

**North Yorkshire Fire & Rescue Service  
Budget Management Standard Operating Procedure**

**1. INTRODUCTION**

- 1.1 The Service needs to manage performance to ensure 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.
- 1.2 It is the responsibility of Budget Co-ordinators/ HOLDERS and Budget Support Officers to ensure compliance with the service's Financial and Contract Regulations.
- 1.3 Although staff within Finance and Payroll primarily provide support to the Treasurer, Budget Support Officers within the teams can also assist any officer regarding financial management, administration or budgetary control issues.

**2. PREPARING A BUDGET**

- 2.1 Some basic 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 saving
  - past and future spending patterns
  - contractual commitments
- 2.3 The budget setting process commences in August when Budget Support Officers provide Budget HOLDERS with a Budget Statement.
- 2.4 The statement will provide details of the current year's budget, the current forecast and the previous year's actual expenditure. Any known savings will be highlighted along with any assumptions made by the Finance team from the average of the previous three years expenditure and proposals to support the Medium Term Financial Plan (MTFP). The budget is to cover a twelve month period, from 1<sup>st</sup> April to 31<sup>st</sup> March and supporting information for the proceeding three years thereafter.
- 2.5 The information provided is used to draft the budget for the forthcoming year, for discussion at Strategic Leadership Team and ultimately approval by the Police, Fire and Crime Commissioner (PFCC).
- 2.6 Once the total budget has been approved by the PFCC, details are issued in the form of the Budget Book to all Budget Co-ordinators/ HOLDERS. This also

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includes a timetable for the despatch of reports from Finance, and the return of forecast information to Finance.

**3. MANAGING AND MONITORING A BUDGET**

- 3.1 Monitoring against the approved budget is an important part of financial governance. Accurate forecasting highlights effective budget management and assists in making decisions about future financial years and also in demonstrating efficiency in the use of financial resources.
- 3.2 Budget Management is a specific responsibility which is allocated to Budget Co-ordinators, who may then delegate this responsibility to Budget Holders.
- 3.3 All Budget Co-ordinators/ HOLDERS are required to locally maintain Finance approved budget monitoring and forecasting records to manage revenue and capital budgets for which they are responsible.
- 3.4 At the beginning of each month, Finance send the following to all Budget Co-ordinators/ HOLDERS:
- A spreadsheet report which details the original budget, virements, expenditure to date, stock, forecast outturn, year to date variance and variance to budget. This information must be reviewed each month, to provide up to date forecasts in respect of the projected year end financial position.
  - A report from the Oracle system detailing all expenditure and income processed (e.g. invoices passed for payment and debtors raised for income) during the previous period. This report must be compared with the local records and any discrepancies investigated and resolved. It is the responsibility of the Budget Co-ordinator/ HOLDER to ensure that locally held records are reconciled to the Oracle reports each month and kept up to date.
- 3.5 The locally held budget monitoring record should include details of:
- the approved budget
  - invoices passed for payment
  - expenditure committed/orders placed for goods and services for which invoices have not yet been received
  - expenditure planned but not yet committed.
  - stock purchased but that will not be issued before the end of the year (see paragraph 3.10)
  - a forecast of the total expenditure to be incurred or income generated.
- 3.6 The forecast outturn for each budget must be reported to Finance whenever there is a change via a budget history form and providing detailed explanations as to why the change has arisen. Budget Support Officers will meet Budget Co-ordinators/ HOLDERS on a regular basis to review and challenge the information provided, and ensure sufficient explanations are given.
- 3.7 Budget history forms are required to be completed and authorised prior to the monthly meeting with the Budget Support Officer. If a meeting is not scheduled in a particular month when a forecast requires changing, the budget history form is to be sent to Finance by the deadlines stated within the Budget Book.

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This will ensure that reporting deadlines are met and reports include the most up to date available information.

Budget history forms are on the Intranet under: Directorates, Finance, Finance and Administration, Finance, Budget History Forms.

[Link to Budget History Forms](#)

- 3.8 The overall forecast position of the Authority is reported monthly to Strategic Leadership Team and other relevant meetings.
- 3.9 Important things to consider when managing a budget are:
- a) Forecasting should be based on the most likely position rather than the worst case e.g. if a budget is based on an expected level of activity which decreases halfway through the year the forecast should reflect this rather than the “what if” scenario where it could be higher. It is accepted that there will be times when events are outside of the control of the Budget Holders e.g. spate conditions or changes in statute resulting in expenditure in excess of budget, however this should still be reflected in the forecast.
  - b) Monitor expenditure against budget on a monthly basis and include all orders when placed even if the invoice is not yet paid. Not only does this assist in forecasting accurately, it will help to ensure that at the year end invoices are coded to the correct year i.e. the year in which the goods were received. Further guidance on year end procedures is published in February each year.
  - c) Discuss with other officers whose actions may impact on your budget e.g. course fees, printing requirements, PFI contract at Training Centre.
  - d) Consider price changes in year e.g. utilities.
  - e) Consider income budgets as well as expenditure e.g. some courses are funded from the fees generated by running the event. If an event is cancelled, the expenditure will not be incurred but neither will the income be generated.
  - f) Consider the implications of stock purchased but not issued; see paragraph 3.10 below.

### **3.10 Stock**

- 3.10.1 A definition of stock is ‘a store of goods etc. ready for distribution’. The Service holds various stocks, including uniform, vehicle fuel, vehicle parts, and computer consumables.
- 3.10.2 Whilst all stock has to be purchased from a revenue budget, it is not charged to that budget until the stock has been issued. It is essential, therefore, that monthly stock takes are carried out and the results are reported to finance, so

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an adjustment can be made to reduce the closing stock figures that appear on the financial ledger, and are then used for monitoring purposes.

3.10.3 Example - Uniform Budget:

- 24<sup>th</sup> April - Expenditure reported on the general ledger system £5,000 which reflects the purchase of uniform that is put into stores
- 30<sup>th</sup> April - Stock take performed and £1,500 of uniform in stock remains un-issued
- 30<sup>th</sup> April - Closing stock adjustment made by finance of £1,500 to report expenditure (i.e. issued stock) of £3,500 on uniforms in April.

**3.11 Virements**

3.11.1 Principal Officers, after consultation with the Treasurer, may initiate virements between budget heads provided:

- It does not involve a new policy or policy change.
- It does not involve an increasing commitment in future years which cannot be contained within existing approved budget allocations.
- It does not create additional overall budget liability.

3.11.2 Any single virement for expenditure not exceeding £20,000 shall be approved by the Head of Finance and Administration who will notify the Treasurer accordingly.

[Virement Request Form](#)

3.11.3 Any single virement for expenditure exceeding £20,000 shall be subject to approval by the Treasurer.

3.11.4 The full financial regulations governing virements can be found in the Corporate Governance Framework (Section 5):

[Corporate Governance Framework](#)

Please refer to these regulations prior to processing a virement.

**4.0 ACCOUNTABILITY**

An underlying principle of the Service's Financial and Contract Regulations is that of accountability.

4.1 **Responsibilities of the Budget Co-ordinator/Holder for budget setting include:**

- Discussing staffing establishment with Budget Support Officers.
- Calculating the effect of any policy changes in conjunction with Budget Support Officers.
- Identifying growth/savings proposals.
- Provision of budget statements to plot allocated budget against activities.

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**4.2 Responsibilities of the Budget Support Officer for budget setting include:**

- Understanding key service issues and budget implications.
- Issuing original budget statements.
- Updating of staffing costs for increments, job evaluation outcomes etc.
- Calculating the effect of any policy changes in conjunction with Budget Co-ordinators/ Holders
- Allocation of pay and price inflation.
- Preparation of summary reports for the Head of Finance and Administration.
- Agree final budget statement with Budget Co-ordinator/ Holders.
- Production of the annual budget book following Authority approval in February each year.

**4.3 Responsibilities of the Budget Co-ordinator/Holder for budgetary control include:**

- Monitoring and control of expenditure/income against budget including keeping up to date records and resolving any discrepancies between local records and reports from Oracle.
- Forecast the final outturn position on a monthly basis, and complete Budget History Forms where necessary in line with published deadlines.
- Highlight any potential problem areas to Budget Support Officers, and identify action plans required.
- Request virements

**4.4 Roles of the Budget Support Officer in budgetary control include:**

- Arrange regular meetings with Budget Co-ordinators/ Holders to discuss the latest budget position and basis of outturn.
- Support Budget Co-ordinators/ Holders as necessary. This will include preparing any supplementary financial information required and challenging forecasts in light of expenditure to date and commitment records.
- Liaise with Budget Co-ordinators/ Holders to maintain appropriate financial records to achieve effective budgetary control.
- Preparation of a monthly Service summary position for the Head of Finance and Administration.
- Ensuring valid and understandable reasons are provided by Budget Co-ordinators/ Holders for changes in forecasts
- Raising any issues or causes for concern with the Head of Finance and Administration.