

## **D.01 Budget Planning**

### **1.0 INTRODUCTION/BACKGROUND**

Mercy Services receives most of its operating funds through Government grants and client fees/contributions. In line with standard business practice Mercy Services can use budgets to plan its income and expenditure.

The Mercy Services budget process is part of an overall framework that guides the services and functions of Mercy Services. The budget serves a key role in that policy framework by allocating financial resources to Mercy Services services and programs, which implement Mercy Services's overall policies. The budget planning process influences the availability of future resources to carry out Mercy Service's policies.

### **2.0 SCOPE**

This policy is designed to set out the process for compiling, monitoring and reviewing Mercy Services's annual budget.

### **3.0 POLICY STATEMENT**

The Board of Mercy Services has ultimate responsibility for overseeing the budget of the organisation and for ensuring that Mercy Services operates within a responsible, sustainable financial framework.

The Mercy Services Board will conduct a budget planning process each year as part of its annual operational planning.

The annual operating budget will be regularly monitored and reviewed to identify and appropriately respond to unforeseen events.

It is the responsibility of the General Manager to prepare all budgets and review budgets in consultation with the Board Finance and Audit Committee.

The Board Finance and Audit Committee consists of:

- The Board Chair;
- Two Board Directors with qualifications in Accountancy
- Another Board Director with experience in finance/management/law
- The General Manager

## 4.0 PROCEDURES

### Preparation of the Budget

1. In April each year, the General Manager starts preparing the budget estimates as part of the Operational Plan for the financial year. The process includes:
  - considering operational costs;
  - setting payroll costs; and
  - estimating income.
2. The initial budget estimates are based on the current expenditure projections to end of year plus Consumer Price Increments for salaries or relevant wage increases, revisions to awards/contracts, and a 10 per cent increase on operating expenses such as power, telephones, etc. Details of how cost increases will be absorbed or lead to increases in service charges (e.g. membership and service fees) will be provided.
3. The General Manager will present the draft budget for discussion at a Finance and Audit Committee meeting before the May Board meeting. The Finance and Audit Committee may accept the estimates as presented or may request variations, within the context of the Operational Plan. A detailed report denoting reasons for decisions should be attached to the draft budget for discussion.
4. The General Manager will then revise the draft. The General Manager will present the amended draft budget at the next available Board meeting, usually in May but no later than the end of May. Once accepted the budget is then recommended to the Trustees of the Sisters of Mercy (the owners of the Company). Once approved by the Trustees, the Budget becomes the official operating budget for Mercy Services for the following financial year, and all Board members and employees must work within the financial limits stated or implied by this document.

### Monitoring and Reviewing the Budget

1. The General Manager is responsible for monitoring the organisation's expenditure, reviewing the actual and budgeted expenditures, and reporting on the progress of such expenditure.
2. Financial reports will be prepared each month showing the year-to-date expenditure and its variation from the budget estimates, and indicating any increases or decreases in funding. A detailed commentary should be attached to Board reports detailing reasons for variations and recommendations for corrective action should that be required. The General Manager will indicate what effect any variations will have on the budget projections and provide this information to the Finance and Audit Committee. The General Manager will also report on any other financial matters that may be related to the Operational Plan.
3. Once accepted by the Board, the amended budget will become the new operating budget for the remainder of that financial year.

## 5.0 REFERENCES

<b>1. Australian Standards</b>	a) nil
<b>2. Legislation</b>	a) <i>Charitable Fundraising Act 1991 (New South Wales)</i> b) <i>Charitable Fundraising Regulation 2008 (New South Wales)</i> c) <i>Company Law Review Act 1998 (Commonwealth)</i> d) <i>Corporations Act 2001 (Commonwealth)</i> e) <i>Income Tax Assessment Act 1936 (Commonwealth)</i> f) <i>Income Tax Assessment Act 1997 (Commonwealth)</i>
<b>3. Professional guidelines</b>	a) nil
<b>4. Codes of Practice</b>	a) nil
<b>5. Codes of Ethics</b>	a) nil
<b>6. Evidence</b>	a) nil
<b>7. Mercy Services Values</b>	a) Justice, Respect, Care, Unity, Service

## 6.0 OTHER RELATED POLICIES AND PROCEDURES

- B.02 Delegations
- C.03 Operational Planning
- C.04 Program performance and monitoring
- C.06 Risk Management
- D.02 Fundraising
- D.03 Investment Planning
- D.04 Payments
- D.05 Incoming monies
- D.06 Petty cash
- D.07 Asset purchase and maintenance
- D.11 Insurance
- D.12 Anti Fraud and Anti Corruption
- D.13 Communications (correspondence, telephone, reception)

## 7.0 RELATIONSHIP WITH STANDARDS

<b><i>Community Care Common Standards</i></b>	<b><i>Disability Standards</i></b>	<b><i>EQUP Standards</i></b>
1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 1.8, 2.2, 2.3, 2.4, 3.1, 3.2, 3.3	4.1.a, 8.5, 8.10,8.11	2.1.2, 2.3.2,3.1.2,

## 8.0 DOCUMENT CHANGES RECORD

<b><i>Dates of change</i></b>	<b><i>Section altered</i></b>	<b><i>Natures of changes made</i></b>
Sept 2006	Policy 8: Financial Management Policy 9: Assets Management & Insurance	
15/10/09	All sections	Policy created expanding previous related Policies
23/03/2011	7.0 Relationship to Standards	Replace HACC Standards and CACP Standards with Community Care Common Standards and update to EQUP 5 Standards
14/11/2012	All Sections	Organisation name updated.
Review due 14/11/2015		