

Report to the Cabinet

Report reference: C/020/2005-06.

Date of meeting: 11 July 2005.



**Epping Forest
District Council**

Portfolio: People First.

Subject: Constitution - Virement Rules.

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Recommendations:

- (1) That the draft amendments to the Scheme of Virement set out in the Council's Constitution (pages G9 - G11) be approved with consequential amendments to reflect these changes elsewhere in the Constitution; and**
- (2) That a report be submitted to the Council recommending adoption of the revised Scheme of Virement and publication in the Council's Constitution book.**

Background:

1. When the Council's Constitution was agreed in 2000, a Scheme of Virement was included as an adjunct to the Council's financial regulations.
2. A virement is a technical term that denotes the transfer of funding from one budget head to another. The current scheme of virement allows such switching of resources to be authorised according to the amount of funding involved. Authority to approve virements rest with Heads of Service, Portfolio Holders, the Cabinet or the Council, depending on the amount of the funds transferred. There are also restrictions imposed in connection with transferring resources between different service areas or different portfolios.
3. The current situation is summarised below together with a comparison with the changes being sought under the revised Scheme of Virement:

	Heads of Service (1)	Portfolio Holders (2)	Cabinet (3)	Council (4)
Present virement approval limit	Up to £2000 on any one budget head in any one year	Subject to consultation with Head of service concerned, an amount up to the greater of £5000 or 2% of any one budget head (including any virement under	Cumulative virements of between £5000 and £100,000 (or 2% of any budget head) whichever is the greater Any virement	Cumulative virements of over £100,000

		column (1)	between (a) portfolios or (b) services of any amount or which affect manpower levels	
Proposed revised approval limit	As above - but amend to £5000 or 2%	As above but amend to £10,000 or 2%	As above except lower limit increased to £10,000	No change

4. These changes are being proposed for the following reasons:

(a) to reflect the fact that in the five years since the Constitution was agreed, virement transfers, according to the current definitions, have not kept pace with inflation;

(b) the result of (a) above is that Heads of Service are progressively unable to make minor adjustments to budget heads with the result that such virement approvals migrate to Portfolio Holders;

(c) by the same token, the limits set for Portfolio Holders (£5000) has also been affected by inflation with the result that some of those items now migrate to the Cabinet;

(d) there is a general wish on the part of officers and members to provide rules which allow the smaller virements to be dealt with at Head of Service or Portfolio Holder level and permit the Cabinet and the Council to deal only with major changes.

5. In summary, the limits for Head of Service and Portfolio Holder approval are proposed for increase from £2,000 to £5,000 and £5,000 to £10,000 respectively. The limits in respect of the Cabinet (other than the lower limit) and full Council remain the same. Likewise the restriction on any virement between portfolios or between service budgets remains in place so that irrespective of the amount, these must be referred to the Cabinet.

6. If the Cabinet accept these proposals, they would require adoption by the Council and publication in the Constitution book.

Statement in support of recommended action:

7. These proposals would facilitate quicker decision-making at Head of Service and Portfolio Holder level and remove items of unnecessary detail at Cabinet meetings. The changes also more accurately reflect situation with inflation since 2000. These proposals do not affect the rights of the Cabinet and the Council to deal with major virements or those which relate to cross service or cross portfolio transfers and manpower issues which can generally be seen to have policy implications.

Other options considered and rejected:

8. Options that could be considered are as follows:

(a) to take no action;

(b) devise different virement limits;

(c) to ask the Overview and Scrutiny to carry out a more detailed review.

Consultation Undertaken:

9. Heads of Service, Portfolio Holder for Finance and Performance Management.

Resource Implications:

Budget Provision: No change.

Personnel: No change.

Land: Nil.

Community Plan/BVPP Reference: No specific reference.

Relevant Statutory Powers: Local Government Act 2000.

Background Papers: Nil.

Environmental/Human Rights Act/Crime and Disorder Act Implications: None.

Key Decision Reference: TBA.