



Town of Whitby Policy

Policy Title:	Capital Budget Management and Control Policy
Policy Number:	F 170
Reference:	Adopted by Council Resolution #259-12, and amended by Council Resolution #298-22 and #170-22.
Date Approved:	October 9, 2012
Date Revised:	June 20, 2022
Approval:	Council
Point of Contact:	Financial Services Department

Policy Statement

The Corporation of the Town of Whitby (Town) is committed to responsible financial management of spending, revenue generating and program delivery within approved budgets and staff complements to ensure that the integrity of the municipality is maintained in accordance with the Municipal Act.

Purpose

The purpose of this policy is:

- To ensure that Council approved Capital Budgets and priorities reflected therein are implemented as intended by Council;
- To recognize that Department Managers / Directors/ Commissioners are accountable to the Treasurer, the Chief Administrative Officer (CAO) and Council for their spending, and service delivery performance against budget approvals;
- To outline the financial management policies of the Town related to Capital Budgets;
- To ensure that Council is informed of the status of the Capital Budget and any factors of risks that may impact the budget;
- To provide an element of flexibility to respond to evolving circumstances;
- To define the roles and responsibilities related to the Capital Budget control process;
- To outline the principles governing capital funding decisions outside the Annual Budget process.

Scope

This policy applies to all staff responsible for budget management and all town agencies, boards, programs and services. The procurement or acquisitions of goods and services utilizing budget must also follow the Purchasing (Procurement) policy.

Index

1. Definitions	3
2. Responsibilities	4
3. Sole Authority	5
4. Interim Capital Budget Authority	5
5. Capital Budget Authority	5
6. Variance Reporting and Risk Identification	8
7. Related Policies / Procedures	8

1. Definitions

- 1.1. **Annual Budget / Current Budget** mean the Operating budget and the Capital Budget for a single fiscal year.
- 1.2. **Capital Budget** means the plan for Expenditures and financing sources to complete Capital Projects or Capital Expenditures, approved in either an Annual Budget, in a report to Council or under the Capital Budget Monitoring and Control policy.
- 1.3. **Capital Expenditure** is determined by the nature of the work that is undertaken; it usually is in excess of \$5,000 and does not specifically impact a single fixed asset. It includes (but is not limited to) studies, roads crack sealing program etc. It can occasionally be one-time in nature, but usually the Expenditure has a benefit lasting more than one year.
- 1.4. **Capital Forecast** means the forecasted plan for Expenditures and financing sources to complete Capital Projects or Capital Expenditures presented in the Annual Budget. Typically this forecast is nine years (Capital Budget and nine years Capital Forecast).
- 1.5. **Capital Program** means a collection of similar Capital Projects / Capital Expenditures that are summarized at a service area level for reporting purposes.
- 1.6. **Capital Project** means any Expenditure incurred to acquire or improve land, buildings, engineering structures, and to purchase machinery and equipment. It includes vehicles, office furniture and software applications. Normally, it has a benefit lasting more than one year, and results in the acquisition or extension of the life of a fixed asset or the betterment of an existing asset.
- 1.7. **Commitment** means a contractual obligation usually involving a purchasing document or legal agreement for the purchase of goods, services or construction, including the execution of any document evidencing the obligation. Any commitment must follow the Purchasing Policy.
- 1.8. **Council** means the Mayor and members of Council for the Town of Whitby.
- 1.9. **Department** means a major organizational unit made up of one or more Divisions and headed by a Commissioner.
- 1.10. **Division** means an organizational unit within a Department made up of more than one business unit and headed by a director or manager.
- 1.11. **Emergency** means the emergency procurement as defined in the Purchasing Policy; an event that occurs that is determined to be an imminent threat to public health, essential Town services, welfare of persons or of public property, protection of the Town's physical assets, or the security of the Town's interests or financial liabilities arising from unexpected conditions that could not have been reasonably known, and such occurrence requires the

immediate delivery of goods or service in order to mitigate further damage; or as amended.

- 1.12. **Expenditures / Gross Expenditures** means the total costs paid / incurred for a project and does not net off external recoveries.
- 1.13. **Financial Planning** means the employee(s) within Financial Services / Financial Planning Division responsible for the budgetary and long range financial planning processes.
- 1.14. **Financial Report** means the summary of financial activities related to the operation of the Town of Whitby provided to Council by the Treasurer.
- 1.15. **Program** means a service area of the Town (i.e. Arena, Parking, etc.).
- 1.16. **Significant** means any Capital Projects or Capital Expenditures with projected Gross Expenditure variances greater than 10% or \$10,000 (whichever is less) of the Council approved budget and any new Capital Projects or Capital Expenditures with Gross Expenditures approved under this policy.
- 1.17. **Treasurer** means the employee designated as such by Council for the position. The Treasurer shall exercise all powers and duties of the Treasurer as set out in the Municipal Act.
- 1.18. **Urgent** means any unplanned situation / project deemed important to the Corporation, where quick action is required and must be commenced in the current fiscal year.

2. Responsibilities

- 2.1. Council has the responsibility to approve funding to Capital Projects or Capital Expenditures.
- 2.2. The Chief Administrator (CAO) has the responsibility to provide Capital Budget authority as defined in the policy.
- 2.3. The Treasurer has the responsibility to provide Capital Budget authority as defined in the policy and to bring forward all reporting requirements outlined in the policy.
- 2.4. The Commissioner has the responsibility to provide Capital Budget authority as defined in the policy and to manage the approved spending authority as defined in the policy.
- 2.5. Department Managers / Directors have the responsibility to manage the approved spending authority as defined in the policy.

- 2.6. Financial Planning has the responsibility to provide to the Treasurer the required reporting requirements as outlined in the policy and to assist with the management of the approved spending authority as defined in the policy.
- 2.7. Town Staff has the responsibility of following the approved spending authority as defined in the policy.

3. Sole Authority

- 3.1. Except as otherwise provided in this policy, Council has the sole authority for approving funding to Capital Projects and Capital Expenditures.

4. Interim Capital Budget Authority

- 4.1. Prior to the adoption of the Annual Budget, spending shall be limited as set out in this policy.
- 4.2. Until the current year's Capital Budget for the Town is approved by Council, a Commissioner / Director / Department Manager is authorized to make spending Commitments only to an ongoing Capital Projects or Capital Expenditures approved by Council.

5. Capital Budget Authority

- 5.1. The Capital Budget approved by Council establishes the scope, funding and spending authority for each Capital Project and Capital Expenditure listed in the Capital Budget document.
- 5.2. Directors / Department Managers do not have the authority to exceed the budget approved for a Capital Project or Capital Expenditure or amend the scope.
- 5.3. Commissioners upon recommendation from a Director / Department Manager, may authorize additional Gross Expenditures where the estimated costs for a Capital Project or Capital Expenditure increase to the extent that they exceed the Council approved budget, by an amount **not exceeding the lessor of 10% of the Council approved budget, or \$100,000**. The Treasurer and Financial Planning must be notified of the projected over-expenditure and is authorized to pay such excess, provided that:
 - This policy is otherwise complied with;
 - The additional Gross Expenditures relate to an ongoing Capital Project / Capital Expenditure approved in an Annual Budget or Report to Council.
 - The notification is provided prior to the purchase / expense being incurred / committed by the Town.
 - The Treasurer shall determine an appropriate funding source.

- The over-expenditure must be included in the next Capital Budget Financial Report to Council.
- 5.4. The Treasurer or their designate upon recommendation from a Commissioner may authorize additional Gross Expenditures where the estimated costs for a Capital Project or Capital Expenditure increase to the extent that they exceed the Council approved budget, by an amount **not exceeding \$200,000**. The Treasurer is authorized to pay such excess, provided that:
- This policy is otherwise complied with;
 - The additional Gross Expenditures relate to an ongoing Capital Project / Capital Expenditure approved in an Annual Budget or Report to Council.
 - The Treasurer shall determine an appropriate funding source.
 - Any additional Gross Expenditures in excess of 10% of the Council approved budget shall be reported to the CAO monthly.
 - The over-expenditure must be included in the next Capital Budget Financial Report to Council.
- 5.5. The Treasurer with the concurrence of the CAO may authorize additional Gross Expenditures where the estimated costs for a Capital Project or Capital Expenditure increase to the extent that they exceed the Council approved budget, by an amount **not exceeding \$350,000**. The Treasurer is authorized to pay such excess, provided that:
- This policy is otherwise complied with;
 - The additional Gross Expenditures relate to an ongoing Capital Project / Capital Expenditure approved in an Annual Budget or Report to Council
 - The Treasurer shall determine an appropriate funding source.
 - The over-expenditure must be included in the next Capital Budget Financial Report to Council.
- 5.6. If the costs for a Capital Project / Capital Expenditure exceed the Council approved budget by **more than \$350,000**, Council approval must be obtained. The Treasurer shall determine an appropriate funding source.
- 5.7. For any unbudgeted / unanticipated Capital Projects or Capital Expenditures requiring budget, the Treasurer upon recommendation of a Commissioner may authorize Gross Expenditures based on the following conditions:
- The project must be deemed an Emergency or Urgent as defined in this policy.
 - The Treasurer shall determine an appropriate funding source.

- For Emergency projects:
 - The Commissioner has authority to address the immediate emergency.
 - The Commissioner must notify the Treasurer within 24 hours.
 - The Treasurer or their designate can authorize the required budget and determine the appropriate funding source.
 - Communication to Council in a format determined by the Clerk, Treasurer and CAO, is required for all Gross Expenditures over \$100,000
 - For Urgent Projects:
 - The Urgent project cannot be initiated without prior approval.
 - The Treasurer, upon recommendation of the Commissioner is authorized to approve Gross Expenditures up to \$50,000.
 - The CAO, upon recommendation of the Treasurer must also authorize for any Gross Expenditures over \$50,000.
 - Council approval must be obtained for all Urgent projects with projected Gross Expenditures over \$100,000.
 - Council approval is required for all unanticipated projects (including the projected Gross Expenditures) that do not meet the definition of Emergency or Urgent.
 - All unanticipated projects including their projected Gross Expenditures must be included in the next Capital Budget Financial Report to Council.
 - The procurement or acquisition of any goods and services must be done in accordance with the Purchasing (Procurement) Policy.
- 5.8. For multiple Capital Projects or Capital Expenditures that are grouped together during the purchasing process (i.e. Tender, RFP), this Capital Program group will be treated as a single Capital Project or single Capital Expenditure for the sake of all monetary change limits established in this policy.
- 5.9. For any joint capital works with the Region of Durham or other external partners, where the Town is the lead on the purchasing process, construction and payments for the project; the Treasurer upon recommendation of a Commissioner **and** the external partner, can establish a Capital Project or Capital Expenditure for payment processing purposes. All costs are to be invoiced and recovered 100% from the partner. The budget for this project / expense can be adjusted as required if authorized by the Commissioner,

Treasurer and the external partner. The external partner must provide all authorizations in writing.

5.10. Capital Projects and Capital Expenditures will be closed based on any of the following criteria:

- The project manager notifies Financial Planning that the project or Expenditure is complete;
- Approval of the CAO in consultation with the Treasurer is required for the continuation of a Capital Project or Capital Expenditure that meets any of the following criteria for closure and is requested to remain open by the Director / Department Manager.
 - Capital Projects or Capital Expenditures having less than 5% of budget remaining and no financial activity for a period of 12 months will be deemed by Financial Planning to be completed.
 - Capital Projects or Capital Expenditures that have had no financial activity within 18 months of approval will be recommended to be closed by Financial Planning. These Projects or Expenditures can be re-budgeted in a future Capital Forecast if work needs to be completed in the future.
- Except where a Capital Project or Capital Expenditure has been financed through the issuance of debentures; any unspent funds in any Capital Project or Capital Expenditure that is complete will be returned to the originating reserve or reserve fund upon closure.

5.11. That the Treasurer be authorized to open previously closed capital projects for the purpose of necessary accounting adjustments and to fund the adjustments from the original funding source(s).

6. Variance Reporting and Risk Identification

6.1. Council shall be informed on a timely basis on financial matters and will receive at minimum, three Financial Reports from Financial Planning throughout the year which will include updates on the following matters.

- Any Significant variances between Council approved budget and projected Gross Expenditures for Capital Projects / Capital Expenditures.
- Projected uncommitted reserve/reserve fund balances and any material variances to planned contributions or Expenditures.
- Projected outstanding debt principal and projected new debt to be issued in the year.

7. Related Policies / Procedures

- 7.1. Debt Management Policy (F 290)
- 7.2. Purchasing Policy (F 080)
- 7.3. Reserve / Reserve Fund Policy (F 390)
- 7.4. Annual Capital Budget & Forecast Policy (F 150)

This Policy is hereby approved by Council Resolution #259-12 on this 9th day of October, 2012.