

BUDGET VIREMENT POLICY

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LEAD DIRECTOR	Director of Finance
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1. INTRODUCTION

1.1 Purpose

The purpose of this virement policy is to put in place a formal system of approval for such changes. It also assists Chief Officers and Budget holders in the fulfilment of their budgetary responsibilities by setting out the rules under which resources can be transferred within a single budget or between budgets. These rules are referred to as budget virement procedures.

1.2 Scope

The policy is designed to cover all types of virements excluding:

- **Provider Variation Order (PVO)** which are transfers between commissioning and provider functions,
- **Central Allocation** changes which would be actioned via a budget journal,
- **Movements on Reserves** which are managed by the Corporate function, and
- **Technical Movements** such as budget rephasing or the recoding of account codes or cost centres.

Each of these areas have their own procedures notes which compliment this policy.

1.3 Principles

The budget setting process aims to ensure that all budget holders receive realistic budgets at the start of the year in order that the PCT's business plan can be achieved. Nevertheless, there will inevitably be in-year changes, and this is where virement may be used.

2 BUDGET VIREMENT POLICY

The budgetary process is one component of the PCT's system of financial management. As a financial management tool, budgets exist as an integral element in the delivery of the PCT Strategy. Budgets identify the resources available and help to focus attention on some of the constraints under which the PCT operates.

3. IMPLEMENTATION

3.1 Definitions

Virement means moving budgets between different budget lines.

A **Budget** is an annual sum of money identified for a defined purpose within which expenditure has to be managed.

An **Account Code (or Expense type)** is a single line within a budget which identifies a specific type of expenditure.

A **Chief Officer** is a Director appointed by the Chief Executive to manage the income and expenditure for the totality of services within the area of their responsibility.

A **Budget Holder** is a manager appointed by their Chief Officer to supervise budget within the totality of their service.

An **Authorised Signatory** is an officer appointed by the Budget Holder to sign for income and expenditure on their behalf up to a designated amount. Responsibility for the budget remains with the Budget Holder(s).

3.2 Appropriate Use of Budget Virements

There are occasions where virement are generally appropriate. These include:

- Adjustments to reflect changes that could not have been foreseen at the start of the year.
- Where planned actions by managers mean that resources previously allocated for one purpose are no longer required for that purpose and are used for another agreed purpose.
- Budgets adjusted for specific CRES schemes.
- Movement of Reserve budget to fund specific initiatives.

3.3 Virement Rules and Processes

Virement is not permitted from non-recurrent to recurrent expenditure.

Virement is not permitted where the PCT would be committed to additional recurrent funding in excess of commitments agreed within the PCT's financial plans. Where funding is available for a specific purpose by the PCT to implement service changes or deliver new developments in line with local delivery plan or national policy, virements can only be permitted where it does not threaten the original purpose.

A virement form can be raised by releasing budget holders or finance staff following the approval of budget movements. This can be authorised indirectly by email or directly by signing the form.

Where virements would increase management costs of the PCT overall, budget holders must seek approval from the Director of Finance before processing it.

The Chief Executive or Director of Finance have the authority to manage budgets corporately, this may include budget virements decided strategically.

3.4 Virement Forms

To obtain authorisation to the virement of resources between budgets, a virement approval form (see Appendix 1) has to be completed. This requires:

- The Budget Holder (or holders where the virement is between budgets managed by different Budget Holders) to complete and sign to signify agreement.
- The form should be authorised by the relevant Director(s) and Director of Finance or Chief Executive, if required, in accordance with delegated limits (see Section 3.6).
- The Budget Manager and the Finance staff(s) for the budget(s) concerned should be advised to action the form after approval.

3.5 Benefits of Budget Virement

- **To keep appropriate control over changes between different Budgets** and to support budget holders in the fulfilment of their overall budgetary responsibilities.
- **To assist in advising on the reported financial position:** If budgets are to be effectively managed it is essential that throughout the year the Chief Officer and the Director of Finance have a shared understanding of the true position.
- **To support compliance with Standing Orders (SOs), Standing Financial Instructions (SFIs) and Tender & Contracting (T&C) Procedures.**

3.6 Delegated Limits

All Budget holders have delegated limits beyond which they must not instruct virements without approval at the next level. These are as follows:

NHS Sources

- Chief Executive / Director of Finance -**No limit**
- Chief Officers / Directors – **Chief Officers/Directors limit**
- Budget Holders & Authorised Signatories - **Budget Holders limit**

Non-NHS Sources (for annualized Income only)

- Chief Executive / Director of Finance –**Gross £50k & net £5k limit**
- Chief Officers / Directors – **Net £5k limit**
- Budget Holders & Authorised Signatories - **Up to net £5k limit**

There are no virement limits set for establishment changes as these are mainly skill mix or service changes which are controlled through the ESR process.

There are no limits governing the size of income and expenditure transfers from one budget to another.

3.7 Monitoring and Compliance

The compliance of this policy will be monitored by budget holders, Heads of Finance and the Director of Finance as part of the monthly financial review

process, which is an integral element of the internal control systems of the PCT.

4 REFERENCE DOCUMENTS

Central Lancashire PCT (2008) Standing Orders, Reservation and Delegation of Powers, Standing Financial Instructions and Tender & Contracting (T&C) Procedures.

Provider Variation Order (PVO) Procedures Notes

Central Allocation Procedures Notes

Reserve Movements Procedures Notes

5 GLOSSARY

None

VIREMENT APPROVAL FORM**SECTION 1 - BUDGET / BUDGET HOLDER DETAILS**

Directorate :	
Department name :	
Budget Holder :	

SECTION 2 – VIREMENT DETAILS

Reason for Virement :		
	In-Year	Full Year
Amount of Virement :	£	£
Nature of Virement (delete as appropriate) :	Non-Recurrent / Recurrent	
Source of Virement (full financial code): FROM		
Destination of Virement (full financial code) : TO		

SECTION 3 - APPROVAL OF VIREMENT

a) Directorate Receiving funding	
Signature of Chief Officer	
Date :	

b) Directorate Transferring funding	
Signature of Chief Officer	
Date :	

c) Finance/Chief Executive	
Signature of Chief Officer/Director of Finance/Chief Executive:	
Date :	

SECTION 4 - ACTION BY FINANCE

Virement actioned:	
Signature:	
Period actioned Date:	