Appendix D – Principles of Budget Preparation

These principles are to be used in the budget preparation process for the 2009/10 estimate.

Objective

To provide a consistent and authorised approach to the preparation of both revenue and capital estimates

To ensure estimates are prepared in line with available resources

That estimates are prepare to reflect corporate priorities.

Principles

Budgets will be prepared from the 2008/09 Financial Plan unless determined otherwise by the Cabinet as part of their review of services.

All approved growth and reductions will be incorporated into the final published Financial Plan.

Detailed working sheets will be maintained for all budget headings, these will be prepared by the accountable budget manager with the exception of the items listed below.

a. o Salaries
b. o Insurance
c. o Allocation of lease cars and car allowances
d. o Support service recharges
e. o Deferred Charges
f. o Appropriations
g. o Interest paid
h. o Interest received
i. o Leasing
j. o NI on taxable benefits
k. o Pension enhancements

l. o Special Expenses – co-ordinated by accountancy
m. o Depreciation
n. o Capital financing

The above items will be prepared by the accountancy team.
All working papers will be prepared in electronic form and stored on shared directories.

Efficiency Savings

Where targets have been set for efficiency savings against controllable expenditure – controllable expenditure will be defined as expenditure on employees, premises (excluding business rates), transport and supplies and services net of internal recharges (including computing, insurance) and leasing charges.

Inflation

The full effect of known pay awards will be incorporated into the estimates and provision made for future years. Provision will also be made for increases in members' allowances and car allowances.

Budgets are to be prepared at estimated outturn for pay and prices (there will be no central inflation contingency)

Establishment -Staffing

Estimates are to be prepared on the basis of approved staffing levels and supported by Human Resources statements of establishment.

Establishment budgets are to be prepared at 97% of the cost of the full establishment.

Staffing budgets will be prepared by the accountancy team for basic salary, employers' national insurance and superannuation contributions and lump sum.

Budget Managers will provide estimates for overtime.

Members' allowances will be calculated by the Democratic Services Manager

Budget Managers will prepare estimates for externally funded posts showing that the contributions fully recover the employment costs including associated overheads.

IT Budgets

Estimates are to be prepared by IT. This will cover:

- ICT equipment
- Telephony equipment or other communication devices (including line rental)
- Application systems or software
- Links to other systems
- Additional licenses to existing software
- Additional modules for existing applications
- Development of websites

Income

Statutory charges are to be increased in accordance with regulations

Fees and charges to be applied in line with Fees and Charges policies

All volumes of activity are to be quantified and detailed in working sheets

Trading accounts will be required to maintain or increase their profit margins through efficiencies or increased charges, any deviations from this rule must be approved by Cabinet.

Growth

Only contractually committed growth arising from the capital programme, existing contract, increments and approved policy changes to service levels are to be included. Corporate priorities will be financed through specific projects that will be identified by Directors and incorporated into service plans.

If any expenditure is viewed as uncontrollable e.g. increase in benefit payments, additional refuse round as a result of property increases then these are to be included initially as bids for growth.

Budgetary growth will be prioritised as follows:

Essential statutory growth
Growth to fund services that meet corporate priorities

Reserves There will be a review of reserves during the budget process and proposals will be included as part of the budget report to the Cabinet.

Support Services
Budget managers will provide detailed information in order that support services can be calculated, suggesting suitable methods of apportionment that reflect usage but at the same time avoiding any unnecessarily complex formulae. These will be made available to service managers.

Capital charges
Capital charges will be charged to individual cost centres and prepared on the basis of BVACOP (Best Value Accountancy Code of Practice)

Other Costs
There are some costs that cannot be charged to services but are shown separately and will be accounted for separately. These are:

<u>Corporate and Democratic Core Costs and Non-Distributed Costs.</u>

Corporate and Democratic Core (C.D.C.) costs are the activities and costs that relate to the general running of the council. There are two types of C.D.C. costs:

Democratic Representation and Management (D.R.M.)
This covers the costs of corporate policy making and all other member-based activities relating to governance and local representation. Examples of costs charged to DRM are:

- The preparation of agendas and minutes
- Civic ceremonials
- Officer costs associated with providing support and advice to members
- Members' allowances and expenses
- Subscriptions to local authority associations

Corporate Management (C.M.)
This represents the cost of the infrastructure which allows council services to be provided and which produces the information required for public accountability. The type of costs shown here includes:

- The functions of the Chief Executive as the head of the paid service
- The production of statutory information such as statement of accounts and performance plans
- Accounting for corporate resources
- Treasury management
- External audit fees

Non Distributed Costs (N.D.C.)
There are other central costs that cannot be shown in the total cost of services. These are:

- Past service costs relating to retirement benefits

- Unused IT facilities and other assets

Budget Principles
The following budget principles have been agreed by Corporate Management Team:

1. Per annum we are tasked with a 3% cashable efficiency saving. This value of £693,206 should be transferred during the budget setting process from non priority services and used to support corporate priorities in an ongoing nature either directly or via reserves.
2. We will seek to mitigate the impact on Council Tax from the consumption of capital resources. In effect all decisions should be made in the knowledge of the impact on investment income.
3. We will aim to build into the revenue budget a capacity for funding Capital expenditure. I would suggest £250k 09/10 and rising to £500k in 10/11 and £750k in 11/12.
4. It would seem appropriate to sponsor 2 VFM projects where we would review services that we feel performance not only needed to improve but realistically could improve. The outcomes of these, be it investment or cost reductions, would be factored into the budget process.
5. There will be no allowance for inflation, unless contractual or related to salaries.
6. We should seek additional scrutiny and challenge for accessing capital resources and ensure the programme only reflects schemes that are sufficiently scoped to allow delivery during the financial year (although schemes may cross over financial years where their nature necessitates this commitment).
7. A target of increasing the surplus from trading accounts will be set (need to agree this %age). Consideration to be given to impact of current economic climate.
8. A comprehensive review of fees and charges to ensure the maximisation of income where consistent with policy.
9. An acceptance that a viable budget was already created last year and we adjust it rather than recreate afresh. Look up not down.
10. Revenue reserves are adjusted to a realistic level with surplus funds being transferred to a “Capital Funding Reserve” (providing this does not restrict the funding being used for Revenue purposes).
11. To set a balanced budget with no impact on General balances.
12. To work towards a zero balance on the collection fund
13. Ensure LGR “legacy” capacity is dealt with in 2008/09 (as supplementary estimate – mid year) and is not detrimental to longer term aspirations.
14. Seek to increase Council Tax as indicated in the Financial Plan (2.75%).

15. Only the 09/10 budget is formally approved, future years are only indicative for both Revenue and Capital.
16. A Revenue and Capital budget is set for a 5 year period up to 2013/14 in line with the business plan.