

# PLANNING AND BUDGETING



First Nations  
**FINANCIAL  
MANAGEMENT  
BOARD**





# KEY LEARNING OBJECTIVES



What is a budget and why should my Nation have one?

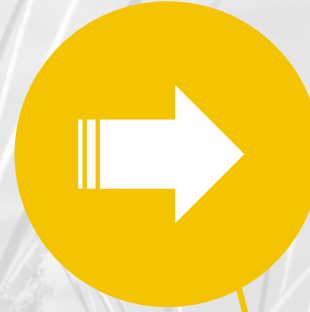


How can my Nation develop and manage a budget?

We all know there is never enough money for a Nation to do everything it needs to do.



## PLANNING AND BUDGETING



What are the Nation's most important long-term goals?

How can the Nation use its resources over the next year to achieve its goals?



# PLANNING AND BUDGETING

Long-term plans guide annual plans.

What is your department going to do and how much will those activities cost?

What will all the activities of the Nation cost over the next 12 months?



- Strategic Plan
- Multi-year Financial Plan
- Capital Plan



- Annual department work plans
- Annual department budgets

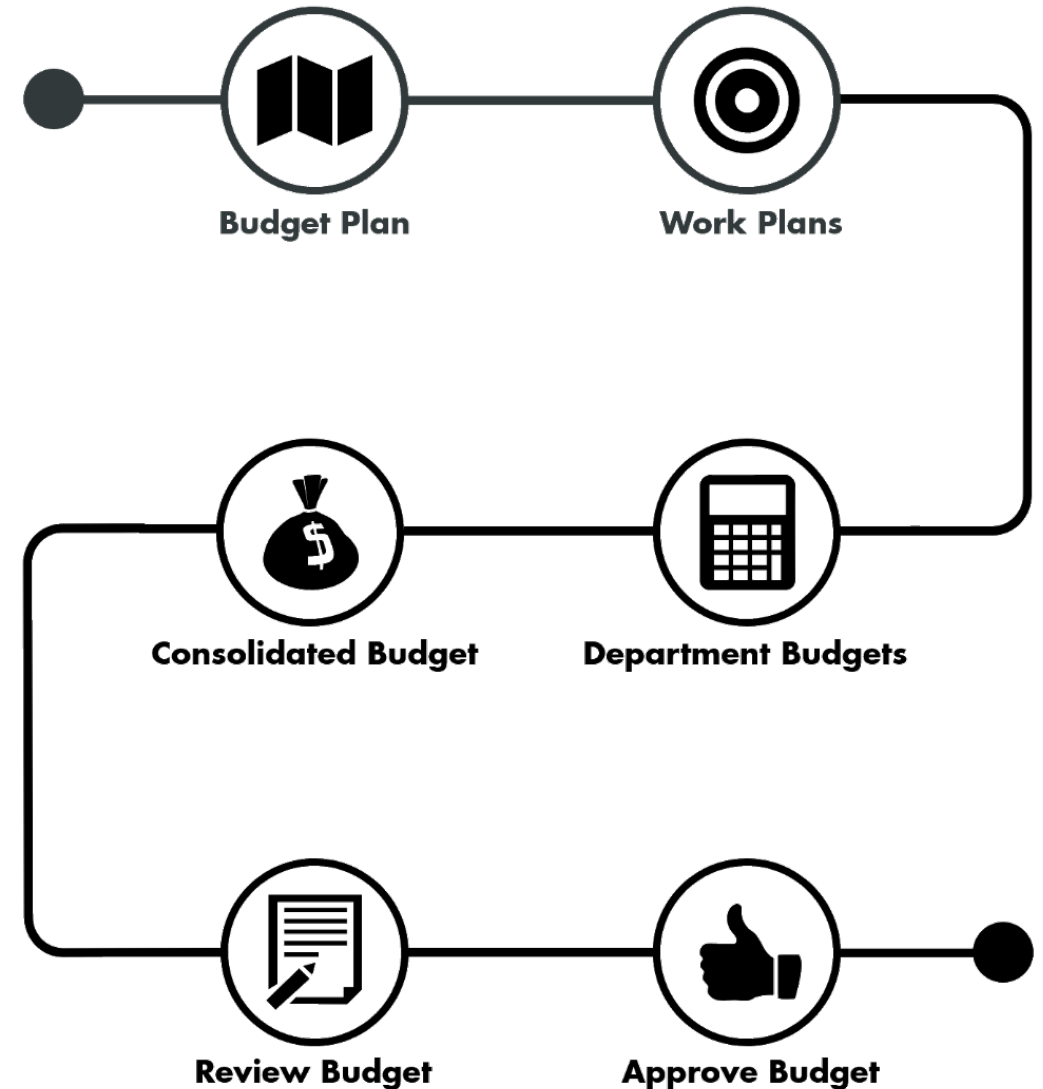


- Annual Budget

# THE BUDGETING JOURNEY

What does the process of planning and budgeting look like?

There are many ways to budget. Some Nations create a budget driven by their strategic goals while others focus more on funding sources. Work plans/budgets may be developed by the Senior Manager, some may be done by the Department Managers. No one way is the 'right way'.



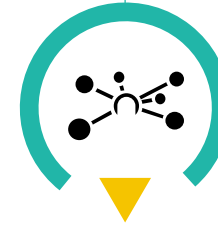


The budget plan lays out the timing, roles, responsibilities, and process for developing the budget.

## BUDGET PLAN



Does the Nation have a policy and procedure in place to guide the budgeting process?



What are the key steps involved?  
Who is responsible?  
What are the key dates?



# PLANNING THE BUDGET



The Senior Manager oversees the budgeting process. The Senior Manager needs to determine how much time is required for budgeting, and when each milestone should be complete.



Department managers are accountable to the Senior Manager and are responsible for completing their department work plans and budgets on time.



The Senior Finance Officer is responsible for consolidating the budget. The draft budget should be completed in enough time for the Finance and Audit Committee to review and recommend to Council, and for Council to review and approve before the end of the fiscal year.

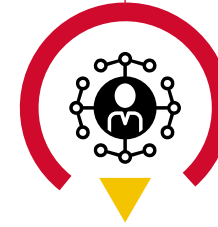


Work plans show what each department plans to do over the next year to support the Nation's goals.

## DEPARTMENT WORK PLANS



Does the Nation have a strategic plan to guide the activities of the administration?



Which activities will support the Nation's goals?



# DEVELOPING WORK PLANS

Department managers work with their supervisor, the Senior Manager, to develop work plans that align to the Nation's strategic goals.



What resources or equipment will you need to accomplish your goals?





A department budget is a summary of what a department's activities will cost the Nation over the next year.

## DEPARTMENT BUDGETS



How much is it going to cost to carry out the activities in the departmental work plan?



Where will the money come from? Is there enough, or does the department work plan need to be changed?

# BUDGETING FOR DEPARTMENTS

Department managers are responsible to the Senior Manager for completing their budgets with support from the Senior Finance Officer (SFO).

The Senior Manager makes sure that each manager finishes their department budget on schedule.

After the Senior Manager's approval, each department budget will go to the SFO to be consolidated into the Nation's overall budget.







A consolidated budget contains all of a Nation's operating expenses and brings together all the expenses of each department budget.

## CONSOLIDATED BUDGET



What do the  
Nation's operational  
expenses include?



The consolidated budget contains each  
**department budget**, all **operating expenses**,  
and expenses from the **capital asset plan**.



# CONSOLIDATING THE BUDGET

## Senior Finance Officer

- Consolidating the budget is the Senior Finance Officer's main role in the budgeting process
- Role is to put the financial information together in spreadsheets, not to make decisions on department budgets

## Senior Manager

- If there is not enough money to support the consolidated budget, the Senior Manager will work with the department managers to adjust their work plans and budgets
- Communication with the managers is key

## Department Managers

- May have to adjust work plans and budgets if there is not enough money to pay for all of the planned activities and expenses



The Finance and Audit Committee reviews the draft budget and makes recommendations to Council.

## BUDGET REVIEW



Is the budget realistic and based on accurate information?



There may be feedback and more work ahead before they recommend it to Council.



# REVIEWING THE BUDGET

The Senior Finance Officer delivers the consolidated budget to the Finance and Audit Committee for their review.

The Senior Manager makes sure that the finance team completes the budget on schedule and attends all Finance and Audit Committee meetings.

The Finance and Audit Committee reviews the budget and decides whether or not to recommend it to Council for approval.



**Council approves the new annual budget before March 31 each year, on the recommendation of the Finance and Audit Committee.**

## **BUDGET APPROVAL**








Are we spending the Nation's money on activities that support the Strategic Plan?



Can we afford to do what we need to do?



# MANAGING THE NATION'S BUDGET

-  Regular and accurate reporting is key
-  Compare the budget to actual spending
-  The difference between the budget and actual spending can tell you if you are overspending
-  Take corrective action to reduce future differences
-  Differences tell Council where the money is being spent and whether certain departments are over or under spending





# MONTHLY REPORTING

## Senior Manager

- Coordinates all reporting
- Are departments on track with their goals?
- Managers monitor department spending and adjust accordingly

## Senior Financial Officer

- Prepares financial information on activity of the Nation each month for Council and the Finance and Audit Committee
- Keeps finance department current and up-to-date

## Chief and Council

- Regular reporting keeps Council updated and able to make informed decisions
- Regular reporting identifies issues before they become big problems

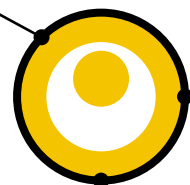
## Finance and Audit Committee

- Receives/reviews monthly financial reporting

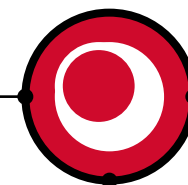
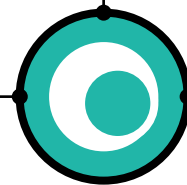


# VARIANCE REPORTS FOR MANAGERS

A **positive variance or surplus** occurs when actual spending is less than budgeted spending. Positive variance may indicate that department costs were lower than expected or that a department is behind in achieving its goals.



The Senior Financial Officer should produce individual variance reports for each manager so that they can see **actual spending** compared to **planned spending**.



**Negative variance or deficit** occurs when actual spending is greater than budgeting spending. It may indicate that the department underestimated expenses or is not following its work plan and budget.

# MANAGING A NEGATIVE VARIANCE

If the **overall** variance represents overspending, there may be problems paying future expenses.

A negative variance (deficit) can affect your Nation's cash flow (the money moving in and out of your Nation).

If there is overspending, the Nation may have funding and revenue shortages.

The Nation may need to cut some planned expenditures.

The Nation may need to borrow money for projects. Borrowing money means there will be less money in the next period because of interest and debt payments.



# HOW CAN A MANAGER USE VARIANCE REPORTS?

Track spending  
compared to budget



Monitor  
performance



Track the accuracy of  
financial records and  
account codes



# QUARTERLY REPORTING

## ROLES:

- Senior Manager responsible for coordinating all reporting
- Senior Financial Officer prepares quarterly financial statements
- Finance and Audit Committee reviews and makes recommendations to Council
- Council reviews and approves statements no later than 45 days after end of quarter

## QUARTERLY FINANCIAL STATEMENTS SHOULD INCLUDE:

- The amount of money earned and spent, compared to the yearly budget
- A balance sheet
- Financial institution account reconciliations
- Any other information asked for by the Finance and Audit Committee or the Council



# ANNUAL REPORTING

A chance for Council to report back to the Nation

## AUDITED FINANCIAL STATEMENTS

- Senior Financial Officer prepares annual financial statements
- Auditor completes annual audit of the Nation's financial statements
- Finance and Audit Committee reviews and recommends to Council
- Council approves audited financial statements no later than 120 days after end of fiscal year

## ANNUAL REPORT

- Overview of goals and operations
- Annual financial statements and special purpose reports
- No later than 180 days after end of fiscal year



A glowing teepee in a snowy landscape under a night sky with the aurora borealis and a forest silhouette.

# QUESTIONS? Let's chat.

First Nations Financial Management Board

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