

ARDS AND NORTH DOWN BOROUGH COUNCIL

POLICY COVER SHEET

Policy Title	Budgeting Policy
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Version	1.0
Policy Summary	The purpose is to set a framework within which Council can set and manage its budgets in an affordable, sustainable and prudent manner in order to effectively and efficiently deliver its corporate strategy, in line with its risk appetite.
Responsible Officer(s)	Head of Finance
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Date of consultation with Consultative Panel	-
Date of consultation with Unions	-
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Appendices attached	
Next review date	September 2025

Revision History:

Version	Changes made by	Date	Reason for change
0.1	Head of Finance	Oct 2023	Draft for Finance consultation
0.2	Head of Finance	Oct 2023	Draft for CLT, HoST and SUM consultation
0.3	Head of Finance	Oct 2023	Final Draft for CLT approval before CSC
1.0	Head of Finance	Nov 2023	CSC approval

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Chapter 1 Policy Statement

Introduction	<p>The Council has a legal obligation under section 1 of the Local Government Finance Act 2011 to “make arrangements for the proper administration of its financial affairs.”</p> <p>In addition, Council has a responsibility to ensure that its financial plans are affordable, sustainable and prudent.</p> <p>This Policy and associated procedures set out the framework within which the Council should set, manage and report on its budgets. It has been written in line with good practice on internal control and takes account of Local Government and Internal Audit recommendations.</p>
Policy Scope	<p>All income and expenditure fall within the scope of this policy and associated procedures.</p> <p>Chapter 1 covers budgeting policy and is subject to Council approval, the remaining chapters are procedures and are subject to periodic management review.</p>
Policy Objectives	<p>The objectives of the policy are to ensure that:</p> <ol style="list-style-type: none">1. Financial plans are affordable, sustainable and prudent2. Decisions are evidence-based at strategic and operational levels3. There is a framework for a multi-year integrated business planning process4. There is an efficient and effective framework for financial management, forecasting and accountability, that allows budget holders to make decisions in line with the scheme of delegation and within appropriate timescales.5. There is appropriate time for the Finance team to actively engage with Services.

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Chapter 1 Policy Statement, Continued

Policy Statement

Council will integrate its business planning and assurance tools in order to develop robust financial plans that address legislative requirements (multi-year financial planning, continuous improvement etc.), corporate planning, service planning and risk management actions.

Each year Council will agree a budget strategy, which will set out key internal and external factors, budget principles and a timetable. Following agreement, the Finance Service will issue an Estimates Handbook, detailing the requirements for each budgeting cycle.

Budget holders are responsible for

- delivering services, projects or programmes as set out in their respective Service Plans or business cases (as appropriate) within the budget set by Council;
- controlling the net cost of their Directorate, Service, Service unit, project or programme taking corrective operational action to live within the budget set; and
- explaining variances and providing outturn forecasts as part of the budgetary management process.

Each medium-term financial plan will provide indicative budget allocations for the full planning horizon.

Budgets must be set in the context of ensuring financial resilience, and that plans are affordable, sustainable and prudent.

The budget setting and management processes are to be collaborative within Services, within Directorates and across the whole Council, allowing unused funds in one area to be utilised in another.

Budget management involves managers providing forecast outturns on at least three occasions during each financial year.

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Chapter 1 Policy Statement, Continued

Definitions The following definitions are used in this policy:

Term	Acronym	Definition
Budget Holder		Revenue – Directors, Heads of Service and Service Unit Managers Capital – Senior Responsible Owners
Chief Financial Officer	CFO	Chief Executive
Minimum Revenue Provision	MRP	The amount to be included in revenue budgets in order to repay capital expenditure. In effect this should be regarded as the capital element of a repayment mortgage.
Medium Term Financial Strategy	MTFS	Sets out the context in which the Council is setting its budgets and the principles that will guide its decision making in respect of setting a budget.
Medium Term Financial Plan	MTFP	In order to fulfil its affordability, sustainability and prudence requirements the Council is required to plan its finances over a minimum three-year horizon. This plan sets out the high-level budgets and reserves for a minimum three-year period.
Actual Penny Product	APP	The actual amount of money raised from the collection of District Rates in any given financial year. Normally this results in a balancing payment accrued into the financial year and paid in November the year following.
Estimated Penny Product	EPP	The amount of money raised by a non-domestic rate of 1p. This is used to convert the total expenditure to be funded from the District Rates into a rate that can be used to calculate rate bills.
Gross Expenditure	GE	Total revenue expenditure including all service related, non-service and capital financing expenditure.

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Definitions, continued

Term	Acronym	Definition
Budget Scrutiny Panel	BSP	Senior management panel that evaluates value added budget requests and savings during the estimates process
Investment Approval Panel	IAP	Quality assurance panel to review all business cases that do not go through the project handbook before they go for approval.
Net Expenditure	NE	Gross expenditure less income receivable.
Strategic Policy and Finance Group	SPFG	Working group that reports to Corporate Services Committee

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Chapter 1 Policy Statement, Continued

Associated Policies

The following policies are associated with this policy:

Ref	Policy
	Project Management Handbook
286	Asset Management Policy
287	Charging and Income Policy
289	Reserves Policy

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Chapter 2 Financial Resilience

Introduction Council must keep its financial position under review to ensure that it has adequate reserves to manage unforeseen events.

It must also ensure that all of its plans are affordable, sustainable and prudent.

These two principles are of paramount importance and this chapter sets out how Council will ensure that these are achieved. It should be read in conjunction with the Reserves Policy.

Considerations Council will consider the following when determining its financial resilience:

- Level of General Fund
 - Level of other Funds and Reserves
 - Economic environment
 - Legislative and regulatory environment
 - Dependence on external funding
 - Tax base and rate collection trends
 - Capital programme
 - Capacity to charge fees
 - Service delivery models
-

Planning Horizon In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, detailed resilience will be considered over a minimum three-year planning horizon.

Affordability, sustainability and prudence will usually be considered over a 10-year planning horizon.

Requirements Each year the estimates must be tested against the budget strategy and the results reported to Committee.

Each year the estimates must be stress tested to understand the implications if critical assumptions were varied.

In line with legislation, each year the Chief Financial Officer must report on the robustness of the estimates prepared and the adequacy of reserves over the medium-term planning horizon.

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Chapter 3 High Level Process

Introduction This chapter sets out the high-level process involved in budget setting and management.

Process The process is led by the Director of Corporate Services and Head of Finance and falls into four broad phases:

Phase	Activities
Define August - September	Update Budgeting Strategy, considering Big Plan, Corporate plan, corporate and service risks Roadmap to Sustainability, council agreed strategies Reserves Policy, external factors, internal factors, corporate theme analysis, EPP trends, APP trends, previous year outturns and other future proofing requirements.
Discover September - October	Identify cost pressures – statutory, notices of motion, existing and new internal factors, policy implications, increased demand, loss of funding etc. These should be evidence-based pressures rather than simply anecdotal. Identify income generation opportunities – price increases (in line with Charging and Income Policy) and new funding opportunities. Identify savings or investment opportunities – set monetary value and do detailed work in parallel or outside process.
Design November - February	Initial district rate forecast to SPFG. Detailed work by Services with support from Finance. Budget Scrutiny Panel recommendations for inclusion in budgets. Management action plan to achieve the target. Draft Service Delivery Plan within budget context and PERFORM methodology. Definitive budgets for the new financial year will be set by the statutory deadline of 14 February. Indicative budget allocations for years two and three of the plan will be provided to budget managers.
Deliver April onwards	Delivery of Service Plan and budget during financial year, taking corrective action as appropriate. Performance reporting Budget reporting

Although the high-level process is well defined, the form that each stage takes will vary from year to year to address the current challenges and environment.

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Chapter 4 Investment Decision Making

Introduction Good practice requires that new expenditure be considered in the context of the evidence available. This generally takes the form of a business case which follows HM Treasury guidance.

This considers, strategic, economic, commercial, financial and management cases, in what is called the Five Case Model.

Approach Business cases should be prepared on the following basis;

1. Outcome focussed

Eg. Effective management of x service rather than 'Recruitment of manager for x service'

2. Evidence based

Eg. "Council's current financial system will not be supported beyond 2026. It has been in use for over 22 years and has not kept pace with technological developments, such as mobile working, dynamic data presentation."

Rather than "Council needs a new financial system as it has been using the current system for many years and will soon reach the end of its useful life."

3. Consider full project or programme

Business cases need to consider all income and expenditure connected with the desired outcome, including procurement costs, recruitment costs, ongoing running costs, operating income, ICT and maintenance expenditure.

4. Collaborative preparation

Early engagement with other stakeholders. Eg. a case that requires new staff needs to consider human resource implications, requirement for new vehicles, computers, appropriate office space etc.

5. Timely preparation

Plenty of time needs to be planned in for consultation, preparation and review before a business case is submitted for approval.

6. Minimise burden on the district rate

The financial case should seek to minimise the operating deficit of the project or programme, by using savings elsewhere, increasing income, accessing external funding, or sharing resources with other Services.

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Chapter 4 Investment Decision Making, Continued

Approach,
continued

7. Be proportionate

The greater the expenditure and or complexity of the project of programme the more extensive the business case should be.

Format

Project Management Handbook

- To be followed for large capital projects with a construction cost of more than £500k

Straightforward requests of up to £100k made during estimates process

- Part of submission to Budget Scrutiny Panel. No formal business case is required although budget managers may find it helpful to prepare a rough draft of one to ensure they have a robust case for presentation.

BC Template 1

- Gross Expenditure \leq £100k (if includes staffing, the 5-year cost must be lower than this threshold)
- Service Provision Reviews introducing savings \leq £50k
- Accessing Strategic Funds

BC Template 2

- Gross Expenditure $>$ £100k (including staffing)
 - Service Provision Reviews introducing savings $>$ £50k
 - Accessing Strategic Funds
-

**Capital
Projects
Portfolio
Board**

The role of the CPPB is set out in its terms of reference and will approve all major capital business cases in line with the project management handbook.

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Chapter 4 Investment Decision Making, Continued

Investment Assurance Panel

In order to enhance the quality of other business cases that justify investing public funds an Investment Assurance Panel (IAP) will be established made up of the Corporate Services Heads of Service or their substitute to review all non-project management business cases. An operational Head of Service may also be consulted, depending on the size and complexity of the project.

All business cases will be quality assured as follows:

Business Area	Head of Service	Substitute
Staffing	HR&OD Finance	Resourcing Manager Performance Accountant
Transformation	STaP Finance	Transformation Manager Performance Accountant
Sustainability	Administration Finance	Compliance Manager Performance Accountant
Tax Base Development	Finance + another	Performance Accountant Capital Accountant
Capital	Finance + another	Capital Accountant
Other	Finance + another	Performance Accountant

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Chapter 4 Investment Decision Making, Continued

Process

The expenditure approval process is as follows:

Large capital projects with a construction cost of more than £500k are to be approved by the CPPB before presentation to Council.

New revenue requests of up to £100k being considered as part of the estimates process may be presented to the Budget Scrutiny Panel in the context of Service Planning.

New revenue requests of more than £100k may be included in the presentation to the Panel, however, due to their size and/or complexity a business case should nonetheless be prepared in order to give assurance that the decision is being made on robust grounds.

Requests to access any of the strategic earmarked funds will be approved in line with the Reserves Policy.

Requests for projects to be included on the Capital Projects Portfolio will be approved in line with the Capital Projects Handbook.

New Capital requests of any size require a business case to be prepared using the process below.

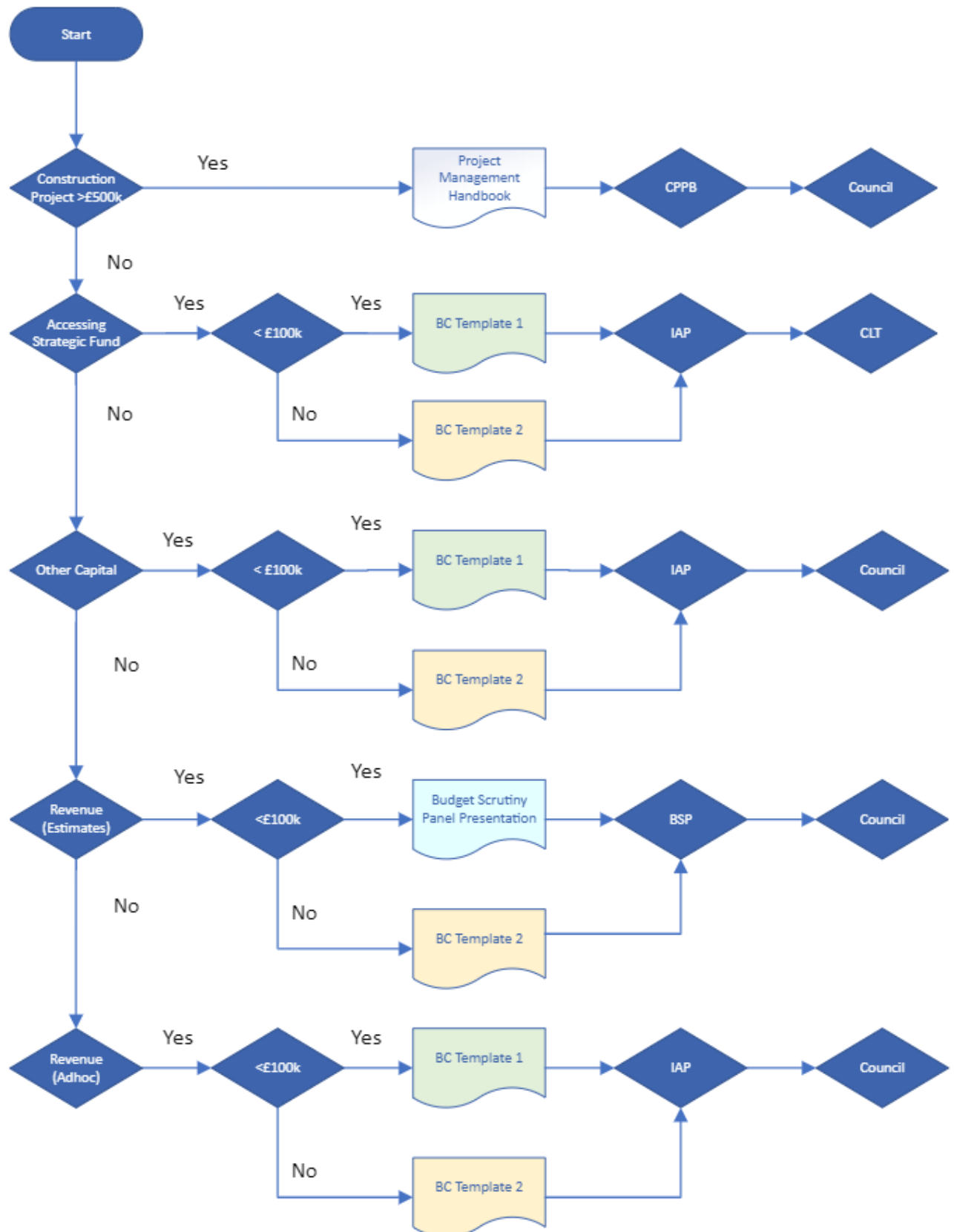
Step	Activity
1	Identify need and potential stakeholders
2	Consult with stakeholders
3	Prepare Strategic Case in Template 1 or 2
4	Submit to IAP for review, feedback and first stage approval
5	Prepare remaining sections liaising as appropriate
6	Submit to IAP for review, feedback and approval
7	Submit for approval in line with appropriate policy or handbook.

This is set out as a flow chart below

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Chapter 4 Investment Decision Making, Continued



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Chapter 5 Budgeting for Major Income and Expenditure Streams

Introduction

Council income and expenditure can be analysed as follows:

Income		
2023/24 Budget		
£'000		
Leisure	(3,041)	26%
Regulatory Services	(2,512)	22%
Waste and Cleansing	(1,440)	12%
Planning	(1,150)	10%
Community and Culture	(1,001)	9%
Other	(2,484)	21%
Total	(11,628)	

Expenditure		
2023/24 Budget		
£'000		
Payroll	37,038	49%
Property & Transport	9,092	12%
Capital Financing	7,867	10%
Waste	7,692	10%
Other	13,461	19%
Total	75,150	

Activity during the budgeting process will naturally focus on the top areas of income and expenditure.

Principles

The following principles will be used to budget for these significant areas of income and expenditure:

1. Budgets built from bottom up
2. Early focus
3. Driving efficiencies

In practice for income this means:

- Leisure, Regulatory Services, Waste and Planning – sales mix and price
- Community and Culture – funding streams

And for expenditure:

- Salaries – by post, FTE, SCP and estimated by increase
- Property & Transport
 - for energy – by location, consumption and price
 - for maintenance – condition surveys
- Capital – by project, timing and borrowing requirement
- Waste – by waste stream, tonnage and estimated price

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Chapter 5 Budgeting for Major Income and Expenditure Streams, Continued

Capital Expenditure

Capital expenditure has the following characteristics:

- Asset has a useful life of more than one year;
- Asset has a value of at least £5,000; or
- A group of assets, although individually have a value of at least £500, has a combined value of at least £5,000.

Capital project and programme expenditure is made up of three elements:

Capital Projects Portfolio

- Major capital construction projects

Major lifecycle programmes

- Vehicle replacements
- Parks equipment replacements
- Mechanical and electrical installation replacements
- ICT hardware and software replacements
- Leisure fitness equipment replacements
- Waste Collection and Disposal equipment

Minor schemes

- All other schemes and programmes
-

Approval

Final Capital Projects Portfolio budgets are set at approval of the award of the construction contract.

Major lifecycle programmes budgets are set during the estimates process for the incoming year. This sets a maximum expenditure limit for the financial year.

Minor schemes budgets are set during the estimates process for the incoming year, following the approval of a business case that has gone through the investment decision making process.

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Chapter 7 Revenue Budget Reporting

Introduction In order to effectively manage the organisation's finances it is essential that the Council has a robust budgetary control procedure allowing managers to take corrective action in order to deliver balanced budgets.

Principles Reporting will:

1. Be at an appropriate level of detail for the audience
2. Be presented in a manner that allows easy understanding of the key issues
3. Allow corrective action to be taken
4. Be comprehensive.
5. Have a predictable schedule:

Level	Frequency	Audience
Corporate	Monthly	CLT & HoST
	Quarterly	Corporate Services Committee
Directorate	Monthly	Directorate
	Quarterly	Operational Committee
Service & Service Unit	Monthly	Head of Service and Service Unit Manager

Thresholds Income and Expenditure is grouped into three categories:

- Payroll Expenditure
- Goods and Service Expenditure
- Income

A variance is significant if actual is more than a set percentage difference from budget and over a de-minimis threshold (eg. 5% and £10,000). These thresholds should be set to explain 80% of the variance of each category and will consequently vary from month to month.

Commentary will be expected from budget managers in respect of significant issues.

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Chapter 7 Revenue Budget Reporting, Continued

Process

The following process will be followed:

Step	Action
1	All budget managers will have access to the financial system with bespoke reports and enquiries for their area of responsibility.
2	The Finance Service will close-down each financial period by 6 th working day of the following month and issue budget reports by 8 th working day.
3	The Finance Service will notify budget holders when each month's reports are available on the financial system and will also publish a Significant Issues report on SharePoint
4	<p>Budget Managers will review the significant issues report within 5 working days and provide commentary to allow Committee reports to be prepared in a timely fashion.</p> <p>Where appropriate, comments will also include what corrective action will be taken to live within the Service budget.</p>
5	Monthly reports will also be presented to meetings of CLT and HoST for consideration and to give a corporate context for decision making.

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Chapter 8 Capital Budget Reporting

Introduction	<p>Capital budget reporting has two aspects:</p> <ol style="list-style-type: none">1. To provide information to allow the effective management of each capital project or programme; and2. To assist with the effective management the organisation's finances.
Thresholds	<p>Variances for capital reporting are significant if they are greater than the lower of £500k or 5% of the budget.</p>
Principles	<p>Reporting will follow the following principles:</p> <ol style="list-style-type: none">1. Monthly reports will be published on SharePoint to provide project and programme up-to-date historic information and allow the gathering of forecasts regarding the likely year end outturn position.2. Reports will be issued by the 8th working day of the new month and budget holders will be expected to provide commentary within 5 working days.3. Variances giving rise to significant variances will be reported as part of the quarterly capital reporting cycle.

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Chapter 9 Budget Management

Introduction

Budgets are established to facilitate the Council achieving its objectives and involve professional judgement.

Inevitably unforeseen events occur which require expenditure or opportunities arise which it would be detrimental to the achievement of the Council's objectives in the longer term if they were not taken in a timely fashion.

This chapter sets out how the Council will deal with managing budgets in the context of these uncertainties.

The Reserves Policy set out the limits that apply to financing non-essential expenditure from the General Fund.

Revenue Management

The following principles apply to the effective management of revenue budgets:

1. Budget holders are responsible for delivering their service within the budget set. This inevitably will result in trade-offs having to be made during the year, within the Service Unit, Service, Directorate or, for major items, across the council as a whole.
2. Budgets cannot be carried over from one year to another year.
3. Unforeseen expenditure should be funded in the following order:
 - a. Additional income
 - b. Current underspends (within Service Unit, Service or Directorate)
 - c. Budgets may be transferred between services (and consequently directorates) in line with normal authorisation levels
 - d. Curtailing other activities
 - e. Incomplete Projects Fund (within Earmarked Fund)
 - f. General FundSubject to the requirements of the Reserves policy – 0.5% limit and Corporate Service Committee approval

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Chapter 9 Budget Management, Continued

Revenue Management, continued

4. Budget Managers will be expected to produce forecast outturns on four occasions during the year, as follows:
 - a. June Budgetary Control Report
 - b. August Budgetary Control Report
 - c. November Budgetary Control Report
 - d. January Budgetary Control Report

Capital Management

The following principles apply to the effective management of capital budgets:

1. Budget holders are responsible for delivering their projects within the budget set. This inevitably will result in trade-offs having to be made during the project or over the capital investment programme as a whole.
2. Financial allocations made for the Capital Investment Programme are approved each year following the project prioritisation programme and are multi-year allocations.
3. Major lifecycle replacement programme budgets are approved each year as part of the budgeting cycle. They are multi-year allocations to aid effective service delivery.
4. All other capital budget allocations lapse at the end of the year unless an updated business case is submitted for the new financial year. Budgets are approved each year as part of the budgeting cycle.
5. Unforeseen expenditure should be funded in the following order:
 - a. Additional income
 - b. Current capital underspends
 - c. Value engineering or reducing requirements
 - d. Funding from revenue underspends
 - e. Delaying other capital projects (this may require the re-submission of a business case to carry into the new financial year).
 - f. General Fund (Maximum of 0.5% of opening balance on non-essential expenditure)

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ARDS AND NORTH DOWN BOROUGH COUNCIL

Chapter 9 Budget Management, Continued

Capital Management, continued

6. Budget Managers will be expected to produce forecast outturns on three occasions during the year, as follows:
 - a. June Budgetary Control Report
 - b. September Budgetary Control Report
 - c. November / December Budgetary Control Report
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Chapter 10 Engagement

Introduction Engagement between Services, Service Units and the Finance Service is essential to the effective and efficient management of Council financial resources.

This chapter sets out the arrangements for this.

Service Level Finance will formally engage with Services on a number of occasions each year.

Service Code	Service	Frequency
110	Environment Health P&D	Half Yearly
120	Community and Culture	Quarterly
140	Parks and Cemeteries	Quarterly
150	Leisure	Quarterly
210	Waste and Cleansing	Quarterly
220	Assets and Property	Quarterly
230	Regulatory Services	Half Yearly
610	Community Planning	Half Yearly
630	Communications & Marketing	Half Yearly
720	Economic Development	Half Yearly
730	Planning	Half Yearly
740	Tourism	Half Yearly
810	Regeneration	Half Yearly
820	Strategic Capital Development	Quarterly
1030	Strategic Transformation and Performance	Quarterly
1040	Human Resources and OD	Quarterly
1050	Administration	Half Yearly
