



Policy	Department Budget Transfer Policy
Approved By:	Council
Approval Date:	October 26, 2020
Amendment Date:	
Policy Holder:	Director of Financial Services

DEPARTMENT BUDGET TRANSFER POLICY

POLICY:	This Policy outlines authorization and process for amending departmental-level operating and capital budget allocations.
PURPOSE:	<p>The purpose of this Policy is to:</p> <ol style="list-style-type: none"> 1. Ensure funds are spent in a way consistent with <ol style="list-style-type: none"> (a) Intentions articulated in the Financial Plan, (b) Council approved service levels, (c) Council strategic objectives and priorities, and (d) Other Council direction; 2. Enhance transparency in the use of public funds; 3. Establish guidelines for disclosure of qualitatively or quantitatively significant budget transfers; 4. Establish criteria for when Council direction is to be sought prior to budget transfers; and 5. Support maximum operational flexibility when using funds approved in the Financial Plan to provide Council-approved community services, distribute grants, or construct and acquire capital assets.

1. DEFINITIONS

In this Policy,

“BUDGET TRANSFER” means the allocation of funding from one operating budget line item in the Financial Plan to another operating budget, or from one capital budget line item to another in the Financial Plan;

“CAPITAL EXPENDITURE” means an expenditure related to the purchase or construction of a capital asset. A capital asset has physical substance and is expected to last longer than one fiscal period;

“FINANCIAL PLAN” means detailed budget scheduled developed to guide Council decision and/or public input. The Financial Plan is a more detailed, non-statutory version of the Financial Plan Bylaw;

“MANAGER” means any officer or manager delegated the authority to make purchasing decisions and to execute agreements on behalf of the District pursuant to Section 7 of the *Delegated Authority of Administrative Functions Bylaw, 2004*.

“NEW ONGOING OPERATING EXPENDITURES” mean operating expenditures that (1) enhance existing Council established service levels, or (2) create a new service that has not been established in the Five Year Financial Plan Bylaw;

“OPERATING EXPENDITURE” means expenditures that are not capital in nature and are incurred in the course of normal municipal operations;

“RESERVE FUNDS” mean funds placed in a reserve fund established by Council for a specific purpose;

“USER FEE” means a charge levied to an identifiable individual to fund a service when the service, provides a direct benefit to that identifiable individual.

2. GUIDING PRINCIPLES

- 2.1 Annually the District will prepare detailed operating budget and capital project summaries for Council consideration and public input. These budget plans will be summarized and consolidated in the annual Financial Plan Bylaw.
- 2.2 The annual Financial Plan Bylaw will be summarized on a high level to reduce the risk that expenditure limits are unintentionally surpassed.
- 2.3 Department managers should be empowered to utilize their entire departmental budgets to deliver Council-approved community services in the most cost-effective and community impactful manner.
- 2.4 Service levels are a policy decision made by Council. Staff should not materially adjust service levels without seeking direction from Council.
- 2.5 Council should lead budget transfer decisions that may be controversial in nature and requiring Council governance, irrespective of dollar value.
- 2.6 Funds raised by way of user fees are most appropriately used for user-fee related expenditures.
- 2.7 Surplus funds raised by user fees should be reserved for future user-fee related expenditures.
- 2.8 Staff should not obligate the District to new ongoing operating costs, unless such costs are authorized by Council by resolution or in the Financial Plan Bylaw. Exceptions principle to this are outlined in section 3.5 of this Policy.

3. BUDGET TRANSFER PARAMETERS

- 3.1 Staff are not permitted to expend funds in a way that would exceed authorized expenditure limits established in the annual Financial Plan Bylaw. Expenditures that would require the Financial Plan Bylaw to be amended must occur only after such an amendment is made.
- 3.2 Budget transfers should not occur between the following:
 - (a) Department operating budgets that are primarily user fee funded and department budgets that are primarily taxation funded,
 - (b) The water utility operating budget and the sewer utility operating budget,
 - (c) Utility capital budgets and general capital budgets,
 - (d) Sewer utility capital budgets and water utility capital budgets, and
 - (e) Capital budgets and operating budgets.
- 3.3 Staff are not permitted to use reserve funds unless authorized by Council in the Financial Plan bylaw or by Council resolution.
- 3.4 Should the District receive grant funds not originally contemplated in the Financial Plan, Staff may commence related spending so long as all requirements of this Policy are adhered to. For instance, surplus grant funds cannot lead to expenditure limits in the Financial Plan Bylaw being surpassed.
- 3.5 Managers may use capacity within their operating budgets for new ongoing operating expenditures so long as such new expenditures do not exceed 1.5% of the specific operating budget, or \$25,000, whichever is less. New ongoing operating expenditures that exceed this threshold must first be approved by Council resolution or integrated into the Financial Plan Bylaw before funds are expended. The primary reasons for this parameter are twofold: (1) new ongoing operating expenditures result will likely result in an increase to user-fees or taxation, and (2) new ongoing operating expenditures often a change or enhance Council established service levels. Service level adjustments are a governance decision.
- 3.6 Department operating budgets are often delineated by divisions. Managers may vary spending within their divisions so long as overall departmental operating budgets are not surpassed.
- 3.7 Department capital budgets are often delineated by capital project or capital program. Managers may vary spending within their capital budget so long as overall departmental capital budgets are not surpassed.
- 3.8 Managers may transfer their capital budgets to purchase, acquire, refurbish or improve capital assets not specifically identified in the departmental capital budget. However, such capital expenditures cannot commit the District to new

- service levels, nor ongoing operating expenditures, pursuant to sections 2.4 and 3.5 of this Policy, respectively.
- 3.9 Inter-department budget transfers must be approved by the Chief Administrative Officer. Such transfers cannot result in Financial Plan Bylaw established expenditure limits being surpassed unless Council has adopted a Financial Plan Bylaw amendment.
- 3.10 Managers cannot fund budget shortfalls by deferred project spending. Since deferred project spending will occur in the same financial planning period, funding budget shortfalls using deferred spending would result in an overall budgetary increase in the financial planning period.

4. ROLES AND RESPONSIBILITIES

- 4.1 Department Managers are responsible for:
- Ensuring their departmental expenditures do not exceed department budgets,
 - Requesting budget transfers if necessary,
 - Delivering Council approved services in a cost-effective manner,
 - Disclosing new ongoing operating expenditures to the Director of Financial Services, in compliance with section 3.5 of this Policy,
 - Disclosing new capital expenditures to the Director of Financial Services, in compliance with section 3.5 of this Policy, and
 - Seeking Council approval for all quantitatively, or qualitatively significant budget transfers, or budget transfers that are controversial in nature and require Council governance.
- 4.2 Director of Financial Services is responsible for:
- Ensuring compliance with this Policy,
 - Reporting budget transfers to Council in accordance with section 5 of this Policy,
 - Providing budget transfer guidance and training to departments, and
 - Designing and implementing organizational internal controls that provide reasonable assurance that this Policy is adhered to.
- 4.3 Chief Administrative Officer is responsible for:
- Considering, approving, or declining interdepartmental budget transfers, and
 - Determining if budget transfers are controversial in nature and require Council governance.

- 4.4 Council is responsible for
- Setting service levels,
 - Providing direction to Staff with respect to the preparation of the Financial Plan Bylaw,
 - Approving the Financial Plan and adopting the Financial Plan Bylaw prior to May 15 in each year, and
 - Reviewing budget transfer requests and providing direction to Staff with respect to those transfer requests.

5. REPORTING AND REVIEW

- 5.1 At a minimum, the following will be reported as part of the quarter two and quarter three budget reports:
- New ongoing operating expenditures since the previous quarterly reporting period pursuant to section 3.5 of this Policy,
 - New capital expenditures since the previous quarterly reporting period pursuant to section 3.8 of this Policy, and
 - Interdepartmental budget transfers approved by the Chief Administrative Office pursuant to section 3.9 of this Policy.
- 5.2 At a minimum, staff will seek Direction from Council as part of the quarter two and quarter three budget reports for:
- Budget transfer requests that materially impact service levels either quantitatively or qualitatively,
 - Budget transfer requests that are controversial in nature therefore require Council direction, and
 - Budget transfers that increase the total overall spending in the Five-Year Financial Plan.

6. EXCEPTIONS

- 6.1 This Policy does not apply to urgent and emergent expenditures expended under section 7.6 of the Sustainable Procurement Policy.
- 6.2 This Policy does not apply to the Oak Bay Police Department budget.