

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

1. INTRODUCTION

1.1 The Authority 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.

1.2 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 Intranet under: Service Documents and Forms/Service Documents/Policy/Financial Management Framework. (See link below):

[Link to Financial Management Framework](#)

2. 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 saving
- past and future spending patterns
- contractual commitments

2.3 The budget setting process commences in August when Budget Support Officers request initial bids for the following financial year's budget. The budget is set for a twelve month period, from 1st April to 31st March.

2.4 Non staff bids must be made on 'Revenue Non Staff Budget Bid' forms which are issued to Budget Co-ordinators. These will provide details of the current years approved budget, the latest available forecast outturn and the prior year's outturn. Budgets are to be prepared on a 'Zero' basis and details of all items of expenditure required are to be recorded, indicating whether they are recurring or one off items. Items of growth and savings are to be itemised, providing detailed explanations. Where contractual inflation is to be applied, the rate used and the type i.e. RPI, CPI must be listed.

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- 2.5 The information provided is used to draft the budget for the forthcoming year, for discussion at Corporate Management Board and ultimately approval by the Combined Fire Authority (CFA).
- 2.6 Once the total budget has been approved by the CFA, details are issued in the form of the Budget Book

[Link to Budget Book](#)

to all Budget Co-ordinators/Managers. This also 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 expenditure against the approved budget is an important part of financial governance. Accurate forecasting highlights effective budget monitoring and assists in making decisions about future financial years and also in demonstrating efficiency in the use of financial resources.
- 3.2 The Authority's budget management target is to be between a 0% overspend and 0.5% underspend as at 31st March each year. Budget monitoring is recognised within the Authority's Corporate Risk Register as being a control measure for effective Financial Governance.
- 3.3 Budget Management is a specific responsibility which is allocated to Budget Co-ordinators, who may then delegate this responsibility to Budget Managers.
- 3.4 All Budget Co-ordinators/Managers are required to maintain their own local records to monitor revenue and capital budgets for which they are responsible.
- 3.5 At the beginning of each month, Finance send the following to all Budget Co-ordinators/Managers:
 - A spreadsheet report which details the original budget, virements, expenditure to date, forecast outturn 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 should be compared with the local 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 reports each month and kept up to date.
- 3.6 The locally held record for expenditure budgets should include details of:
 - a) invoices passed for payment
 - b) expenditure committed/orders placed for goods and services for which invoices have not yet been received
 - c) Expenditure planned but not yet committed.

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- d) Stock purchased but that will not be issued before the end of the year (see paragraph 3.11)

The total of (a) + (b) + (c) – (d) = total forecasted expenditure for the year, and the difference between this and the total budget is the forecasted outturn for the year.

- 3.7 The forecasted outturn for each budget must be reported to Finance whenever there is a change via a budget history form and providing detailed explanations for the change. Budget Support Officers will meet Budget Co-ordinators/Managers on a regular basis to review and challenge the information provided, and ensure sufficient explanations are given.

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

The budget history form is available on the Intranet under: Service Documents and Forms/Finance & Payroll/Budget History Form (see link below)

[Link to Budget History Form](#)

- 3.9 The overall forecasted position of the Authority is reported monthly to Corporate Management Board and to each meeting of Steering Group and CFA.

- 3.10 Important things to consider when monitoring a budget:

- a) Do not hold onto budget that is not going to be spent 'just in case'. 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 to be incurred. The Authority holds reserves to fund true contingent events.
- 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 3.11 below.

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3.11 Stock

3.11.1 A definition of stock is 'a store of goods etc. ready for distribution'. The Authority holds various stocks, including uniform, vehicle fuel and parts, and computer consumables.

3.11.2 Whilst all stock has to be purchased from a revenue budget, it is not properly charged to that budget 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.

3.11.3 Example - Uniform Budget:

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

3.12 Virements

3.12.1 Budget Co-ordinators/Managers are not authorised to overspend a budget unless a virement form has been completed and authorised as appropriate. A virement is the movement of a budget from one heading to another.

3.11.2 Any single virement for expenditure not exceeding £20,000 may be actioned with the agreement of the appropriate Budget Co-ordinators/Managers. Budget Co-ordinators/Managers are to notify the Treasurer that such virements have taken place, using the virement form available on the intranet under Service Documents and Forms/Forms/Virement Form. (See link below).

<https://intranet.northyorksfire.gov.uk/ws002/Forms/Virement%20Form.doc>

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

3.12.4 The full financial regulations governing virements can be found at:

[Financial Management Framework](#)

Please refer to these regulations prior to actioning a virement.

4.0 ACCOUNTABILITY

Please note this is the website version of this document. If you are a member of NYFRS staff please use the intranet version. Date of upload 03/08/2016

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

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

- Agreeing 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 bids to support growth/savings.

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

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

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

- Monitoring and control of expenditure/income against budget including keeping up to date commitment 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/ Managers to discuss the latest budget position and basis of outturn.
- Complete support checklist with Budget Co-ordinators/ Managers, retaining a copy.
- Support Budget Co-ordinators/ Managers 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/ Managers to develop appropriate financial records to achieve effective budgetary control.

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- Preparation of a monthly Authority summary position for the Head of Finance and Administration.
- Ensuring valid and understandable reasons are provided by Budget Co-ordinators/ Managers for changes in forecasts
- Raising any issues or causes for concern with the Head of Finance and Administration.