

Financing and economics management

Extra-budgetary funds - principles, implementation



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Content:

1. Non-budgetary funds / resources - making principles, theoretical definition,
2. Reserve - the use of resources,
3. The Fund cultural and social needs - history and general definition,
4. The Fund cultural and social needs of the defence.



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1. Non-budgetary funds / resources - making principles, theoretical definition

Act no. 218/2000 Coll., on budgetary rules defines **non-budgetary funds**:

funds organizational units of state, profit earned by economic activity undertaken on the basis of a special law, money and resources provided from abroad by their definition of an act which were given and means special accounts to finance modifications and substitutions State Material Reserves under special legislation.



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1. Non-budgetary funds / resources - making principles, theoretical definition

Extra budgetary resources may OUS, the MoD:

- Used to pay unsecured budgetary needs.
- Funding extra-budgetary resources leads to the MoD on bank accounts with the Czech National Bank.



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1. Non-budgetary funds / resources - making principles, theoretical definition

MoD (OUS) comprises these cash funds:

A) Reserve fund,

B) Fund cultural and social needs.

1. Non-budgetary funds / resources - making principles, theoretical definition

A) The resource of reserve fund is:

- ☐ Provided from abroad and cash donations,
- ☐ Deductions unauthorized use or withhold funds pursuant to § 44 paragraph 2 point a), b), g) and h) and penalties for late payments to them the law on budgetary rules,
- ☐ Income from the sale of assets which organizational unit of state acquired as a gift or inheritance,
- ☐ The Ministry of Defence revenues from the sale of state property which is competent to manage the ministry.



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1. Non-budgetary funds / resources - making principles, theoretical definition

B) Fund cultural and social needs:

- is made an essential contribution to the budget of organizational state of the annual expenses recognized for salaries, ...,
- are fulfilled in advance of the annual planned amount in accordance with its approved budget,
- Reconciliation of the actual essential contribution shall be made in the financial statements,
- is formed to provide for cultural, social and other needs and is intended for employees in employment the employer, servants,



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2. Reserve - the use of resources

Using of the financial resources of reserve fund:

- It has the means were provided for a particular purpose, used for this purpose and the resources made available to it with no purpose, ... ,
- Means used for grants and repayable financial assistance to its original purpose,
- From the sale of property, which the Czech Republic became organizational unit of state as a gift or inheritance is used for expenditure on replacement of assets,
- Proceeds from the sale of property used by the Ministry of Defence expenditure on replacement of assets.

2. Reserve - the use of resources

Further use of the reserve fund of funds in accordance with the law on budgetary rules:

- ❖ discard any unused contents return, return the unused remainder of their providers directly from the reserve fund.
- ❖ Resources which can not be used for the programs and projects because they are over, the state organizational unit returns to the financial settlement with the state budget for the year in which the program or project completed,
- ❖ etc.



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3. The Fund cultural and social needs - history and general definition

FCSN history:

History fund reaches deep into the socialist period. Today, the development and use of the fund adjusted Reg. no. 114/2002 Coll., on the fund for cultural and social needs.

The definition of year 1965:

The Fund's resources are used primarily whole collective enterprise. Their use decided by the appropriate trade union body in cooperation with management.



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3. The Fund cultural and social needs - history and general definition

**The purpose of the Fund today speaks budget
law of year 2000**

Formula for determining the allocation to fund even then, however, was greatly simplified compared to the past. Most financial volume of the fund in question was intended essential contribution in the amount mentioned two per cent. However, he was in the years 1965-1980 yen 0.8 % with the possibility of another, complementary allocation, bound to comply with the listed economic indicators. In 1975 it could be up to 1.2%. Only in 1986, the basic allocation to fund increased to 1.6 % in 1989 to 2.0 %.



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3. The Fund cultural and social needs - history and general definition

FCSN consists of contributory:

- ☐ contributory organizations,
- ☐ organizational unit of state (OUS).
- ☐ Territorial authorities can create a social fund.

3. The Fund cultural and social needs - history and general definition

The level of creating of the FCSN:

Basic rations, which consists of a fund amounts to 1% of annual costs for salaries compensation and salary ,

Further income of the FCSN:

- Repayment of loans for housing purposes granted before the end of 1992,
- The compensation and insurance claims from insurers relating to assets acquired by the Fund,
- Cash and other gifts for the fund.



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3. The Fund cultural and social needs - history and general definition

Managing of the FCSN:

- Organizational state-funded organization compiles fund budget and the manner of its use.
- The Fund's resources are stored in a **separate account by banks.**
- Contribution can only be granted from the Fund the state organizational unit or contributory organization activity completely paid.
- **To a grant or other benefit from the fund is not a legal right.**

3. The Fund cultural and social needs - history and general definition

Managing of the FCSN:

- The rest of outstanding loans of staff **may be waived** under the conditions stipulated by special legislation, but no more than **can be forgiven amount of 15 000 CZK.**
- All transactions of the Fund, with the exception of social assistance, social loans and donations, the employees receive **non-monetary form.**



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3. The Fund cultural and social needs - history and general definition

Contributions to the operation of the facility, which serves cultural and social development of employees:

- may contribute to the operating costs of cultural facilities, recreational facilities, sports and sport facilities, rehabilitation facilities, including massages and equipment for leisure activities of government departments and governmental organizations,
- may purchase ***vitamin pay*** for staff and employees contribute to influenza vaccination, tick-borne encephalitis and hepatitis A,



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3. The Fund cultural and social needs - history and general definition

Contributions to the operation of the facility, which serves cultural and social development of employees:

- may contribute to the equipment *to improve working conditions*, work clothing and footwear,
- may contribute to the costs for temporary use of other facilities of government departments or individuals.

3. The Fund cultural and social needs - history and general definition

Acquisition of fixed assets:

The fund will cover the procurement of tangible assets, which is used for cultural and social needs of employees.

3. The Fund cultural and social needs - history and general definition

Loans for housing purposes:

(Employees may be based on a written agreement.)

1. **Buy a house or flat or ownership** for their own housing.
2. **Purchase home furnishings.**
3. **Unpaid balance of the loan.**



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3. The Fund cultural and social needs - history and general definition

Loans are provided under the following conditions:

(Loans are interest-free.)

- Staff can also provide more loans;
- The sum of balances outstanding loans employees and new loan may not exceed CZK 100 000, of which amount of 50 000 CZK for the purchase of home furnishings;
- Each loan is payable within 10 years of the loan agreement.



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3. The Fund cultural and social needs - history and general definition

Loans are provided under the following conditions:

- In the event of **termination of employment or service relationship**, the loan is payable no later than **six months** from the date of its termination;
- **Loans cannot be granted** to cover costs already covered by a loan or a loan from banks or branches of foreign banks or other persons;
- ect.



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3. The Fund cultural and social needs - history and general definition

Boarding:

The Fund may contribute to the canteen employees under special legislation.

3. The Fund cultural and social needs - history and general definition

The FCSN can contribute:

- ☐ Boarding,
- ☐ Holiday and recreation,
- ☐ Culture, education and sport,
- ☐ Exchangeable event,
- ☐ Social assistance and loans,
- ☐ Supplementary pension insurance,
- ☐ Post to the trade union,
- ☐ Gifts.

4. The Fund cultural and social needs of the defence

The FCSN of MoD are designed for::

- Soldiers in service,
- Pensioners,
- Spouses, partners, species and their dependent children, employees and retirees,
- Other natural or legal persons.

4. The Fund cultural and social needs of the defence

Create, budget and fund allocation:

The basic allocation, which is 1% of the annual expenses recognized for salaries and compensation for salaries, bonuses for work readiness, additional compensation.

4. The Fund cultural and social needs of the defence

Fund budget includes, in particular:

- Annual prepayments in the sub-fund military units, military equipment, military rescue units, organizational units of the Ministry of Defence;
- Annual prepayments in the sub-fund administrative offices;
- A permanent reserve of the regional finance department (the Finance Department);
- Central reserve;
- Funds for loans to employees;
- Annual allocation for trade union bodies.



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4. The Fund cultural and social needs of the defence

FCSN:

Personal account for one employee forms, prepayments, which is the quotient of the annual upfront allocation of funds to sub-units and the planned number of employees for the calendar year.

The budget of the Fund for the relevant calendar year shall be set aside funds to cover the costs of collective bargaining, trade union bodies in the amount of 125 000 CZK.

4. The Fund cultural and social needs of the defence

Creating a sub-fund unit:

- ☐ For managing the Fund are responsible the Heads of organizational units.
- ☐ advance quarterly allocations to fund the Authority, in terms of:
 - => **15th January,**
 - => **25 March, June, September.**
- ☐ Prepayments to the personal accounts - monthly as 1/12 of the estimated annual upfront allocation **per 1 employee to 25 January** and then always **the 10th working day of the month.**

4. The Fund cultural and social needs of the defence

Sub-fund of FCSN budget is used for the following types of transactions :

- ❖ *Catering,*
- ❖ *Recreation,*
- ❖ *Cultural and social development of employees,*
- ❖ *Life insurance.*



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4. The Fund cultural and social needs of the defence

Means sub-fund can be drawn only **to the amount of funds available:**

- Unspent funds from last year carried over to the following year,
- b) Fund allocations for the respective calendar year, which can continuously draw only up to the amount of advance allocations.

Unspent funds sub-fund as **at 31 December** shall be transferred to the following year. **Rest of personal account** employee, the employee transferred to the following calendar year.

If a body expires, the rest of the personal account is transferred to the employee to a new department and account balance body converts successor department.

4. The Fund cultural and social needs of the defence

Recreation may contribute to recreation, up to a maximum amount of **5000 CZK per year**.

The post can not provide:

- for recreation residing in training and training facilities ACR,
- on spa treatment and cures, which contribute financially to health insurance,
- for recreation combined with training, organized by language schools in the country or abroad, etc.

4. The Fund cultural and social needs of the defence

Children's recreation of up to **CZK 2 500** per year for each child.

Contributions to the cultural and social development of employees:

- from the account department for cultural, social, physical education, and sporting events.
- **from a personal account** or accounts department - **vitamins in the amount of CZK 400** per vaccination **more than 1 000 CZK** ect.

It can also contribute to life insurance.

4. The Fund cultural and social needs of the defence

Permanent reserve the finance department and central reserve:

- ✓ one-off social assistance to 15 000 CZK (up to? 30,000 CZK) and donations for extraordinary activity to the amount of CZK 1 500 per year,
- ✓ Central reserve - up to 5 percent of annual funding for staff.



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4. The Fund cultural and social needs of the defence

Policy on the use of the Fund:

- A. Management of the sub-funds,
- B. Transfer of funds sub-fund units,
- C. Rules for drawing funds from the sub-funds.

4. The Fund cultural and social needs of the defence

Loans from the fund:

A. Loans for housing purposes:

- to buy a house or flat or co CZK 100 000, maturity of 10 years,
- to change the construction of a house or apartment CZK 75 000, 7 years old,
- the purchase of a residential facility in the amount of CZK 50 000, 7 years old,
- on the unpaid balance of the loan, 5000 CZK 1 year.



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4. The Fund cultural and social needs of the defence

Loans from the fund:

B. The loan to bridge the difficult financial situation employee:

- **up to 20 000 CZK** with maturity up **to two years** after the conclusion of the contract,
- natural disaster, environmental or industrial accident in the territory, which was declared a state of emergency, **CZK 50 000, maturity of 5 years.**



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4. The Fund cultural and social needs of the defence

Loans from the fund:

The method of providing loans:

- **times,**
- **interest-free,**
- written contract,
- response within 30 days.



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4. The Fund cultural and social needs of the defence

Loans from the fund:

- ☐ monthly payment of 5% of the net salary,
- ☐ submission of documents within three months,
- ☐ maturity of the loan within six months of release (can be extended up to two years).



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4. The Fund cultural and social needs of the defence

Loans from the fund:

The balance of outstanding loans **can not be waived:**

- Borrower who already work (service) is terminated.
- If the borrower has assets from which it can achieve satisfaction of the claim.
- If the borrower has a claim against the state or state organization and proceeds to remission up to the outstanding balance of the loan.



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Keywords

Non-budgetary funds / resources FCSN reserve fund, fund formation, loans, meals, social assistance, recreation, culture, sport, gifts, personal accounts, insurance.

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List of tasks for students:

- 1) Characterize the extra-budgetary resources / funds.
- 2) Explain the formation and use of reserve fund.
- 3) Explain the history of FCSN and its essence. Explain the relationship between FKSP and volume of funds for salaries.
- 4) Characterize the basic elements of creation of the fund (income fund) and methods of use in general.
- 5) Try to define and characterize the use FCSN in the Ministry of Defence (personal account, insurance, loans, gifts, etc.).
- 6) What are the main principles of management of the fund in MoD.