

Budget Management Standard Operating Procedure

1.0 INTRODUCTION

1.1 The Fire Service needs to manage performance so that financial and strategic objectives are achieved and management and financial stakeholders can be confident in the associated control processes. The proper construction and control of budgets is central to this, to safeguard the organisations viability and the effective delivery of objectives. This requires a comprehensive financial planning and approval framework; consistent and rigorous processes for constructing budgets, both capital and revenue, sound methodologies for assessing the financial impact of proposed expenditure; compatibility with other management and performance data, and a control system that sets clear responsibilities and produces prompt and accurate monitoring information on performance against budgets.

2.0 PREPARING A BUDGET

2.1 Some basic background information should be collected before preparing a budget.

2.2 This includes:

- procedural and policy changes
- impact of strategic plans
- asset management - the revenue impact of capital expenditure e.g. maintenance plans
- other known growth and savings
- past and future spending patterns

2.3 The budget setting process commences in August when Budget Support Officers request initial bids for the following year's budget. The budget setting timetable is taken to the July Senior Management Team meeting.

2.3 Bids must be made on the Budget Setters spreadsheets which are issued to Senior Management Team members, detailing base budgets, essential growth, desirable growth and savings. Growth and savings must also be supported by a budget bid (see Appendix A below) detailing how the growth/savings fits into the Resource Allocation Framework.

2.4 The information provided is used to draft the budget for the forthcoming year, for discussion and approval by Senior Management Team, Corporate Management Board and ultimately the CFA.

2.5 Once the total budget has been approved by the CFA, it is issued to all Budget Co-ordinators/ Managers.

3.0 MANAGING AND MONITORING A BUDGET

3.1 Budget Management is a specific responsibility which is allocated to Budget Co-ordinators, who can then delegate this to Budget Managers.

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- 3.2 The budget is for a twelve month period, from 1st April to 31st March, and expenditure should be planned accordingly.
- 3.3 All Budget Co-ordinators/Managers are required to maintain their own records to monitor income and expenditure for both revenue and capital.
- 3.4 At the end of each Oracle reporting period, Budget Support Officers will send to each Budget Co-ordinator/Manager a print from the Oracle system detailing expenditure and income processed during that period. This report should be compared with locally held records, and any discrepancies investigated and resolved. It is the responsibility of the Budget Co-ordinator/Manager to ensure that locally held records are reconciled to the Oracle system.
- 3.5 Budget Support Officers will also send on a monthly basis, a spreadsheet showing original budget, virements, expenditure to date, forecast outturn and variance to budget. This information is to be reviewed and revised on a monthly basis, to provide up to date forecasts for the end of year position. Any changes to forecast outturns are to be supported by a budget history form which is available on the new intranet under: Document Centre/Forms/Budget History (see Appendix B below) providing detailed explanations for the change. This information will be used to provide an accurate summary of the overall financial position to Principal Officers and Members. Budget Support Officers will meet Budget Co-ordinators/Managers on a regular basis to review information provided.
- 3.6 Budget Co-ordinators/Managers are not authorised to overspend a budget unless a virement form has been completed and authorised as appropriate. See paragraph 3.8 below.
- 3.7 A timetable for despatch of Oracle prints and return of forecast information is prepared annually by Budget Support Officers and can be found in Budget Books.
- 3.8 **VIREMENT**
- 3.8.1 Virement is the movement of a budget from one heading to another.
- 3.8.2 Any single virement for expenditure not exceeding £20,000 may be actioned with the agreement of the appropriate Budget Co-ordinator/Manager(s). Budget Co-ordinators/Managers are to notify the Treasurer that such virements have taken place, using the virement form available on the new intranet under Document Centre/Forms/Virement Form. (see Appendix C below). Thereafter the Treasurer will be responsible for ensuring that the notified virements are reflected in the financial ledger as soon as practicable.
- 3.8.3 Any single virement for expenditure exceeding £20,000 shall be subject to approval by the Treasurer.
- 3.8.4 There shall be no virements to/from Staff Budgets and Non Staff Budgets.
- 3.8.5 There shall be no virements from Pensions Budgets.
- 3.8.6 The Treasurer may approve any virement where the additional expenditure is directly related to, and fully offset by, fees, income or other contributions from another authority or separate organisation.

4.0 AUDIT AND FINANCIAL CONTROL

- 4.1 It is the responsibility of Budget Co-ordinators/ Managers to ensure compliance with the North Yorkshire Fire and Rescue Authority’s Financial and Contract Regulations and the Financial Management Framework, which is available on the new intranet under: Functions/ Document Centre/Financial Management Framework.
- 4.2 Section E of the framework explains the arrangements under which Budget Co-ordinators/Managers shall undertake the procurement of the goods and services they require. Contract Regulations clearly state that:
 - for all items between £10,000 and £50,000 written price quotations shall be obtained.
 - all items exceeding £50,000 shall be obtained by tender
 - for all items up to £10,000 an official order signed by the Chief Fire Officer, or an officer approved by the Chief Fire Officer, shall be issued
 - for all items exceeding £10,000 a written contract with the supplier must be entered in to

5.0 CONTROLS AND SEPARATION OF DUTIES

- 5.1 In order to reduce the risk of error or fraud when payments are made, an important control is separating the duties of different Officers involved in the order/payment process. The table below sets out an example of how separation might be applied:

Process	Officer
Placing and signing orders.	Budget Co-ordinator/ Manager
Checking goods/services received	Person receiving the goods/services
Checking invoice	Clerical Support
Authorisation of invoice	Budget Co-ordinator/ Manager

- 5.2 Further advice regarding controls and separation of duties can be provided by Budget Support Officers

6.0 INVOICE PROCESSING

- 6.1 All invoices should be checked against the order, ensure that goods and or services have been received and are of the appropriate quality and specification. Ensure that the invoice is arithmetically correct and that the expenditure code is appropriate. Please refer to the Standard Operating Procedure for Preparing Invoices for Payment which can be found on the new intranet under: Document Centre/Service Documents/SOP/Preparing Invoices for Payment.

7.0 ACCOUNTABILITY

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An underlying principle of the Financial Management Framework is that of accountability.

7.1 Roles of the Budget Co-ordinator/ Manager in budget setting include:-

- 7.1.1 Agreeing staffing establishment with Budget Support Officers.
- 7.1.2 Calculating the effect of any policy changes in conjunction with Budget Support Officers.
- 7.1.3 Identifying growth/savings proposals.
- 7.1.4 Updating budget setter spreadsheets with identified growth and savings.
- 7.1.5 Provision of budget bids to support growth/savings.

7.2 Roles of the Budget Support Officer in budget setting include:-

- 7.2.1 Understanding key service issues and budget implications.
- 7.2.2 Updating of staffing costs for increments, job evaluation outcomes etc.
- 7.2.3 Calculating the effect of any policy changes in conjunction with Budget Co-ordinator/ Managers.
- 7.2.4 Allocation of pay and price inflation.
- 7.2.5 Calculation of growth/savings by directorate and reporting to Head of Financial Services
- 7.2.6 Agree final budgets with Budget Co-ordinator/ Managers.
- 7.2.7 Production of the annual budget book following Authority approval in February each year

7.3 Roles of the Budget Co-ordinator/Manager in budgetary control include:-

- 7.3.1 Commitment of expenditure and generation of income.
- 7.3.2 Monitor & control expenditure/income against budget including keeping up to date commitment and activity records.
- 7.3.3 To notify Budget Support Officers of any policy changes that may affect the budget position.
- 7.3.4 Highlight any potential problem areas to Budget Support Officers.
- 7.3.5 Forecast the final outturn position on a monthly basis, and complete checklist with Budget Support Officers on a regular basis, retaining a copy of this checklist.
- 7.3.6 Identify solutions/action plans to potential problems.
- 7.3.7 Request virements.
- 7.3.8 Liaise with Budget Support Officers to develop appropriate financial records to achieve effective budgetary control.

7.4 Roles of the Budget Support Officer in budgetary control include:-

- 7.4.1 Be aware of virement budget position from a regular review of oracle reports.
- 7.4.2 Arrange regular meetings with Budget Co-ordinators/ Managers.
- 7.4.3 Discuss latest budget position and basis of outturn projection with Budget Co-ordinators/ Managers.
- 7.4.4 Complete support checklist with Budget Co-ordinators/ Managers, retaining a copy.
- 7.4.5 Support Budget Co-ordinators/ Managers as necessary.
- 7.4.6 Raise any problems with Head of Financial Services

8.0 STOCK

- 8.1 A definition of stock is 'a store of goods etc. ready for distribution' and 'a supply or quantity of anything for use'.
- 8.2 North Yorkshire Fire and Rescue Service hold various stocks, including uniform, vehicle fuel and parts, and computer consumables.

- 8.3 Whilst all stock has to be purchased from a revenue budget, its true cost is not realised until the stock has been distributed or issued. It is essential, therefore, that regular stock takes are carried out and the results are reported to Budget Support Officers, so that an adjustment can be made to reduce the closing stock figures that appear on the financial ledger, and are then used for monitoring purposes.
- 8.4 Example - Uniform Budget:
- 29th April - Expenditure reported on the general ledger £5,000 which reflects all purchases of uniform (issued and un-issued)
 - 30th April - Stock take performed and £1,500 of uniform in stock un-issued
 - 30th April - Adjustment by Budget Support Officer to expenditure reported for April to £3,500 (£5,000 less £1,500)

9.0 BUDGET PROFILING

- 9.1 Budget Profiling is the exercise of estimating patterns of income and expenditure, and allocating the budget on this basis.

Monthly salary payments would be easy to profile as similar payments should be made each month. Utility bills could be monthly or quarterly; therefore it would be difficult to profile these budgets on the financial ledger.

- 9.2 Budget Support Officers do not profile budgets as the profiles would be numerous and varied.
- 9.3 Budget Co-ordinators/Managers are able to profile their budgets on their own locally held records, giving an indication of how the budget is being spent against this profile.
- 9.4 Reports provided by Budget Support Officers will always show the annual budget, expenditure to date, and the percentage of the budget spent. This can only be a guide, as some budgets comprise of one annual payment to one supplier, and will always appear to be peculiar until the end of the financial year.

10.0 ACTIONS TO TAKE IF A BUDGET IS OVERSPENT

- 10.1 Expenditure for which no Authority approval has been sought falls in to two categories.
- Contingent expenditure arising from events not anticipated over which the Authority has no control.
 - Ultra vires (illegal)
- 10.2 There needs to be some flexibility in expenditure plans, and for this reason, the regulations allow for virements (see 3.8 above). Any expenditure proposal not included in the budgetary estimates must be financed by identified savings elsewhere, or by the generation of income not previously included in budgetary estimates.

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- 10.3 In the case of (10.i) above, the Treasurer must be notified immediately of the cause of the contingent expenditure and the likely sums involved.

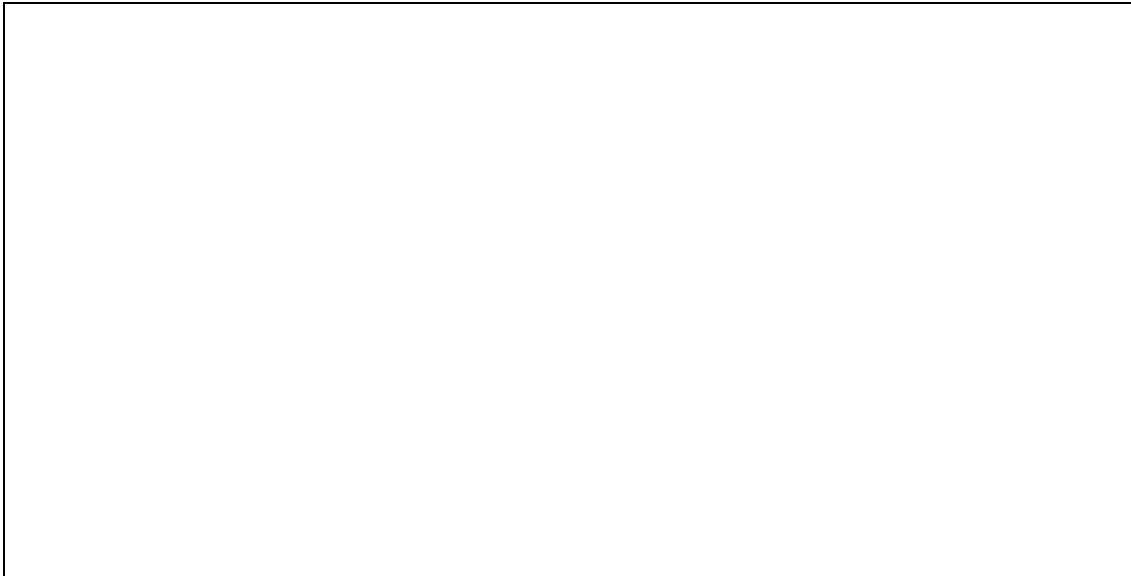
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Resource Allocation Framework

Resources are ever scarce and in the context of economy, efficiency and effectiveness, a resource allocation process must apply based on the business case for each expenditure/ investment proposal.

The issues which need to be addressed are:-

1. The priority of the business case and its contribution to achieving overall Authority policy objectives set out in the Corporate Plan.
2. Consultation outcomes.
3. Stakeholder priority.
4. The shared service/partnership content of any project.
5. The level of funds available from external sources.
6. The relative priority of change issues vis a vis core intervention /protection /compliance demands.
7. Potential for re-direction of current expenditure.
8. Savings from improved efficiency (this may not be in this financial year or relate to this budget, but please give details).
9. Corporate Risk Management Perspective and Risk Rating.



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2. Please provide details of the savings to be made in 2011/2012 as detailed on page 1 and confirm whether Or not these are 'one off' in 2011/12, or recurring.

3. Please provide any further information you consider necessary to support this budget bid

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**NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY
VIREMENT REQUEST**

Appendix B

REQUEST TO VIRE BUDGET FOR THE FINANCIAL YEAR _____

No:

£10.00) BUDGET HOLDER £	VIRE FROM The budget code must include the cost centre. BUDGET CODE	VIRE TO BUDGET CODE	AMOUNT (+/-) (Nearest FROM TO £
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Reason for virement:-

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AUTHORISATION REQUIREMENTS

This virement request complies with Section 5.4 of North Yorkshire Fire and Rescue Authority's Financial Regulations. (The Financial Regulations can be viewed on the intranet under: Functions/Financial Services/Finance and Budgets/Financial Management Framework/Section D)

Signed: _____

BSO

Signed: _____

BSO

BUDGET HISTORY 200x/200x

Appendix C

Subjective Code:		Cost Centre:	Original Budget £
Date	Anticipated Final Income or Expenditure for Year £	Reason for Variation from Original Budget	

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If this form is not returned to Finance by the specified date, it will be assumed that your final Outturn will be met by Original Budget.

Signature..... Designation..... Date.....