

Budget Procedures Manual

Chippewas of the Thames First Nation



March 20th, 2015

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Preamble

Budget development process is not a single event. It is a series of events, which gradually result in improved estimates and rearranged priorities, and reviews by those responsible for spending areas identified within the budget. First drafts of a budget will usually result in a deficit. Work needs to be done to arrive at a balance budget. In other words, expenses do not exceed revenues. Management positions are accountable to ensure the effective management of funds designated for community benefit. One of their most important responsibilities is the development and implementation of a sound and healthy budget and limiting financial risk.

Budgets are supported by data to assist in the decision making process. Chippewas of the Thames budget development process includes organizational priorities, goals and objectives. Revenues and costs are reviewed according to the established priorities and objectives and dollars allocated within allowable limits. When priorities and objectives are not well understood and documented, it is difficult to determine whether money is being spent wisely and effectively.

Chippewas of the Thames Chief-and –Council are fiduciary responsible for the care and development of its members and the community. Responsibility equates to accountability and measurement. To ensure that members are aware of the direction a strategic management approach is the practice. Strategic Management and accountability are tools.

To demonstrate strategic direction and accountability, a Comprehensive Community Plan (CCP) is in place and acknowledged as an effective tool to build healthy and sustainable community that improve the quality of life for the members. Community services, in the form of programs and services, are administered within the First Nation, and depend on funding allocated toward these programs by federal and provincial governments transfer payments or upon funding generated by own source revenue.

The purpose of the Senior Management Team is to collectively lead the organization by recommending and/or making informed decisions through the process of open discussions, critical thinking, problem solving, and sharing of information and resources. This approach to management will ensure a high level of accountability, transparency, and responsibility to community members.

Senior Management will follow a standard planning template for identifying departmental priorities and developing a preliminary budget. Guidelines should specify when budgets need to be submitted by, how they are to be submitted (electronically), how the budget should be structured (consider providing templates), and which line items (components) should be included.

Introduction

Chippewas of the Thames First Nation Budget Procedures Manual is a document that provides the process for developing an annual budget and the process for a year to date project/budget review and revision process. This manual is intended to be a “living document’s periodically updated and improved so that the members of Chippewas of the Thames, their appointed and elected representatives carry on business affairs both efficiently and effectively.

Chippewas of the Thames First Nation Budget Procedures Manual contains an overview of the budget process, the actual budget development process, identification of the roles and responsibilities required for the process, and the procedures necessary to revise the document for improvements.

Purpose

Developing and implementing a budget takes time and resources. The purpose of a budget is for planning the revenue and expenses of the Administration of Government. It is the financial framework outlining the limits for financial security for a period of time, usually one year. This document describes the organization budget development process for Chippewas of the Thames First Nation.

- **First Nation resources are scarce:** The budget process determines how to allocate the First Nation’s limited financial and human resources.
- **Accountability:** The First Nation’s primary source of revenue is the transfer payments by the Federal and Provincial Governments. The budget established trust with the public by demonstrating how funds are being spent.
- **Own Source Revenue:** The First Nation’s Own Source Revenue raised through partnerships and internal sources, rather than transfers from other levels of government. It represents an important path to the financial independence of the First Nation.
- **Fiscal Management:** Budgeting is the basis of prudent fiscal management. Comprehensive budgets take into account the financial impact of significant future events, which may influence future capital needs, revenue sources, and expense categories. Linking the budget to the strategic plan enables better decision making and planning.
- **Internal Control:** Comparing and analyzing actual expenditures and revenues in relation to budget is an efficient and effective way to ensure that funds are being used/collected in accordance with Council direction and are appropriate and reasonable in the circumstances. Comparison also ensures managers are aware of variances and can modify their work plans accordingly.

Financial Administration Law Requirements

Chippewas of the Thames First Nation must follow the Financial Administration Law as approved by Chief-and-Council through Band Council Resolution #2013-2014/29. The Financial Administration Law establishes a risk management process; strong and effective controls; financial accuracy; process timelines; transparent accountability; integrity; capacity enhancement.

Balanced Budgets

Chippewas of the Thames First Nation aim for balanced budgets. Any incurred deficits must be addressed through a remedial financial plan by which shortfalls are recovered over a specified time period.

It is important to note that the budget and audited financial statements may not follow the same rules. First Nation budgets are often prepared using the cash method, while financial statements follow Public Sector Accounting Board (“PSAB”) or the accrual method.

Budget Components

The annual budget is intended to consider revenue and planned expenses by allocating money according to a prearranged set of objectives and priorities determined in concert with the comprehensive community plan during the budget process. The budget helps control the rate of spending, and stipulates the maximum dollar amount allotted for each item in the budget. Regular review of spending by Chief and Council, comparing the planned expenditures of the budget, allows for responsible control of the organization’s resources. If a particular expense time exceeds the budget in a particular month, then steps can be immediately taken to correct any overspending.

Budget Process and Organizational Planning

The budget process is an integral part of Chippewas of the Thames First Nation planning and reporting system. Linking the budget to Comprehensive Community Plan in relation to the strategies, initiatives, goals, and objectives benefits the First Nation by:

- establishing a framework for decision-making;
- promoting organizational alignment;
- promoting communication and clarification of roles and responsibilities;
- improving individual, departmental, and corporate accountability; and
- promoting improved results for citizens.

Budget Development

This section provides an overview of the overall development process and timetable. The section also covers the issue of Administration input, as it is a fundamental component of budget.

Budget Principles

The principles that guide the budget development process are based on our existing planning and funding mandates, particularly those associated with the directives of Council and the goals of the CCP and our Trusts. These principles provide a common point of reference for the discussions around budget development which aim to help our organization translate existing mandates into the resource planning associated with annual and multi-year budget development as well as financial management cycles. The budget principles should be reviewed each year at the beginning of the development process and revised, if necessary, based on new lessons and experience. The budget principles are as follows:

- 1) **Advance the political mandates established by COTTFN Chief-and-Council (BCR 2012-13/25):** *Nation Building; Better Governance; Rights-based Agenda; Community Inclusion; Eradication of Poverty and Enhancing Quality of Life.*
- 2) **Fulfill Comprehensive Community Plan goals and strategies as they relate to:** *Health and Wellness; Social and Cultural Development; Justice and Emergency Response; Life-Long Learning; Prosperity Development; Infrastructure; Land and Environmental Management; Governance and Public Sector Management.*
- 3) **Establish the Indigenous Determinants of Health (IDOH) as the key outcome aims for budget priorities:** *Basic physical needs; Spirituality and a sense of purpose; Life-sustaining values, morals and ethics; Safety and security; Adequate income and sustainable economies; Adequate power; Social justice and equity; Cultural integrity and identity; Community solidarity and social support; Strong families and healthy child development; Healthy ecosystem and a sustainable relationship between human beings and the natural world; Critical learning opportunities; Adequate human services and social safety net; Meaningful work and service to others.*
- 4) **Focusing on community and organizational needs, provide for the effective and comprehensive development of quality public services, public administration and infrastructure.**
- 5) **Draw upon community research and planning to inform budget priority setting.**
- 6) **Establish an appropriate balance between the development of the Nation's governing, service delivery and infrastructure capacities versus the needs and expectations of community proposals.**
- 7) **Address member needs and expectations both on and off reserve lands.**

Budget Timetable & Process

The fiscal year of Chippewas of the Thames First Nation is **April 1 to March 31** of the following year.

No later than **March 15th of each year**, the Council must approve an annual budget that:

- is based on the projections of revenues, expenditures and transfers between accounts;
- in respect of projected revenues, sets out separate amounts for income from fees and charges, transfers from Canada or a provincial or grants and business operations, and proceeds from borrowing;
- in respect of projected expenditures, sets out separate amounts for payments, including payments of principal and interest on debt, payments required for capital projects as defined in Part V, payments required to address any deficits and payments for all other purposes;
- in respect of transfers between accounts, sets out the amounts from the tangible capital asset reserve account;
- shows all categories of restricted cash; and
- indicates whether in any of the five (5) years of the plan a deficit or surplus is expected from the projection of revenues and expenditures for that year.

Budget and Planning Process Schedule

- **By November 30th of each year**, Chief-and-Council will review and, if necessary, revise the Budget Procedure Manual.
- **By December 31st of each year**, the senior financial officer must prepare and submit to the Finance and Audit Committee for review a draft annual budget and a draft multi-year financial plan for the next fiscal year.
- **By January 31st of each year**, the Finance and Audit Committee must review:
 - the draft annual budget and recommend an annual budget to the Council for approval; and
 - the draft multi-year financial plan and recommend a multi-year financial plan to the Council.
- **By February 7th of each year**, COTTFN will post the draft annual budget for the consideration of community members.
- **By March 15th of each year**, the Council must review and approve the First Nation's annual budget for the next fiscal year.
- **By June 15th of each year**, the senior financial officer must prepare and submit to the Finance and Audit Committee for review a draft amendment of the component of the annual budget respecting the First Nation's local revenue account.

- **By June 30th of each year**, the Finance and Audit Committee must review the draft amendment of the component of the annual budget respecting the First Nation's local revenue account and recommend an amendment to the annual budget to the Council for approval.
- **By July 15th of each year**, the Council must approve the amendment of the component of the annual budget respecting the First Nation's local revenue account. [NTD: Dates may be adjusted, but the approval in (3) is required and (4) – (6) is required ASAP after commencement of fiscal year].

Additional Requirements for Budget Deficits

If a draft annual budget contains a proposed deficit, the Council must ensure that:

- the multi-year financial plan of the First Nation demonstrates how and when this deficit will be addressed and how it will be serviced; and
- the deficit does not have a negative impact on the credit worthiness of the First Nation.

Organizational Priority Planning

The process of identifying central administration and departmental priorities consists of the following seven steps:

1. **The priority planning process for the following fiscal year shall begin by the second week of August.** Each Department Director and the Executive Administrator will meet with their employees and have a thorough discussion on the comprehensive community plan and their department's priorities as defined by goals, objectives, strategies and initiatives. These discussions will include the review of the previous and current years' priorities in conjunction with the evaluation of program outputs and outcomes.
2. **By the second week of September**, the Executive Administrator shall coordinate a meeting of all Department Directors to discuss the logistics (time frames and procedures) and provide a preliminary draft of the following fiscal year's priorities. At this meeting, the participants will review and discuss Department priorities, long-term goals and identify and record any common objectives between departments and work towards sharing resources to achieve the objectives. It is critical to assess the integration and collaboration of priorities with other Departments.
3. **By the end of September**, each Department Director shall meet with their staff to further develop next fiscal year's department priorities. The process for developing individual department priorities shall include:
 - Developing a schedule of a minimum of three other meetings.
 - Reviewing Department's current priorities, previous priorities, long-term goals and common objectives discussed by the program Directors.
 - Reviewing other documents that may assist in developing objectives such as program evaluations, previous year's work plan, Chief and Council resolutions, funding agreement, new government initiatives, needs assessments, organizational reviews, reports, etc.

- Brainstorming objectives and prioritize based on constraints.
 - If necessary, a member of the staff may be assigned to research an issue further.
 - Recording of the discussion will be conducted by an individual selected from the group.
 - Completing the work plan by deciding on activities, resources required, time frames, who is responsible, evaluation tools and outcome measurements.
 - Submitting the draft copy to all participants for a final review.
 - Each program Director shall submit the work plan to the Executive Administrator.
4. **By the end of October**, each Department Director shall meet with their Department Committee to review program evaluations and Department priority work plans for the next fiscal year.
 5. **By the second week of November**, the Executive Administrator and Department Directors will meet with Chief and Council to review the priorities of each Department and Central Administration. The discussions will include the previous year's priorities, current priorities, program evaluation summaries and work plan overviews for next fiscal year's priorities.
 6. **By the second week of December**, each Department Director will develop for the Finance and Audit Committee a draft annualized budget with a five year projected forecast based on mandated priorities.
 7. **By the second week of January**, the Executive Administrator and Department Managers will develop recommendations for the Finance and Audit Committee for the allocation of own-source revenues dedicated to Department and Central Administration priorities.

Own-Source Revenue Allocation Process¹

With limited core funding dollars, multiple mandates and the growing needs of the Nation, COTTFN faces inherent challenges in translating identified priorities into budgets. Own-source revenues are one means by which this gap between resourcing, mandates and needs can be addressed. Recognizing that there are different circumstances and requirements of COTTFN's multiple own-source revenue funders—e.g. OLG funds are directly controlled by the band while the Trusts have their own governing frameworks—there is a need to harmonize the own-source revenue allocation process so that the unifying mandates of Chief-and-Council and the CCP are properly supported and realized over the long-term.

The following harmonized own-source revenue allocation process should be reviewed on an annual basis so that our experience can inform improvements in the process of future budget cycles. This process has the following steps:

1. **Calculate projected own-source revenue levels over the period of five fiscal years.**

¹ See Appendix A for a flow-chart diagram of the process.

2. **Identify the cost of unfunded staff position contracts that are deemed essential in the operations of COTTFN's departments and central administration.** Staff position expenditures should be calculated over the full term of the contract.
3. **Commission priorities from COTTFN departments and central administration that outline unfunded public service, administration and infrastructure needs.** These priorities should include all necessary background, rationales and expenditure estimates over time.
4. **Review all unfunded department and central administration priorities to verify that they are consistent with existing Chief-and-Council and CCP mandates as well as vet expenditure estimates.** Priorities not consistent with existing mandates will be deemed ineligible for funding. Priorities with inaccurate expenditure estimates will be reworked.
5. **Examine all eligible priorities to determine if there are duplications, overlaps or dependencies between them.** Duplicating priorities will be combined. The overlapping aspects of different priorities will be harmonized. Priorities deemed mutually dependent will be reviewed to determine the sequence in which they should be carried out. The sequencing of priorities will give precedent to preliminary work in terms of the funding priority timeline.
6. **Evaluate all eligible priorities to designate its status—essential, critical, important. Essential** priorities are needed for the basic functioning and operations of a department or central administration and/or relate to **x** IDOH factors. **Critical** priorities are needed to extend upon an existing CCP initiative and/or relate to **y** IDOH factors. **Important** priorities are needed to initiate a new CCP initiative and/or relate to **z** IDOH factors.
7. **Develop a recommendations list of essential allocations for the consideration of the Finance Committee (OLG funds), the Clench Fraud Trust, the Big Bear Creek Trust and other funding resources.** These essential allocation recommendations will include staff positions identified in Step 2 and priorities designated as such in step 7. The recommendations will include a summary rationale and a multi-year timeline.
8. **Consider the needs and expectations for proposal-based activities outside the band organization's budget priorities.** With reference to both band priority requirements and previous examples of eligible proposal-based activity funding applications, a recommendation will be made to own-source revenue funders to ear-mark an appropriate expenditure for these proposals. The determination of funding for proposal-based activity applications will guided by criterion established by the funder.
9. **Develop a recommendations list of critical allocations for the consideration of the Finance Committee (OLG funds), the Clench Fraud Trust, the Big Bear Creek Trust and other funding resources.** These critical allocation recommendations will include priorities designated as such in step 7. The recommendations will include a summary rationale and a multi-year timeline.
10. **Develop a recommendations list of important allocations for the consideration of the Finance Committee (OLG funds), the Clench Fraud Trust, the Big Bear Creek Trust and other funding resources.** These important allocation recommendations will include priorities designated as

such in step 7. The recommendations will include a summary rationale and a multi-year timeline.

The ten steps outlined above will also be accompanied by other informal working processes to assist in the determination of own-source revenue allocations. These processes will include, but are not limited to:

- Where priority expenditures outstrip own-source revenues in a given fiscal year, central administration will work with department managers to come up with options to scale down unfunded expenditures and/or to phase them in over a longer fiscal period.
- Priorities will also be reviewed to look at partnering opportunities, impact benefits agreements and land claim cases that can bring in additional funds.
- Cost-saving and cost-sharing options between departments and/or central administration should also be explored to increase available revenues for unfunded priorities.
- Financing opportunities will also be considered to ‘front-load’ essential priorities whose expenditures outstrip existing own-source revenues.
- Evaluation of past department reporting and priority outcomes will also be included in the consideration of own-source revenue allocations.
- Consideration will also be given to the creation of a contingency budget that will give the band some flexibility in allocating funds to unforeseen needs during the fiscal year. The contingency budget may include both general and specific allocations and expenditures from this budget will be ratified by Chief-and-Council based on recommendations from the Finance and Audit Committee.

Appendix A

Draft Flow-Chart—Own-Source Revenue Budget Process [2015-16 → 2019-20]

