

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CORPORATE RESOURCES OVERVIEW & SCRUTINY COMMITTEE**

DATE: **THURSDAY, 16 APRIL 2015**

REPORT BY: **CHIEF OFFICER (PEOPLE AND RESOURCES)**

SUBJECT: **BUDGET VIREMENT PROCESS**

1.00 PURPOSE OF REPORT

1.01 The purpose of the report is to provide an overview of the rules and procedures in place governing the virement of budgets and to provide assurance that there are adequate budget management arrangements in place.

2.00 BACKGROUND

2.01 The Chartered Institute of Public Finance Accountants (CIPFA) defines a virement as “the transfer of an underspending on one budget head to finance additional spending on another budget head, in accordance with an Authority’s Financial Regulations”.

2.02 The principles in relation to virements are set out in the Council’s Finance Procedure Rules which specify when a virement should be undertaken and the relevant limits associated with them.

3.00 CONSIDERATIONS

3.01 Virement between budgets is an integral and important feature of budgetary control for an organisation to ensure sound financial management.

3.02 In general terms there are two main types of virements:-

1. Accounting Adjustments – this is where it is necessary to transfer a budget from one place to another to account properly for the relevant expenditure or income but where the approved purpose of that expenditure/income does not change from that approved by County Council. An example of this is the allocation of energy inflation which is held centrally and allocated to portfolio areas based on evidenced need.
2. Formal Virements – this is where there is an intended action to transfer budget from one place to another that does change the purpose of the expenditure/income approved by County

Council. An example of this was the transfer of an amount of £250k from Adult's Services to Children's Services to deal with a pressure within the Children's Services area and this was approved through a formal recommendation in the month 3 2013/14 revenue monitoring report.

3.03 The vast majority of budget changes are in relation to accounting adjustments to deal with the effects of significant change e.g. treatment of efficiencies. Appendix 1 summarises all of the budget changes made in 2014/15 as reported in the budget monitoring report and can be classified in the following categories:-

- i) Treatment of Portfolio changes for new Operating Model
- ii) Treatment of Workforce efficiencies
- iii) Treatment of Admin review efficiencies
- iv) Treatment of Single Status Rebasing
- v) Treatment of Non Standard Inflation
- vi) Treatment of identification of one-off efficiencies
- vii) Treatment of centralising budget areas e.g. Fleet Management
- viii) Flintshire Connects contributions
- ix) Treatment of Back to Basic efficiencies

3.04 Financial Procedure Rules (FPR's) are currently being revised and are due to be approved by Audit Committee on 3rd June 2015 with a view to recommending to County Council. It is not envisaged that the key principles will change although the intention is to make clear the differences between a virement (changed purpose) and an accounting adjustment (same purpose).

3.05 Key Principles underpinning the control of budget virements are as follows:

- Where Budget Virements relate to a change of use or policy they should be authorised and there should be formal evidence of this.
- Virements simply to minimise variances are specifically precluded.
- Where an approved budget is a lump sum provision or contingency intended for allocation during the year, its allocation will not be treated as a virement provided the amount is used in accordance with the purposes for which it was originally intended, or if Cabinet has approved the basis on which it will be allocated.
- Budget Virements in excess of £75,000 are submitted to Cabinet for Approval.
- Where there are policy implications for the Council which require a budget virement, Cabinet approval must be obtained.

- 3.06 An internal Audit report on Financial Management and Budgetary control in April 2014 gave substantial assurance that controls were in place, though recommended that a documented process was put in place for undertaking virements. In addition to this, the Council's external auditors also undertake adequate testing on all areas of financial management and no issues have been previously identified as part of the audit of the annual accounts in relation to the treatment of virements.
- 3.07 A procedure to ensure the consistent application of the rules applying to budget virements was introduced in July 2014 which specifies the details required to be completed as part of the virement and the approval required to be obtained prior to the completion of the transaction within the Financial System.
- 3.08 Overall control of budget virements is undertaken within the Strategy, Accounting and Systems team which tracks the movements as part of the budget monitoring process and also ensures that any virements that change the purpose of the funding are subject to the relevant approval.
- 3.09 The Corporate Finance Manager as Section 151 officer for the Council has a legal responsibility to ensure the proper management of the Council's financial affairs and is content that the rules and procedures in place governing the virement of budget are adequate.

4.00 RECOMMENDATIONS

- 4.01 That Corporate Resource Overview and Scrutiny Committee are assured that there are adequate procedures in place governing the virement of budgets.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a direct result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None

7.00 ENVIRONMENTAL IMPACT

- 7.01 None

8.00 EQUALITIES IMPACT

- 8.01 None

9.00 PERSONNEL IMPLICATIONS

9.01 None

10.00 CONSULTATION REQUIRED

10.01 None

11.00 CONSULTATION UNDERTAKEN

11.01 None

12.00 APPENDICES

12.01 Appendix 1 – Summary of virements 2014/15

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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