

6.5.ii. Policy**BUDGET CONTROL
AND ADJUSTMENT AUTHORITY**

Trust Council: March 10, 1993

Amended: June 10, 2004; March 13, 2008; September 16, 2010; September 11, 2013

A: PURPOSE:

1. This policy provides the authority by which periodic adjustments can be made to the approved annual operating budget and the timing when Trust Council and the minister have to be notified of either changes to the budget or anticipated operating deficits.

B: DEFINITIONS:

1. **General Ledger Account** - General Ledger (GL) accounts summarize the budgeted expenses for a certain activity for the entire organization. For example, GL Account 69000 (Office – rent & services) summarizes the office rent/services budget for all office locations in Islands Trust.
2. **Location Code** – location codes are used in the general ledger, in combination with the General Ledger Account to specify the finest level of detail in the budget. Location codes are used for physical locations and/or organizational units (see Appendix A).
3. **Operational Unit** - Operational units are the four broad categories in the organization (Trust Council, Trust Fund Board, Local Planning Services and Administration) that perform specific activities for the Islands Trust. This organizational arrangement also supports the development and presentation of the budget as required in the *Islands Trust Act, section 14.3 (c)*. In the general ledger, the Operational Units are defined by groupings of location codes, as illustrated in Appendix A.
4. **Political Entity** - The *Islands Trust Act* grants corporate status to Islands Trust Council, Local Trust Committees and the Trust Fund Board.
5. **Provided for in the Annual Budget** - The *Islands Trust Act* uses the phrase “provided for in the annual budget” when defining a lawful expense. For the purposes of this policy an expenditure is provided for in the annual budget if the detailed budget documents approved by Trust Council have:
 - o Identified a type of expenditure by general ledger account (eg. Rent, Salaries); and,
 - o Approved a budget amount for the general ledger account.

Also, a general ledger account may be provided with a budget to fund non-specified activities (eg. Special Projects – Local Planning) where the non-specified activities fall within the normal range of activities for one of the Operational Units.

C: BACKGROUND:

1. The goal of this policy is to provide the authority matrix and procedures for budget adjustments. The policy also specifies when the minister responsible for the *Islands Trust Act* needs to be notified of changes to the budget.
2. The Islands Trust expenditure budget is presented to Trust Council in Schedule A of the annual Financial Plan Bylaw, and subsequently to the minister responsible for the *Islands Trust Act*, in three categories: Trust Council, Local Planning Services (which includes LTC expenses) and Trust Fund Board. The expenditures for the Administration Operational Unit are allocated to the three other Operational Units based on the proportion of their budgeted expenditures before considering Administration. This presentation format is defined in the *Islands Trust Act*.

Islands Trust prepares an expenditure budget with much more detail than is provided in Schedule A of the Financial Plan Bylaw, with budgeted amounts assigned to GL Account/Location Code combinations.

3. As operations unfold during a fiscal year, situations often arise that are not precisely aligned with the way the detailed budget was developed and approved. For example, a vacancy in a salaried staff position may require a temporary contract with a consultant to continue the workflow until the staff position can be filled.

An organization can address a changed approach to financial expenditures in one of two ways, while still maintaining the same total expenditure budget:

- 1) Overspend in one expense area (eg. contracted services), while underspending in another area (eg. salaries and benefits). In financial reporting at the detail level, this approach retains the original financial plan but requires some variance analysis to explain why the actual expenditures did not follow the original plan.
- 2) Adjust the budget so the area requiring greater expenditures (eg. contracted services) receives a transfer of budget funds from the area requiring lesser expenditures (eg. salaries and benefits). In financial reporting at the detail level, this approach loses the intent of the original financial plan, but does not require any variance analysis.

In most cases Islands Trust will use approach 3.1 so that the original approved budget can be compared against actual results.

D: POLICY:

1. The authority to administer the Islands Trust Operating Budget is provided to the Treasurer and Chief Administrative Officer (Deputy Treasurer).
2. In general, budget adjustments will not be required within an Operational Unit for expenditures that are at variance with the budget.

3. When an actual or anticipated overexpenditure (whichever comes first) exceeds \$20,000 for a project or general ledger budget line within an Operational Unit, management must inform the Executive Committee at the next scheduled Executive Committee meeting, and continue to provide reports on the status of the project or budget line to the Executive Committee on a monthly basis, or as frequently as requested by the Executive Committee. Upon being informed of an overexpenditure, the Executive Committee will decide what initial corrective action will be taken, if any.

Copies of all Executive Committee notifications and reports on overexpenditures will be copied to members of the Financial Planning Committee.

4. In cases where there is a desire to revise the budget within an Operational Unit, the change will be initiated at the request of the manager for that Operational Unit, or by the Chief Administrative Officer (CAO). A request for adjustments to the budget must be forwarded to the Treasurer for implementation, and must include both program and financial implications. The Financial Planning Committee must be informed of budget changes within an Operational Unit at the next scheduled meeting of the Committee. Any funds generated by a special tax requisition within a Local Trust Area must be used in accordance with Section C.6 of Trust Council Policy 6.3.ii – *Special Property Tax Requisition*.
5. In cases where there is a recommendation by management to transfer current year budget funds that are associated with a particular Local Trust Committee (LTC), from that Local Trust Area to another Local Trust Area, the LTC must pass a resolution approving the transfer, specifying the dollar amount and the budget affected before the budget transfer will be processed. Examples of budget funds associated with a particular LTC are budgets for OCPs, LUBs or current year program items. Any funds generated through a special tax requisition within a Local Trust Area may not be transferred for use within another Local Trust Area.
6. In cases where there is a desire to transfer budget money from one Operational Unit to another, a Request for Decision must be forwarded to the Financial Planning Committee and subsequently to Trust Council for approval.

In cases where a proposed budget adjustment between Operational Units is approved by Trust Council, a new financial plan bylaw is required along with ministerial approval.

7. Unbudgeted revenue may be received during a fiscal year and expended on goods or services that are provided for in the annual budget without a budget adjustment or notification to the minister.

Expenditures on unbudgeted goods or services that are not provided for in the annual budget must be approved with a new financial plan bylaw and ministerial approval before the expenditures are made.

8. During a fiscal year, special circumstances may require expenditures in excess of the total budgeted expenditures for an Operational Unit. In these circumstances, and when the actual or anticipated overexpenditure (whichever comes first) exceeds \$50,000,

management must inform the Executive Committee at the next scheduled Executive Committee meeting and provide a proposal to mitigate the impact of the overexpenditure.

Copies of all Executive Committee notifications and reports on overexpenditures will be copied to members of the Financial Planning Committee. The Financial Planning Committee will decide on what notification is required for Trust Council.

The minister must be informed if overexpenditures are expected to produce a deficit from operations for Islands Trust as a whole that exceeds \$100,000.

Appendix A

Islands Trust Location Codes (as of August 2010)

Operational Unit	Sub-Unit Descriptions	Location Code	
Trust Council	Council	100	
	Executive	110	
	Trust Area Services	150	
Trust Fund Board	Islands Trust Fund	210	
	ITF - recovery (eg Naptep)	220	
Local Planning Services	Victoria planning office	510	
	Ganges planning office	520	
	Gabriola planning office	530	
	Mapping Services	540	
	Bylaw Enforcement	580	
	Director of LPS	590	
	LTCs (included in LPS for budgeting purposes)	Executive Islands	610
		Denman	615
		Gabriola	620
		Galiano	625
		Gambier	630
		Hornby	635
		Lasqueti	640
		Mayne	645
		N. Pender	650
		Salt Spring	655
		Saturna	660
		S. Pender	665
Thetis	670		
Exec on LTCs	675		
Administration	Victoria Admin office	810	
	Chief Admin Officer	820	
	Finance/HR/Info Systems	830	
	Trust-wide general	999	