

## **Service & Resource Planning 2014/15 - 2017/18**

### **Virement Rules 2014/15**

#### **Introduction**

1. Under the Constitution the Council is required to specify the extent of virement within the approved budget which may be undertaken by the Cabinet. 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.
2. Virement for these purposes is taken to include:
  - the transfer of net budget provision between budget heads as set out in the budget approved by Council;
  - changes to gross income and gross expenditure<sup>1</sup>;
  - the transfer of funds from balances by way of a supplementary estimate.
3. Temporary virements only affect the current financial year. Permanent virements affect the current financial year and all future financial years.

#### **Virements requiring Council approval**

4. 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 £500,000 or more between revenue and capital budgets; or
  - c) Is a temporary virement, involves a major change in policy and is for £500,000 or more; or
  - d) 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.

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

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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.

<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.

## **Virements for which the Cabinet is responsible**

6. Virements that are not the responsibility of the Council become the Cabinet's responsibility. Cabinet must consider:
- a) The remaining one-off virements that transfer funds between revenue and capital budgets and have a value of less than £500,000.
  - b) Any permanent virement worth £250,000 or more that does not involve a major change in policy;
  - c) Any temporary virement that involves:
    - i. A major change of policy and is worth £250,000 or more but less than £500,000; or
    - ii. No major change of policy and is worth £250,000 or more.
  - d) Any delegated virements that the relevant Cabinet member have 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**

7. 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 £250,000 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 £250,000 but greater than or equal to £100,000 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.
- c) Responsibility for agreeing temporary virements worth less than £100,000 but greater than or equal to £50,000 is delegated to the relevant Deputy Director or Head(s) of Service. These virements should be reported as part of the monthly financial monitoring process.
- d) Responsibility for agreeing temporary virements worth less than £50,000 is delegated to budget holders and managers affected.

8. Where a decision by Council or Cabinet has already specified that temporary or permanent virements will result 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.

9. 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 Grants annex of the Financial Monitoring Report to Cabinet.
10. Any delegated virements that the relevant Cabinet member or Chief Financial Officer have concerns about must be referred to the Cabinet for approval.

### **Financial monitoring**

11. As part of financial monitoring procedures directorates should be forecasting the full year outturn position. Where action plans to address potential overspends do not reduce the forecast overspend, temporary virements should be made from underspendings elsewhere to reflect the forecast overspend that is not covered by measures in the action plan. Action plans that address overspends of £500,000 or more within a budget head as set out in the budget agreed by Council, or where the section 151 Officer has raised a concern, should be approved by the Chief Finance Officer and the Cabinet Member responsible for Finance and noted in the Financial Monitoring Report to Cabinet.
12. When virements are reported they will be assumed to be temporary virements unless it is specifically stated that they are permanent virements.

### **Cumulative virements**

13. 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 (see paragraph 2) 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 in paragraphs 4 - 9. The overall effect on the relevant budget head must be noted as part of the request.
14. 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

15. If directorates 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.

### Who approves a virement?

Description of the virement	Permanent virements		Temporary virements	
	Major policy change	Not a major policy change	Major policy change	Not a major policy change
<b>Council must always decide in the following cases</b>				
Where there is one – off transfer between revenue and capital budgets of £500,000 or more	Not applicable	Not applicable	Council (4b)	Council (4b)
Where in the opinion of the Chief Finance Officer a Council decision is required	Council (4a) and (4d)	Council (4d)	Council (4d)	Council (4d)
<b>In other cases, the value and type of the virement determines who decides<sup>3</sup></b>				
Where there is a one-off transfer between revenue and capital budgets of less than £500,000	Not applicable	Not applicable	Cabinet (6a)	Cabinet (6a)
£500,000 or more	Council (4a)	Cabinet (6b)	Council (4c)	Cabinet (6c) ii
Less than £500,000 but more than or equal to £250,000	Council (4a)	Cabinet (6b)	Cabinet (6c) i	Cabinet (6c) ii
Less than £250,000 but more than or equal to £100,000	Council (4a)	Director and Chief Finance Officer subject to approval by the relevant Cabinet member (7a)	Director and Chief Finance Officer subject to the approval of the relevant Cabinet member as part of the monthly financial monitoring process (7b)	
Less than £100,000 but more than or equal to £50,000	Council (4a)		Deputy Director or Head(s) of Service and reported as part of the monthly financial monitoring process (7c)	
Less than £50,000	Council (4a)		Budget holders and managers affected (7d)	
Previous decision by Council or Cabinet specifies that virements will	Budget holders and managers affected subject to an arbitration process by the Chief Finance Officer (paragraph 8)			

<sup>3</sup> Changes to expenditure and income arising from changes to ringfenced grant funding can be actioned without further approval and noted in the Ringfenced Grant Annex of the Financial Monitoring Report to Cabinet.

Description of the virement	Permanent virements		Temporary virements	
	Major policy change	Not a major policy change	Major policy change	Not a major policy change
result.				
<p>Any of the virements in shaded boxes must be referred to Cabinet for decision if the Chief Finance Officer or relevant Cabinet member has concerns about them (6d) and paragraph 9.</p>				