



Corporate Policy

Budget - Capital Budget Variance Reporting

Approved by Council on: May 13, 1991

Report Number: F-23-91 (CC-123-91)

Effective: May 13, 1991

Reviewed on: December 15, 2017

Amended: n/a

Next Review: November 30, 2019

Note:

Purpose:

- To provide a system (with Council approval) for reporting of variances between approved estimates and actual results, (Favourable and Unfavourable). This involves delegation of authority for approval to the City Manager, General Managers, and the Directors concerned.
- To delineate the procedures for establishing estimates (“budgets”) in the computer reporting (accounting) system and for the transferring of funds from Reserves/Reserve Funds and the Current Budget, and for adjusting Current Budget Work in Progress Accounts, etc.
- To provide detailed guidance on the timing and content of the reports required.

Policy Statement:

This policy identifies the requirements for the reporting of variances between actual costs incurred and financing and estimates approved by Council for capital projects. It also identifies the methodology to be used to establish estimates or Capital Work in Progress accounts and the timing of the transfer of funds to the Capital Work in Progress account, to finance the project.

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Included in the category of capital projects is all construction, reconstruction or improvements of hard services, land acquisitions, facility construction, park development costs, and other related projects, as included in the City's Capital Budget. Capital projects are accounted for through a series of Capital Work in Progress (WIP) accounts, which disclose the cost of the project, related subsidies and recoveries if applicable, and the source(s) of financing the City's net cost. The Work in Progress account is, therefore, a control account for each project, which provides details on all transactions related to the project, along with the comparison to the Council, approved estimate.

The City's net costs of these projects are generally financed from one or more of the following sources:

- Current Funds (taxes)
- Debentures (tax-supported or local improvement)
- Reserves or Reserve Funds

The time lapse from identifying the need for a project to a final completion, which enables the closing of the Work in Progress Account, can span a number of years for a major project. Briefly, the process (assuming necessary approvals are obtained) involves:

- The need for project is identified.
- Project is disclosed in appropriate years of capital forecast with cost and financing estimates.
- Project advances to Capital Budget for the coming year with updated cost and financing estimates.
- An engineering, architect or consultant study is undertaken resulting in a report to Council. A by-law is then required in order for construction estimates to be updated for Council approval.
- Tenders are reviewed and recommendation made to accept the tender accompanied by a revision in cost and financing estimates, if necessary.
- Project proceeds through construction phase with reporting as required, in the event of over-expenditures.
- When the construction is satisfactorily completed, the finalization of financing is undertaken, enabling the closing of the account.

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Unlike expenditures reflected through the Current Fund, the Capital Projects do not close off on an annual basis. The accounts are closed following the completion of all work and when all costs and financing have been finalized.

Reporting On Variance

The authorization limits for approval of capital expenditure variances and transfers of necessary capital financing including those required to close out capital projects are as follows:

Director with the Director of Finance

- Authorized to approve Capital Expenditures or Funding Variances up to \$20,000

General Managers with the Director of Finance

- Authorized to approve Capital Expenditures or Funding Variances up to \$30,000

City Manager with the Director of Finance

- Authorized to approve Capital Expenditures or Funding Variances up to \$50,000

City Council with the Director of Finance

- Authorized to approve Capital Expenditures or Funding Variances in excess of \$50,000

A Capital Project Variance and Closure report is to be provided to Council to seek approval for variances as required by the above as well as closing of Capital Project accounts.

Approval of variances will require approval from the respective staff level and the Director of Finance prior to the over expenditure. Notification of the possible over expenditure may take the form of e-mail to the Director of Finance and the Manager of Budgets & Policy. **Approval must be documented in writing and a funding source identified in advance of over expenditure.** Where written documentation is not in place prior to spending, a staff report is required to go before Council as part of the annual Capital Variance and Closure Report. Notwithstanding the delegated authority variance, all capital project expenditures and funding variances greater than \$100,000 are to be reported and approved by Council.

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Scope:

All open capital orders, (projects), as identified in the City's Capital Budget. This policy applies to the City Manager, the Director of Finance, General Managers and Directors, and to all members of Council (including the Mayor).

Roles:

Accountable:

Manager of Budgets and Policy is answerable for the timely review, updating and dissemination of the policy in the functional area.

Responsible:

Financial Analysts perform the work to achieve the task.