

STATEMENT OF POLICY AND PROCEDURE			
Chapter:	Corporate Services	SPP No.	<b>CS-6.04</b>
Section:	6. Strategic Business Planning and Performance	Approved:	3/1/2019
Subject:	<b>VARIANCE</b>	Effective:	3/7/2019
Issue to:	All Manual Holders	Page:	1 of 4
		Replaces:	<b>NEW</b>
Issued by:	Chief Executive Officer	Dated:	N/A

## 1. PURPOSE

- 1.01 The purpose of this Statement of Policy and Procedure is to set out the requirements for the organization's variance reporting. TRCA believes in full accountability for its spending, revenue recognition and the performance of service delivery against approved budgets, for both the organization as a whole and for each project and program as an individual endeavour. TRCA recognizes that all projects and programs offered have cost implications and that all costs incurred in support of those services must be practical and affordable. TRCA's budgets represent a financial plan that describes how much funding the organization requires, which consists of budgets for each project and program offered. Transparency throughout the budget management process is achieved in part through the analysis and reporting on year to date revenues/expenses as compared to the current fiscal year budget.

## 2. SCOPE

- 2.01 This Statement of Policy and Procedure applies to the Board of Directors, Executive Committee, Senior Leadership Team, and all employees involved in budgeting and variance reporting.

## 3. POLICY

- 3.01 Variance reporting to the Executive Committee and Board of Directors shall take place quarterly, approximately two months after each quarter-end.
- 3.02 Any aggregate program area variance in excess of 10% or \$500,000 shall include a rationale as to the cause of the variance in the report.

## 4. RESPONSIBILITY

- 4.01 **Board of Directors / Executive Committee** is responsible for:
- (a) reviewing and approving TRCA's quarterly variance reports inclusive of rationale as provided where the aggregate program area variance exceeds the threshold established in the policy;
  - (b) reviewing and approving the usage of reserves for the reconciliation of variances.
- 4.02 **Chief Financial and Operating Officer (CFOO)** is responsible for reviewing all variance reporting and approve a proposed plan for reconciliation, including the need for reserves.

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4.03 **Senior Leadership Team (SLT)** is responsible for:

- (a) reviewing all variances and rationales for potential reprioritization of funds;
- (b) reviewing all favorable variances and approve a plan for reconciliation or reprioritization of funds to priority unfunded projects.

4.04 **Divisional Directors** are responsible for:

- (a) approving divisional variance reports prior to submission to SBPP review;
- (b) ensuring that financial impacts for their associated division, to the extent they are known, are communicated to SLT, Executive Committee and Board of Directors.

4.05 **Strategic Business Planning and Performance** business unit is responsible for:

- (a) preparing variance reports for review and approval at SLT, Executive Committee, Board of Directors, and with our partner municipalities as required;
- (b) working with *Account Leads* to ensure quality and consistency of all reporting and to verify the viability of variance explanations;
- (c) providing ongoing training, leadership and direction in the completion of all variance submissions;
- (d) all communications and reporting with internal and external stakeholders regarding budget variances.

4.06 **Finance** business unit is responsible for:

- (a) providing all variance sheets to account leads within the approved timelines;
- (b) providing SBPP with the aggregated variances for each program area for the purposes of reporting to the Board of Directors.

4.07 **Account Leads** are responsible for completing variance reports and any additional required information for all accounts and providing explanations where the variance is in excess of the thresholds.

## 5. REFERENCES and RELATED STATEMENTS of POLICY and PROCEDURE

5.01 CS-6.03 Corporate Budget

## 6. PROCEDURE

6.01 *Account Leads* will be provided with variance sheets within 6 business days of quarter-end. The variance sheets will outline the year to date expenses and revenues of the projects/programs against approved budgets. *Account Leads* are responsible to provide a rationale for each variance inclusive of operating, capital and special budgets. This information identifies potential financial or timeline related variances that may arise over

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the life of the project/program.

- 6.02 If a variance is reported exceeding 10% of the net revised budget or \$500,000, the Account Leads must provide SBPP with a response explaining the rationale and include a plan for reconciling the variance (if required). The divisional Director must approve the plan prior to submission to SBPP. This information will be included in the quarterly reporting to the Board of Directors.
- 6.03 SBPP shall prepare recommendations for SLT which outlines how surplus (if applicable) will be reprioritized to projects/programs on the unfunded priorities list.
- 6.04 The divisional Director must approve the plan for spending prior to submission to SBPP. This information will be included in the quarterly reporting to the Board of Directors.
- 6.05 Account leads will typically have 7 business days to complete the quarterly variance reporting and submit to SBPP for review and approval.
- 6.06 SBPP will review all variance submissions and submit the final version to the Finance business unit once complete.
- 6.07 SBPP shall prepare all required variance reporting, and act as the lead in communications regarding budget reporting with all internal and external stakeholders.

## 7. DEFINITIONS

- 7.01 **“Account Lead”** means the assigned staff who oversees the planning, tracking and monitoring of projects/programs and the associated information.
- 7.02 **“Capital Budget”** means a plan of proposed *capital expenses* to be incurred and an identification of the method of financing.
- 7.03 **“Capital Expenses”** mean direct construction or development costs (such as materials and labour), overhead costs directly attributable to the construction or development activity and betterments of tangible capital assets, which are owned by TRCA. For further information, please refer to TRCA’s *Tangible Capital Asset Policy*.
- 7.04 **“Fiscal Year”** means the twelve-month accounting period for recording TRCA’s financial transactions. The Authority’s *fiscal year* is January 1 – December 31.
- 7.05 **“Operating Budget”** means a plan of proposed expenses relating to the organization’s non-capital projects and programs and an identification of the method of financing.

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- 7.06 **“Operating Expenses”** mean expenditures to be included in the organization’s *operating budget* include: (a) salaries, per diems and travel expenses of employees and members of an authority; (b) rent and other office costs; (c) program expenses; (d) costs that are related to the operation or maintenance of tangible capital assets, but not including *capital expenses*; and (e) such other costs as may be prescribed by the *Conservation Authorities Act*.
- 7.07 **“Program Area”** means one of TRCA program areas across the organization as listed in TRCA’s Product Map. The program areas are not structured divisionally, but instead are organized by grouping similar organizational services into categories.
- 7.08 **“Tangible Capital Assets”** mean non-financial assets having physical substance that: (i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets; (ii) have useful economic lives extending beyond an accounting period; (iii) are to be used on a continuing basis; and (iv) are not for sale in the ordinary course of operations. Includes TRCA’s tangible capital assets are infrastructure, buildings and building improvements, land improvements, machinery and equipment and vehicles.