

KENORA DISTRICT SERVICES BOARD

FINANCIAL SERVICES DIRECTIVE

DATE: June 23, 2011

CATEGORY: III - Financial

SUBJECT: Annual Budget Guidelines

NUMBER: FSN-III-3

REVISION DATE: n/a

Service Objective:

The objective of this procedure is to outline the definition of Zero Based Budgeting (ZBB), the processes and timeframes for when and how ZBB will be implemented in full and the processes that will be used to present and prioritize the ZBB process.

Budget Philosophy & Process:

- Beginning with the 2012 annual budget, Zero Based Budgeting (ZBB) shall be used in the first year and every fourth year thereafter.
- Zero based budgeting is defined as a method of budgeting that ignores historical budgetary allocations and identifies the costs that are necessary to implement identified strategies through operational needs analysis and processes and other analytical need methodologies.
- In alternate years between zero based budgeting years, budgets will be produced using a combination of the incremental approach, new program information and ZBB processes if new and/or revised program information is presented.
- Budget parameters and inflators will be identified annually by the Chief Administrative Officer and the Director of Finance.

Training – Board of Directors & Program Directors

To effectively implement ZBB, the Board will provide training to the Board of Directors and Program Directors to manage and operate within the ZBB process.

Developing Decision Packages:

A “decision package” refers to an analysis of each discrete activity, according to cost and purpose. The analysis should also extend to considering the benefits of the activity, alternative courses of action, how to measure performance, and the consequences of not performing the activity.

Decision packages should relate to activities that are stand-alone; a good test is whether a decision could be made to sub-contract, or to abandon the activity altogether, without materially affecting the deliverability of another activity. This is a 'could it be done' question, rather than a 'should it be done'. If such a decision could not be made, the activity is likely to be part of a larger decision package.

Stage 1 – Defining the Scope of Zero Based Budgeting

- Decide which parts of the organization will be identified in each decision package.
- Clearly identify objectives and measurable outputs and outcomes.

Stage 2 – Identify Resources

- Identify the schedule of input resources that will be required in order to deliver the output/service
- Identify the individuals who will take responsibility for assessing the various options.

Stage 3 – Objective Matching Stage

- It is possible that objectives may be deliverable at different service levels, and in these cases, the review should identify, as a minimum:
 - basic level of service (required to meet statutory requirements)
 - current level of service
 - any step changes in service
- Options for delivering each level may differ and will need to be identified. It is essential to be able to analyze costs between fixed and variable elements.

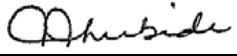
Ranking the Decision Packages:

Before each Program Director submits the decision packages on behalf of her/his department, they must first be ranked in order of priority. Once all the decision packages have been submitted, they are then ranked in terms of the priorities of the Board as a whole. The costing in each decision package is also reviewed to ensure they are not excessive or unrealistic.

Allocating Resources:

The ranking list then results in a priority order for the allocation of resources. The most important activities are funded, whether they are the existing ones, or new. The final budget will be made up of the decision packages that have approved for funding, reallocated into the appropriate operational units.

Prepared by: **Toni Thurbide, Director of Finance**



Program Director

June 2, 2011

Date

Chief Administrative Officer

Date

Related Policies:

- 1) **KDSB-FNS-III-03 – Budgeting**