

BUDGET MANAGEMENT AND CONTROL SUMMARY

Budgetary Management

Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control will also take place at a more detailed level in order to construct the higher level position

Scheme of Virement

Within budgetary management control a scheme of virement exists to enable the Mayor, Executive/ Cabinet, Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council. With regard to the procedures detailed below, all reference to Executive Directors includes the Managing Director (the MD can also substitute for the Chief Finance Officer in case of absence/ emergency) .

- a) The Council has two budgets; the General Fund Revenue Budget and the Capital budget. Council approves these budgets annually and may vary them during the year.
- b) Once approved by Council, these budgets may only be varied by Full Council, in accordance with the use of earmarked reserves or through the Scheme of Virement set out below in (d) and contained within the Councils Constitution
- c) A decision to use the Council's general fund working balance, can only be made by Full Council.
- d) The Scheme of Virement
 - (i) These rules apply to virements within the General Fund and the Capital Budget. It is not possible to vire between these budgets.
 - (ii) All virements over £10,000 are subject to the approval of the Chief Finance Officer to ensure compliance with proper practices. This includes the need for consultation between officers and a written report to any member body or individual member of the Executive considering a virement under (vii) or (viii)
 - (iii) No virement shall be used to fund new services or projects that will create additional budget commitment in future years without the

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approval of the Executive (Cabinet) for amounts up to £100,000 and by Full Council for amounts in excess of £100,000.

(iv) The Managing Director, in consultation with the Chief Financial Officer is authorised to withdraw or limit the delegated authority of officers to vire.

(v) A Head of Service may approve virements **within cost centres** under his or her control on up to three occasions per annum per cost centre

- up to and including £10,000 following notification to the Chief Financial Officer.
- Over £10,000 up to and including £50,000 with approval from the Executive Director Services and Chief Financial Officer. In the case of all areas not covered by the Executive Director Services, only the approval of the Chief Finance Officer will be required.
- Over £50,000 and up to and including £100,000 with approval from the Chief Financial Officer, the Executive Director Services (where appropriate), Portfolio Holder or Mayor

(vii) A Head of Service may approve virements **between cost centres** under his or her control on up to three occasions per annum following the same approval processes as detailed at (v) above.

(viii) Where there is a requirement to vire across 'divisional' boundaries, then the approval of both Heads of Service will be required. Otherwise the processes to be followed remain the same.

(ix) Virements between and within cost centres over £100,000 can only be approved by Full Council

(x) Virements should be made with the following caveats:

- Virements should not be made for ongoing items of growth unless there is a permanent corresponding reduction to the base estimate from where the source of the virement originated.
- The Head of Service will have regard to ensuring that potential overspends within cost centres within their control are met from under spends in other areas in the first instance and before any virement request is requested.
- Where a staffing vacancy general provision, or procurement saving or any further unallocated savings have been assumed within the overall budget then any forecast underspend needs, in the first instance, to be earmarked to ensure such savings are achieved.
- Any over provision for pay awards cannot be used as a source of a virement as it will need to be returned back to the strategic finance cost centre. Similarly Support Costs recharged from another Head of Service cannot be used as a source of virement.
- The Head of Service will have regard for any actions proposed by the Chief Financial Officer in times of financial constraint in order to maintain the overall net budget

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- Multiple amounts for the same budget head virement will not be allowed beyond a maximum of three occasions per year. A general exemption (to this ‘three times’ limit) is allowed in the case of virements between staffing and agency budgets where flexible management may well require more frequent use of virement. Even in this case all financial thresholds will continue to apply.
- Virements which would curtail or stop service delivery (by taking away available finance to vire to other areas) should be discussed with the Executive Director Services/ Chief Finance Officer /Portfolio Holder or Mayor as appropriate.

(xi) In the case of an emergency the above limits may be exceeded with the approval of the Chief Financial Officer, Executive Director Services, Portfolio Holder or Mayor, and a report made retrospectively to Full Council.

(xii) If following consultation with the Chief Financial Officer and relevant portfolio holder a projected overspend cannot be accommodated within budget, by virement or by transfer from earmarked reserves then Full Council can consider a supplementary estimate following the submission of a report. The submission of such a report will have regard to

- The time in the budget cycle when the overspend has been identified until the end of the financial year
- The case put forward as to why the overspend cannot be contained
- The overall financial position of the Council
- In respect of capital expenditure authorisation should be obtained from the Executive (Cabinet) for individual schemes where the estimated expenditure exceeds the capital provision by more than the 10% or £25,000 whichever is the lower.

In summary the scheme of virement can be presented as follows :

Virement How Much	Who	Which Budgets	Frequency	Required Consultation/ Approval
Below £10,000	Heads of Service	Within and between cost centres within their control	Three times per annum per cost centre	Notification only to Chief Financial Officer
Between £10,000 and £50,000	Heads of Service	Within and between cost centres within their control	Three times per annum per cost centre	Approval of Chief Financial Officer and the Executive Director Services (as

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				appropriate)
Between £50,000 and £100,000	Heads of Service/ Executive Director Services/ Chief Financial Officer	Within and between cost centres within their control	Three times per annum per cost centre	Approval of CFO, Executive Director Services (as appropriate), Portfolio Holder or Mayor
Over £100,000	Heads of Service/ Executive Director Services/ Chief Finance Officer	Between cost centres within their control	Unlimited	Consultation with Portfolio Holder or Mayor and then Formal report to and approval by Full Council
Virements that funds new services or projects with budget commitments in future years Below £100,000	Heads of Service/ Executive Director Services/ Chief Finance Officer	Any	Unlimited	Executive (Cabinet)
Virements that funds new services or projects with budget commitments in future years over £100,000	Heads of Service/ Executive Director Services/ Chief Finance Officer	Any	Unlimited	Formal report to and approval by Full Council

Carry Forward Of Underspends

All revenue budgets are approved by Full Council with the expectation that expenditure is incurred upon approved service levels within a financial year. Budgets are not approved on the basis that surplus provision can be carried forward to augment future years funding. There may be occasion where an unavoidable delay has occurred in procuring anticipated services/ supplies. In these rare instances Heads of Service should submit a proposal indicating why a carry forward should be permitted. All such submissions will be considered by the Chief Finance Officer / Managing Director / Executive Director Services and reported to Leadership Team. Where approval has been obtained then these cases will be reported as part of the Annual Statement of Accounts report to Audit Committee and Cabinet.

For capital expenditure, it will be harder to fund all projects within a specific timescale (although the increasing use of project management techniques should reduce its occurrence). In these instances carry forward approvals will be endorsed through periodic monitoring reports to Budget Panel/ Cabinet and through the Annual Statement of Accounts to Audit Committee and Cabinet.

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Use of Earmarked Reserves

Earmarked reserves and contingencies outside the General Fund or Capital budget shall be used only in accordance with the purpose for which the reserve was set up and shall not be vired to other uses. Specific earmarked reserves have been established to smooth out variations in expenditure year on year and to fund approved initiatives. The use of reserves is delegated to individual Heads of Service but requires the approval of the relevant Portfolio Holder and the Chief Finance Officer and will be reported as part of the monthly Finance Digest to all members of the Council and considered by the Budget Panel and Cabinet at their appropriate meetings. Earmarked reserves generally :

- Should not be used to fund on-going revenue expenditure
- Expenditure should be shown within the Income and Expenditure Account and funded by a transfer from reserves not simply charged to the reserves
- Transfer to and from reserves should be reported to the Budget Panel and Cabinet at the earliest possible opportunity and at end of year via the annual Statement of Accounts to Audit Committee and cabinet.

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