

Budget virement policy			
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## 1. Introduction

All NHS bodies are required to have in place complete and adequate internal controls over key financial systems. This policy is required to ensure the existence of complete and adequate control.

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

Standing Financial Instructions (SFI's) outline the corporate responsibility relating to budgetary control. They detail the financial responsibilities, which apply to everyone who works within the Trust.

## 2. Purpose or aim

The purpose of this policy is to assist 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.

The budget setting process aims to ensure that all budget holders receive realistic budgets at the start of the year in order that the Trust's business plan can be achieved. Nevertheless, there will inevitably be in-year changes, and this is where virement can be used. Virement means moving budgets between different budget lines, without changing the 'bottom line' total budgets for the Trust.

It is not intended to be restrictive, but rather to give managers flexibility whilst providing clear parameters within which they may operate.

## 3. Scope

### 3.1 Appropriate use of budget virements

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

- Adjustments to reflect changes that could not have been foreseen at the start of the year (such as the commencement of services part way through the year or significant reconfiguration of services)
- Where planned actions by managers mean that resources previously allocated for one purpose are no longer required for that purpose.

Equally, there are occasions where virement is not generally appropriate:

- 'Smoothing' budget statements to mask underlying issues;
- Using fortuitous underspends to support pressures in other areas.

Virements can either be actioned on a non-recurrent or recurrent basis. A non-recurrent virement is a one-off, temporary in year adjustment whereas a recurrent virement is actioned to reflect a more permanent budgetary adjustment. The distinction between recurrent and non-recurrent budgets should be carefully observed. It is not permissible to use non recurrent budgets for recurrent purposes.

When preparing virements it is essential that the materiality threshold is considered - although there is not a strict minimum value, the finance team will likely reject requests where the impact of the change is deemed not material to the overall position of the service.

## 4. Benefits of a 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)**

### 4.1 Virement process

The purpose of this procedure is to allow managers some flexibility to ensure that resources are employed effectively within the overall procedure framework.

It should be noted that changes to staffing establishment must be done in accordance with the relevant section of [Standing Financial Instructions \(SFIs\)](#) and Scheme of Delegation (SoD).

Where expenditure is being planned and the source of funding is virement from another budget, then prior approval for the virement should be secured before the expenditure commitment is made.

- Where a virement has been identified, the nominated budget holder should liaise with the Finance Department and complete the [Budget Virement Request Form](#)..
- Appropriate authorisation should be obtained prior to submitting the completed form to the Finance Department.
- Authorisation can be provided either by signing the paper form or by e-mail approval from budget managers in order to prevent the process from being unnecessarily elongated

**Virement within cost centres** - a virement request form is not required where Budget Holders want to move funding within their area of responsibility. All Budget Holders can vire money between different lines within the same cost centre providing:

- Management Cost targets are not exceeded;
- Establishment procedures are followed where transfers relate to pay budgets.

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.

## 5. Monitoring and Compliance

Whilst the annual budget setting process states that once the plan has been set, there will not be any budget adjustments permitted in the year, it is recognised that in extreme circumstances, it may be more prudent to allow some adjustments to be made.

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.

## 6. Related documents

- [Budget virement request form](#)

Version History				
Version	Date	Revision description	Editor	Status
1.0	21/07/2017	Approved by Finance and Planning committee.  New policy requested by Deputy Director of Finance, drafted by Head of Financial Accounts & Treasury Management	Head of Financial Accounts & Treasury Management	Approved
2.0	24/07/2018	Reviewed, no changes made	Head of Financial Accounts & Treasury Management	Approved
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