

# Virement Rules 2015/16

## Introduction

1. The Council's budget is the financial expression of its plans and policies. The virement process allows budgets to be adjusted to reflect changes in those plans and policies throughout the financial year. The use of virements is intended to enable directorates to manage budgets with a degree of flexibility while at the same time ensuring that these remain consistent with the overall policy framework determined by Council.
2. Under the Constitution the Council is required to specify the extent of virement within the approved budget which may be undertaken by the Cabinet or delegated to officers. Any other changes to the budget are reserved to the Council, other than any changes necessary to ensure compliance with the law, ministerial direction or government guidance.
3. Virement for these purposes is taken to include:
  - the transfer of budget provision between budget heads as set out in the budget approved by Council in February 2015;
  - changes to gross income and gross expenditure<sup>1</sup>;
  - transfer of funds from corporate reserves;
  - the transfer of funds from balances by way of a supplementary estimate.
4. Temporary virements only affect the current financial year. Permanent virements affect the current financial year and all future financial years.

## Exceptions to the Virement Rules

### *Decisions Resulting in Virements*

5. Where a decision by Council or Cabinet has already specified that temporary or permanent virements will result, no further approval is required. The virements should be first agreed and then actioned by the relevant budget holders and managers affected. If there are disagreements, an arbitration process will be led by the Chief Finance Officer.
6. Similarly, organisational restructuring virements that do not change the service provision, only the location of the budget, do not require formal approval.

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<sup>1</sup> The net effect of these changes is nil but the effect on expenditure and income is subject to approval as set out in these rules.

### Changes to Grant Funding

7. Ringfenced grant funding has to be used for the specified purpose. Virements to update income and expenditure budgets to match the grant notification provided by the relevant body can be actioned without further approval. The change and the overall updated grant allocation will be noted in the Ringfenced Government Grant annex of the following Financial Monitoring Report to Cabinet.
8. This exception does not include non-ringfenced grant funding which is held corporately as part of Strategic Measures. Where additional non-ringfenced grant funding is notified during the year, approval to allocate additional expenditure budget is required as set out below.

### Virements requiring Council approval

9. Council agree the budget for the forthcoming financial year in February each year. The approval of Council is required for any subsequent virement which:
  - (a) Is a permanent virement and involves a major change in policy<sup>2</sup>; or
  - (b) Involves the one-off transfer of funds of £1m or more between revenue and capital budgets; or
  - (c) Is a temporary virement, involves a major change in policy and is for £1m or more; or
  - (d) Is a request to allocate expenditure budget of £1m or more funded by additional non-ringfenced grant funding notified during the year; or
  - (e) Where in the opinion of the Chief Finance Officer a Council decision is required.

The Chief Finance Officer must consider if virements involve a major change in policy.

10. These provisions are reviewed annually as part of the budget setting process.

### Virements for which the Cabinet is responsible

11. Virements that are not the responsibility of the Council become the Cabinet's responsibility. Cabinet must consider:
  - (a) Any permanent virement worth £500,000 or more that does not involve a major change in policy;
  - (b) Any temporary virement that involves:
    - (i) A major change of policy and is worth £500,000 or more but less than £1m; or

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<sup>2</sup> Each plan and/or strategy is agreed by Council and comprised in the policy framework. As set out in the Constitution Article 4, paragraph 2 and Part 3.2 of the Constitution.

- (ii) No major change of policy and is worth £500,000 or more; or
  - (iii) A one-off transfer of funds between revenue and capital budgets and is worth £500,000 or more but less than £1m.
- (c) Any requests to allocate expenditure budget of less than £1m funded by additional non-ringfenced grant funding notified during the year.
- (d) Any delegated virements that the relevant Cabinet member has concerns about that have been referred to the Cabinet for approval or where in the opinion of the Chief Finance Officer a Cabinet decision is required.

### **Virements delegated by the Cabinet**

12. Cabinet delegates responsibility for the remaining permanent and temporary virements as follows:

#### **Permanent virements**

- (a) Responsibility for agreeing permanent virements that do not involve a major change in policy and are worth less than £500,000 is delegated to the relevant Director and Chief Finance Officer (or their nominated officer) subject to the approval of the relevant Cabinet member as part of the monthly financial monitoring process.

#### **Temporary virements**

- (b) Responsibility for agreeing temporary virements worth less than £500,000 but greater than or equal to £250,000, including transfer of funds between revenue and capital budgets, is delegated to the relevant Director and Chief Finance Officer (or their nominated officer) subject to the approval of the relevant Cabinet member.
- (c) The relevant Director may delegate the approval of temporary virements worth less than £250,000 to other officers within their directorate.

13. Any delegated virements that the relevant Cabinet member or Chief Finance Officer have concerns about must be referred to the Cabinet for approval.

### **Financial Monitoring**

14. As part of financial monitoring procedures directorates should be forecasting the full year outturn position. Where action to address potential overspends does not reduce the forecast overspend, temporary virements should be made from underspendings elsewhere.
15. When virements are reported they will be assumed to be temporary virements unless it is specifically stated that they are permanent virements.

### **Cumulative virements**

16. Successive virements to or from the same budget will produce a cumulative effect. If the cumulative effect to or from a budget head approved by Council would require approval at a higher level – for example by Council instead of the Cabinet, the cumulative virement should be reported and approval obtained for the virement that triggers the requirement for cumulative approval, in accordance with the requirements set out above. The overall effect on the relevant budget head must be noted as part of the request.
17. Once the higher level of approval has been obtained for a cumulative virement the cumulative total is reset to zero. This means that any subsequent virement is a separate request that should be treated as set out above. Cumulative virements are reset to zero at the end of each financial year.

### **Chief Finance Officer Powers**

18. If Directors do not make virements in accordance with these Virement Rules the Chief Finance Officer has the power to make other virements to remedy the position.