

## BUDGETING, FINANCIAL FORECASTING AND CAPITAL EXPENDITURE POLICY

<b>Effective Date</b> 2024-07-29	<b>Approved by Council</b> 2024-07-29
<b>Supersedes Policy No.</b> A1.29	<b>Approved by Council</b> 2024-07-29

### 1.0 Purpose

To provide guidelines for the budgeting and forecasting of revenue and expense items for the Town of Middleton.

### 2.0 Scope

This policy applies to all Department Managers and Finance staff

### 3.0 References

- 3.1 Nova Scotia Municipal Government Act (MGA)
- 3.2 Nova Scotia Financial Reporting and Accounting Manual (FRAM)
- 3.3 Nova Scotia Water utility Accounting Handbook

### 4.0 Definitions

For purposes of this Policy, the following definitions are provided:

- 4.1 Capital Expenditure Plans** – are used during the annual budget approval process to identify capital projects that are planned for several years into the future, to identify the source of funds, and the expected impact on future operating budgets and Town finances. The Capital Budget for the next fiscal year is approved by Council. The Capital Expenditure Plan for future years is received by Council for information and used as a basis for long-term financial planning and to enable prioritization of future capital projects.
- 4.2 Budgets** – are used to determine the expected revenues and expenditures for the next fiscal year. The annual budget is approved by Council and incorporates approved tax rates and authorized spending.
- 4.3 Forecasts** – are used during the year to estimate the actual annual revenue and expenditures, to enable comparison with the approved budget. Forecasts can be used at any time to assess the long- and short-term impacts of current and proposed policies, to predict and plan for events, and to determine potential problems and opportunities.

## 5.0 Policy

### 5.1 Budgets

- 5.1.1 MGA S.72 requires the annual revenues to be sufficient to defray the estimated expenditures of the municipality. In other words, the MGA requires a balanced budget.
- 5.1.2 Expenditures must include funding the payment of principal and interest obligations for the coming year.
- 5.1.3 Expenditures must include funding for any deficits that occurred in previous year(s). MGA S.72(4).
- 5.1.4 Expenditures may include transfers to special reserve accounts as approved by Council, to provide funding for future projects, or for expenditures not anticipated to be completed in the current fiscal year.
- 5.1.5 In the case of the Water Utility, operating expenditures must include funding of depreciation expense.
- 5.1.6 The capital budget must include the estimated impact on current and future operating budgets.
- 5.1.7 The capital budget must specify the source of funding.
- 5.1.8 Once approved, budgeted expenditures may not be exceeded unless Council approves a Supplemental Budget Request.
- 5.1.9 In the case of an emergency, the emergency should be dealt with, and, if necessary, a Supplemental Budget Request provided to Council as soon as possible thereafter.
- 5.1.10 The annual budget should include an evaluation of the impact on the Financial Condition Indicators (FCI's) as defined by the Department of Municipal Affairs and Housing, (DMAH), and include a plan to improve FCI's that are not in a "Low Risk" (Green) state.
- 5.1.11 Budgets shall include clearly assigned accountability that aligns with management responsibility and authority.

### 5.2 Forecasts

- 5.2.1 The Director of Finance is responsible for monitoring all GL account balances and activity and comparing with the approved budget.
- 5.2.2 Forecasts shall include actual revenue and expenditures incurred to date, together with the estimated revenue and expenditures expected to be incurred during the balance of the year.
- 5.2.3 At least three times a year, the Director of Finance will provide the Council with a forecast of the estimated total revenue and expenditures during the year, compare with the budget, and provide explanations for expected variances from budget.
- 5.2.4 Once a budget has been approved, managers are responsible for executing their assigned budget responsibilities.

- 5.2.5 Managers are responsible for specifying the General Ledger account code for invoices affecting their department(s).
- 5.2.6 Monthly, the Director of Finance shall provide each department manager with a report on the balances and activity in the accounts for which the manager is responsible, together with a comparison to the budget.
- 5.2.7 Managers are responsible for reviewing the General Ledger accounts associated with their department(s) and providing explanations for variances from budgeted amounts.
- 5.2.8 The Director of Finance may prepare other forecasts as required.

**5.3 Capital expenditure plans** shall be prepared annually as part of the budget process.

- 5.3.1 Capital plans shall include capital projects planned for at least the next five years.
- 5.3.2 Priority shall be given to projects to replace critical infrastructure as identified in the Asset Management Program.
- 5.3.3 Funding must be specified for each project.
- 5.3.4 Where funding is from external sources, the plan must consider whether the proposed project is eligible for funding from that program.
- 5.3.5 Where funding is from reserves or long-term debt, the financial implications shall be forecast to ensure that the projected expenditures do not exceed available funding.
- 5.3.6 When a significant project is planned for a future year, the timeline shall be evaluated to identify when engineering design expenditures or other upfront costs should be incurred, and these should be included in the current budget.
- 5.3.7 The capital expenditure plan shall include the forecast implications on the FCI's.

**6.0 Repeal Policy**

A policy known as A1.29 Financial Forecasting Policy, dated September 8, 2015, is hereby repealed.

**I, Ashley Crocker, CAO of the Town of Middleton,** do hereby certify that the Policy, of which the foregoing is a true copy, was duly passed at a duly called meeting of the Town Council of the Town of Middleton held on the 29<sup>th</sup> day of July 2024.



Ashley Crocker  
CAO

Policy Adoption	
Date of 7-day notification to Council	July 19, 2024
Date of Approval	July 29, 2024