

**WORCESTERSHIRE MENTAL HEALTH
PARTNERSHIP NHS TRUST**

BUDGET VIREMENT POLICY

Worcestershire Mental Health Partnership NHS Trust Policy Data

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1. INTRODUCTION

1.1 Background

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.

1.2 Scope

The purpose of this policy note 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. These rules are referred to as budget virement procedures.

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 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.

2. IMPLEMENTATION

2.1 Definitions

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

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

2.1.3 The *Budget Holder* is the Director appointed by the Chief Executive to manage the income and expenditure for the totality of services within the area of their responsibility.

2.1.4 The *Budget Manager* is the manager appointed by the Budget Holder to supervise a number of budgets within the totality of their services.

2.1.5 The *Budget Administrator* is the manager or supervisor appointed by the Budget Holder to supervise a single budget

2.1.6 The *Authorised Signatory* is the officer appointed by the Budget Holder to sign for income and expenditure on behalf of the Budget Holder. The responsibility for the budget remains with the Budget Holder.

2.1.6 *Earmarked (or "ring fenced") Budgets* are where money has been identified for a specific purpose and must be spent for that purpose.

2.1.7 The *Director of Resources* is the chief financial officer of the Trust.

2.1.8 Some earmarked budgets may be centrally funded and if in any one year the funding is not spent then it may have to be returned or carried forward and reinstated for the specific purpose in future years. *Virement of this type of*

funding would contravene the original purpose of the funding and would in most circumstances be unacceptable.

- 2.1.9 For other areas funding has been earmarked for a specific purpose by the Trust to implement service changes or deliver new developments in line with local or national policy. *Virement of this type of funding can only be permitted where it does not threaten the original purpose or the ability to deliver the proposed change.*

2.2 Appropriate use of budget virements

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

- (i) Adjustments to reflect changes that could not have been foreseen at the start of the year;
- (ii) Where planned actions by managers mean that resources previously allocated for one purpose are no longer required for that purpose.

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

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

2.2.3 The distinction between recurrent and non recurrent budgets should be carefully observed. It is not permissible to use non recurrent budgets for recurrent purposes.

2.3 Benefits of appropriate budget virement

2.3.1 To keep appropriate control over changes between Budgets:

The purpose of the virement policy is to put in place a formal system of approval for such changes.

2.3.2 To assist in advising the true position:

If budgets are to be effectively managed it is essential that throughout the year the Chief Executive and the Director of Resources have a shared understanding of the true position.

2.3.3 To support compliance with Standing Orders (SOs), Standing Financial Instructions (SFIs) and Tender & Contracting (T&C) Procedures:

As stated in Section 1.2 the virement policy note is intended to support budget holders in the fulfilment of their budgetary responsibilities. The attention of budget holders is also drawn to the need to comply with SOs, SFIs and T&C procedures. For example, approval given to vire resources for a specified purpose does not absolve the budget holder from ensuring compliance with T&C procedures when utilising those resources.

2.4 Virement rules

2.4.1 The rules and process that apply in the approval of budget virement are:

- Virement is not normally permitted:
 - (i) From non-recurrent to recurrent expenditure;

- (ii) Where it would be in breach of the rules on earmarked or ring fenced funding arrangements (see Section 2.1.6);
 - (iii) Where it would increase management costs (unless approved in writing by the Chief Executive).
- Where the transfer would commit the Trust to additional recurrent funding in excess of commitments agreed within the Trust's financial plans;
 - Where the transfer would adversely impact upon decisions already taken, because of cost pressures elsewhere, to require a saving to be achieved in order to produce an overall financial balance.

2.5 Virement Process

- 2.5.1 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.
- 2.5.2 Where a virement has been identified, the nominated budget holder should liaise with the Finance Department and complete the Budget Virement Request Form (see Appendix 1).
- 2.5.3 Appropriate authorisation should be obtained prior to submitting the completed form to the Finance Department.
- 2.5.4 Virement can operate at a number of different levels within the Trust, and each level is described separately below.
- 2.5.5 Virement between Business Units – Business Unit Leads from each Business Unit are required to authorise virements between Business Units. The Chief Executive and Director of Resources have unlimited powers of virement (subject to the requirement to report to the Board under paragraph 2.7.6 below).
- 2.5.6 Virements which effect funded establishment - the funded establishment of any department may not be varied without the approval of the Director of Resources.
- 2.5.7 Virement between cost centres within a single budget holder's remit - all virement is subject to the reporting of a year to date underspend or breakeven.
- 2.5.8 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:
- (i) Management Cost targets are not exceeded;
 - (ii) Establishment procedures are followed where transfers relate to pay budgets.

The delegated limits set out in Section 2.7 are applied.

2.6 Virement Forms

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

- (i) The Budget Holder (or holders where the virement is between budgets managed by different Budget Holders) to sign to signify agreement.
- (ii) The form to be authorised by the relevant Director(s), Management Accountant, Deputy Director of Finance and Director of Resources or Chief Executive, if required, in accordance with delegated limits (see Section 2.7).
- (iii) The Budget Manager and the Finance Contact(s) for the budget(s) concerned to be advised.

2.6.2 Virement forms are controlled stationary available from the Finance Department.

2.7 Delegated Limits

2.7.1 To maintain central control of funding and recognising the need for the Trust to meet its Statutory financial duties, limitations on the extent to which virement can be applied are needed. These limits provide a degree of flexibility for budget-holders whilst recognising the need for overall control of spending within the Trust.

2.7.2 Limits for Approval of Virement for Revenue Expenditure

The limits on virement are:-

- **Non-recurring** budget within a Business Unit no limit
- **Recurring** budget within a Business Unit £10,000
- **Transfers** between Business Units £10,000

Virements above these limits require the authorization of the Chief Executive or Director of Resources or his nominated deputy.

2.7.3 Limits for Approval of Virement for Capital Expenditure

The limits on virement are:-

- Head of IM&T, Head of Planning, Director of Facilities £10,000
- Chief Executive or Director of Resources or nominated representative > £10,000

2.7.4 Virement between Revenue and Capital can only be agreed with the express agreement of the Director of Resources and must be reported to the Finance and Performance Committee.

2.7.5 A virement is only possible where the source is genuinely uncommitted.

2.7.6 Virements greater than £100,000 must also be reported through the Finance and Performance Committee.

- 2.7.7 Transactions must not be broken down in order to avoid the rules on delegated limits. Where a series of related transactions occur within a 12 month period which together exceed a delegated limit, approval at the next level must be sought.

3. REFERENCE DOCUMENTS

Worcestershire Mental Health Partnership NHS Trust *Standing Orders, Reservation and Delegation of Powers and Standing Financial Instructions.*

4. GLOSSARY

SOs - Trust Standing Orders
SFIs - Trust Standing Financial Instructions
T&C - Tender & Contracting

Appendix 1

Worcestershire Mental Health Partnership NHS Trust

BUDGET VIREMENT REQUEST FORM

SECTION 1 - BUDGET / BUDGET HOLDER DETAILS		
Business Unit:		
Department name:		
Budget Holder:		
SECTION 2 – VIREMENT DETAILS		
Reason for virement:		
	<i>In-year</i>	<i>Full year</i>
Amount of virement:	£	£
Nature of virement (delete as appropriate)	Non-recurrent / Recurrent	
Source of virement (full financial code)		
Destination of virement (full financial code)		
SECTION 3 - APPROVAL OF VIREMENT		
a) Deputy Director of Finance/Management Accountant/Director of Resources/Chief Executive		
Signature:		
Date:		
b) Business Unit Receiving funding		
Signature of Business Unit Lead:		
Date:		
c) Business Unit Transferring funding		
Signature of Business Unit Lead:		
Date:		
SECTION 4 - ACTION BY FINANCE		
Virement actioned by finance department:		
Signature:		
Period actioned Date:		