



Title: Budget Management Policy	
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Approved by: Regional Council	

1. Introduction

- 1.1 Key to the approved Long-term Financial Planning Framework of the Region of Durham is to continue the development of sound fiscal policies and long-range financial planning of Regional services. Under the Municipal Act, Council is charged with maintaining the financial integrity of the municipality. The Chief Administrative Officer and Municipal Administration are responsible to establish administrative practices and procedures to carry out Council's decisions and managing the affairs of the municipality efficiently. The Budget Management Policy is one of the fiscal policies that addresses how Council discharges that responsibility as well as the balancing of expenditures for the delivery of Regional services with the availability of funding, both on a current and long-term basis.

The Budget Management Policy is designed to work in conjunction with other Regional Policies and Provincial legislation that mandates the responsibility of the Treasurer for the discharge of financial duties. This Policy should be reviewed in concert with other fiscal policies of the Region.

2. Objective

- 2.1 This policy provides a guideline for the expenditure of funds, provides an accountability framework that establishes the extent of authority for spending decisions, both planned and unanticipated, and outlines the discretion permitted in the spending decisions within the authority as delegated by Regional Council.

The policy:

- Links accountability with the responsibility for service delivery;
- Provides the mechanisms to deal with exceptions from planned service delivery;
- Applies to all senior government investments and externally financed operating and capital activities;
- Outlines the means to give early warnings of budget deficits and surpluses and to identify opportunities to redirect allocated funding; and,
- Enhances corporate and financial integrity while maintaining the ability to deliver services effectively and efficiently.

3. Roles and Responsibilities

- 3.1 Council approves the annual budget. The Finance Department shall monitor the annual operating and capital budgets and report to the C.A.O., Finance & Administration Committee

and Regional Council on the overall budget status of all Regional operations and projects, including any material variance between budgeted and actual expenditures, revenues or service levels.

- 3.2 A Department Head has the responsibility to provide the budgeted level of service approved by Regional Council within the approved operating and capital budgets for their Regional Department and within the corresponding discretionary spending authority as outlined in this policy.
- 3.3 The Finance Department is responsible for ensuring the necessary funding is available to finance the expenditures within the parameters of Regional Council approvals.
- 3.4 The Finance Department has responsibility to define from time to time, in consultation with Regional Departments, operating and capital programs and projects for the purposes of preparing, managing, and monitoring budgets.
- 3.5 The Finance Department shall have overall responsibility for the coordination and implementation of processes for financial service level indicators. The definition of these financial service level indicators shall be the responsibility of the Regional Departments.
- 3.6 This policy applies fully to the Durham Region Transit Commission, the Durham Regional Local Housing Corporation and the 9-1-1 Management Board, with any required reporting through the applicable Standing Committee.

4. Consultation on Financial Implications and Budget Variances

- 4.1 Standing Committee and Transit Executive Committee reports must include a Financial Implications section whenever there are significant financial issues, budget impacts or funding requirements. The Financial Implications section shall be reviewed with the Finance Department and concurrence by the Treasurer will be indicated. Further, all Durham Regional Police Services Board reports with financial implications will be referred to the Finance Department for a report for consideration by the appropriate Standing Committee as determined by the Treasurer.
- 4.2 Approvals required by this policy must first be reviewed with the Finance Department to ensure the accuracy of financing and conformance with Regional financial policies.
- 4.3 All business case applications for investment or other related funding from senior levels of government or external organizations with respect to Regionally operated programs shall be co-ordinated with the Region's Finance Department to ensure corporate financial accountability in expenditure management and reporting requirements.
- 4.4 The Finance Department, in consultation with Department Heads, will prepare a budget variance report to Regional Council at a minimum three times per year, generally in the second, third, and fourth quarters.

5. Acquisition of Goods and Services

- 5.1 The acquisition of all goods and services is addressed by the Purchasing By-Law of the Regional Municipality of Durham.
- 5.2 Costs of goods and services shall be expensed in the year in which they are received, in accordance with generally accepted accounting principles.

- 5.3 A Department shall not incur any exceptional or new expenditure that materially alters the budgets or level of service unless the applicable Standing Committee and Regional Council approval is received.
- 5.4 A proposed lease will be material when it extends beyond the term of Regional Council and/or requires annual lease payments of \$150,000 or greater. Property leases with a term greater than 5 years will also be considered material. For each material lease, the Treasurer will prepare a report for Committee and Council which will assess each material lease, including any possible extensions or renewals, on the following basis:
- An assessment of the costs, financial and other risks including comparing fixed and estimated costs of the proposed lease with other methods of financing;
 - A lease versus buy net present value analysis;
 - A calculation of the effective rate or rates of financing for the lease;
 - The ability for the lease payment to vary and a sensitivity analysis showing the impact of possible rate changes, including methods and calculations;
 - A statement outlining any contingent payment obligations that would result in a material impact including lease termination provisions, equipment loss and/or damage, replacement options and guarantees and indemnities;
 - A summary of all assumptions applicable to any possible variations in the lease payment and contingent payment obligations; and,
 - Any other matters the Treasurer or Council considers advisable.
- 5.5 Non-material leases with a total value greater than \$50,000 will require the appropriate Department to produce a report containing a clear term and schedule of all fixed payments. This report will be forwarded to the Finance Department to:
- Update the calculation of the Regional debt and financial obligation limit;
 - Determine whether the lease is classified as an operating or capital lease and determine the appropriate accounting treatment; and,
 - Determine the most advantageous method of financing, considering both internal and external leasing arrangements, rentals or other methods of financing.

6. Emergency Purchases

- 6.1 Operating or capital expenditures of an emergency nature shall be subject to the provisions of the applicable clause of the Purchasing By-Law.

7. Consulting Services

- 7.1 The award of consulting and professional services shall be subject to the approval limits and thresholds in accordance with the Purchasing By-Law.
- 7.2 A Department Head is authorized to approve additional expenditures for consulting and professional services provided the approved contract value does not exceed \$100,000.
- 7.3 Where the approved contract value exceeds \$100,000 the Department Head is authorized to approve additional expenditures up to 20% of the approved contract value, to a maximum increase of \$75,000. Expenditures above these limits will be approved by the Department Head and the Treasurer and be included in a semi-annual information report submitted by the Treasurer.

8. Personnel Services Expenditures

- 8.1 The complement of regular full-time employees for each Department shall be provided to the Finance Department annually for budget purposes. The detailed Annual Budget will include the approved complement and additions thereto as a description of the resources for each budgeted program.
- 8.2 Changes to the complement subsequent to the approval of the Annual Budget shall be reported to the Finance Department. Any staffing changes occurring during the year, not included in the current year budget, shall be noted in the following year's budget in the description of resources.
- 8.3 If it is projected that changes in staffing levels will create an over expenditure in the Budget Program, the Department shall propose a plan to reduce expenditures and/or to obtain additional financing to cover the expected deficit. Details of the plan shall be provided to the Finance Department and will be subject to the reallocations of operating budget provisions of this policy.

Operating Budgets and Expenditures

9. Operating Expenditures Prior to Budget Approval

- 9.1 Prior to the approval of the Annual Budgets, Regional Departments may incur operating costs, excluding capital expenditures, in each budget program to a level of 50% of the approved budgeted amount of the prior year.

10. Reallocations of Operating Budget Provisions

- 10.1 Reallocations of operating budget provisions between accounts within a Budget Program are permitted on the condition that over expenditures in one account within a Budget Program will not over expend the total of all accounts for that Budget Program.
- 10.2 The Department Head is authorized to reallocate operating budget provisions to a maximum of \$250,000 between budget programs within a Department, with notification provided to the Treasurer.
- 10.3 Reallocations that change the budgeted objectives or service levels of a Budget Program shall require approval of the Department Head, up to a departmental expenditure level of \$250,000, with notification provided to the Treasurer.
- 10.4 Reallocation of operating budget provisions in excess of \$250,000 shall require approval of the Department Head and Treasurer. This includes changes to objectives or service levels that may be mandated by senior levels of government and which may be financed in whole or in part by others.
- 10.5 The Treasurer shall report on all significant reallocations of operating budget provisions in accordance with Section 4.4.

11. Unanticipated Revenues

- 11.1 Unanticipated senior government investment or funding from external sources, and the related expenditure plans, shall require approval of the Department Head and Treasurer prior to the expenditure of funding and shall be reported as a component of the budget variance reporting. Unanticipated revenues in excess of \$1,000,000, and the proposed expenditure plan, require

approval of the appropriate Standing Committee and Regional Council prior to the expenditure of funding particularly if any matching funding is required that cannot be addressed in the approved budget.

12. Unexpended Funds

- 12.1 At the end of a fiscal year, unexpended funds in the Annual Budget of any Department and not otherwise dealt with by Regional Council shall at the end of the year become part of the Regional surplus for the applicable fund.
- 12.2 At year end, requests to retain unspent amounts in conjunction with longer term special operational projects or where funding has been provided by an external source shall be submitted to the Finance Department for review and, where warranted, may be approved by the Treasurer.

CAPITAL ASSET EXPENDITURES

13. Capital Asset Expenditures Prior to Budget Approval

- 13.1 Prior to the approval of the Annual Budgets, capital asset expenditures deemed essential by a Department Head shall be submitted to the Finance and Administration Committee and Regional Council for approval prior to the purchase or undertaking.

14. Capital Expenditure Budget

- 14.1 A Department shall not incur capital asset expenditures and the Finance Department shall not process purchase requisitions for such expenditures unless the expenditure is included in the annual budgets as approved by Regional Council, subject to Section 14.2.
- 14.2 Unbudgeted capital asset expenditures may be incurred provided that the applicable approval is obtained prior to the purchase.
 - 14.2.1. The Department Head and Treasurer are permitted to approve expenditures up to \$50,000, for those acquisitions that are financed from current budget provisions or senior government investments.
 - 14.2.2. Expenditures in excess of \$50,000, or those to be financed from other sources, require the approval of the Treasurer and C.A.O. and the applicable Standing Committee and Regional Council. Other sources of financing include, but are not limited to, reserves, reserve funds, and leases.

15. Capital Project Approval

- 15.1 For capital projects, the proposed expenditures and financing shall be included in the Business Plans and Budgets, in a format specified by the Treasurer, for approval by the applicable Standing Committee and Regional Council.
- 15.2 For capital projects of the Durham Regional Police Services Board, the CAO and Finance Department shall be consulted and a report to the Finance and Administration Committee and Council that provides an appropriate business case, including items such as revenue projections, financing risks and sensitivity analyses, shall be submitted for approval.

15.3 Upon Regional Council's capital project budget approval, Regional staff are authorized to undertake procurement activities and award contracts, in accordance with the Purchasing By-Law, except where either of the following is applicable:

- Debenture financing approval is needed
- Estimated project costs are expected to exceed the capital project approval and additional project financing in excess of \$250,000 is required.

If either of the above exceptions apply, an updated capital project approval report will be submitted to the applicable Standing Committee and Regional Council prior to the award of the applicable contract.

15.4 Where the estimated project costs based on the award of a tender or other contracts are expected to exceed the approved capital project budget by less than \$250,000, the additional expenditure and financing shall be approved by the Department Head, Treasurer and C.A.O. Financing for the additional project costs will be provided through reallocation from within the current year capital program, with the details of the material reallocation incorporated into a semi-annual information report submitted by the Treasurer.

15.5 Should the estimated project costs be less than approved for the project based on the award of a tender or other contract, the excess financing identified will be returned to the originating funding source.

16. Capital Project Expenditures Anticipated to Exceed Contract with Available Project Funding

16.1 For capital projects, the Department Head shall be authorized to make commitments to contractors performing extra work under a contract where such commitments do not increase the approved contract value beyond the following limits, provided additional project financing is not required.

Approved Contract Value	Additional Expenditure Limit
Up to \$1,000,000	10% of approved contract value
\$1,000,000 to \$3,000,000	Minimum value - \$100,000; Maximum value - the lesser of 7% of the approved contract value or \$200,000
Over \$3,000,000	Minimum value - \$200,000; Maximum value - the lesser of 5% of the approved contract value or \$400,000

16.2 The Finance Department shall be advised of the commitment for extra work and the reallocation of financing within the capital project to cover the additional expenditure, up to the limits specified in Section 16.1. For additional expenditures in excess of \$250,000, the details of the additional expenditure shall be incorporated in a semi-annual information report submitted by the Treasurer.

17. Capital Project Expenditures Anticipated to Exceed Contract and Project Funding

- 17.1 Additional commitments for a capital project shall not be authorized if the value of the work will cause the project to be over expended by more than \$250,000 beyond project funding. Approval of the applicable Standing Committee and Regional Council will be required to approve the commitment and the additional sources of financing.
- 17.2 Commitments where the cumulative project over-expenditure does not exceed \$250,000 will require the approval of the Department Head, Treasurer and C.A.O., and financing for the additional project costs will be provided through reallocation from within the current year capital program, with the material details incorporated into a semi-annual information report submitted by the Treasurer. The Treasurer shall determine a source of financing in cases where there is insufficient funding available.

18. Capital Commitments and In-Service Capital Assets

- 18.1 Where a budgeted capital asset has been ordered but delivery will not be made until a subsequent budget year, or where a capital project is in progress, the amount of the financing required to fund the full capital asset expenditure shall be retained in the applicable capital project.
- 18.2 In the event that a capital project has been open for a minimum of 2 years and is not progressing in a reasonable and timely manner, a review by the Department Head and Treasurer will be completed and, unless conditions warrant retaining the funding, the capital project will be closed and the financing will be returned to the originating funding source.
- 18.3 Department Heads shall notify the Treasurer of all capital asset expenditures that are in service and/or have entered the warranty period. The status of completion will be assessed at least annually and financing in excess of that required to complete the expenditures will be returned to the originating funding source.

MISCELLANEOUS

19. Delegation of Authority during Recesses of Regional Council

- 19.1 The Department Head, Treasurer and C.A.O. shall be authorized to approve project financing during a recess of Regional Council.
- 19.2 The Department Head, Treasurer and C.A.O. shall be authorized to approve the acquisition of unbudgeted capital over \$50,000 during a recess of Regional Council.
- 19.3 In order to facilitate the awarding and approval of sole source negotiations over \$100,000, the Treasurer shall be authorized to act on behalf of Regional Council, subject to the agreement of the applicable Department Head and C.A.O. and the availability of sufficient funding. The Treasurer shall be authorized to execute any resultant Agreements for the goods and services required.
- 19.4 In order to facilitate the negotiation and approval of leases considered to be material (i.e. extension beyond the terms and/or annual payments \$150,000 or greater), the Treasurer shall be authorized to act on behalf of Regional Council, subject to the agreement of the applicable Department Head and C.A.O. and the availability of sufficient funding, and the Treasurer shall be authorized to execute any leases required.

- 19.5 The Commissioner of Works shall be authorized to approve the acquisition of real property interests in accordance with the applicable Regional Property Acquisition By-Law, subject to the approval of the appropriate funding by the Treasurer.
- 19.6 A report providing details of such awards and approvals shall be submitted for information following the recess.

20. Approval of Senior Government Investment or External Funding

- 20.1 For new program initiatives or enhancements to an existing program where the proposed financing is 100% from senior government investments or external sources and where the expenditures will be included in the Regional Business Plans and Budgets, the associated expenditures will not be committed until such time as written notice confirming the investment is received from the respective senior government partner or other external source and Regional Council has been advised accordingly.

21. Delegated Authority for Signature of Agreements for Social Programs

- 21.1 The Department Head is authorized to sign contracts and agreements with social agencies for the delivery of programs or the provision of services for social programs included in departmental budgets and which are excluded from the requirements of the Purchasing By-Law and are not required to be bid competitively, subject to the agreement or contract being in a form acceptable to Corporate Service – Legal Services and the Treasurer.

22. Definitions

Approved Contract Value – represents the initial contract value plus any cumulative increases to the contract value as provided under this policy.

Budget Program – All references in this policy to a budget program shall denote the programs grouped together in the annual budget Program Detail pages, for each applicable fund and, at a minimum, shall be segregated between operating programs and capital asset expenditures, with major capital activities designated as separate programs.

Capital Asset Expenditures - are defined under the Region's Tangible Capital Asset policy and may be classified as:

- Individual assets (or pooled assets) budgeted annually using the Tangible Capital Asset New and Replacement worksheets of a departmental budget;
- Major Capital activities budgeted annually using the capital project detail form specified by the Treasurer; or,
- Unbudgeted items approved in year in accordance with this policy.

Dollar Amounts - All references in this policy to dollar amounts are to Canadian dollars and are exclusive of taxes.

Summary of Budget Management Policy Requirements

Situation	Operating Expenditures	Capital Asset Expenditures New / Replacement	Capital Asset Expenditures Major / Project
Overall Guidance	<ul style="list-style-type: none"> 3. Roles and Responsibilities 4. Consultation 5. Acquisition of Goods and Services 6. Emergency Purchases 7. Consulting Services 8. Personnel Services Expenditures 	<ul style="list-style-type: none"> 3. Roles and Responsibilities 4. Consultation 5. Acquisition of Goods and Services 6. Emergency Purchases 7. Consulting Services 	<ul style="list-style-type: none"> 3. Roles and Responsibilities 4. Consultation 5. Acquisition of Goods and Services 6. Emergency Purchases 7. Consulting Services
Expenditures prior to Budget Approval	<p>9.1 Up to 50% of the prior year's budget for the budget program</p>	<p>13.1 Those deemed essential by a Department Head shall be submitted to the Finance & Administration Committee and Regional Council for approval prior to the purchase or undertaking.</p>	<p>13.1 Those deemed essential by a Department Head shall be submitted to the appropriate Standing Committee and Regional Council for approval prior to the purchase or undertaking.</p>
Expenditure not included in Approved Budget	<p>10.2 Department Head can reallocate between Programs up to \$250,000.</p> <p>10.3 Reallocations <= \$250,000 that change budgeted objectives of a Department require approval of Department Head with notification to Treasurer.</p> <p>10.4 Reallocations > \$250,000 require approval of Department Head and Treasurer.</p> <p>11.1 Unanticipated funding and the related expenditure plans require approval of the Department Head and Treasurer prior to the expenditure of funding. For amounts in excess of \$1,000,000, approval of appropriate Standing Committee and Regional Council is required.</p> <p>20.1 New / enhanced programs with proposed 100% financing from senior government or external sources, to be included in Budgets, require written confirmation from funder before proceeding.</p>	<p>14.2 Unbudgeted capital asset expenditures may be incurred provided that the applicable approval is obtained prior to the purchase.</p> <p>14.2.1 Expenditures up to \$50,000 require the prior approval of the Department Head and Treasurer.</p> <p>14.2.2 Expenditures over \$50,000 require the approval of the Treasurer, CAO, applicable Standing Committee and Regional Council.</p>	<p>14.2 Unbudgeted capital asset expenditures may be incurred provided that the applicable approval is obtained prior to the purchase.</p> <p>14.2.1 Expenditures up to \$50,000 require the prior approval of the Department Head and Treasurer</p> <p>14.2.2 Expenditures over \$50,000 require the approval of the Treasurer, CAO, applicable Standing Committee and Regional Council.</p>

Situation	Operating Expenditures	Capital Asset Expenditures New / Replacement	Capital Asset Expenditures Major / Project
Project costs greater than expected	Not Applicable	Not Applicable	<p>15.3 Where debenture financing approval is needed or estimated project costs expected to exceed the capital project approval, and additional project financing in excess of \$250,000 is required, an updated capital project approval report shall be submitted to the applicable Standing Committee and Regional Council prior to award of applicable contract.</p> <p>15.4 Tender costs which are expected to exceed the approved capital project budget by less than \$250,000: the additional expenditure and financing shall be approved by the Department Head, Treasurer and C.A.O.</p>
Expenditure on contract is expected to exceed approved value of contract and funding is available in the project	Not Applicable	Not Applicable	<p>16.1 Department Head can authorize additional commitments on contracts up to:</p> <ul style="list-style-type: none"> • 10% of approved contract value for approved contracts up to \$1,000,000 • For approved contracts between \$1,000,000 and \$3,000,000: Minimum - \$100,000; Maximum - lesser of 7% of the approved contract value or \$200,000 • For approved contracts over \$3,000,000: Minimum - \$200,000; Maximum - lesser of 5% of the approved contract value or \$400,000 <p>16.2 Finance shall be advised of the commitment for extra work and the required reallocation of financing to cover additional expenses up to limits in 16.1.</p>

Situation	Operating Expenditures	Capital Asset Expenditures New / Replacement	Capital Asset Expenditures Major / Project
Expenditure is expected to cause over expenditure	<p>4.4 Budget variance report to Regional Council at a minimum three times per year, generally in the second, third, and fourth quarters.</p> <p>8.3 Changes in staffing levels that will create an over expenditure in the Budget Program, the Department shall propose a plan to reduce expenditures and/or obtain additional financing to cover the expected deficit.</p>	<p>4.4 Budget variance report to Regional Council at a minimum three times per year, generally in the second, third, and fourth quarters.</p>	<p>17.1 Additional commitments for a capital project requires approval of applicable Standing Committee and Regional Council if it will cause the project to be over expended by more than \$250,000.</p> <p>17.2 For commitments where cumulative project over-expenditure is =< \$250,000 will require approval by Department Head, Treasurer and C.A.O.</p>
Commitments at Year End	<p>12.2 Requests to retain unspent amounts in conjunction with longer term special operational projects, or where funding has been provided by an external source, shall be submitted to the Finance Department for review and, where warranted, may be approved by the Treasurer.</p>	<p>18.1 Capital Asset ordered but delivery will not be made until following year, or a capital project that is in progress, financing will be retained in the capital project for the following year.</p>	<p>18.1 Capital Asset ordered but delivery will not be made until following year, or a capital project that is in progress, financing will be retained in the capital project for the following year.</p>

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