REGULATION 3: REVENUE AND CAPITAL BUDGETS

3.1 PREPARATION OF REVENUE BUDGETS

Revenue budgets cover expenditure and income 'estimates' which will be incurred within one financial year. The budget cycle should be aligned to the policy planning process and budgets set should support the delivery of the Crematorium's aims and objectives.

3.1.1 **Financial Strategy:** Detailed budgets for expenditure and income must be prepared with due regard to the Crematorium's Financial Strategy and spending priorities.

3.1.2 **Procedures:** Revenue budgets must be prepared following the procedures and timetables set by the Treasurer to the Joint Committee.

3.1.3 **Estimates:** It is the responsibility of the Treasurer to the Joint Committee to ensure that estimates reflect service delivery plans and take account of past performance and assessments of future resources and commitments.

3.1.4 **Working Papers:** Estimates should be supported by working papers, which clearly show the assumptions made.

3.1.5 **Contingencies:** Revenue budgets cannot include contingency items for unplanned expenditure. However, provision can be made for known expenditure whose impact and value is not known.

3.1.6 **Growth Items:** Any significant growth items proposed for inclusion in the revenue budget should be appraised against the criteria laid down in the Finance Strategy.

3.2 PREPARATION AND DELIVERY OF THE CAPITAL PROGRAMME

The Capital Programme covers expenditure of a high value which usually results in a Crematorium asset with a life expectancy of more than 1 year. Such expenditure is termed as being 'capitalised' in that it will be incurred over more than one financial year. The programme therefore consists of construction schemes, improvement schemes and purchases of high value or high volume assets.

3.2.1 **De-Minimus Level:** No expenditure under **£10,000** will normally be considered for capitalisation.

3.2.2 **Approval to Capitalise Expenditure:** Any proposal to capitalise expenditure must be approved by the Treasurer to the Joint Committee.

3.2.3 **Capital Scheme Proposals:** Reports must be prepared for the Joint Committee on any scheme to be added to the Capital Programme.

3.2.4 **Scheme Approval:** The Joint Committee must consider the scheme in the context of the Crematorium's Finance Strategy approved by the Joint Committee.

3.2.5 **Budget Approval:** Budget approval must be given for each individual scheme included in the Capital programme, and the revenue budget implications of the scheme.

3.2.6 **Financing of Scheme:** The Treasurer to the Joint Committee must advise on the most appropriate method of financing any approved expenditure.

3.2.7 **Start of Schemes:** Schemes can only be initiated when the Treasurer to the Joint Committee has confirmed that the funding has been secured.

3.2.8 **Project Monitoring:** It is the responsibility of the capital scheme lead officer to keep the Joint Committee informed of any problems that may occur in relation to the timescales for delivery of the scheme.

3.2.9 **Substitution of Schemes:** Any full or part substitution of an approved capital scheme with a new scheme within the Capital programme must be approved by the Joint Committee.

3.3 BUDGETARY CONTROL

Budgetary control relates to the monitoring and control of actual income and expenditure against the budget set. The main responsibility for budgetary control lies with the Treasurer to the Joint Committee.

Budgetary monitoring should include details of commitments (orders raised), accruals (goods received) as well as payments actually made and income received.

Overspending rules relate to overspends on expenditure budgets and the underachievement of income budgets.

3.3.1 **Provision of Information:** The Deputy Treasurer to the Joint Committee shall provide Officers with relevant and timely financial information to enable them to monitor their budgets effectively.

3.3.2 **Budget Holders Responsibilities:** Officers are accountable for the control of income and expenditure within their allocated budgets and should monitor progress, taking account of the financial information available. They should take appropriate action to avoid exceeding their budget allocation and act, as laid out below, if any material variances are anticipated.

3.3.3 **Joint Committee Responsibilities:** It shall be the duty of the Joint Committee to monitor and regulate financial performance across the revenue budget and the capital programme to ensure that income and expenditure remain within the limits of the approved budget.

3.3.4 **Authority to Incur Expenditure**: Expenditure can only be incurred against a budget if the appropriate delegated authority has been given, as set out in the Scheme of Delegation to Officers.

3.3.5 **Expenditure Outside Budgets:** Expenditure is not permitted if a budget, reserve or financing provision has not been made.

3.3.6 **Decisions Outside Budgets:** Officers considering undertaking activities that have financial implications, for which there is no budgetary provision, must consult with the Treasurer to the Joint Committee before either making a commitment or reporting their plans to the Joint Committee.

The Treasurer to the Joint Committee must be given a reasonable time scale in which to respond and be satisfied that all financial issues have been considered before a report is submitted to the Joint Committee.

3.3.7 **Arbitration on Expenditure Charges:** The Treasurer to the Joint Committee will be the final arbitrator over any disputed expenditure charges.

3.3.8 **Budget Overspends:** Where it is anticipated that there will be an adverse variance against a revenue or capital budget then the variance should be discussed with the Treasurer to the Joint Committee and savings plans or other mitigating measures identified.

Revenue Budgets: Where no mitigating measures can be identified for a revenue budget and the adverse variance exceeds **£20,000, the** Treasurer to the Joint Committee should then refer it to the Joint Committee, or other relevant committee, if they are of the opinion that this materially affects the estimates.

Capital Budgets: Where the total cost of a capital scheme is anticipated to exceed the original provision by **10%** (subject to a minimum of **£20,000**) then approval must be obtained from the Joint Committee.

Where capital budget overspends are anticipated to be below this threshold the Treasurer to the Joint Committee should be informed who may then refer the issue to the Joint Committee if they are of the opinion that it will materially affect the estimates.

3.4 VIREMENTS

Virements are the temporary transfer of surplus budget provision between 'estimate' headings which do not impact on the delivery of a service. These do not affect the base budgets for future years.

3.4.1 **Temporary Effect:** Virements must not increase overall net expenditure, result in a permanent change to the base budget or commit the authority to expenditure in future years.

If the budget transfer is to be permanent then the growth item rules in the Finance Strategy should be followed.

3.4.2 **Detrimental Effect**: Virements must not have a detrimental effect to the delivery of a service from which the budget is vired. If a budget transfer is likely to have a detrimental effect on the delivery of a service that year then authorisation is required from the Joint Committee.

3.4.3 **Virements Permitted:** Virements are <u>not</u> permitted if:

a) The virement involves a Capital budget . Changes to Capital budgets constitute a change to the capital programme which must be approved by the Joint Committee.

3.4.4 All other virements are permitted if authorisation is obtained in accordance with the following table:

Total Value of Virement (Aggregate within 1 year)	**Nature of Virement**	**Authorisation required**
Any Value	Involving "non controllable" budgets such as employee budgets	Treasurer to the Joint Committee
Any Value	Involving "controllable" budgets within the Revenue budget	Relevant Officers and Treasurer to the Joint Committee

3.4.5 All virements must be reported to the Joint Committee and explanations provided for significant variances.

3.5 SUPPLEMENTARY ESTIMATES

A Supplementary estimate is a temporary or permanent addition to a net budget provision.

3.5.1 **When Permitted:** Where a virement is not possible supplementary estimates may be considered if they meet one of the following criteria:

- circumstances of an exceptional nature, which could not have been foreseen;
- a change in Crematorium or national policy, either in providing a new service or altering an existing service, which was not known at the time the estimates were prepared

- the rephasing of payments for schemes in progress, which involves no change in the overall cost, but the adjustment of budget provisions from one year to another.

3.5.2 **Consultation:** The advice of the Treasurer to the Joint Committee must be sought before any proposals for a supplementary estimate are considered.

3.5.3 **Approval:** All supplementary estimates must be approved by the Joint Committee.

3.5.4 **Urgent Expenditure:** Where expenditure is required urgently and there is no budget provision, verbal agreement may be obtained from the Chairman of the Joint Committee in consultation with the Treasurer to the Joint Committee, up to a value of **£100,000**. This must be reported to the next meeting of the Joint Committee.

3.6 JOURNAL TRANSFERS

Journal transfers relate to the permanent transfer of actual income and expenditure from one part of the Crematorium's accounts to another. These are usually a one-off transaction or involve the management of a temporary holding account.

3.6.1 **Authority to Action Journal**: Only the Treasurer and Deputy Treasurer to the Joint Committee are authorised to action journals on the Crematorium's accounting system.

3.6.2 **Authorisation Limits:** Any individual journal item over **£100,000** must be formally authorised by the Treasurer or Deputy Treasurer to the Joint Committee who themselves did not create the journal, before the end of the period in which it is created.

3.7 OUTTURN

Outturn relates to the Authority's final income and expenditure position at the year-end, in relation to the budgets set.

Commitments relate to orders raised but where the goods or services have yet to be received. Accruals relate to goods or services received for which an invoice has not yet been paid.

3.7.1 **Commitments and Accruals**: All commitments and accruals outstanding at the year-end must be reviewed by the responsible Officers to identify those for which expenditure or income is still anticipated, so that funding provision can be made which does not impact on the following year's budget.