



Session 9

Budget Presentation to the Council



Objectives

By the end of the session, participants will be able to.....

- Understand the process of budget presentation to the council;
- List the key components of Annual Budget Statements;
- Understand the major contributions that should be made by council members to ensure an effective budget approval process.



Duration

1.5 hours



Timing

1530 to 1700 hours



Methodology

Group Work; Individual exercise; plenary discussion; presentation



Material

Equipment
 FLIP CHARTS
 TRAINER'S NOTES
 POSTERS
 REFERENCE READING

Slides	Handouts (HO)	Worksheets (WS)	Reference Material (Ref)
9-01 Budget Presentation 9-02 Group Work - Council Concern 9-03 Bad Example of Budget Presentation 9-04 Better Example of Budget Presentation	9-01 Budget Presentation 9-02 Group Work - Council Concern 9-03 Good Example & Instructions for Creating and Modifying Charts.		9-01 Annual Budget Statement 9-02 Budget Documents 9-03 Budget Speech 9-04 Communication and Distribution of Grants 9-05 Presentation of the Budget to the Council
Other: <ul style="list-style-type: none"> • 			

**STEPS:**

1. Share the session objectives with the participants. Highlight the importance of this Session in that it will provide the participants an opportunity to empathize the information needs of the Council so that they may pass a Budget that is beneficial for the local government as a whole.
2. Ask participants why, in their opinion, the local government Budget should be presented to the local council? Note participants' comments on a flip chart. Reinforce responses such as:
 - it is a legal requirement under the LGO 2001;
 - local government budgets involve public funds for which the public will hold councils accountable;
 - council members are instrumental in identifying people's priorities, therefore they should have active role in making decisions about the allocation of resources;
 - etc.
3. Remind participants that presentation of draft and final budgets to various stakeholders is a very critical part of the Budget Cycle. Refer participants to *HO 9-01 (Budget Presentation)* and use *Slide 9-01 (Budget Presentation)* to highlight the budget presentation process. Remind participants that these steps are also a part of the Budget Cycle discussed earlier. Explain each of the listed steps as follows:
 - once all previous processes are complete, the Budget estimates are consolidated into a draft budget by the Finance and Budget Officer;
 - the draft Budget is discussed and finalized by the Budget Development Committee (BDC);
 - the Budget based on preliminary estimates as approved by the Nazim shall be presented to the Council for discussion as draft Budget;
 - inputs are sought into the draft Budget from provincial Government and Public;
 - the recommendations of the Council, and the inputs from Provincial Government and Public is incorporated as revisions when the budget is prepared and finalized on the basis of the final estimates provided by the Government;
 - the Budget and Finance Office prepares the final Budget;
 - the Budget is presented to the Council, where the Budget documents may be referred to Budget Committee constituted by the Council for scrutiny of receipts, expenditure and examination of new tax proposals;
 - the Budget Committee's recommendations are presented to the Council for approval;
 - the Budget is approved by the Council.
4. Remind participants of an earlier activity where they discussed the 'why' of the various steps of the Budget Cycle, and ways to make the steps more effective. Ask participants to remember the strengths and limitations of the steps under discussion. As participants provide their inputs, highlight that Steps 11, 12, 15, 15a,



and 15b require special attention. Emphasize that when the draft Budget is presented to the Council for review, the members should have the ability to critically assess and analyze the presented information. Emphasize that another weak area resides in Step 12, i.e. obtaining inputs from the Public. Ask participants how their local governments obtain inputs from the Public? Why does this remain a weak area in their local governments? Responses will include:

- CSO involvement or people/community participation in the Budget making process is a new phenomenon for most local Governments;
 - no standard procedures or guidelines are available of how such involvement should be facilitated;
 - general public has little or no understanding of Budgets. Even the more enlightened CSO groups do not understand the importance of participating in, and monitoring, the formulation and implementation of Budgets.
5. Ask participants if in their view this situation should be rectified? If yes, how? If not, why? Lead the discussion towards the fact that Local Government Budgets constitute public funds. The elected representatives are chosen by the people and are therefore accountable to them. One of the most critical task of the elected representative is to approve the mobilization and allocation of resources, i.e. approval of the Budget.
 6. Ask participants if they know how the Budget information is provided to members of a Council? Generate responses and note on flip chart. Ask participants to refer again to *HO 9-01 (Budget Presentation)*, and focus their attention to the set of documents that constitute a Budget.
 7. Since by now the participants will be familiar with most of the major category of Budget documents, recap briefly. Establish the critical link between the Budget Call Letter (where the vision and priorities were initially noted) and the Budget Speech and the Budget Salient Features, which once again reiterates the vision and priorities and what is being done through the Budget to achieve the same.
 8. Tell the participants that as a closure to this Session, you would like them to participate in an interesting exercise. Refer participants to *HO 9-02 (Group Work - Council Concern)*, and use *Slide 9-02 (Group Work - Council Concern)* to present the following situation:

You are a member of the local council. It is the time of the year when the Budget is about to be finalized and approved. As a responsible elected public representative, how will you prepare yourself before and during the presentation session to ensure your most effective contribution?

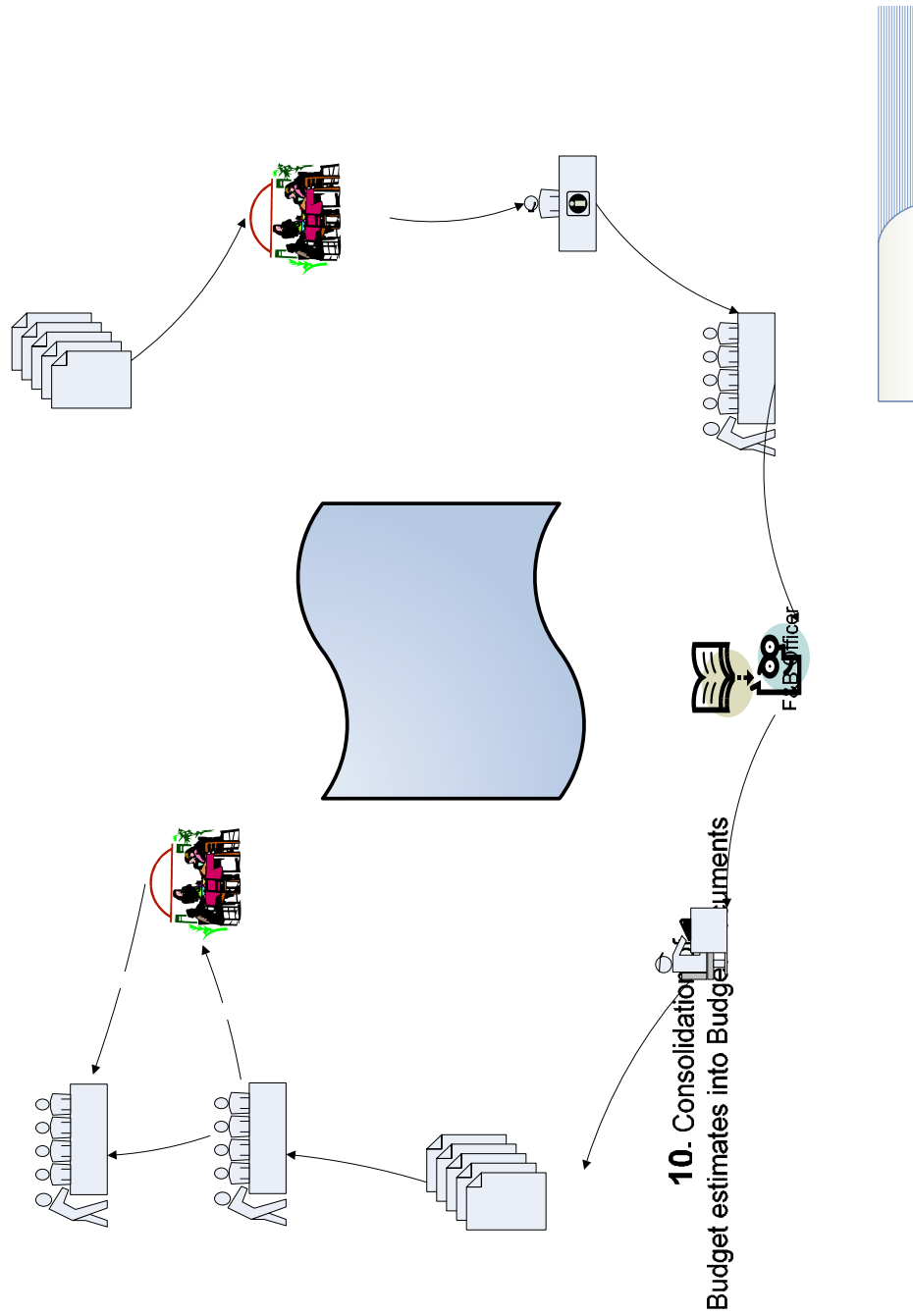


9. Emphasize that this is a quick exercise (20 minutes). To elicit good results they must actually empathize with the Council members – i.e. perceive the situation and the role expected of them with reference to approval of Budgets.
10. Monitor the groups, keeping them focused on the task and the time. When the groups are ready (or the time is up) invite them back to the plenary. Ask each group to present. Hold discussions for till after all groups have presented. Hang up all flip charts so that they may be prominently visible during the discussions.
11. Process the group exercise by reiterating important and interesting points made by the various groups in terms of the role elected members must play before and during the Budget review and presentation stage. Some of the points that must be highlighted include:
 - review the initial Budget Call Letter and ensure that various community stakeholder's priorities have been reflected in the current Budget;
 - review previous year's revenue/receipt and expenditure (estimates and actuals), so that they can compare it with the current year's Budget and more intelligently question the increase or decrease;
 - review, as members of the monitoring committee, their respective sector's stated objectives and current direction, both in the Call Letter and later in the BSF Forms submitted as part of the Budget documents;
 - assess the revenue targets proposed in the current Budget and critically evaluate these in terms of quantity, equity and fairness.
12. Ask participants as to how the information provided in the budget presentation session can be made more communicable? Show *Slide 9-03 (Bad Example of Budget Presentation)* and ask participants what this information conveys to them. Most likely, it will not be easy for most to draw any major analysis in such a short time. Then show Slide-04 (Better Example) and ask participants if the communication was more effective. Likely answer is yes. Tell them that computers can now easily generate graphics that can make even dry and difficult subjects more interesting and communicable.
13. Handout *HO 9-03 (Good Example and Instructions for Creating and Modifying Charts)* and request participants to consider using some of these tools for preparing their respective budgets.
14. Conclude the Session by reiterating that in many countries of the world, Budgets are Executive led, and the elected representatives have the responsibility for review, approval and monitoring. To improve resource management, both roles must be strengthened.



HO 9-01

Budget Presentation



10a. Draft Budget Finalized by

Budget Documents
of Nazim



HO 9-02

Time: 20 minutes

Group Work – Council Concern Group Work Instructions

You are a member of the local council. It is the time of the year when the Budget is about to be finalized and approved. As a responsible elected public representative, how can you contribute most effectively to the Budget review and approval process?

Ask each group to note key discussion points on to a flip chart. One member of their group should be appointed as spokesperson for the group. Presentation time: 5 minutes per group (max).



HO 9-03

Good Example and Instruction for Creating and Modifying Charts

Taxes	144.6
Fees	586
Rates	315
Others	197
Grants	1055

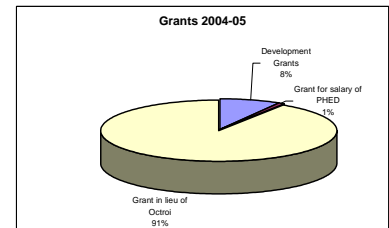
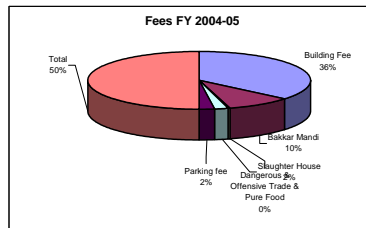
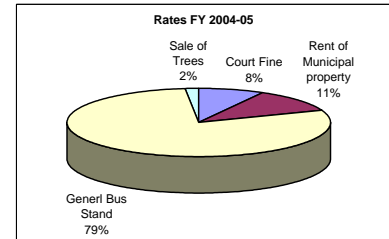
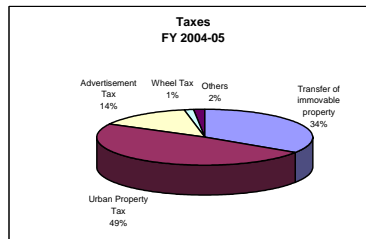
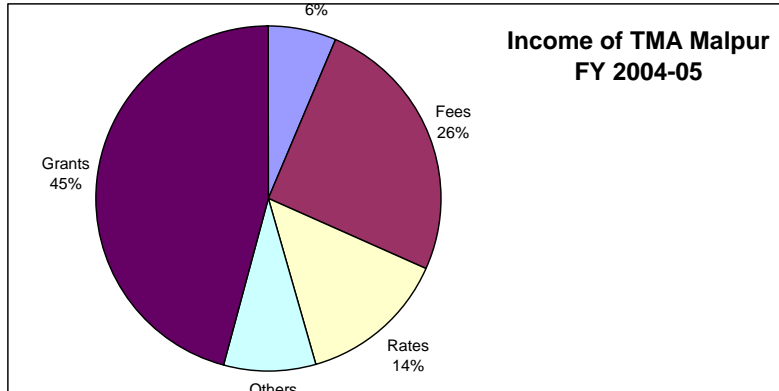
Taxes	(Rs. 'M)
Transfer of immovable property	49.6
Urban Property Tax	70
Advertisement Tax	20.5
Wheel Tax	2
Others	2.5
Total	144.6

Fees	(Rs. 'M)
Building Fee	118
Bakkar Mandi	31.2
Dangerous & Offensive Trade & Pure	1.2
Slaughter House	6
Parking fee	7.5
Total	163.9

Rates	(Rs. 'M)
Court Fine	2.5
Rent of Municipal property	3.5
Generl Bus Stand	25
Sale of Trees	0.5
Total	31.5

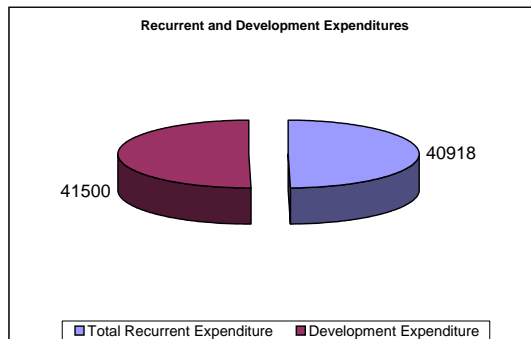
Others	(Rs. 'M)
Profit on investments	2.5
Misc Income	4.5
Salary from other contractors	3.5
Road cut charges	5
Advances and Deposits	4
Total	19.9

Grants	(Rs. 'M)
Development Grants	51.372
Grant for salary of PHED	6.2
Grant in lieu of Octroi	568.64
Total	626.212

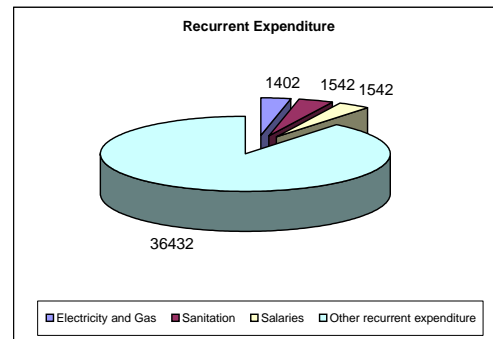




Instructions for Creating and Modifying Charts



Total Recurrent Expenditure	Development Expenditure	Total Expenditure
40,918	41,500	82,418



Recurrent Expenditure	Sanitation	Salaries	Other recurrent expenditure	Total Recurrent Expenditure
1,402	1,542	1,542	36,432	40,918

Concepts > The Chart Wizard feature leads you through a step-by-step process to create a chart and displays sample views as you build it. Online Help is available at the click of a button.

When you use the Chart Wizard feature, Excel draws the chart according to the selections you make in the Chart Wizard dialog boxes and *embeds* the chart as an object on the worksheet. Embedding a chart enables you to work with it directly on the worksheet.

The Chart Wizard displays a series of four dialog boxes. Each dialog box displays the following buttons:

Button	Action
Next>	Moves to the next Chart Wizard dialog box.
<Back	Moves to the previous Chart Wizard dialog box.
Finish	Creates a chart by using the options that you have selected up to that point, and exits the Chart Wizard.
Cancel	Cancels the Chart Wizard, and returns to the worksheet.
Help	Displays the Microsoft Excel Help window and information on the Chart Wizard.

Task -1: Creating a pie chart; reviewing the Chart Wizard dialog boxes

Objective: To create a chart on the same sheet as the worksheet data.

What you do

Comments/Prompts

- Select the Chart Data sheet
- Select the range A5:A9 (The country names and the column label.)
While pressing C, select the range F5:F9 (The totals and the column label.)



- Click on the Chart Wizard button



On the Standard toolbar. If necessary, use the More Buttons button to find it. The first of the four Chart Wizard dialog boxes is displayed.

You can click on Cancel or get Help from any Chart Wizard dialog box.

- If necessary, close the Office Assistant

By clicking on No, Don't Provide Help Now.

- In the Chart Type list box, select Pie

Observe the Chart Sub-Type options



You can choose from several different types of pie charts.

- Press and hold the mouse button on Press And Hold To View Sample

To view the chart.

Release the mouse button

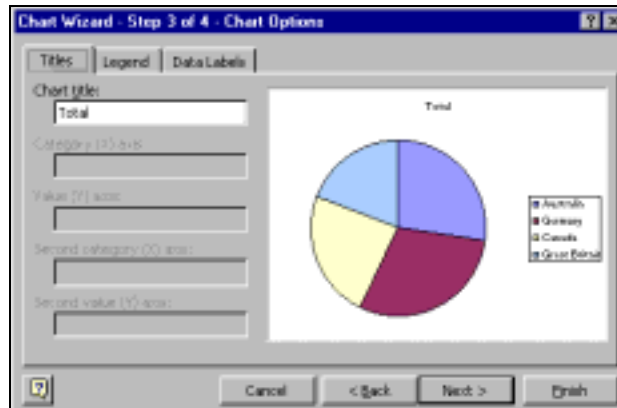


7. Click on Next>



The second step (Chart Source Data) is displayed. The range that you selected before you clicked on the Chart Wizard button is entered in the Data Range text box as an absolute reference; it is selected.

8. Click on Next>



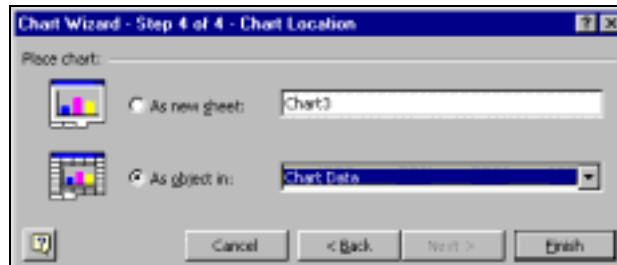
To accept the data range and move to the next step (Chart Options), which contains options for the titles, legends, and data labels.

9. Select the Data Labels tab

10. Under Data Labels, select Show Label And Percent

To display the data label and percent value for each section of the pie.

11. Click on Next>



To display the fourth and last step (Chart Location).

12. Click on Finish

To accept the default to place the chart as an object in the Chart Data worksheet. You can now move and size the chart.



Annual Budget Statement

1. The 'Annual Budget Statement' or 'Budget' for a financial year means the statement of estimated receipts into, the estimated expenditure from the Local Government Fund for the year, required to be laid before the Council, before the commencement of that year in term of Section 112 of Punjab Local Government Ordinance, 2001 (as amended).
2. The Finance and Budget Officer, in terms of Section 111 of P.L.G.O. 2001 (as amended) read with Rule 47 of the District / Tehsil Budget Rules, 2003, shall for the Council prepare the following budget documents as explanatory memoranda to the Annual Budget Statement (ABS);
 - Budget Speech of the Nazim.
 - Budget salient features (White Paper).
 - Estimates of receipts
 - Demand for grants (Current Expenditure).
 - Demand for grants (Development Expenditure).
 - Statement of New Expenditure.
 - Annual Development Programme (ADP); and
 - Supplementary Budget Statement for current year, if any.
3. The Annual Budget Statement (ABS) shall include details of receipts and expenditure including;
 - Financial Abstract;
 - Details of Receipts (by detailed Head-wise).
 - Details of Expenditure (by detailed Functions and Major Objects)
 - Details of Public Account (Receipts and Disbursements) and
 - Function-wise Development Expenditure.



Budget Documents

1. The first phase of the Budget cycle is an administrative exercise undertaken by the DDOs/Controlling Officers on the initiatives of the Nazim communicated to them by the Finance & Budget Officer. The process is completed under the supervision and policy guidelines of the Nazim, without his recommendations no demand for grants can be made even in case of Charged Expenditure.
2. In terms of Section III of PLGO 2001 (as amended) read with Rule 2(1)(ix) of Budget Rules 2003, the budget documents have been specified in Rule 47 *ibid*. Under law, the Annual Budget Statement (ABS) is the main document which depicts the financial picture of a local government and after the approval of the Nazim is laid before the Council for its approval. The following budget documents are prepared as explanatory memoranda to the ABS:
 - Budget Speech;
 - Budget Salient features;
 - Estimates of Receipts;
 - Demands for Grants (Current Expenditure);
 - Demands for Grant (Development Expenditure);
 - Statement of New Expenditure (SNE);
 - Annual Development Programme (ADP); and
 - Supplementary Budget (if any)



Budget Speech

1. The Annual Budget Statement (ABS) of a financial year is presented by Nazim before the Council through the Budget Speech highlighting therein the achievements of his Local Government during current financial year initiatives being undertaken during ensuing financial year, details of remission of existing taxes/fees, if any, and new tax proposals etc, along with its revised estimates thus, the Budget Speech, in terms of Rule 48 of Budget Rules, 2003 is a policy statement of a Local Government.
2. The Budget Speech is also published for information and guidance of the general public. The Head of Offices are also required to provide material, highlighting the main programme/initiatives, to be included in the Budget Speech.



Communication and Distribution of Grants

1. As soon as the Schedule of Authorized Expenditure is authenticated by the Nazim, the Finance & Budget Officer shall, in terms of Rule 60 (1) of Budget Rules 2003, communicate the sums authorized therein to the concerned Head of Departments. The communication shall be in the form of a letter which indicates separately the:
 - Expenditure charged upon the District Fund/Tehsil Local Fund.
 - The other expenditure voted by the Council.
2. The letter should be accompanied by the pages of the estimates containing the complete details of the expenditure authorized. A copy of the letter along-with its enclosures shall also be forwarded to the Accounts Officer.
3. On receipt of information from the Finance & Budget Officer regarding the grants placed at their disposal, the Head of Offices as provided under Rule 61 *ibid* should distribute those grants among the Drawing & Disbursing Officers under them in prescribed manner, indicating complete classification. The Head of Offices should send a certificate to the Finance & Budget Officer and Accounts Office about the distribution of grants, but not later than 31st July each year.
4. The targets of receipts as approved by the Council shall be forwarded by the Finance & Budget Officer to the Head of Department and in turn to the Collecting Officers.
5. The Finance & Budget Officer in terms of Rule 63 of the Budget Rules 2003, is required to send a copy of the budget documents to the Provincial Government (Finance Department), Provincial Finance Commission and Local Government Commission in addition to other Local Governments in the district (if requested by them).



Presentation of the Budget to the Council

The Finance and Budget Officer after, consolidating the budget estimates received from Head of Offices shall also take into account the anticipated resource transfer from Government under PFC Award, other statutory receipts, Grants, Gifts, Donations from other sources, reimbursement from Government on account of payments made on its behalf, exploring capital receipts and receipts from Public Account, shall prepare a draft budget based on preliminary estimates provided by the Government, and shall, in terms of Rules 47 of Budget Rules, 2003 process as under:

- The Draft Budget shall be discussed by the District/Tehsil Development Committee.
- The budget based on the preliminary estimates, as approved by the Nazims shall be presented to the Council for discussion as a Draft Budget.
- The recommendations of the Council on the Draft Budget shall be incorporated at the time of finalizing the budget on the basis of final estimates provided by the Government.
- The final Budget Estimates shall be presented by the Nazim to the Council for approval.

The Council may get the Budget Estimates scrutinized from the Budget Committee, constituted by the Council. However, no demand for grant shall be made to the Council except on the recommendation of the Nazim.

Conditions for approval

- In terms of Rule 58(4) *ibid*, the closing balance of the Local Government shall not be allowed to fall below 5% of the total receipts (including those of the public account) anticipated for the year (investments, if any, shall be deemed to be a part of closing balance).
- No lumpsum provisions shall be made in the budget, the details of which cannot be explained.
- In terms of Rule 58(6) a budget shall not be approved if the receipt does not match to the proposed expenditure.

It shall be ensured to maintain the ratio of development work and expenditure on establishment fall below the constraints as notified by the Government from time to time.