Appendix E

Budget Transfers (Virements and Carry Forwards)

Proposed 2015/16 Limits for Consideration by Cabinet

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. For example, high staff turnover 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.

2.2 The Scheme of virement now applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.

2.3 Following changes to the Financial Regulations, this is the first year that annual virement limits are to be se. To keep matters simple, the limits proposed mirror the basic limits set out under the old Financial Regulations, but they have been simplified.

2.4 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements between budgets under their control, subject to the following limits:

Delegated limit	**2015/16**
Total virement on any **expenditure** heading in any one financial year must not exceed:	£10,000
Total virement on any **income** heading in any one financial year must not exceed the following percentage of any additional income generated (over the approved budget); and must not exceed:	50% £10,000

2.5 Proposed virements above these limits, that otherwise fall within the approved budget and policy framework, must be considered by Cabinet.

2.6 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 streamining 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.)