

**EXTRACT FROM FINANCIAL REGULATIONS (APPENDIX B – SECTION 4)
MANAGING EXPENDITURE**

4. MANAGING EXPENDITURE

Scheme of Virement

Why is this important?

4.1 The scheme of virement is intended to enable the Cabinet, Portfolio Holders Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Key controls

4.2 Key controls for the scheme of virement are:

- (a) it is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council;
- (b) the overall budget is agreed by the Cabinet and approved by the Council. Chief Officers and their nominated Spending Control Officers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources within approved estimates within the same cost centre or between costs centres. For the avoidance of doubt, the Chief Finance Officer will maintain a list of approved cost centres budget heading;
- (c) virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan ahead to fund such commitments from within their own budgets, so as to avoid the need for supplementary estimates;
- (d) in exceptional circumstances where a request for a supplementary estimate, i.e. an increase in the overall budgetary requirement of the authority is needed, the approval of Council will be required;
- (e) virement between budgets of the Housing Revenue Account and the General Fund, and between revenue and capital budgets is prohibited;
- (f) for the purposes of the virement scheme only, the Housing Portfolio is considered to consist of two budget portfolios (Housing Revenue Account and Housing General Fund);
- (g) no virement relating to a specific financial year should be made after 31 March in that year; and
- (h) any reference to a budget percentage threshold for virement refers to the

gross budget unless otherwise specified.

4.3 Where an approved budget is a lump-sum budget or contingency under the control of the Finance and Performance Management Portfolio Holder, intended for allocation during the year, its allocation will not be treated as a virement, provided that:

(a) the amount is used in accordance with the purposes for which it has been established; and

(b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated.

Responsibilities of Chief Officers

4.4. A Chief Officer may exercise virements on budgets under his control for cumulative amounts up to £20,000 between detailed account codes within the budget headings on the same budget page during the year, subject to the agreement of the Chief Finance Officer.

4.5. Where a virement is required, the Chief Officer (or other Officer delegated by them) must send a signed written request to Accountancy detailing the amount and detailed cost codes involved.

Responsibilities of Portfolio Holders

4.6. A Portfolio Holder, in consultation with the appropriate Chief Officer, may exercise virements on budgets under their control, within the same cost centre or between cost centres, for cumulative amounts between £20,000 up to the greater of £50,000 or 2% of gross cost centre expenditure during the year, following notification to the Chief Finance Officer, and subject to the conditions at 4.9 below. These limits are inclusive of amounts vired under 4.4 above, not in addition to.

4.7. **Cumulative amounts of between £50,000 and £100,000** or 2% of the gross cost centre expenditure, whichever is the greater, within the same cost centre or between cost centres during the year require the approval of the Cabinet, following a report to the relevant Portfolio Holder in conjunction with the Chief Finance Officer and the Chief Officer. The report must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial year.

Responsibilities of the Chief Finance Officer

4.8. To prepare jointly with the relevant Chief Officer a report to the **Portfolio Holder**, Cabinet or Council as appropriate, where revenue virements within the same cost centre, or between cost centres within the same portfolio, in excess of the greater of £20,000 or 2% of gross cost centre expenditure are proposed.

To maintain a list of approved budget headings.

To maintain a register of all approved virements.

To monitor that any allocation of an approved budget that is a lump sum budget or contingency intended for allocation during the year is in accordance with the

purposes for which it was established and the Cabinet approved scheme for its release. Where any proposed allocation falls outside of these conditions, the allocation will be deemed to be a virement and treated accordingly.

Responsibilities of Cabinet and Council

4.9. Cumulative virements within a Portfolio greater than £100,000 or 2% of the total portfolio, whichever is the greater, require the approval of the Council, following a report of the Cabinet in conjunction with the Chief Finance Officer and the relevant Chief Officer(s). The report must specify the cumulative expenditure and sources of funding and must explain the service delivery implications in the current and future financial year.

The Cabinet may vire resources between individual capital projects within the General Fund or the Housing Revenue Account, subject to a report to Council, if the cumulative virement exceeds £100,000 on either fund. The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to:

- (a) vire between budgets of different accountable Portfolio Holders;
- (b) vire between budgets managed by different Chief Officers; and
- (c) change the level of the Council's manpower.