

POLICY

POLICY TITLE: Capital Budget Governance

POLICY NUMBER:

DATE: November 13, 2018

PURPOSE:

The Capital Budget Governance Policy is intended to ensure that the financial integrity of the Town is maintained by establishing a framework for the responsible, responsive and transparent management of the Town's capital resources.

POLICY DETAILS:

Capital Budget Submission:

All departments will annually prepare and submit to the Treasurer or designate a Capital Budget. The submission will include:

- a) Needs Identification and Assessment (NIA) for each requested capital project for the upcoming budget year.
- b) Review of projects in the Capital Forecast for cost and timing verification
- c) Identification of external funding (grants, donations, upper-tier government funding/cost sharing)

The Cross-Functional Budget Review Committee (CFBRC) will review all NIA and make recommendations on the list of capital projects to be undertaken in the upcoming budget year to the Senior Management Team (SMT).

The Budgets and Financial Reporting Supervisor along with the Senior Financial Analyst will assign all internal funding to all capital projects.

Capital projects will be reviewed by the SMT and the preliminary Capital Budget presented to Council for approval.

Capital Surcharge

The Town will apply an administrative surcharge and a project management surcharge to projects in the Town's Capital Program. Revenue generated will be utilized in the annual operating budget to fund salary and benefit costs as well as other support costs associated with the Capital Program.

Capital Budget Control:

The Capital Budget approved by Council will establish the scope, funding and spending authority for a capital project. Requirements, conditions and estimates may change, resulting in variances from the originally approved budget. Project managers will identify required budget amendments (where applicable) and secure the required approvals as outlined in the “Adjustment to Capital Budgets” section below in collaboration with the Accounting Division, in advance of proceeding with any related purchasing commitments.

Out of Budget Process Approval:

From time to time capital needs are required outside the normal annual budget process. All capital projects not included in the Annual Capital Budget require a report to Council that includes the scope, rationale and funding of the capital project in addition to the need for out of budget process approval.

Adjustments to Capital Budgets:

The scope of an existing project may not be amended without Council approval, unless the change has been authorized by the CAO in accordance with the authority delegated in the Purchasing By-Law or the scope is the result of an emergency as defined by the Purchasing By-Law.

The Project Manager or Commissioner will notify the Treasurer immediately of any risk associated with budget variances. The Project Manager and/or Commissioner will be responsible for ensuring the proper approvals are in place.

The Treasurer may authorize additional gross expenditures where costs for a capital project exceed the original funding approval of the lessor of 10% or \$25,000. Additional expenditures in excess of the Treasurer’s authority but less than \$75,000 requires the approval of the CAO. Expenditures exceeding the CAO’s authority require Council’s approval via report to committee. All requests will be reviewed and dealt with by the Treasurer/CAO within ten (10) business days. Adjustments requiring Council approval will follow the timelines of scheduled committee meetings.

The Treasurer or designate will determine the appropriating funding for additional expenditures.

Capital Project Account Closure:

Capital projects will be closed based on any of the following:

- The Project Manager notifies Accounting staff that the project is complete;
- Capital projects having less than 5% of budget remaining and no activity for a period of 12 months will be deemed by Accounting staff to be completed and will be closed in consultation with the Project Manager;
- Capital projects that have had no expenditures within 18 months of approval will be closed by Accounting staff in consultation with the Project Manager. These projects will have to be re-budgeted in future capital forecasts if still required.

- Annual budgets (i.e. pavement management) will be reviewed annually in consultation with PM and unspent funds will be moved back to the original reserve.

Variance Reporting and Risk Identification:

Council shall be informed on a timely basis of all financial variances and including known potential financial variances and will receive, as a minimum, semi-annually capital status reports for the periods ending June 30 and December 31.

Accounting staff will prepare the following information in consultation and review by Project Managers, and present to Council:

- Actual results in comparison to budget
- All budget adjustments
- Descriptive comments on the status of the project
- Forecast of total projected expenditures
- Projected unfavourable variances in excess of \$100,000 will be highlighted with a proposed solution for Council's consideration

Regular milestone reports will be prepared for any projects that meet criteria such as size (example: over \$5,000,000 approved budget), risk, public interest or otherwise directed by Council or staff.

Roles and Responsibilities

Individual(s)	Responsibilities
Town Council	<ul style="list-style-type: none"> i. Approve the Capital Budget and approve the Capital Forecast in principle. ii. Approve use of reserves, reserve funds or debt and respective By-law.
Senior Management Team	<ul style="list-style-type: none"> i. Ensure that annual and multi-year Capital Budget and strategies are developed to support Council's objectives, and for the protection and maintenance of the Town's physical and financial assets. ii. Exercise financial control over all corporate assets within the Budget approved by Council. iii. Review and validate Capital Project recommendations submitted by the CFBRC.
Treasurer	<ul style="list-style-type: none"> i. Perform the responsibilities outlined in Section 286 of the Municipal Act, 2001. ii. Provide Council with the financial information required with respect to the financial health and affairs of the Town. iii. Develop financial strategies in support of Council objectives. iv. Identify the long-term financial impacts of current decisions/Budgets utilizing the Town's Long Range

	<p>Financial Planning Tool.</p> <ul style="list-style-type: none"> v. Approve Budget Adjustment funding recommendations. vi. In consultation with the Commissioner, discuss and formulate a plan in accordance with required approvals outlined in this policy.
Accounting/Budget division	<p><u>Capital Budget Development</u></p> <ul style="list-style-type: none"> i. Review NIA submission, consolidate and formalize for SMT's review. ii. Upon SMT's approval, prepare Capital Budget forms for Project Manager's review and completion. iii. Provide support to Project Managers in the development of the NIA. iv. Assign funding. <p><u>Variance Reporting and Risk Identification</u></p> <ul style="list-style-type: none"> v. Monitor the annual Capital Budgets and prepare variance reports based on input from Project Managers. vi. Review and action Budget Adjustments (if applicable). vii. Meet quarterly with Project Managers to discuss project variances. viii. Meet annually with Project Managers to discuss the closure of capital projects. ix. Provide monthly project summaries to Project Managers. x. Provide as requested detailed project reports. xi. Recommend to the Treasurer/designate Budget Adjustment funding options. xii. Support the Treasurer in fulfilling the responsibilities outlined in Section 286 of the <i>Municipal Act, 2001</i>.
Project Managers	<p><u>Capital Budget Development</u></p> <ul style="list-style-type: none"> i. Develop, cost, manage and administer annual and forecast-year capital budgets for the project, ensuring support of Council's objectives, financial transparency and accountability. ii. Manage projects in accordance with the approved budget and the Town's Purchasing Policy. iii. Manage Federal, Provincial or other external funding programs that are available for the respective projects, including identification of opportunities and submission of applications and all necessary reporting. iv. Prepare Capital Project NIA forms with support from Financial Business Partners if required. v. Ensure budgets are approved and available in advance of initiating procurement. <p><u>Variance Reporting and Risk Identification</u></p> <ul style="list-style-type: none"> vi. Identify any risks and communicate risks to the respective Commissioner and assigned Financial Business Partner immediately.

	<p>vii. Within 60 days of Project completion, advise Accounting staff that the project is complete.</p> <p>viii. Submit complete and accurate external funding reports to the appropriate governing bodies with the support of Financial Business Partners if required.</p>
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Note:

Detailed procedures document outlines the internal process for staff to follow with regard to this Policy and their roles and responsibilities.

Acronyms

CAO – Chief Administrative Officer

CB1 – Capital Budget Information Sheet: This document is part of the Town Budget and Business Plan published and distributed to Council

CFBRC – Cross-Functional Budget Review Committee

FTE – Full Time Equivalent

NIA – Needs Identification and Assessment: This form is developed to identify key attributes for a proposed capital project.

SMT – Senior Management Team

PM – Project Manager, this is the person responsible for the delivery of a capital project.