

# Budget Transfers (Virements, Carry Forwards & Reserves) 2022/23 Limits

**Council 23 February 2022**

## 1 Purpose and Scope

- 1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.
- 1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

## 2 Virements

- 2.1 The term covers in-year transfers between budget headings.
- 2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.
- 2.3 Virement must not increase the Council's net budget; the first priority for any virements must be to address any expected budget overspendings.
- 2.4 Chief Officers (or their nominated representatives) may approve virements up to any limit within the specific cost centres in their control (or the equivalent level as set out in the budget book), as long as the virement does not substantially change how the activity is to be delivered, or have adverse impact on performance. For example, high staff turnover in a service area may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget, as long as the virement does not increase the overall net cost for the service area.
- 2.5 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements in budgets under their control, between cost centres (or the equivalent level as set out in the budget book), subject to the following limits:

| Delegated limit   | 2022/23 |
|---|---------|
| Total virement on any <b>expenditure</b> heading in any one financial year must not exceed: | £10,000 |
| Total virement on any <b>income</b> heading in any one financial year must not exceed:      | £10,000 |

- 2.6 Proposed virements above these limits, that otherwise fall within the approved budget and policy framework, must be considered by Cabinet Members (relevant Individual Cabinet Member/s for any virements up to key decision threshold, and full Cabinet for virements above the key decision threshold).

2.7 Virement is not possible where the impact would fall outside of the policy framework.

### **3 Treatment of Year-end Balances**

3.1 At the end of each accounting year, actual expenditure or income for the year may well vary from that budgeted, for a number of reasons. For example, a particular project may not have progressed as originally planned, meaning that the budget shows an underspending but only because some expenditure will be incurred later, and will slip into the next year. Alternatively, a budget may show an apparent overspending, but only because a project is ahead of schedule, with costs being incurred earlier than expected.

3.2 The following arrangements are proposed to help manage such situations. Again, these are based on previous practices, drawing on experience and streamlining the decision-making where appropriate. They apply to both revenue and capital budgets.

#### **Overspends**

Any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Chief Officer (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Chief Officer and the s151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.

The s151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring, for Cabinet's consideration and endorsement.

#### **Underspends**

As part of year-end reporting, Cabinet may approve the carry forward of underspendings on expenditure budgets, as requested by Chief Officers, subject to:

- the carry forward amount being used for the same purpose as budgeted; and
- the total value of any such approved amounts being met within the approved budget framework. (In effect, this means that there should be no bottom-line net overspending arising, as a result of approving carry forward requests.)

### 4.0 Reserves

4.1 All bids for reserves use will be supported by a bid document which sets out in detail the resources required, an action plan and outcomes and measures which reconcile to corporate priorities. All bid documents should be approved, in the first instance, by the Section 151 Officer and Finance Portfolio Holder in addition to the authorisation limits set out in paragraph below.

#### Reserves Bid Authorisation

4.2 Reserve bids decision limits will be as follows:

- Up to £25k – to be agreed by Portfolio Holder in consultation with relevant Director. Bid should have been pre-approved by Cabinet.
- £25k to £100k – to be agreed by Portfolio Holder in consultation with relevant Director. Individual Cabinet Member Decision to be published. Bid should have been pre-approved by Cabinet.
- Over £100k – to be agreed by Cabinet Meeting.

4.3 All reserve bids should also be approved and signed off by the Section 151 Officer and the Finance Portfolio Holder.

#### Reserves Expenditure Monitoring

4.4 The monitoring of reserves will be incorporated into the quarterly performance and financial monitoring reporting process.

**Schedule of Earmarked Reserves**

| <b>Reserve</b>                                   | <b>Purpose of the Reserve</b>   |
|--|---|
| Business Rates Retention                         | To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.   |
| Planning Income                                  | To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).   |
| Capital Support                                  | To provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).  |
| Economic Growth                                  | To support economic growth activities in the district.  |
| Elections  | To even out the cost of holding City Council elections every four years.  |
| Local Plan                                       | To support the adoption of the Local Plan.  |
| Morecambe Area Action Plan                       | To support implementation of the MAAP   |
| Renewals   | To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment.  |
| Lancaster District Hardship                      | To provide aid to district residents who are in need of assistance in areas such as food and fuel poverty, debt resolution and other similar hardship areas. The reserve may also be used to manage administrative cost associated with its aims but also any future welfare reforms                |
| Amenity Improvements                             | To provide public realm amenity improvements.   |
| Corporate Priorities (previously Budget Support) | To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in January 2020.   |
| Corporate Property                               | To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls. |
| Invest to Save                                   | To help finance any Invest to Save initiatives.   |
| Restructure                                      | To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.  |
| Revenue Grants Unapplied                         | Grants, usually for Government, which are provided for an expressed purpose.  |
| Homelessness Support                             | To hold related government grants or other specific external funding until needed for homelessness prevention measures.   |

## APPENDIX D

| Reserve              | Purpose of the Reserve  |
|----------------------|---|
| S106 Commuted Sums   | Three separate reserves to receive all sums paid to the Council from third parties for the maintenance of (1) open spaces adopted by the City Council (2) affordable housing schemes (3) other amenities such as cycle paths. |
| Museums Acquisitions | To acquire exhibition pieces for the City's museums.  |
| Held in Perpetuity   | Two small reserves that have a specific purpose which are administered by the Council. These are Graves Maintenance and Marsh Capital   |



**Project Officer Sign Off:**

**Director Sign Off:**

**Section 151 Officer Sign Off:**

**Portfolio Holder Sign Off:**

**Finance Portfolio Sign Off:**

**Cabinet Minute (if app):**