



Friends of X112 Budgeting Policy

The budget round – Each year during January and February, staff and Trustees will develop a budget for the coming year, which represents both their best judgement of likely outcomes and the necessary performance to meet identified targets. In addition, a forecast for the following year will be prepared, based on strategic objectives and current knowledge of the financial environment.

Zero-based budgeting – Core budgets will not be formulated on the basis of taking last year's figures and adding x% (historical budgeting) but by looking at the coming year starting with a blank sheet of paper and building each line of income and cost from knowledge and expectation.

Revenue v capital budgets – The budget will differentiate between revenue and capital expenditure. Revenue needs are those needed to finance the organisation on a day to day basis for the identified year. Capital expenditure refers to items to be bought or constructed which are not part of a normal maintenance programme and are expected to last for a period of time. Only items or projects over £2,000 should be included in the capital budget and these will be depreciated according to Friends of X112's depreciation policy. If capital items are not purchased in the current year, they should be included in the following year's budget.

Strategic objectives – Staff and Trustees will also be asked to identify strategic objectives for the next two years, which may have financial implications e.g. extra staffing or equipment. The budget will reflect the implementation of the strategic plan and will use full cost recovery principles where restricted funding allows.

Allocated costs (Where the organisation delivers more than one service) – It is important for each service to be able to identify the costs associated with their operation. Wherever possible costs will be fully allocated in line with Friends of X112's full cost recovery policy and SORP guidelines.

Internal transfers – So that the system remains simple internal transfers will be accomplished by a single monthly transaction agreed between departments.

Authority and control – Refer to Friends of X112's delegated authority policy.

Funding budgets – Whenever possible the staff member responsible for the service will be involved in budget preparation for the funding bid.

Monitoring and control – Budgets will be monitored and controlled according to Friends of X112's monitoring procedure. The budget however is only a financial plan relevant up until the year starts. Once started the budget becomes a fixed point of reference, while the forecast will be the principal tool of monitoring.

This policy is to be read in conjunction with the following policies/documents:

- Financial controls policy
- Reserves policy
- Delegated authority policy

Review date: 31/7/2020