

## GUIDE TO BUDGET POLICY TEMPLATE

### ABOUT THIS POLICY AREA

This policy guides how the organisation develops, monitors and reviews its budget.

A written budget policy is required as part of meeting Standard 11 (Governance and accountability).

#### **Standard 11 — governance and accountability**

*The organisation develops, implements and reviews procedures for the development, monitoring and review of its budget.*

#### **Policy checklist**

The following checklist will help you check that an existing policy covers this area adequately.

The policy should:

- say who will be responsible for developing and approving an annual budget
- say how and when the budget will be monitored
- say how and when the budget will be reviewed
- say what reports will be provided to relevant staff and board or management committee members
- contain clear procedures and actions
- indicate the timing of any actions
- show when it was approved
- show when it was last reviewed.

### COMPLETING YOUR BUDGET POLICY

#### **Using the policy template**

The template provides some example statements. You can adapt these statements and include them in your policy or write your own statements to better suit the operations and services of your organisation.

To customise the policy template, click on the shaded sections <<Insert text>> and insert the information that is specific to your organisation.

When you have completed the policy template, delete the shaded instruction sections such as: [Refer to the budget policy template guide for questions and/or examples to consider when customising this section.](#)

For further information on using the policy guides, refer to the information in *Using the policy templates and guides*.

## Guidelines for each section of your policy

### 1. Purpose

When identifying the purpose of the policy, consider how it might apply to your organisation's activities. Your organisation may have a need for separate budgets for different activities for monitoring or reporting purposes and may need to report to external bodies on different budgets for accountability purposes.

### 2. Scope

To determine the scope of the policy, consider the following questions:

- Does this policy apply to all your organisation's financial activities?
- Are there separate budgets for different activities or projects?
- Does this policy apply to all staff or only staff involved in the budget process?

### 3. Policy statement

If you are adopting the policy statement in the template, consider whether there are any additional commitments your organisation wants to make.

In identifying the actions your organisation will take to implement this policy, you should include the following:

- developing an annual budget for the organisation for approval by the board or management committee
- monitoring income and expenditure against the budget on a regular basis
- reporting to the board or management committee on the budget position
- taking action when there is a significant variation between projected and actual figures
- reviewing and adjusting the budget on a regular basis.

### 4. Procedures

The procedures describe how your organisation achieves the aims and goals you have outlined in your purpose, scope and policy statement.

#### 4.1 Developing and approving an annual budget

Describe the timing and process for the development and approval of an annual budget. Consider the following:

- **timing:** When in the year will the budget be drafted? (Ideally, an annual budget needs to be in place by the beginning of the financial year.)
- **responsibility:** Who will be involved in preparing the draft budget? (This would usually include the senior staff, any specific financial management staff and the treasurer.)
- **approval process:** How will the budget be presented to the board or management committee for approval?

#### 4.2 Monitoring and reporting

Describe who will monitor the budget on a monthly basis, who will receive reports, and how often reports will go to the board or management committee. Usually, it is the senior staff person or (for larger organisations) the finance manager who monitors the budget, with reports going firstly to the treasurer and/or any finance subcommittee. The board or management committee should receive reports against the budget on at least a quarterly basis.

Describe who is responsible for responding to variations to the budget, reviewing the budget, and giving approval to make changes to the budget.

### **5. Other related policies and documents**

List the other policies related to the budget policy. The policy should be linked to:

- financial management and delegations policy
- asset management policy.

### **6. Review processes**

Consider how often the policy should be reviewed and the process for doing this:

- **frequency of review:** Most policies benefit from an annual review. The experience of implementing the policy is used to decide which changes are necessary. Consider reviewing your budget policy as part of an annual review of your governance- and accountability-related policies or, if your organisation is small, perhaps over a three-year period. Critical incidents may prompt you to review the policy ahead of schedule.
- **responsibility for the review:** In most organisations, the senior staff and/or board or management committee would be responsible for reviewing this policy. In a large organisation, a manager of finances or administration manager would also be involved.
- **process for the review:** Decide which particular staff, volunteers, external people and organisations will provide input to the policy review.
- **decision-making process:** Who will review draft changes to the policy and approve changes? What will be the timeframe for the review process?
- **documentation and communication:** What records of the policy review process are needed? How will changes to the policy be communicated to staff implementing the policy? In a small organisation, this may be as simple as noting the changes at a staff meeting. In a larger organisation, an email memo may be needed.
- **key questions for the review:** Is the policy being implemented? Are procedures being followed? Is the policy clear? What has changed that may prompt a change to the policy? Have particular stakeholders had difficulty with any aspect of the policy? Can their concerns be resolved? How does the policy compare with that of similar organisations?