

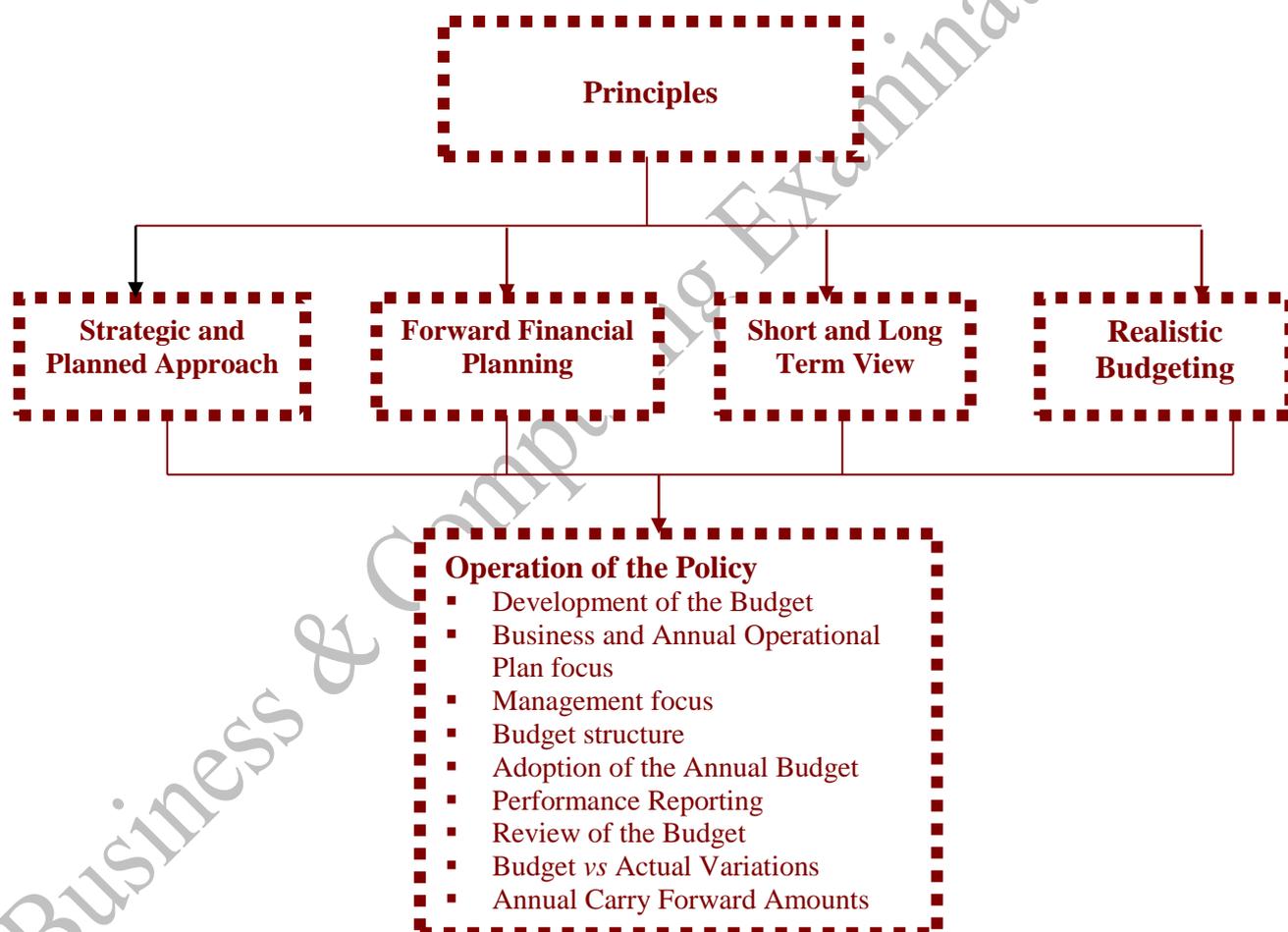


Business & Computing Examinations (BCE) LONDON (UK)

Budget Control & Review Policy

Policy No.:	P016c
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Status:	Approved
Responsibility for policy:	CEO
Responsibility for implementation:	CEO / Accountant

Budget Control & Review Framework



1. **Introduction**

The Chief Executive Officer has a responsibility to establish and maintain an appropriate internal Business and Annual Operational Plans. BCE will adopt a Budget as part of the Business and Annual Operational Plans reviewed on an annual basis to refine the information and to incorporate a new year.

Application of this Policy and Procedure

The policy and procedure relates to all Financial Management activities conducted at BCE.

2. **Policy Principles**

The Policy is based on the following principles:

Strategic and Planned Approach

A strategic approach to the undertaking of all BCE projects and activities so that all income and expenditure decisions will align with the planned strategies to achieve the desired goals.

Forward Financial Planning

Strategic Plan to describe the planned goals and objectives in a sustainable manner.

Short and Long Term View

Each Annual Budget will be reconciled on an accrual and cash basis. Adequate provisions will be made to meet BCE's long term liabilities.

Realistic Budgeting

All budget figures will be realistic, based on the best available information and developed using a zero based budgeting approach.

A method of budgeting in which all expenses must be justified for each new period. Zero-Based Budgeting (ZBB) starts from a "zero base" and every function within BCE is analysed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one.

ZBB allows top-level strategic goals to be implemented into the budgeting process by tying them to specific functional areas of the organization, where costs can be first grouped, then measured against previous results and current expectations.

Cash Management

BCE will examine expenses and endeavour to use cash reasonably and with due care.

New Initiatives

All new proposed initiatives and projects should be presented to the CEO for scrutiny to determine alignment with the planned strategic goals and objectives and include a cost/benefit analysis which includes whole of life costing. In some cases, outside (consultant) help and advice will be sought.

Financial Control

BCE financial resources will be used wisely and sensibly and all risks will be assessed and properly managed.

3. **Policy Statement**

BCE recognises that it needs to manage and implement a Budget process to achieve the planned outputs and outcomes and to ensure that the operations of BCE proceed in an efficient and flexible manner.

Aspects of Budget Management include the development of a streamlined internal process for preparation, recognition of external influences and their potential impact, regular reporting, monitoring, review and reconsideration of Budget estimates in the BCE Business and Annual Operational Plan [Financial Plan] and the ability to deal with urgent issues that require immediate attention to prevent loss of an asset or present a situation that has been assessed as a major unacceptable risk.

This policy describes the budget policy framework, development of the budget, budget allocation levels, monitoring and performance expectations, the process of review and reconsideration of the budget.

The Chief Executive is responsible for the implementation of the Policy and the development and implementation of associated procedures that support the principles of the Policy and the fostering of an appropriate culture and commitment to the financial management framework.

The effectiveness of this policy will be reviewed on an annual or as needed basis within the management framework. The Policy will not be reviewed, altered or deleted as to affect any process that has commenced in accordance with this policy.

4. **Operation of the Policy**

BCE will adopt a Budget as part of the Business and Annual Operational Plan. The Business and Annual Operational Plan will include the projects and activities that BCE intends to undertake in the respective year to achieve its objectives and the key performance indicators that will be used to assess the performance against the goals and objectives.

Development of the Budget

The Annual Budget will be developed using a zero based budgeting approach. The draft will be evaluated and refined in terms of the Business and Annual Operational Plan budget estimates and other financial assumptions such as the current and projected measure of expenses, known and expected increase or decrease in income and expenditure.

The projects and activities of the programs are decided as part of the planning development and review process. And in some cases, as a result of decisions made by BCE in response to external unforeseen circumstances.

Business and Annual Operational Plan focus on:

- the overall scope and cost of planned projects and activities at an aggregated level;
- careful consideration of the Business and Annual Operational Plan budget to achieve the goals of the Strategic Plan;
- a long term sustainable financial position;
- management of financial assets reliability of income sources and pattern;
- level of planned Capital expenditure;
- exploring scope for productivity improvements;
- providing for the ability to respond to the impact of changing factors and situations.

The focus of management should be directed towards:

- scrutiny and accountability of detail budget allocations
- Input/Output focus
- administration processes – compliance and reporting

The structure of the Budget:

Executive Management – strategic performance and Budget Allocation

- Programme
- Strategy
- Project/Activity

and

Line Management – detail monitoring and budget allocation

- Actions
- Sub-actions

The Annual Budget shall include a set of budgeted financial statements and be supported by a detailed management budget for each Program area. Each program area will contain elements of Expenditure and may contain Capital Expenditure and Income. Income will generally be aggregated at organisation level.

Adoption of the Annual Budget

The final draft Budget is the financial expression of the goals and objectives outlined in the Business and Annual Operational Plan, to provide a guide to the allocation of financial resources for a specified period.

Performance Reporting

The Budget performance will be monitored to ensure:

- Clear links between **Budget** and **Business and Annual Operational Plan**;
- Effective management of assets with adequate depreciation allocation and capital expenditure (average over period);
- Budgets and financial reports are prepared on an accrual basis;
- Service costs are known and reviewed (especially where partial or full cost recovery is sought);
- Analysis of new or changed projects/activities

Review of the Budget

The Budget performance will be reviewed by the CEO twice a year as follows:

- June
- December

The Budget report will be presented to the Board of Advisors as soon as practical after each of the above dates.

The report will provide information on:

- Year to date actual expenditure
- Budget and variances to budgets with explanations for significant budget variances.

There will also be progress reports of individual projects which will include year to date and life to date expenditure against the budget for each major project and an indication as to the likelihood of each project being completed within the planned timeframe and within the allocated budget amount at organisation, program and project level.

Budget vs Actual variations

The following variation amounts are set to provide some flexibility, but must be within the delegated authority. Variations should not exceed:

- for allocations less than £20,000 (at lowest allocation level) £2,000;
- for all other budget allocations; 10%.

BCE delegate is the CEO and variations amounts can change.

This is to recognise that there should be the ability to facilitate a mechanism to respond to an issue in a timely manner such as an opportunity, emergency or other unforeseen event, within defined guidelines without the delay of notifying Accountants/Auditors.

Monthly Budget vs Actual reports will be monitored by management staff and all those with delegated authority to undertake purchase of goods and services.

Annual Carry forward amounts

It is acknowledged that the clear intent is that all projects and activities will be completed within the planned timeframes and Budget allocation. However the carry forward of funds will be considered only for specific aspects and only as a result of external or unforeseen circumstances such as the availability of funds which may delay the commencement of a project activity.