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MEDIUM TERM BUDGET PREPARATION FOR LOCAL SELFGOVERNMENT UNITS IN ALBANIAN CONTEXT

MANUAL FOR FINANCIAL PLANINGG
TOOL EXCEL BASED



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MEDIUM TERM BUDGET PREPARATION FOR LOCAL SELFGOVERNMENT UNITS IN ALBANIAN CONTEXT

**MANUAL FOR FINANCIAL PLANINING TOOL
EXCEL BASED, SECOND VERSION**

October 2018
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Dear colleagues in local government,

The manual you are receiving today is an important document that explains in details the Financial Planning Tool (FPT) and assists you in drafting the Municipality's budget.

With the support of Decentralization and Local Development Program (dlp), funded by the Swiss Agency for Cooperation and Development (SDC), we managed to successfully conclude a long process of consultations and cooperation for the consolidation of FPT and inclusion of this instrument in the Guideline on the procedures for drafting the Municipal Medium–Term Budget issued by Ministry of Finance and Economy.

Decentralization has been and remains one of the most important working sectors of the Albanian Government, marking important achievements. Territorial and Administrative Reform created opportunities for strengthening the Municipalities and higher potentials for economic and social development. The Law on Local Self–Government and the Law on Local Finances constitute two important pillars of decentralization. The new functions that have been transferred to local government since the beginning of 2016 showed that despite the challenges, municipalities have made estimable efforts to improve services to citizens and the community.

All this reform framework requires, an energetic response by means of skilled staff and knowledge in various sectors of local government activity. For this reason, the knowledge delivery framework is also of particular importance, institutionally, qualitatively and sustainably. This handbook, as well as the entire long–term training framework offered at the local level, create opportunities for improved use of knowledge in the daily work, with the aim of increasing the efficiency and effectiveness of public revenue utilization.

Once again, I would like to thank the Swiss Government for the assistance it has provided and continues to provide with regard to the modernization of local finances.

Minister
Arben Ahmetaj

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1. Introduction

Since the year 2009, local government units in ALbania are obliged to prepare a medium-term budget based on law 9936 on the Management of the Budgetary System in the Republic of Albania. With the medium-term budget, the law requires an integrated policy and financial plan for a time-frame of three years. The law No. 68/2017 on local self-government finance confirmed and further specified this legal requirement. The medium-term budget is the interface between long-term strategic planning with a time-frame of ten years and more, and the annual budget.

Traditionally, budgets of public entities have a one-year time horizon only. The drawback of one-year budgets is its short-term orientation. Usually, in the short-term, there is little budget flexibility to allocate scarce resources in line with strategic development priorities. To gain more budgetary foresight, the medium-term budget orientation was introduced as a compliment to the annual budget. It was a good idea to start extending the budgetary planning horizon also in Albanian local governments back in 2009; however, Albanian local governments were not ready to prepare medium term budgets in an appropriate way at that time.

Financial planning for the short and medium term was identified as a major challenge for Albanian local governments. For that reason, back in 2010, the decentralisation and local development project dldp, financed by the Swiss Agency for Development and Cooperation SDC and implemented by Helvetas Swiss Intercooperation developed the idea to facilitate the medium-term budgeting process with an electronic financial planning tool FPT. The tool should be low-cost, tailor-made to the Albanian context and applicable in any Albanian municipality. Furthermore, it should be designed in compliance with international budgeting recommendations and respect the legal requirements of Albania for budgeting. Dldp's backstopper of the Lucerne University of Applied Sciences and Arts HSLU strongly promoted the idea; HSLU experts provided conceptual and technical support in close cooperation with dldp's local experts while Ministry of Finance specialists ensured its adequacy for the Albanian context.

The first release of the FPT was field-tested by local experts of dldp in autumn 2011 and spring 2012 in close cooperation with experts of the Ministry of Finance and then translated into Albanian. The FPT is embedded in the comprehensive SDPeMTBP package of dldp, where SDP stands for strategic development planning, MTBP for the medium-term budget program, and e for the electronic FPT.

In summer 2012, the FPT was ready for use; it was disseminated to all Albanian municipalities by the Ministry of Finance. Dldp provided hands-on training and coaching for selected local governments; the tool was used for medium-term financial planning in a growing number of Albanian municipalities, also by municipalities which were not supported by dldp.

In June 2017, when the law on local self-government finance was enacted, an update of the FPT became mandatory. Dldp's PFM experts and experts from the Ministry of Finance identified the different needs for adjustment in close cooperation with the HSLU backstopper. With the second release, a new classification for revenue and expenditure including a new and uniform program structure were introduced. In addition, the classification codes were put in line with National Treasury. The new system of classification is based on international standards; it enables comparisons over time and horizontally with other municipalities; moreover,

it facilitates the integration of municipal financial planning information into National Treasury. Furthermore, all expenditure items of the classification system are precisely described and guidance is in place how to link the output of the FPT with the MTBP.

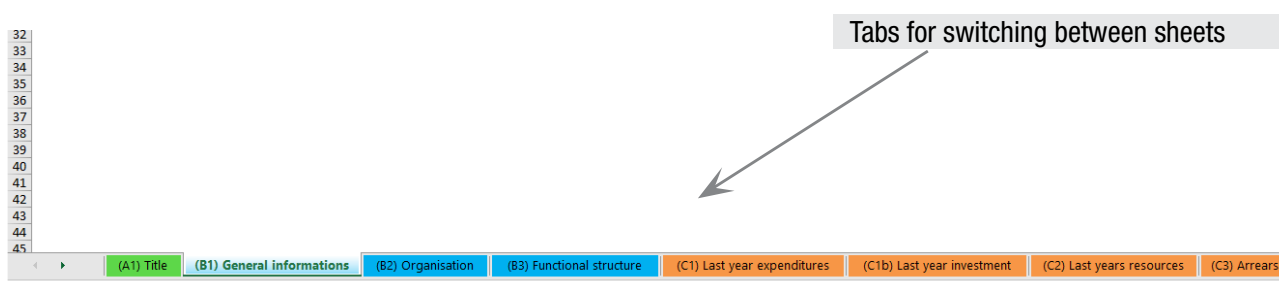
The second release of the FPT was made ready for use in September 2017.

The purpose of the FPT manual is to provide users (local government officials and other interested stakeholders) with comprehensive guidance on using the FPT in the preparation of the annual and medium-term budget plans. It is intended to publish the manual as a dynamic document that will be regularly updated in response to issues, concerns and other frequently asked questions raised by government officials, and other stakeholders.

2. General framework and the structure of the instrument

At the margin of your sheets, you find the tabs that allow you to jump from one sheet to another. These tabs come in different colours. Each colour represents a different class of sheets as represented in Figure 1

Figure 1: Tabs in colour representing different classes of sheets



There are different classes of sheets that are represented in Table 1. A distinction can be made between input and output sheets. Input sheets have to be filled in manually. Output sheets are produced automatically by the FPT. For input sheets, the responsibility for generating the information and filling it into the form must be clearly defined. Responsibilities indicated in Table 1 can be used as a default solution for timely and correct processing the forms.

Table 1: Classes of spread sheets and their character

Code	Colour of tab	Content of sheet	Character of sheet	Responsibility for data input
A1	green	Cover page	output / read-only	-
B1-B3	light blue	Budget-Structure and Organisation	input	Budget Department
C1-C5	orange	Last years' figures:Expenditures; Investments; Resources; carry overs;Commitments;Arrears;List of Investment projects	input	Department of Finance
D1&D2	light burgundy	Budgeting instructions (ceilings and macroeconomic assumptions)	input	Department of Finance
E1	orange	Resource estimation	input	Department of Finance
BRF1-BRF2	red	Budget request forms:Program expenditure calculation	Input	Line departments

Code	Colour of tab	Content of sheet	Character of sheet	Responsibility for data input
F1 & F2	green	Overview of budget resources and gross expenditures (tables)	output	-
F3	light green	Overview of expenditures per function gross (graph)	output	-
F4	green	Overview of expenditure per program net (table)	output	-
F5	light green	Overview of expenditure per program net (graph)	output	-
F6	Green	Overview of expenditure per sector gross (table)	output	-
F7	light green	Overview of expenditure per sector gross (graph)	output	-
F8	Green	Overview of expenditure by type of activity (table)	output	-
F9	light green	Overview of expenditure by type of activity (graph)	output	-
F10	Light Green	Overview of expenditure by economic classification gross (table)	output	-
F11	light green	Overview of expenditure, economic classification gross (table)	output	-
F12	light green	Arrears at year end	output	-
F13	Green	Overall financial statistics	output	-
F14	Green	Fiscal indicators	output	-
F15	Light green	Capital Investments - graph	output	-
G1 – G3	dark yellow	Translator	input	Translator

Short commands

Find Value

To find the information quickly, it is possible to use the "FIND" command (find). This command can quickly find a checkbox / information with the required key in the Find in Sheet and the entire Finder program.

From HOME, find the FIND and REPLACE command and select the FIND command from the cascade menu (the rows at the bottom). Fill in the value or text you are looking for and press FIND NEXT. If the value or text you are looking for is automatically selected for the cell (s) that contains that value or text. Press FIND NEXT to find other identical values / texts; or FIND ALL to select all the cells with the text / value you are looking for.

Note: In some cases, the command may also be a shortcut in the upper Excel section.

Copy the file

Copying files is possible with snip or screenshot command, so doing a picture of the part of the screen that interests you.

For WINDOWS 10, select the START button and press the Snipping Tool in the search box. With this instrument you can take and save photos of a part or all of the screen.

Similarly, snapshot command, with the ALT + PrTScr shortcut.

3. Inputtables

For each of the different species of input tables, a detailed instruction follows below. The manual explains the rationale behind the table; in addition, it gives instruction how to fill it in. Only for the areas highlighted in yellow or optionally in olive, there is information needed to fill in.

General information

3.1. Title (A1)

The form “A1 Title” is generated automatically. It contains information on the time horizon of the budget plan as well as introductory information on the municipal administration; which is migrated from the following worksheets. No data entry is required.

3.2. General information (B1)

To be filled out by: Budget/Finance Department

The form “B1 General Information” defines the planning period. This information is used to customize all the forms of section C to F and for the title page. The lower part of the form is used to complete the title page.

Form B1 is filled in by the Department of Finances. Fill in the following yellow cells:

1. **Current year:** Please fill in the on-going financial year; i.e. 2017 when preparing the 2018 – 2020 budget plan. The program will automatically fill out the years for the budget period to be planned.
2. The second block requires general information on the municipality, that is used to complete the title page (A1). This block also requires information on population numbers and the number of staff working for the administration (of which permanent staff).
3. In the third block, you must choose whether the data are entered in Lek; or alternatively in thousand, one hundred thousand or in million Lek. Press the arrow on the right of the cell and select one of the options from the drop-down menu (Lek; 1000 Lek; 100,000 Lek; 1,000,000 Lek). Please remember the choice you have made, in order to ensure consistency throughout the program.

3.3. Organisation (B2)

The worksheet “B2-Organisation” defines the structure of the budget and the budget programs it contains. The names of the sub functions have been predefined in line with the Albanian budget classification as adopted by the Ministry of Finance and Economy. The list includes a total of 27 sub functions and 36 programs. The names of the sub functions/programs cannot be overwritten. The Department of Budget/ Finance is in charge of filling out this worksheet.

Sector-wise, the budget classification is based on the international and national classification standards, as follows

- 01 - General public services
- 02 - Defence
- 03 - Public order and safety
- 04 - Economic affairs
- 05 - Environmental protection
- 06 - Housing and community amenities
- 07 - Health
- 08 - Recreation, culture and religion
- 09 - Education
- 10 - Social protection

One or more programmatic areas / budget programs are classified under each function. Each program is identified by its name as well as by a 5-digit budget classification code. The codes are uniform across the budget system and form the basis for budget execution through treasury. A precise description of the policy content belonging to each program can be found in the MTBP guidance 2018.

The central purpose of form B2 is linking functions/sub functions with programs and provides an overview of the programmatic structure of the budget.

To complete form B2, define the administrative unit responsible for each program; the name of head of the program/unit in the municipal administration as well as the number of employees that are involved with the program (i.e. work in the unit that is directly responsible for the program). This information will be used for the Budget Request Forms.

The information entered in this worksheet is used to customize a series of input and output forms. Incorrect or incomplete entries at this stage cannot be amended in the subsequent forms. It is not possible to overwrite the fields highlighted in sapphire blue or shaded in grey.

1. COFOG – Classification of the Functions of Government, <https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

Figure: B2 Organisation Structure

Yellow = to fill in by department fo finance

(B2) ORGANISATION STRUCTURE							
Number	Name of program	Directorate / Department	Head of program	Number of employees			
				Current year (expected end of year outturn)	Year t+1 (expected)	Year t+2 (expected)	Year t+3 (expected)
Subfunction 1	011 Executive and legislative organs, financial, fiscal, external affairs						
Subfunction 2	017 Local borrowing services						
Subfunction 3	031 Police services						
Subfunction 4	032 Fire-protection services						
Subfunction 5	036 Community relations						
Subfunction 6	041 General economic, commercial and labour affairs						
Subfunction 7	042 Agriculture, forestry, fishing and hunting						
Subfunction 8	045 Transport						
Subfunction 9	047 Other industries						
Subfunction 10	051 Waste management						
Subfunction 11	052 Waste water management						
Subfunction 12	053 Pollution reduction						
Subfunction 13	056 Environmental protection (n.e.c)						
Subfunction 14	061 Housing development						
Subfunction 15	062 Community development						
Subfunction 16	063 Water supply						
Subfunction 17	064 Street lighting						
Subfunction 18	072 Primary health services						
Subfunction 19	081 Recreational and sporting services						
Subfunction 20	082 Cultural services						
Subfunction 21	091 Basic and preschool education						
Subfunction 22	092 Secondary education						
Subfunction 23	101 Sickness and disability						
Subfunction 24	102 Old age						
Subfunction 25	104 Family and children						
Subfunction 26	105 Unemployment						
Subfunction 27	106 Housing						
				0	0	0	0

3.4. Structure for underfunction and programs (B3)

Filled in by: Budget/ Finance Department

Form “B3 – Structure for underfunction and programmes” is used to identify the program for each program. The term “program” is used here for ongoing detailed tasks of local governments; it's the lowest level used for the functional-programmatic classification. Programs have a 5-digit code which includes the underprogram and sector code.

A precise description of the policy content belonging to each program can be found in the MTBP guidance 2017 and in the annex of this manual.

The FPT makes a distinction between program based on their nature as to whether the latter are related with an own authority of the local government; delegated or whether they are newly transferred (drop-down menu in Column E).

Consequently, the program also makes a distinction on whether the activities are “obligatory” to be carried out, or whether they represent additional actions on top of statutory requirements. (drop-down menu in Column D).

Programs under each under program have been predefined in the FPT (automatically). However, under each program, there is at least one blank row to add new program activities that have not otherwise been defined. However, do not fill in projects here. Projects have a beginning and an end whereas activities are ongoing. Projects must be included under the respective activity

The Department of Budget needs to follow these steps:

- Under each underprogram, check that the major program have been named. The predefined activities are automatically marked by the FPT as „obligatory” and the respective type of authority has been assigned (i.e. whether it is own, delegated or newly transferred)
- Add/name additional program, if needed. Mark whether this program is „obligatory” (Column D); and whether it is „own“, „delegated“, or „newly transferred“ (Column E).

Hint: In the budget request forms, there is only room for a maximum of four activities per program area. If this is not sufficient, consider aggregation of program activities to limit its number to three or four per program if this is possible. In addition, planning at more aggregate levels decreases the margin of error.

The information of B3 is used to customize a series of input and output forms. Incorrect or incomplete entries at this stage cannot be amended in the subsequent forms. It is not possible to overwrite fields not highlighted in yellow.

Figure 3 below shows a snapshot of the worksheet B3. Select from the dropdown menus in the last two columns, to define the nature of programs: whether these programs are obligatory or additional and whether they are related to own; delegated or otherwise the newly transferred functions.

Figure 3: B3- Structure for underfunction and programs

Yellow = to fill in by department fo finance				
(B3) ACTIVITIES PER PROGRAM AND PER FUNCTION				
		Name of Activity	Activity: obligatory / additional	Activity: own / delegated / newly transferred
01 General public services				
Subfunction 1	011	Executive and legislative organs, financial and fiscal affairs, external affairs		
Program 1a	01110	Planning, Management and administration	obligatory	own
Program 1b	01120	Financial and fiscal affairs	obligatory	own
Program 1d	01170	Civil registry	obligatory	delegated
Program 1e				
Program 1f				
Subfunction 2	017	Local borrowing services		
Program 2d	01710	Payment for Domestic debt service	obligatory	own
Program 2e				
03 Public order and safety				
Subfunction 3	031	Police services		
Program 3a	03140	Municipality police services	obligatory	own
Program 3b				
Program 3c				
Subfunction 4	032	Fire-protection services		
Program 4a	03280	Fire-fighting and civil protection	obligatory	newly transferred
Program 4b				
Program 4c				
Subfunction 5	036	Community relations		
Program 5a	03600	Community relations	obligatory	own
Program 5c				
04 Economic affairs				
Subfunction 6	041	General economic, commercial and labour affairs		
Program 6b	04130	Support for economic development	obligatory	own

OK!
OK!
OK!
OK!
OK!
OK!

2) The FPT does not offer space for an explicit description of the activities. It is recommended to make this information available as part of the program description in the MTBP.

3.5. Last years' expenditures (C1)

To be filled in by: Budget/Finance Department

In form “C1 – Last years’ expenditures”, expenditures and specific revenues related with the activity (including projects) are compiled in an overview for the last two years and for the current year. The form follows the program classification as predefined in B2 and B3. Take the information for the last two years from the annual financial report. For the current year, enter data on the expected end-of-year budget outturn.

The FPT copies the information automatically into the budget request forms.

Firstly, form C1 requires information on the gross (total) expenditure per activity for the last two years and the current year (expected); secondly, information is required on fees and earmarked revenues per activity. The information on fees and earmarked revenues is required because the FPT will present the gross and net expenditure per activity in the budget request forms. The following example explains the logics behind this idea. Let's assume a LGU improves its system of waste collection by introducing a system of separate collection. Gross expenditure is 1,000,000 LEK. Fees: 500,000 LEK, contribution from a donor: 200,000 LEK. This means that net expenditure is 300,000 LEK only. Why is this information important? Maybe the Council wants to assess the costs without separated collection of waste. Gross expenditure would certainly be lower but probably, the donor would be unwilling to pay a contribution.

You find an extract of this form in Figure 4. The Department of Finance just fills in the yellow fields of form C1. Subsequently, line departments will use the information as a starting point for planning their budgets.

Figure 4: C1 - Last years' expenditures

Yellow = to fill in by department of finance															
(C1) EXPENDITURES: LAST YEARS AND CURRENT YEAR															
				-2				-1				0			
				Year t-2 (actuals)				Last year (actuals)				Current year (expected end of year outturn)			
		NET AMOUNT REQUESTED	Expend-itures (incl. investments)	Fees	Earmarked revenues	NET AMOUNT REQUESTED	Expend-itures (incl. investments)	Fees	Earmarked revenues	NET AMOUNT REQUESTED	Expend-itures (incl. investments)	Fees	Earmarked revenues		
01 General public services															
Subfunction 1	011	Executive and legislative organs, financial and fiscal affairs, external affairs													
Program 1a	01110	Planning, Management and administration	0			0				0					
Program 1b	01120	Financial and fiscal affairs	0			0				0					
Program 1d	01170	Civil registry	0			0				0					
Program 1e	-		0			0				0					
Program 1f	-		0			0				0					
			0	0	0	0	0	0	0	0	0	0	0		
Subfunction 2	017	Local borrowing services													
Program 2d	01710	Payment for Domestic debt service	0			0				0					
Program 2e	-		0			0				0					
			0	0	0	0	0	0	0	0	0	0	0		
03 Public order and safety															
Subfunction 3	031	Police services													
Program 3a	03140	Municipality police services	0			0				0					
Program 3b	-		0			0				0					
Program 3c	-		0			0				0					
			0	0	0	0	0	0	0	0	0	0	0		
Subfunction 4	032	Fire-protection services													
Program 4a	03280	Fire-fighting and civil protection	0			0				0					
Program 4b	-		0			0				0					
Program 4c	-		0			0				0					
			0	0	0	0	0	0	0	0	0	0	0		
Subfunction 5	036	Community relations													
Program 5a	03600	Community relations	0			0				0					
Program 5c	-		0			0				0					
			0	0	0	0	0	0	0	0	0	0	0		

The categories of data for each budget program in Annex C1 are broken down as follows:

- Total Expenditures for program (Total of found which is needed for program);
- The collected tariffs for this program, according to the principle that the tariffs should finance the service for which they are collected (as in the example above);
- Income with destination (eg conditional transfers that are intended for funding the program and the nature of their use can not be changed).

The difference between total program expenditure and the amount of fees and other revenue will give the net budget requirement for the program to be financed from the general budget of the local government unit (green column, net required amount).

3.6 Last years' investment (C1b)

To be filled out by: Budget/Finance Departament

In form “C1b – Last years' investments”, capital investment for the current (expected end of year outturn) and the previous two financial years are presented. This form follows the program and activity structure as presented in B1 – B3, and in C1: Last years' expenditures. Data is to be inputted in the yellow cells for each of the years under consideration.

Figura 5. C1b Last years investments

Yellow = to fill in by department fo finance					
(C1b) INVESTMENTS: LAST YEARS AND CURRENT YEAR					
			-2	-1	0
			Investment	Investment	Investment
01 General public services					
Subfunction 1	011	Executive and legislative organs, financial and fiscal affairs, external affairs			
Program 1a	01110	Planning, Management and administration			
Program 1b	01120	Financial and fiscal affairs			
Program 1d	01170	Civil registry			
Program 1e	-	-			
Program 1f	-	-			
			0	0	0
Subfunction 2	017	Local borrowing services			
Program 2d	01710	Payment for Domestic debt service			
Program 2e	-	-			
			0	0	0

In this format, it is important to complete the level of expenditures that the local self-government unit has realized in the past years for investment in program level, in order to identify the trend of spending over the years.

3.7. Last years' resources (C2)

To be filled out by: Department of Tax/Revenues
Department of Finance

In form "C2 – Last years' budget resources", resources for the current year (expected end of year outturn) and the two previous years are compiled in an overview. You find an extract of this form in Figure 6. This form follows the conventional classification for local revenue and income sources.

The main categories of budget resources presented are as follows:

1. Own source revenue
 - a. Local tax on small business
 - b. Tax on immovable properties (3 types)
 - c. Hotel tax
 - d. Infrastructure impact tax
 - e. Table tax
 - f. Local tax on donations etc
 - g. Temporary taxes (3 types)
2. Revenue from shared taxes (break-down in 5 categories)
3. Revenue from service fees and user charges (follows break-down as defined in Local Finance Law).
4. Other income, including non-tax revenues such as revenue from fines; sales or rent of assets; income from assets or other economic activity; transfers and donations; etc.
5. Income from the state budget: unconditional and conditional transfer, including break-down by types
6. Income from borrowing
7. Carry over from last year

Note: Funds carried over from last year include:

- Non-destination Portfolios: Total revenues in the municipal budget, which were not spent during the current year, for example due to overcoming the plan. These are typically additional revenues from local taxes, unconditional transfers or other unspent funds (and not specifically upgraded in the previous year);

- Done to destination: Revenue carried over to destination is revenue from local tariffs for specific services, which were not spent during the current year; but which should continue to be spent on the same program even in the next budget year (eg exceeding the plan from the cleaning fee); funds from conditional transfers, specifics or donations that can be carried out in the budget, but which can only be spent for the foreseen purpose during the next budgetary year.

Take the information for the last years from the annual financial report and for the current year from the estimations for the outturn for the current year/ expected end of year outturn. The information is used as a starting point for revenue estimation via the forms E1 to E5. The information is automatically copied into these forms.

Figure 6: C2 - Last years' budget resources

Yellow = to fill in by department fo finance					
(C2) ESTIMATION OF BUDGET RESOURCES					
Revenue item		code number	-2 Year t-2 (actuals)	-1 Last year (actuals)	0 Current year (expected end)
REVENUES FROM OWN SOURCES		A	-	-	-
REVENUES FROM LOCAL TAXES		A.1	-	-	-
Local tax on small business		A.1.1			
Tax on immovable properties		A.1.2			
Tax on buildings		A.1.2.1			
Tax on agricultural land		A.1.2.2			
Tax on urban land		A.1.2.3			
Tax on property transactions		A.1.2.4			
Local taxes on hotel service		A.1.3			
Tax on infrastructure impact of new buildings		A.1.4			
Tax on tables		A.1.5			
Local Taxes on revenues derived from donations, inheritances, testaments and local lotteries		A.1.6			
Temporary taxes		A.1.7			
Temporary tax 1		aaa A.1.8			
Temporary tax 2		bbb ccc A.1.9			
REVENUES FROM SHARED TAXES (GRANTS)		A.2	-	-	-
Tax on sale of real estate / immovable property		A.2.1			
Annual tax on circulation of used vehicles		A.2.2			
Tax from mine rent		A.2.3			
Personal income tax		A.2.4			
Other taxes		A.2.5			
REVENUES FROM LOCAL FEES		A.3	-	-	-
Fee on waste management		A.3.1			
Fee on cleaning for families		A.3.1.1			
Fee on cleaning for institutions		A.3.1.2			
Fee on cleaning for businesses		A.3.1.3			
Fee for waste collection and disposal		A.3.2			
Fee on public lighting		A.3.3			
Fee on public lighting for families		A.3.3.1			
Fee on public lighting for institutions		A.3.3.2			
Fee on public lighting for businesses		A.3.3.3			
Fee on greenery		A.3.4			
Fee on greenery for families		A.3.4.1			
Fee on greenery for institutions		A.3.4.2			
Fee on greenery for businesses		A.3.4.3			
Fees on municipal administrative services		A.3.5			
Fee on municipal administrative services		A.3.5.1			
Fee on licenses, permits and authorizations		A.3.5.2			
Fee on territory development and control		A.3.5.3			
Fee on slaughterhouse/ veterinary stamps		A.3.5.4			
Fee on transport license		A.3.5.5			
Fee on parking for licensed vehicles and public parking		A.3.5.6			
Fee on oil and oil products license		A.3.5.7			
Fee on forest and pastures		A.3.5.8			
Fee on extra services of fire protection team		A.3.5.9			
Fee on utilization of public space facades		A.3.5.10			
Fee on solid waste treatment in landfills		A.3.5.11			
Fee on areal and terrestrial communication lines (telephone, energy, cable tv, internet)		A.3.5.12			
Fee on tender documentation, auctions, etc.		A.3.5.13			

3.8. Arrears (C3)

To be filled out by: Budget/Finance Department

Worksheet “C3 – Arrears”, takes stock of outstanding liabilities that have not been cleared by the cut-off date specified. It aims to present an overview of overdue liabilities, and ensures that a plan for the clearance of arrears within at least the medium term, has been devised.

The Department of Finance needs to specify:

- The name of the creditor and the program under which the expenditure has been engaged. (Column A and B)
- The due date for the payment of liability (Column C)
- The debt stock (i.e. amount of outstanding liability) by 31st October of the current financial year (Column D)
- The plan for settling of the outstanding liability, if in periodic instalments (I, F, L, O columns for years t, t+ 1; t+2 and t+3 respectively).

Figure 7 : C3 – Arrears

Yellow = to fill in by department of finance											
(C3) ARREARS											
		0	0								
		Current year	Current year		Year t+1 (expected)	Year t+2 (expected)	Year t+3 (expected)				
Creditor	Due date	Debt stock, 31 of October	Amortisation of arrears until end of year	Debt stock, 31 of December	Amortisation of arrears during the year	Debt stock, 31 of December	Amortisation of arrears during the year	Debt stock, 31 of December	Amortisation of arrears during the year	Debt stock, 31 of December	
		0		0		0		0		0	OK!
		0		0		0		0		0	OK!
		0		0		0		0		0	OK!
		0		0		0		0		0	OK!
		0		0		0		0		0	OK!
		0		0		0		0		0	OK!

The columns in grey will automatically output the outstanding debt stock at the end of each financial period. The data inputted in this worksheet serves for information and documentation purposes. It will automatically feed into the dedicated output figure F12.

3.9. Earmarked carry overs (C4)

To be filled out by: Budget/Finance Department

Worksheet C4 outlines the earmarked carry-overs (expenditure commitments) in line with the program classification. The purpose of this worksheet is to ensure that expenditure commitments that have not been honoured in the previous financial year, are duly documented in the budget and financial documents for the following year. Carry-overs result from the difference between the appropriation by program/activity in the current budget year and the actual expenditure carried out. If the difference is positive, the department of finance must exercise caution in identifying the reason for the difference. Sometimes the reason for a surplus is savings realised through the purchase of goods and services at a lower market price than initially estimated. However, in cases of capital investment projects when an expenditure has not been carried out due to technical or time drawbacks, it may be adequate to earmark such carry overs for the continuation of the capital investment project in the coming year.

Figura nr.8 (C4) Trashegimi me destinacion

Yellow = to fill in by department fo finance			
(C4) EARMARKED CARRY OVERS			
			1
			earmarked carry overs
Subfunction 1	011	Executive and legislative organs, financial and fiscal affairs, external affairs	
Program 1a	01110	Planning, Management and administration	
Program 1b	01120	Financial and fiscal affairs	
Program 1d	01170	Civil registry	
Program 1e	-	-	
Program 1f	-	-	
			0
Subfunction 2	017	Local borrowing services	
Program 2d	01710	Payment for Domestic debt service	
Program 2e	-	-	
			0

Please note that such funds will still need to be authorised in the annual budget (i.e. budget request forms) to become available to the program/activity.

The information entered into this worksheet feeds automatically into the calculation of program expenditure in the Budget Request Forms.

3.10. Commitments (C5)

To be filled out by: Budget/Finance Department

Worksheet C5 outlines any multi-year commitments made in the previous or current budget year, by program and activity. The purpose is to avoid creating arrears and/or falling back on budget objectives.

Commitments are the financial obligations assumed by the spending unit that derive from the contract for capital expenditures, the purchase of goods or services, as well as the service contract (outsourcing of services); ie any kind of obligation arising out of agreements with third parties. The municipality should provide a general overview of the commitments in force at the beginning of the budget year; to make sure that:

- 1) These obligations will be met and will not be overlooked
- 2) That the council of the local self-government unit has a full overview of the funds that are effectively free to be allocated during the budget year. For example, if a total of 100,000 leks are foreseen in the waste program, of which 50 thousand leks will go to the purification company annually and 30 thousand leks are foreseen for the continuation of the landfill in the previous year; effectively only 20,000 ALL are free to be allocated by the council in the first year of the budget to achieve the objectives.

Figure 9 (C5) Commitments

Yellow = to fill in by department fo finance					
(C5) COMMITMENTS					
			1	2	3
			Commitments	Commitments	Commitments
Subfunction 1	011	Executive and legislative organs, financial and fiscal affairs, external affairs			
Program 1a	01110	Planning, Management and administration			
Program 1b	01120	Financial and fiscal affairs			
Program 1d	01170	Civil registry			
Program 1e	-	-			
Program 1f	-	-			
			0	0	0
Subfunction 2	017	Local borrowing services			
Program 2d	01710	Payment for Domestic debt service			
Program 2e	-	-			
			0	0	0
Subfunction 3	031	Police services			
Program 3a	03140	Municipality police services			
Program 3b	-	-			
Program 3c	-	-			
031			0	0	0
Subfunction 4	032	Fire-protection services			
Program 4a	03280	Fire-fighting and civil protection			
Program 4b	-	-			
Program 4c	-	-			
031			0	0	0

Authorisation for forward commitment on capital investment projects and other recurring expenditure is possible in our budget system. However, annual authorisations are necessary in order for the payments to become effective within each program. This worksheet serves primarily an information and documentation purpose. Figures on commitments are automatically inputted into the concerned budget request forms as information.

3.11. List of the project investments

To be filled out by: Budget/Finance Departament

A separate table has been set out in FPT to rank the investment projects that the local self-government unit has foreseen in the medium-term budget. In this table the data are detailed in the columns that will be marked, project designation, contract value and distribution of funding in the past two years the current year and the next three budget years. In the yellow fields the information will be filled in according to the above definitions.

At the bottom of the table will be the amount of investments that are foreseen by the unit of local self-government to be realized by years but also in the medium term.

Figure 10: E3 – List of the project investments

(E3)LIST OF INVESTMENT PROJECTS							
Name of project	he value of the contra	-2	-1	0	1	2	3

3.12 Ceilings (D1)

To be filled in by: Budget/Finance Departament

Ceilings are used by the political authorities, i.e. the Mayor, and the Council, as a means to guide bottom up budgeting of line departments in a strategic way. For this purpose, the ceilings must be decided by the political authorities at an early stage of the budgeting process. Ceilings should be put in line with the strategic priorities of the LGU, based on the existing strategic development plan SDP. Furthermore, the ceilings must respect the financial limitations of the LGU. The resource estimation process under E1 to E5 will reveal these financial limitations.

It is important that ceilings are communicated to the line departments as soon as possible.

The FPT uses one overall ceiling for each program and within the program, three types of sub-ceilings are defined; the first one is for salaries and social insurance, the second one for purchases of goods and services (consumption beyond staff compensation), the third one is for capital investments. While the first and the second sub-ceiling are maximum ceilings for consumption, the third one constitutes a minimum requirement for capital investment. The capital investment ceiling is the residuum from the overall ceiling per program minus the two ceilings for consumption. When these ceilings are used, the Head of LGU together with the Council can guide strategic resource allocation per program with the overall ceilings; furthermore, the political authorities can steer the investment priorities and keep staff expenditures under control with the sub-ceilings.

The Department of Finance fills out the yellow part of form D1. The minimum level of capital investment is computed automatically. The information on the ceilings is imputed into the Budget Request Forms automatically. The ceilings are defined in absolute terms. You can find an extract of form “D1 Ceilings” in Figure 6.

There are three requisites for defining the ceilings:

- Firstly, an accurate and reliable estimation of the overall LGU budget resources for each of the years of the medium-term budget is absolutely indispensable. This information is produced in the subsequent form E1 of the FPT.
- Secondly, the LGU needs a local development strategy. Only then, the ceilings can be determined in a strategic way.
- Thirdly, the political will for guiding the medium-term and annual budgeting process in a strategic way must be existent.

Figure 11: D1 - Ceilings

Yellow = to fill in by department fo finance

(D1) CEILINGS				
		1	2	3
		Year t+1 (expected)	Year t+2 (expected)	Year t+3 (expected)
Subfunction 1	011 Executive and legislative organs, financial, fiscal, external			
Saleries and social insurance		0	0	0
Other current expenditures		0	0	0
Capital investments		0	0	0
Overall ceiling		0	0	0
Commitment pro memoria		0	0	0
01110	Planning, Management and administration			
Saleries and social insurance				
Other current expenditures				
Capital investments		0	0	0
Overall ceiling				
Commitment pro memoria		0	0	0

In Annex D1, lines 489: 491 provide for reserve and contingency funds, which according to the budget law should not exceed 3% of the municipal budget. The budget department must fill in the percentage for the reserve fund and the contingency in each of the years t + 1, t + 2 and t + 3 and the program will generate absolute values depending on the formulated budget.

3.13. Macroeconomic assumptions (D2)

The macroeconomic assumptions of form D2 give information about relevant estimated figures from the macro-economic environment, which affect medium term budgeting. This information is used at each stage of the budgeting process, i.e. budget preparation, assessing of the budget proposal and its adoption, the execution of the budget and subsequent control. These assumptions are key for the budgeting process; they should be based on estimates of qualified and generally recognized economic forecasting institutes and confirmed by the political level, i.e. the Mayor, before they are made official. In most cases, the macroeconomic assumptions of LGUs can rely on the planning assumptions used by the Ministry of Finance. These assumptions are made available to LGUs by the Ministry of Finance on an annual basis. However, economic growth or inflation may be higher in areas of fast economic growth than the national average. The opposite could be the case in rural areas of the country. It is recommended to reflect the planning assumptions and adjust them to the local realities in a prudent way. When planning assumptions deviate from national estimations, the reasons should be well explained.

Please note, that the macroeconomic assumptions are not automatically used for revenue or expenditure estimation. Each budgetary entity will have to take this information into account and estimate the impact of forecasted inflation, real economic growth, etc. on the revenue and expenditure under their direct control.

The Department of Finance fills in the information on the macroeconomic assumptions and communicates the information to each of the concerned line departments when line departments are asked to launched bottom-up budgeting.

The FPT pre-defines six economic indicators; there is room for additional indicators that are considered to be important for LGUs.

The form “D2 Macroeconomic assumptions” is represented in Figure 12.

Figure 12: D2 - Macroeconomic assumptions

Yellow = to fill in by department fo finance						
(D2) MACROECONOMIC ASSUMPTIONS						
	-2	-1	0	1	2	3
	Year t-2 (actuals)	Last year (actuals)	Current year (expected)	Year t+1 (expected)	Year t+2 (expected)	Year t+3 (expected)
Inflation rate						
Real economic growth rate						
Wage growth rate (nominal)						
Interest rate (3 months)						
Interest rate (5 years)						
Exchange rate (end of year) amount of lek for 1 euro						

3.14. Revenue estimation: Taxes (E1)

To be filled out by: Department of Revenue

The form E1 is used for forecasting all classes of local income. Information on some sources of income will not be subject to local estimates, such as the data on subnational grants which are communicated by the Ministry of Finance. Some other sources, most notably own source revenues will need to be estimated during the budgeting process. Finally, the bottom line for this form shows the overall budget resources for each year. It also presents subtotals by type of income; i.e. total taxes; total fees; total grants; etc.

The FPT requires you to forecast each tax and fee individually. The procedure is very similar for each of the different taxes and fees. However, the factors having an impact on taxes are not the same as the ones impacting fees.

The impacting factors on taxes, considered by the FPT, are: (1) real economic growth, (2) inflation, (3) population growth, (4) regulation (legal adjustment of the tax law), (5) improved use of tax potential, (6) tax rate changes, (7) other. Unfortunately, the information on the influencing factors is not perfect; part of it can be taken from the macro-economic assumptions, however part of it must be assumed. This is the first difficulty. Then, the tax specialists of

the LGUs must assess the impact of each of the influencing factors on each tax. This is the second difficulty. It is obvious that some input factors are more relevant for certain taxes than for others. For example, economic growth will hopefully have a positive impact on the infrastructure impact tax, but not on the building tax which is a flat rate. However, to assess the extent of this impact on a certain tax needs a great deal of experience. The use of statistical skills can be helpful, but it cannot substitute experience. There is only one-way to do it: try it, discuss estimation errors and learn from them.

In Figure 13, you can see an extract of form “E1 – Resource estimation”; imputed with information on two taxes, the the building tax and the property transactions tax. In the upper part, you find the headers for the seven influencing factors; the background of the fields is kept in white. Below, in the yellow fields, you can fill in the expected impact of each of the influencing factors on the respective tax for each of the years. The change in % always refers to the previous year, e.g. the estimated impact for 2018 is the expected percentage change compared to the 2017 outturn.

Figure 14: E1 - Estimation on budget resources

(E1) ESTIMATION OF BUDGET RESOURCES			
REVENUES FROM OWN SOURCES	-	-	-
REVENUES FROM LOCAL TAXES	-	-	-
Local tax on small business	-	-	-
Tax on immovable properties	-	-	-
Tax on buildings	-	-	-
Tax on agricultural land	-	-	-
Tax on urban land	-	-	-
Tax on property transactions	-	-	-

3.15. Revenues estimation: Shared taxes (E1)

In theory the same indicators used to estimate patterns in own tax collections should apply for shared taxes as well. However, it is most likely that inputs on expected collections from shared taxes will be transmitted directly by the Ministry of Finance. In this case, you can just fill in the percentage increase in the column estimated impact of other factors.

Alternatively, you could consult with the national budget to see what the estimates for the national taxes that are shared are. For an approximate calculation of what your municipality will receive, you can use the trend in national collection/ weighed against your municipality's historical share. Fill in this information also under estimated impact of other factors.

REVENUES FROM SHARED TAXES (GRANTS)	-	-	-
Tax on sale of real estate / immovable property	-	-	-
Annual tax on circulation of used vehicles	-	-	-
Tax from mine rent	-	-	-
Personal income tax	-	-	-
Other taxes	-	-	-

3.16. Revenue estimation E1: Fees (E1)

Worksheet E1 is used for the estimation of all classes of fees as well. The section for fee estimation is constructed in a similar way as for tax estimation. What was explained there is applicable here as well. However, the factors having an influence on fees and on taxes are not the same.

For fees, the FPT considers five factors that have a potential impact: (1) Improved use of fee potential, (2) legal adjustments, (3) volume increase of the activity, (4) increase of fee per unit, (5) other

An extract of form E1/fee section is represented in Figure 15. The cleaning fee is used as an example. For businesses, this fees already exists, for families it is new. Attempts shall be made to better exploit the fee potential by improving fee collection. Moreover, it is planned to extend service coverage which will also generate additional fees.

Figure 15: E1 - Fees

REVENUES FROM LOCAL FEES	-	-	-
Fee on waste management	-	-	-
Fee on cleaning for families	-	-	-
Fee on cleaning for institutions	-	-	-
Fee on cleaning for businesses	-	-	-
Fee for waste collection and disposal	-	-	-
Fee on public lighting	-	-	-
Fee on public lighting for families	-	-	-
Fee on public lighting for institutions	-	-	-
Fee on public lighting for businesses	-	-	-
Fee on greenery	-	-	-

3.17. Resource estimation: Non-tax revenues (E1)

Estimates for non-tax revenues follows the same technical logic as taxes and fees. However, other impacting factors apply.

Figure 16 shows examples for the estimation of income from the rent of assets, from LGU owned enterprises and from selling of goods and services. These estimations must be based on past experiences and expert assessment; direct entry of the expert estimation is enabled. In a similar way, income from borrowing and carry-overs are inputted under section C and D of form E1.

Figure 16: E1- Others

OTHER REVENUE AND INCOME	-	-	-
Rent of municipal assets	-	-	-
Return from capital investments	-	-	-
Income from municipal enterprises	-	-	-
Return from public private partnerships	-	-	-
Withdrawals of income from utilities	-	-	-
Selling of goods and services	-	-	-
Administrative violation (fines)	-	-	-
Seizures and reparations	-	-	-
Membership fee of municipalities	-	-	-
Transfers from other municipalities	-	-	-
Grants from international aid	-	-	-
Selling of financial assets	-	-	-
Selling of tangible / intangible fixed assets	-	-	-
Other	-	-	-

3.18. Revenue estimation from the state budget (transfers) and borrowing (E1)

To be filled in by: Budget/Finance Department

The preliminary information is needed to specify the different inflows from conditional transfers, competitive transfers, donor contributions, loans. Relevant information on transfers for the upcoming three years is provided by the Ministry of Finance annually.

This section is filled out by the Department of Finances. However, it is strongly recommended that the Department of Finances consults line departments regarding the estimations for conditional transfers, specific transfers and donor contributions.

Figure 17: E1 – Revenue estimation from the state budget

Other	-	-	-
REVENUES FROM CENTRAL GOVERNMENT	-	-	-
Unconditional transfer	-	-	-
Conditional transfer	-	-	-
For delegated functions	-	-	-
For special projects (RDF and others)	-	-	-

3.19. Budget Request Forms FKB (FKB1 - FKB27)

To be filled in by: Head of respective department/unit

The budget request forms BRFs are used by line departments to prepare their budget requests within the ceilings determined by the Mayor and approved by the municipal council. By doing this, the broad top down process of budget preparation is combined with a detailed bottom up process. It is highly recommended that line departments have the responsibility to process the BRFs, where they are concerned. A consultation process within the line departments should take place then, and all concerned parties should be involved. This procedure guarantees that concerns of the practitioners are fully respected when the budget is elaborated; by doing so, the budget becomes more realistic and is better understood at the front line.

It is crucial, that line departments are given enough time to prepare their budget requests. According to international standards, a timeframe of at least 4 weeks would be ideal. This timeframe must be embedded in the LGU's budget calendar.

In accordance with the functional-programmatic classification, there are 29 BRFs in total; for each program, a separate BRF is used. To keep track of the information, the activities are limited to a maximum of four per BRF as defined in form B3 functional structure.

The BRF is composed of four areas (see Figure 18):

- (1) The header (line 2 to 8)
- (2) Overview of the budget request (line 14 to 48) – output lines only
- (3) Compliance with ceilings (line 50 to 63)

(4) Detailed budgets per activity/project (line 66 to end of page). Please, take note that Figure 18 doesn't show this area for the second and third activity! Only the template for the first activity is represented.

Ad (1) Header of the form: Output table only.

The header area presents general information of the program. In line 2, you find the name of the program, the responsible line department, the corresponding program name. In line 3 to 7, the activities/projects of this program are spelled out and their nature and type are characterized. All this information is imputed automatically into the BRF from the B3 sheet. Nothing has to be done manually in this area.

Ad (2) Overview of budget request

The overview area presents the total of expenditures for the program:

The section on the left (columns A to G) present an overview of global expenditure for the program (i.e. gross spending). A breakdown of gross expenditures is presented according to the economic classification; the main categories of the economic classification are: salaries, expenditures for goods and services purchased (non-salary consumption), and capital investments.

The top part of the section on the right presents earmarked revenues from the program (I15: 029), which may originate from service fees and user charges dedicated to the program; or earmarked transfers.

The bottom part of the section on the right (I32: 048) presents an overview of the budget request for this program from the general-purpose budget of the municipality – i.e. net expenditures for the program. The net budget expenditure is compiled as the difference between gross expenditure (global spending need) and total revenue from the program (from fees and earmarked revenues).

Hint: Please note that not all budget programs will have net earmarked revenue/income. Typically, this will happen for those programs in which service fees are charged (for instance, cleaning); or earmarked grants are received. For a bigger part of budget programs, gross and net expenditure will be equal and these will be financed through the general-purpose budget of the municipality.

This area is compiled automatically. The information in the orange fields comes from information collected by the Department of Finance; the figures in the silver fields are computed based on information in area 4 of the BRF. Nothing has to be done manually in this area.

Ad (3) Compliance with ceilings

This section checks whether the global expenditure for the program is within the program ceiling as approved by the municipal council. Data is computed automatically from detailed information imputed in the activity expenditure sections of the BRF; compared against ceilings as imputed in worksheet D1 (Ceilings).

The worksheet compares the global ceiling for the program against global expenditure; as well as economic categories of spending against the relevant ceilings for salaries; other operational expenditure as well as capital expenditure.

The data is computed automatically. Based on this, column L will generate “OK!” if expenditures are in line with ceilings.

In case forecasted expenditure has exceeded the given ceiling, the sign “STOP!” will feature on column L. Officials will need to revisit spending assumptions at activity level to ensure compliance.

Ad (4) Detailed budget per activity/project

As already mentioned, each BRF leaves room for a limited number of activities only. In the title line, which is highlighted in turquoise (#66, #104 and #142), the following information is imputed automatically: program code, program name, number of activity, name of activity.

Below the title line, you find three subareas:

- (i) the left side is dedicated to expenditure estimation,
- (ii) the right side for revenue estimation,
- (iii) and below (line 95 through 101), there is room left for explanation.

Figure 18: FKB1 to FKB27 – Budget request form

Number	Name of program					
Subfunction 1	011 Executive and legislative organs, financial, fiscal, external affairs					
Directorate / Department	Head of program					
	Name of Activity	Activity: obligatory / additional			Activity: own / delegated / newly transferred	
Program 1a	Planning, Management and administration	obligatory			own	
Program 1b	Financial and fiscal affairs	obligatory			own	
Program 1c	General Public Services	obligatory			own	
Program 1d	Civil registry	obligatory			delegated	
Program 1e	0	0			0	
Program 1f	0	0			0	
OVERVIEW OF BUDGET REQUEST						
Subfunction 1	011 Executive and legislative organs, financial, fiscal, external affairs					
EXPECTED EXPENDITURES				EXPECTED REVENUES		
	-2	-1	0	1	2	3
EXPECTED EXPENDITURES	0	0	0	0	0	0
EXPECTED EXPENDITURES						
DIRECT COSTS FOR PROJECTS & CAP. INVESTMENTS						
Salaries	600					
Social insurance	601					
Goods & other services	602					
Subsidies	603					
Current domestic transfers	604					
Current international transfers	605					
Transfers to individuals & families	606					
Capital investments	230 / 231					
Reserves	609					
Interests for direct loans or bonds	650					
Other	69 / ?					
DIRECT COSTS FOR PROJECTS &						
RECURRENT COSTS						
Salaries	600					
Social insurance	601					
Goods & other services	602					
Subsidies	603					
Current domestic transfers	604					
Current international transfers	605					
Transfers to individuals & families	606					
Reserves	609					
Interests for direct loans or bonds	650					
Other	69 / ?		OK!			
RECURRENT COSTS						
EXPECTED EXPENDITURES	0	0	0	0	0	0
ESTIMATED REVENUE FROM FEE						
ESTIM. REVENUE FROM FEE	0	0	0	0	0	0
ESTIMATED EARMARKED REVENUES						
Conditional grants				0	0	0
Contributions				0	0	0
Earmarked carry overs				0	0	0
Further sources (incl. fines)				0	0	0
ESTIM. EARMARKED REV.	0	0	0	0	0	0
EXPECTED REVENUES	0	0	0	0	0	0
NET AMOUNT REQUESTED						
NET AMOUNT REQUESTED	-	-	-	-	-	-
Commitments	Total Amount per Activity			0	0	0
Purpose	Capital investments			0	0	0
	Goods & other services			0	0	0
	Further purposes			0	0	0
				OK	OK	OK
Technical explanations						

Let's have a closer look at subarea (i) expenditure estimation and (ii) revenue estimation per activity now!

(i) The expenditure side of the budget request form

The subarea for expenditure estimation is again sub-divided in three sections (see Figure 19): The top part (row 74) is used for estimating the gross expenditure for an activity; the next section (row 77 to 88) is dedicated to a disaggregated estimation of the direct costs of bigger projects, such as capital investments; finally, the last section (line 90 to 100) is used for the disaggregated estimation of recurrent costs of the budgeted activity.

Figura 19: Expenditure estimation for program/project

66	Number	Name of program					
67	Subfunction 10	051 Waste management					
68	Directorate / Department	Head of program					
69	OVERVIEW OF BUDGET REQUEST						
70	Subfunction 10	051 Waste management					
71	EXPECTED EXPENDITURES						
72		-2	-1	0	1	2	3
73							
74	EXPECTED EXPENDITURES	0	0	0	0	0	0
75							
76	EXPECTED EXPENDITURES						
77	DIRECT COSTS FOR PROJECTS & CAP. INVESTMENTS						
78	Salaries	600			0	0	0
79	Social insurance	601			0	0	0
80	Goods & other services	602			0	0	0
81	Subsidies	603			0	0	0
82	Current domestic transfers	604			0	0	0
83	Current international transfers	605			0	0	0
84	Transfers to individuals & families	606			0	0	0
85	Capital investments	230 / 231			0	0	0
86	Reserves	609			0	0	0
87	Interests for direct loans or bonds	650			0	0	0
88	Other	69 / ?			0	0	0
89	DIRECT COSTS FOR PROJECTS &				0	0	0
	RECURRENT COSTS						
90	Salaries	600			0	0	0
91	Social insurance	601			0	0	0
92	Goods & other services	602			0	0	0
93	Subsidies	603			0	0	0
94	Current domestic transfers	604			0	0	0
95	Current international transfers	605			0	0	0
96	Transfers to individuals & families	606			0	0	0
97					0	0	0
98	Reserves	609			0	0	0
99	Interests for direct loans or bonds	650			0	0	0
100	Other	69 / ?			0	0	0
				OK!	0	0	0
100	RECURRENT COSTS				0	0	0
101							
102	EXPECTED EXPENDITURES	0	0	0	0	0	0

Expected expenditure: (Row 102)

The total sum of planned expenditure for the activity needs to be imputed in this section. Data from the previous and current budget year will be automatically imported from previously imputed information.

Now let's switch to the additional two sectors of the expenditure part, which are dedicated to the direct costs of projects and capital investments on the one hand and to recurrent costs on the other hand. These two areas allow you to break down the forecasted expenditures according to the economic classification. In the case of a capital investment and other projects, the upper part, i.e. direct cost, has more weight; in the case of on-going activities, the lower part is more relevant in many cases. However, bear in mind that also capital investments will cause recurrent costs in future years, in particular in terms of maintenance costs and other operational expenditure depending on the nature of capital investment. The break down between project and capital investment costs on the one hand and recurrent costs at the other hand is needed because of the ceilings and reporting requirements. For the same two reasons, a break down in categories of the economic classification is necessary.

Please, bear in mind that if you forget to fill in this area, you will face problems with the ceilings if this instrument is used by the Mayor and council. In addition, the FPT will put not explained expenditures in the category "other", which is used as residue. In addition to that, information from the two cost information sections are used for the output tables as well. When you miss to fill in these areas correctly, details of the aggregated financial plan will be presented in an inaccurate way, and not all output tables can be used.

Figure 20: Calculation of revenues within the Budget Request Form

69	EXPECTED REVENUES						
70		-2	-1	0	1	2	3
71							
72	ESTIMATED REVENUE FROM FEE						
73	ESTIM. REVENUE FROM FEE	0	0	0	0	0	0
74							
75	ESTIMATED EARMARKED REVENUES						
77	Conditional grants			0	0	0	
78	Contributions			0	0	0	
79	Earmarked carry overs			0			
80	Further sources (incl. fines)			0	0	0	
81	ESTIM. EARMARKED REV.	0	0	0	0	0	0
82							
83	EXPECTED REVENUES	0	0	0	0	0	0
84							
85	NET AMOUNT REQUESTED						
87							
88	NET AMOUNT REQUESTED	-	-	-	-	-	-
89							
90							
91	Commitments	Total Amount per Activity			0	0	0
92	Purpose	Capital investments			0	0	0
93		Goods & other services			0	0	0
94		Further purposes			0	0	0
95					OK	OK	OK
96							
97	Technical explanations						
98							
99							
100							
101							
102							

Let's have a look at the estimation of fees and earmarked revenues now!

Under the expected revenue section, under fees, data on previous years collections (i.e. contributions to the program) are imported automatically. Fill in the expected volume for the budget period. Please note that it is important that data in this section is identical to data entered in worksheet "Revenue Estimation".

The estimation of earmarked transfers is fully based on information of the LGU and of its line departments. All available information should be used by the experts to make a realistic guess of what can be expected. Officials will need to enter data on a) conditional grants for the program/activity; other contributions (i.e. donations); further sources (i.e. fines). Data on earmarked carryovers will be imported automatically from the relevant worksheet.

The total of both sources of revenues, fees and earmarked transfers are then summed up and the result appears in the boxes to the right of "Expected Revenue".

It is crucial for line departments that they have a clear view of what they can expect from users in terms of fees and from third parties in the form of earmarked revenues. The higher this direct, activity related revenue, the lower will be the net amount requested. Please, be aware of the following relationship: When a certain activity is reduced, then hopefully the expenditures for this activity will decrease as well. However, in many cases, also the fees will go down as well as earmarked revenues. Therefore, if you reduce an activity by let's say 20%, then, the expenditure may go down by probably 15% (not 20% because of the fixed costs). In addition, when the direct activity related revenue will go down, the savings in terms of net budget request are much lower than 20%, maybe 10%, depending on the relevance and the arrangement with these direct, activity related revenues.

Budget officers in the line departments should be aware of the relevance and of the potential of direct, activity related revenue. It strengthens the position of a line department and saves direct tax revenue of the LGU. These savings enhance the potential of the LGU to further improve the public services and make the LGU more attractive.

Budget officers of line departments and of the Department of Finances should sit together and make sure that estimations of the line department on direct activity related revenues are consistent with estimations of the Department of Finances regarding fees and earmarked revenues. The BRF of the FPT helps to make these estimations of the different LGU departments transparent and comparable; this is the basis for reaching consistency in financial planning.

4. Data output and their interpretation (F1 - F16)

The FPT produces two classes of output, tables and graphs. Sheet tabs for tables are highlighted in dark green; for graphs, they come in light green.

In total, the FPT produces 8 tables and 8 graphs, which can be directly used for communication purposes. The MTBP guidance 2017 gives hints, in which section of the MTBP which information of the FPT could be used. However, be careful with presenting these tables and graphs. For a broader audience, do it selectively. Do not flood the audience with too abundant information. Select the graphs and tables that you find relevant. Highlight in a comment what is important to see and to know for each graph or table you select for presentation.

The FPT presents the overview of the budget resources in table F1. Expenditure is presented in different ways:

- according to the program classification (F2 to F5),
- according to the sector classification (F6 & F7),
- per type of activity, i.e. obligatory/additional and own/delegated/newly transferred (F8 & F9),
- according to the economic classification (F10&F11)
- specific expenditure items, as follows:
 - Arrears at year end (F12)
 - Capital investment Graph (F15)

The FPT presents the aggregated results in gross and net figures. Gross figures inform the audience on the amount of planned spending in total. Net figures show how much must be paid with local tax and general-purpose grant money.

In addition, the FPT presents an overall financial statement (F13), i.e. total budget resources, total expenditure and the overall surplus or excess spending.

Finally, in sheet F14, the FPT calculates the actual figures for 9 financial indicators (see Table 2). These indicators should be used to assess whether the medium term financial plan is in a good financial balance. For the interpretation and assessment of the indicator values, a financial strategy of the LGU with clear target values is required. This strategy can be part of the SDP; however, a separate sector strategy seems more appropriate because this approach offers more flexibility.

Table 2: Financial indicators

Indicator	Possible interpretation
Overall expenditure / overall budget resources	If overall expenditure is higher than overall budget resources, LGU makes losses.
Tax and fee revenue / overall budget resources	The higher this ratio, the higher local independence on the one hand, but the higher the tax burden on the other hand. There exists a trade-off between the two concerns of independence and low tax burden for local citizens. In the case of fees, which are linked to service provision, fees are harder to pay for citizens with low income.
Own revenue/overall budget resources	Indicator for independence and fiscal strength of LGU
Capital investment / overall expenditures	Indicator for development orientation of LGU finances
Personnel expenditure/overall expenditure	Indicator for the efficiency of the local administration
Long term borrowing/overall budget resources	Indicator for financial dependence of LGU
Long term borrowing/own revenues	Indicator for financial dependence of LGU
Ratio of overdue payment liabilities to overall budget resources	Indicator of the fiscal discipline of the LGU
Ratio of expenditures on social care policies to total expenditures	Indicator of the pro-poor orientation, development policy of the LGU

Correctness of the output tables and graphs depends on the accuracy and comprehensiveness of the data-input in the input area of the FPT.

5. List of technical terms and abbreviations

Term	Definition
Activity	Ongoing process carried out to reach a policy objective
BRF	Budget request form, used by line departments to prepare a draft budget per program and activity within their area of responsibility
Ceilings	Upper or lower limit prescribed for spending for a certain item. The FPT provides the following ceilings: <ul style="list-style-type: none"> - Overall ceiling per program (maximum allowed) - Ceiling on salaries and social insurance per program (maximum allowed) - Ceiling on consumption per program (purchases of goods and services; maximum allowed) - Minimum required for capital investments
Direct project costs	Costs for project preparation and implementation including project management. See also: recurrent costs.
dldp	Decentralization and Local Development Program
Financial indicator	Financial key figure used to assess the sustainability of local finances in an aggregated way
FPT	Financial planning tool
Gross expenditure	Total of expenditure including of what is covered by third parties (user fees, grants by central government, donor contributions, etc.). See also: net expenditure.
HSLU	Hochschule Luzern, i.e. Lucerne University of Applied Sciences and Arts
ISB	Institute for Contemporary Studies, Tirana
Macroeconomic assumptions	Planning assumptions on the economic development affecting LGU's finances during the medium-term planning period: economic growth, inflation, interest rates in the short and long term, growth of wages
medium-term	next three years
MTBP	Medium-Term Budget Program
MoF	Ministry of Finance

<i>n.e.c.</i>	<i>Not elsewhere classified</i>
Net expenditure	Total expenditure excluding what is covered by third parties (through user fees, transfers from central government, donor contributions, etc.). See also: gross expenditure.
Program	Policy area combining tasks (of an LGU) belonging together. Programs consist of one or more activities; they are guided by the same policy goals and objectives.
Recurrent costs	Ongoing costs as an effect of ongoing activities or of a new facility. Example: When a new health centre is built, this will require staff, medication, heating, etc. in each of the following years. See also: direct project costs.
SDC	Swiss Agency for Development Cooperation
Structural change	Demographic development, new laws or legal adjustments, new procedures etc. can influence program expenditure.
Arrear	Payments that are overdue by more than 90 calendar days.
Earmarked carry-over	Funds that have been committed and have not been settled until the end of the budget year. These funds will typically need to be recommitted to the same purpose in the following budget year, unless the commitment (subject) no longer exists.
Commitment	Undertaking of financial liabilities, in written form, through entering into a contractual arrangement.



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