

**4. REVENUE BUDGET VIREMENT AND BUDGET FLEXIBILITY**

**4.1 DEFINITION OF VIREMENT**

Virement is the agreed transfer of revenue budget provision from one income or expenditure budget head to another (or to one of the Council’s Special Funds) within a specific financial year.

It can be used to enable Accountable Managers to amend budgets in the light of experience, or to reflect anticipated changes in the pattern of future income or expenditure. It is a budgetary control mechanism which provides Accountable Managers with flexibility to manage budget variances within a financial year. This should not be seen however as a substitute for setting a robust budget at the start of the financial year.

**4.2 PRELIMINARY CONSIDERATIONS**

In a cash limited budget environment (as defined at Regulation 3.2), budgetary control must be strictly maintained throughout the year in order that potential expenditure overspends and income under-achievements within individual budget heads are identified at the earliest possible opportunity.

Before applying virement, Accountable Managers must determine what corrective action could be applied with a view to averting any potential adverse variance. Virement should therefore only be considered as an option once the possibility of corrective action within a particular subjective budget head has been sufficiently explored.

Accountable Managers should be cautious when utilising virement to ensure that projected expenditure underspends or projected additional income are capable of being delivered.

*For the purposes outlined at 4.1 and 4.2 above, Accountable Manager is defined at paragraph 1.10.*

**4.3 PERMITTED LIMITS OF VIREMENT**

Budgets must be broken down and entered on to the corporate financial system (Integra) at a level consistent with the analysis of expenditure and income. Virement must be targeted at this level. Virement limits (subject to the Virement Guidelines at paragraph 4.4 below) apply at subjective budget head level (e.g. Employee Costs) for each Final Budget Volume page and to each individual instance of virement (i.e. virements are not counted cumulatively). Virements between elements within one subjective budget head are not subject to the virement limits.

The budgets of Council departments vary significantly and the limits of virement delegated to relevant Chief Officers have been appropriately varied to reflect this. Prior approval of the relevant service committee is required for any proposed virement above the limits indicated below.

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
Departments	Education  Social Work & Health	Infrastructure Services  Neighbourhood Services – Housing Revenue Account*	Chief Executives  Corporate Services  Neighbourhood Services – General Fund Elements
Limit	£75,000	£50,000	£25,000

## ANGUS COUNCIL FINANCIAL REGULATIONS

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\* - Virement between the Housing Revenue Account and General Fund elements of Neighbourhood Services (or any other General Fund department) is prohibited.

### 4.4 VIREMENT GUIDELINES

**It should be noted that where any conflict exists, these Guidelines take precedence over the Virement Limits.**

- a No virement proposal shall involve the introduction of a new policy or a significant variation of existing policy without the prior approval of the appropriate Service Committee and the Strategic Policy Committee.
- b No virement proposal shall commit the authority to expenditure beyond the financial year then current without the approval of the appropriate Service Committee and the Corporate Services Committee, unless the following year's approved budget provides for the expenditure or income, or it can be confirmed that the requirement for the following year can be accommodated in proper virement for that year. Sub-paragraph (i) below is relevant to this.
- c No virement proposal shall add to the permanent establishment of the authority or make alteration to wages, salaries or conditions of service including incremental progression on salary scales as agreed by the national negotiating bodies, without the approval of the relevant Chief Officer in terms of the Council's Scheme of Delegation to Officers. Where such changes relate to posts on a chief officer grade, the approval of the appropriate Service Committee is required.
- d No virement proposal shall affect amounts to be paid to another department of the Council without the agreement of the Chief Officer of that other department.
- e No virement shall take place in respect of:
  - Capital financing costs;
  - Property Division Recharge (Maintenance);
  - Property Division Recharge (Energy);
  - Support service and internal recharge costs; and
  - Specific Grants.
- f No virement will be permitted in the first three calendar months of a financial year without the express agreement of the Head of Finance.
- g No individual virement can exceed the virement limit or 100% of the subjective head budget, whichever is smaller.
- h All virement proposals should be agreed with Departmental Accountants within Finance for updating of the Official Virement Register and for monitoring purposes. All virement proposals shall be recorded on the appropriate pro-forma documentation (see [Appendix 6](#)), a copy of which shall be submitted to the Head of Finance. Electronic copies of the pro-forma can be obtained via Departmental Accountants.
- i **No changes to the final approved budget of each department/service (as contained in the Final Budget Volume) should be made without the necessary virement documentation being prepared.**

*An example of the application of virement limits within a budget head is attached at [Appendix 3](#).*

#### **4.5 REPORTING PROCEDURES**

The Head of Finance will be responsible for ensuring that information outlining total virements applied during the year is submitted to the Corporate Services Committee. The format and frequency of this report shall be determined by the Head of Finance in consultation with the Director of Corporate Services, but may be by inclusion within the regular revenue budget monitoring reports.

#### **4.6 DEVOLVED SCHOOL MANAGEMENT**

The Education Committee has adopted a scheme of Devolved School Management (DSM) based on National Guidance and this scheme devolves approximately 90% of the budget to Head Teachers.

The scheme has been prepared by the Director of Education in consultation with the Head of Finance and any amendments to the financial responsibilities therein shall be subject to Head of Finance agreement.

Within the framework outlined in the scheme each participating school can:

- a vire budgets, subject to the approval of the Education Department Finance Officers;
- b carry forward up to 10% of the devolved budget to the following financial year;
- c request the Director of Education to amend the budget of a school during a financial year, e.g. to take account of variations in the school roll, subject to the overall budgetary provision of the Education Department not being exceeded.

All virement proposals shall be recorded on the appropriate pro-forma documentation, a copy of which shall be submitted to the Head of Finance.

The provisions pertaining to Permitted Limits of Virement and Virement Guidelines, contained respectively within paragraphs 4.3 and 4.4 above, are applicable in the context of Devolved School Management.

#### **4.7 COMMUNITY CARE (Resource Transfer)**

The continuing development of Community Care means that significant budgetary sums are being transferred from Health Boards to Social Work and Health Departments.

Such additional Community Care funds require to be used to meet the identified needs of individuals and this will lead to the reallocation of budget provision across the various aspects of the Department's service in the relevant financial year and in the subsequent year.

The Director of Social Work and Health shall report on the reallocation of Community Care funds on a quarterly basis. These reports will be presented to both the Social Work and Health Committee and the Corporate Services Committee.

All virement proposals shall be recorded on the appropriate pro-forma documentation, a copy of which shall be submitted to the Head of Finance.

**4.8 BUDGET FLEXIBILITY BETWEEN FINANCIAL YEARS - 50% CARRY FORWARD**

In certain circumstances, a proportion of controllable departmental budget underspends may be carried forward from one financial year to the next to allow departments the flexibility to consider issues beyond the current financial year, and to think strategically about the use of resources.

The following costs are not included in the determination of any budget underspends or overspends for carry forward purposes:

- Central Service Support Costs;
- Capital Charges;
- Items funded by Specific Grant;
- Property Division Recharge (Maintenance);
- Property Division Recharge (Energy);
- Corporate Budget Transfers; and
- Substantial windfall gains arising from external factors.

**Where a department has a calculated annual budget underspend, they may carry forward 50% of the underspend, subject to the following ceilings:**

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
Departments	Education  Social Work & Health	Infrastructure Services  Neighbourhood Services – General Fund Elements *  Corporate Services	Chief Executives
Limit	£250,000	£175,000	£100,000

\* - No carry forward limit applies in respect of the Housing Revenue Account element of Neighbourhood Services.

Notes:

- Any underspends in areas that have been funded from ring-fenced resources (including the Housing Revenue Account) may be carried forward in full but only for their ring-fenced purpose and with the prior approval of the Head of Finance and the Strategic Policy Committee in line with the provisions of Financial Regulation 4.9.
- Variations to the above limits may be permitted in exceptional circumstances, subject to the agreement of the Chief Executive, Director of Corporate Services and the Head of Finance.
- No carry forward will be allowed in respect of Miscellaneous Other Service Budgets, except with the express agreement of the Head of Finance for special circumstances, although the discipline of cash limited budgets still applies.
- As approved by the Neighbourhood Services Committee of 28 February 2008 and the Corporate Services Committee of 13 March 2008 (report 191/08 refers), any unutilised balance on the Museums Collection Fund will be carried forward to be utilised for the specified purposes in a future financial year.

**4.9 BUDGET FLEXIBILITY BETWEEN FINANCIAL YEARS - 100% CARRY FORWARD**

As approved by the then Budget Strategy Group in 2005, the following procedures will be applied in respect of requests by departments to carry forward resources between financial years. These procedures also apply to requests to transfer resources to one of the Council's Special Funds (e.g. Local Capital Fund).

- Chief Officers must complete a pro-forma (see [Appendix 5](#)) and forward this to the Head of Finance (for the attention of their service accountant). Electronic copies of the pro-forma can be obtained from the contact noted at the end of this section.
- The Head of Finance will consider each request and will make a recommendation for consideration by the Strategic Policy Committee.
- The Head of Finance will periodically report his recommendations to the Strategic Policy Committee for its decision.
- Thereafter the Head of Finance will inform Chief Officers of the decision of the Committee and will undertake any action necessary to carry out the virement.

**For clarification or any queries in respect of this section please contact  
Joy Anderson on extension 6153**