

CITY OF HAMILTON

CORPORATE SERVICES
Financial Planning and Policy

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: February 15, 2012	
SUBJECT/REPORT NO: Budget Control Policy (revised) (Outstanding Business List Item) (FCS12010(a))(City Wide)	
SUBMITTED BY: Roberto Rossini Finance & Corporate Services Department	PREPARED BY: Tom Hewitson x4159
SIGNATURE:	

RECOMMENDATION:

- (a) That the Budget Control Policy (revised), as contained in Appendix "A" to FCS12010(a) be approved;
- (b) That the subject matter be identified as completed and removed from the Outstanding Business List.

EXECUTIVE SUMMARY

On January 9th, 2012, staff submitted FCS12010, "Budget Control Policy", for General Issues Committee (GIC) consideration. GIC referred the report and policy back to staff and directed that the authorization requirements on a number of items be enhanced to require Council approval.

**SUBJECT: Budget Control Policy (revised) (Outstanding Business List Item)
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Staff have reviewed the policies and updated based on GIC feedback. Specifically, whereas the original policy provided flexibility to the departments to restate their budgets between divisions for amounts less than \$250,000, this has been changed to require Council approval for all restatements between divisions. As well, the original policy provided some flexibility to departments when restating between cost categories (compensation, building/grounds, contractual, etc.), this has now been changed to requiring Council approval for all restatements between cost categories.

The enhanced guidelines will require staff to develop an approval process, likely through variance reporting and/or the budget process reports. These reporting requirements will be administered by the Finance and Administration (F&A) staff in conjunction with program and Budgets staff.

Alternatives for Consideration – N/A

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: N/A

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND (Chronology of events)

During the 2011 budget deliberations, staff were asked to develop a budget restatement policy. Due to the delay in approving the 2011 budget and the start of the 2012 process, the policy was not able to be approved for implementation during 2011.

On January 9th, 2012, staff submitted FCS12010, “Budget Control Policy”, for General Issues Committee (GIC) consideration. GIC referred the report and policy back to staff and directed that the authorization requirements on a number of items be enhanced to require Council approval.

POLICY IMPLICATIONS

Currently, there are no formal policies governing the restatement and amendment of Council approved budgets. The policy document contained in Appendix “A” to this report is recommended to address this issue.

RELEVANT CONSULTATION

All departments were consulted and the policy was approved by the Senior Management Team. Various other municipalities were also consulted.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The revised policy submitted for Council consideration is based on direction provided to staff at the January 9th, 2012 GIC meeting.

ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Skilled, Innovative & Respectful Organization


- ◆ A skilled, adaptive and diverse workforce, i.e. more flexible staff
- ◆ An enabling work environment - respectful culture, well-being and safety, effective communication

APPENDICES / SCHEDULES

Appendix "A": Budget Control Policy

Corporate Budget Policy		Appendix “A”
Policy No: CBP - 2		to FCS12010(a)
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<i>Budget Control Policy</i>	
POLICY STATEMENT	Council allocates resources to programs and services based on the annual approved budget. During the year, or when preparing for the next year, there may be a need to change how the budget was allocated. A Budget Control Policy is required to govern these changes.
PURPOSE	The purpose of this policy is to ensure that City staff have appropriate authority to manage budget resources to ensure programs and services are delivered in an effective and efficient manner. Council also requires assurance that budget resources are used for the purpose intended through the approval of the annual budget.
SCOPE	This policy applies to all City employees that manage budget resources. It excludes the City’s external Boards & Agencies.
DEFINITIONS	The following terms referenced in this Policy are defined as:
“Budget Amendment”	The reallocation of budget resources from one cost centre to another or one cost category to another changing the current year’s Council approved budget. The amended budget is used for variance reporting purposes. A budget amendment must be net zero; can not increase or decrease the overall budget.
“Budget Restatement”	The reallocation of budget resources from one cost centre to another or one cost category to another for the purpose of providing comparable data for the next year’s budget reports. The restated budget is not used for variance performance. A budget restatement must be net zero; can not increase or decrease the overall budget.
“Budget Resources”	Means the approved operating expenditures and revenues for a given year.
“Cost Category”	A grouping of similar cost accounts for the purpose of identifying the type of cost or revenue. Examples include, “Employee Related”, “Materials and Supplies”, “Contractual”, “Fees & General”.
“Council Approval”	Can be gained through motion, staff report or the budget process.
“Departments”	Component of the organizational structure within the scope of responsibility of a General Manager or the Office of the City Manager.
“Divisions”	Component of the organizational structure within the scope of responsibility of a Director/ Senior Director/ Senior Administrator.

Corporate Budget Policy	 Hamilton	Appendix “A” to FCS12010(a)
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PRINCIPLES	<p>The following principles apply to this Policy:</p> <ol style="list-style-type: none"> 1) Budget resources allocated to various programs by Council are used for that purpose unless otherwise authorized through application of the budget restatement policy. 2) Program managers are provided adequate flexibility to manage their budget resources to ensure efficient and effective delivery of programs/services. 3) The budget restatement policy supports the direction outlined in the City’s complement policy. 	
TERMS & CONDITIONS	<p>Budget Amendments – Changing the Approved Budget</p> <p>For the current year, after the budget has been approved, the reallocation of budget resources is periodically required. Generally this is due to corporate re-organization. Adjustments that are material in nature and significantly impact the in-year variance reporting may require that the approved budget is changed. Budget Amendments can not have a levy impact.</p> <ol style="list-style-type: none"> 1) Council approval is required for any change to the current year approved budget. <p>Budget Restatements -</p> <p>The restated budget is identified for the development of the next year’s budget so that analysis of budget changes will be comparable. A budget restatement allows the program area(s) to reassign budget resources within policy guidelines. Budget Restatements can not have a net levy impact.</p> <ol style="list-style-type: none"> 2) Transferring budget from one area of the organization to another: <ol style="list-style-type: none"> (i) Transfer of budget resources between departments requires Council approval. (ii) Transfer of budget resources between divisions within a department requires Council approval. (iii) Transfer of budget resources within a division is at the discretion of the Director, subject to paragraph 3). 	

Corporate Budget Policy		Appendix "A"
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HISTORY	<p>3) Transferring budget resources from one cost category to another requires Council approval.</p> <p>4) Exclusions :</p> <p style="padding-left: 40px;">(i) Transfer of budget resources from Corporate Financials to departmental budgets for the purpose of distributing contingencies (eg. after a negotiated wage settlement), does not require Council approval.</p> <p>5) Staff prepare a minimum of three operating budget variances reports for Council's information and consideration each fiscal year.</p> <p>This policy was drafted by Financial Planning and Policy, Corporate Services; SMT reviewed and approved policy on 2011-12-08. On 2012-01-09 General Issues Committee referred policy back to staff. Council approval pending.</p>	