisation and guidelines to the head of finance, noting these in the resolution of adopting the principles of preparing the budget of the specific year.

56. The number and volume of reserve and development funds for the financial year is established in the university budget adopted by the university council. Reserve funds are established to cover contingencies, development funds are established to realise development projects necessary for the university and cover development expenditure.

57. Faculties have the right to establish various development funds within the faculty.

58. The fund holder issues a directive about allocating money from the reserve or development fund. The head of finance amends the university budget accordingly on the basis of the directive.

59. Only the university council can change the purpose of the expenditure of university-wide operational projects provided in the main budget.

60. In order to cover expenditure which is not provided in the university budget, also to increase or decrease the revenue and expenditure of the budget, the rector may submit the draft supplementary budget to the university council. Together with the draft supplementary budget the rector submits to the council a cover letter which explains the need to adopt the supplementary budget. The rector submits the draft supplementary budget to the university senate to form an opinion.
VI. Taking loans
61. A budget loan is a long-term loan taken to balance the revenue and expenditure of the budget. The main objective of the budget loan is to finance investments. A budget loan can be taken to cover current expenditure by way of exception.
62. An overdraft facility is a short-term loan taken to balance the revenue and expenditure of the budget, usually with a duration of less than one year.
63. The university council decides on taking a loan.
64. A loan is taken by concluding a loan agreement or capital rent agreement, issuance of bonds or another similar way. The head of finance organises taking loans.
65. The rector concludes a loan agreement on behalf of the university. The rector may authorise another person (university employee) to sign a loan agreement.

VII. Budget execution accounting
66. Allocations to the general fund are made upon accrual of the money, unless provided otherwise by the financer.
67. Budget subjects are guaranteed the accrual of the sums of activity support provided in the revenue budget (except for accruals related to the defence of doctoral theses) and accruals from the general fund.
68. The accrual of the sums planned in the revenue budget for the defence of doctoral theses related to activity support is done with the directive of the head of finance on the basis of actual defences. The head of Office of Academic Affairs makes a respective proposal to the head of finance. The money accrues in the budget of the structural unit in the month following the defence.
69. If the actual amounts of activity support or actual accruals to the general fund are less than planned, the head of finance devises a solution to balance the university budget and submits it to the rector.
70. If the actual amounts of activity support exceed the planned amounts considerably, the rector may prepare a supplementary budget. If a supplementary budget is not prepared, the surplus of activity support is directed to the rector’s reserve fund.
71. Head of structural unit is responsible for the revenue planned in the revenue budget of the budget subjects, except for activity support and accruals from the general fund.
72. Surplus of the general fund is directed to the rector’s reserve fund.
73. For the purposes of the budget, the accounting of revenue and expenditure is generally done on the basis of cash flows. Labour costs and the concurrent state taxes are accounted on an accrual basis. The university’s internal invoicing between structural units is shown in the information system with the date of issuing the internal invoice.
74. The Finance Office keeps a separate account about the budget execution of each budget subject.
75. Each budget holder ensures that no surplus spending occurs in executing the current budget, i.e. the expenditure cannot exceed the revenue.
76. Definitions used in budget execution accounting.
   76.1. Financial account is an account showing the purpose and structural unit of a financial allocation for tracking revenue and expenditure in the financial accounting system. Financial accounts are termless and fixed-term.
   76.2. A fixed-term financial account is opened to show the specific measurable activity in the financial accounting system and it has an end date. The basis for opening a fixed-term financial account is
   76.2.1. a financial allocation with a specific purpose or a financing decision from outside the university;
76.2.2. the budget of a university-wide operational project approved in the university budget;
76.2.3. a rector’s directive for making an allocation from the university’s development fund;
76.2.4. a resolution of the council of the Faculty of Arts and Humanities for making an allocation from the baseline funding support for national sciences;
76.2.5. a proposal of a head of structural unit for dividing the measures of baseline funding for research institutions.

76.3. The remaining financial accounts are termless. Termless financial accounts are also called the general accounts of a structural unit.
77. The expenditure of a particular fixed-term financial account may exceed the revenue on current basis if this has been provided for in the agreement signed with the financer.
78. If a fixed-term financial account has expenditure for which revenue has not accrued within one year after the expenditure, the head of finance has the right to suspend the invoicing from that financial account. If a contract or project is financed by a foreign person, the right to remain in deficit is extended to two years. The head of finance informs the financial account holder of suspending the invoicing. Invoicing for the financial account is restored immediately after the problem has been resolved.
79. The resources shown as university-wide operational projects in the budget of a support unit can only be used purposefully and in accordance with the budget application.
80. If the actual revenue received by the budget subject in the financial year exceeds the revenue in the adopted budget, the subject has the right to use these resources.
81. If the actual revenue received by the budget subject in the financial year is less than the revenue in the adopted budget, the subject must decrease the expenditure in an equal volume.
82. No budget holder can take obligations to be performed in the future if the obligations are not covered by revenue or an effective agreement which ensures the revenue by the time of performing the obligations.
83. The Finance Office keeps accounts of budget execution proceeding from the rules established at the university. The Finance Office analyses the process of budget execution every month and makes the information available by the 12th of the month following the reporting month.

VIII. Assessment of the financial status of a structural unit
84. The Finance Office assesses the financial management of each structural unit every month. The assessment is done for the current state of management and as a consolidated assessment. The assessment is indicated by letters A, B, C or F. Their definition is as follows (listed from the highest to lowest):
A—financial management of the structural unit is in a good state;
B—structural unit’s capacity to perform financial obligations arising from core activities is sufficient but it is open to management risks of projects;
C—structural unit’s capacity to perform financial obligations arising from core activities is not sufficient but the overall financial state is normal;
F—structural unit has solvency problems.
85. The following definitions are used in the assessment of financial management.
85.1. A structural unit’s main financial position is the sum of the financial remainders of all termless financial accounts.
85.2. A structural unit’s general financial position (hereinafter financial position) is the sum of the financial remainders of all the financial accounts of the structural unit.

86. The following criteria are used for the assessment of the current state of a structural unit’s financial management.

86.1. The current state of the financial management of a university’s structural unit is graded A if the main financial position and financial position of the structural unit in the end of the last calendar month are positive.

86.2. The current state of the financial management of a university’s structural unit is graded B if the main financial position of the structural unit in the end of the last calendar month is positive, the financial position is negative and there is no basis to suspend invoicing for any fixed-term financial account on the basis of clause 78.

86.3. The current state of the financial management of a university’s structural unit is graded C if the main financial position of the structural unit in the end of the last calendar month is positive, the financial position is negative and there is a fixed-term financial account for which the head of finance can suspend invoicing on the basis of clause 78.

86.4. The current state of the financial management of a university’s structural unit is graded C if the main financial position of the structural unit in the end of the last calendar month is negative but the financial position is positive.

86.5. The current state of the financial management of a university’s structural unit is graded F if the main financial position and financial position of the structural unit in the end of the last calendar month are negative.

87. The consolidated assessment for the financial management of a structural unit is done on the basis of the assessments of the current state at the end of the past six months. If a structural unit has operated for less than six months, the consolidated assessment uses all assessments of the current state at the end of a month. The following criteria are used for the consolidated assessment of financial management.

87.1. The consolidated assessment of the financial management of a structural is A if all used assessments of the current state of financial management have been A or the current state at the end of a month has been graded A for five months.

87.2. The consolidated assessment of the financial management of a structural is B if all used assessments of the current state of financial management have been A or B or the current state at the end of a month has been graded A or B for five months but the consolidated assessment of the financial management of the structural unit does not meet the requirements of consolidated assessment A.

87.3. The consolidated assessment of the financial management of a structural is C if all used assessments of the current state of financial management have been C or higher or the current state at the end of a month has been graded C or higher for five months but the consolidated assessment of the financial management of the structural unit does not meet the requirements of consolidated assessment A or B.

87.4. The consolidated assessment of the financial management of a structural unit is F if the consolidated assessment of the financial management of the structural unit does not meet the requirements of consolidated assessment A, B or C. If the consolidated assessment of the financial management of a structural unit is F, the said structural unit is considered to have solvency problems.

88. The assessments of the current state of the financial management of structural units and the consolidated assessments of the financial management of structural units are published on the intranet.
89. If the consolidated assessment of a structural unit’s financial management is C, the dean or area director, together with the head of finance, has the right to appoint a financial manager for the structural unit.

90. If a structural unit has solvency problems, the head of finance analyses the situation. If necessary, the head of finance submits a proposal to the rector in which he gives the rector recommendations about applying measures. The rector has the right to appoint a financial manager for the structural unit with solvency problems.

91. If a financial manager has been appointed for a structural unit, no payments are made without the approval of the financial manager. The following parts of the measures implemented by the financial manager are obligatory.

91.1. The salary of the employees of the structural unit is not raised, unless it is provided in state or university bylaws or effective agreements.

91.2. Additional remuneration, performance pay or bonus is not appointed for the employees of the structural unit from the resources of the structural unit, unless it is provided in state or university bylaws or effective agreements.

91.3. New job positions are not created in the structural unit.

91.4. Only the rector and head of finance have the right to make exceptions to clauses 91.1–91.3. The financial manager decides on the volume of the remaining measures, which include limiting work travel, limiting the purchase of assets and materials, possible termination of employment contracts and contracts for services etc.

92. A financial manager is appointed for up to six months.

92.1. After the work period, the financial manager appointed by the dean or area director gives an overview of the situation to the person who appointed them and this person decides which further measures to apply.

92.2. If the financial manager appointed by the rector has not managed to restore the solvency of the structural unit during the appointed work period, they give an overview of the situation to the rector and the rector decides which further measures to apply.

IX. Budget execution report

93. After the end of the financial year, the Finance Office prepares the report on budget execution under the coordination of the head of finance. The head of finance submits the budget execution report to the rector.

94. If the general fund revenue by the end of the financial year is less than in the effective budget, the council decides on the proposal of the rector how to offset the revenue deficit.

95. The rector submits the budget execution report to the university council. The university council approves the budget execution report. The report also approves the further use of the resources directed to the rector’s reserve fund as a result of the budget remainder of definitive expenditure, budget remainders of support units and the surplus of the general fund.

96. The rector introduces the budget execution report to the senate.

97. The regulation takes effect on 1 January 2016.

98. The Budgeting Rules approved by the Council of the University of Tartu Regulation no. 6 of 31 August 2012 and amended by the Council of the University of Tartu Regulation no. 2 of 23 December 2014 and Resolution no. 29 of 30 April 2003 and Resolution no. 38 of 17 June 2005 are repealed.