# FINANCIAL POLICIES AND PROCEDURES

## SECTION 1: FINANCIAL MANAGEMENT

## POLICY 3: ANNUAL BUDGET

### Policy Rationale

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For [organisation] to fulfil its strategic initiatives, [organisation] will need to apply resources to its identified, planned and prioritised operational activities. This will usually take the form of an annual business plan and be accompanied by an annual budget, reflecting the relationship between planned-for events and associated costs and revenues.

A robust budget will assist [organisation] in determining the most effective allocation of resources to those activities that [organisation] determines being essential to achieving its strategic outcomes.

Once the budget has been reviewed and approved, it will also act as [organisation]’s primary control point over expenditures and serve as an excellent tool for determining the performance of managers and [organisation]’s operational activities.

### Policy Statement(s)

[organisation] shall ensure robust budgeting systems and procedures are adopted to enable effective management and monitoring of [organisation]’s operational performance and financial health.

An annual budget (including Profit and Loss, Balance Sheet & Cash-flow Statements and Capital Expenditure) for [organisation] is to be presented to the Board after review by the Audit, Finance and Risk Committee each year, with budgets needing to be finalised and approved at least [one month] prior to the start of the financial year for which they pertain.

The annual budget shall:

1. Align with the Board’s stated objectives and priorities.
2. Be presented in such a way as to make it easy to interpret and follow and shall comply with standard budget presentation formats.
3. Include analysis of:
   1. Composition of budgeted revenues
   2. Composition of budgeted expenditure, both by type of expenditure and for which operational activities it relates to
   3. What months the budgeted revenues and expenditure are likely to be received / incurred in a cashflow forecast
   4. How the operational activities being budgeted fit with [organisation]’s strategic objectives
4. Incorporate input from the staff responsible for [organisation]’s various operational activities.
5. In alignment with reserves policies and financial management policies, unless exceptional circumstances prevent it, [organisation]’s annual budget should project a surplus of revenue over expenditure.
6. Contain sufficient detail for the Board to understand on what assumptions or basis [organisation]’s revenues and expenditures have been budgeted.

[organisation] employees in charge of a budget shall ensure they have received the relevant training from the [Finance Manager] on the budget process, expectations, rigour required of budgeted revenues and expenditures and tools required to compile and manage their budget effectively and efficiently.

### Policy Implementation and Related Procedure Documents

The implementation and review of these Annual Budget policies are the responsibility of [organisation]’s CEO, in conjunction with the CFO / Finance Manager.

They are also responsible for:

* Presenting the Board an annual budget (capital and revenue) and such additional information to enable the Board to make its approval of the annual budget.
* Submitting to the Board [quarterly / monthly] explanations for material variances from [organisation]’s approved budgets.
* Ensure any application to the Board for expenditure which has not been specifically budgeted for is supported by precise costings and recommendations as to how the new expenditure can be offset by either reducing similar expenditures, increasing revenues or where appropriate, applying special purpose funds.
* Ensuring all of the above is reviewed by the Audit, Finance and Risk Committee prior to presenting to the wider Board
* [organisation] employees holding responsibility for a budget should have appropriate budget management measures included in their current performance agreement.

[organisation]’s CFO / Finance Manager is responsible for ensuring [organisation]’s budgeting and reporting systems and procedures are adequate and sufficient training is provided to [organisation]’s budget holders so they are able to manage their budgets efficiently and effectively.

The following [organisation] procedure documents should be referred to in regard to the generation and management of [organisation]’s annual budget:

* Finance Manual
* CEO Financial Management Policy
* Delegated Authorities Policy
* Capital Expenditure, Investments & Reserves Policies
* Revenue & Receivables Policies
* Operating Expenditure & Payables Policies

### Legislative Compliance Considerations

* Companies Act 1993 [if a Company]
* Constitution [if a Company]
* Incorporated Societies Act 1908 [if an Incorporated Society]
* Incorporated Societies Act 2022 [applicable if an Incorporated Society registered under the new Act. Reregistration is available from 5 October 2023]
* Incorporated Society Rules [if an Incorporated Society registered under the 1908 Act]
* Incorporated Society Constitution [if an Incorporated Society registered under the 2022 Act]
* Trust Deed [if a Trust]
* Trusts Act 2019 [if a Trust]

### Review Protocol

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| Policy Reviewed By: | Audit, Finance & Risk Committee |
| Date Reviewed: | [Date] |
| Next Review Date: | [Date] |
| Revokes Policy Reviewed: | [Date] |