

Item 5.3a**BUDGET VIREMENT POLICY****1. Summary**

The annual Financial Plan is approved at Board level and is submitted to NHSI in line with operational planning guidance. This NHSI Financial Plan remains fixed through the financial year for monthly reporting and variance monitoring to NHSI.

For internal financial reporting and variance, monitoring the Trust uses at divisional level an Operational Budget which in totality reconciles to the NHSI Plan but reflects any authorised budget virement in line with policy and the standing financial instructions.

The purpose of this paper is to outline the rules under which budgets may be transferred and the appropriate approval required for such changes to provide assurance that the overall budget will remain in line the Board approved NHSI Financial Plan. A reconciliation of all approved budget virements will be undertaken monthly to ensure that the NHSI Plan and Operational Budget remain aligned.

2. Introduction

NHS Trusts are required to have in place complete and adequate internal controls over key financial systems. The budgetary process is one component of the Trust's system of management. Budgets exist as an integral element in the delivery of the Trust's Strategy, identifying the resources available and helping to focus attention on the constraints under which the Trust operates.

The purpose of this paper is to assist Budget Holders in the fulfilment of their budgetary responsibilities by setting out the rules under which resources may be transferred between budgets, thereby providing assurance to the Board that any changes to the originally approved budget have been agreed in advance and at the appropriate level. These rules are referred to as budget virement procedures.

3. Background

The budget setting process aims to ensure that all budget holders receive sufficient budget at the start of the financial year in order that the Trust's business plan can be achieved. As part of this process the Board approves a budget for each area on the basis that it is identified for a defined purpose within which expenditure has to be managed. Ideally the budget should be unchanged throughout the year, however, there will inevitably be in-year changes and this is where virement can be used.

Virement simply means the movement of budgets between different budget lines without changing the Trust's total budgeted "bottom line". The introduction of a formal budget virement process will ensure that any budget changes have been approved at the

appropriate level thereby providing an audit trail for movements to the original Board approved budget.

Occasions where virement would be appropriate would include:

- Adjustments to reflect changes not foreseen at budget setting such as the introduction or cessation of a service or other contractual changes.
- Where planned actions by management mean that resources previously allocated for one purpose are no longer required for that purpose and are to be used for another agreed purpose. This re-investment of budget will require authorisation in line with the delegated authority levels.
- Budget adjustments for CIP schemes in line with the development of CIP plans.
- Movement of budget from inflation reserves to fund agreed national and local inflationary changes.

Virement would not be allowed to move underspends in one area to support pressures in another as this forms part of variance reporting or to move funding from a 'ring fenced' contractual budget.

4. Process

The purpose of this procedure is to allow budget holders some flexibility to ensure that resources are employed effectively within the overall budgetary framework providing greater accountability by budget holders and aiding clarity on advising the reported financial position.

It is proposed that where a budget transfer (virement) has been identified that prior approval must be secured before any expenditure commitment is made. The Budget Holder (or holders if the virement crosses departmental or divisional boundaries) must liaise with the Finance Department and complete the Budget Virement Request Form (see Appendix 1). Appropriate authorisation must be obtained and evidenced prior to submitting the completed form to Finance for action. The levels of sign off as set out in the Trust Scheme of Reservation and Delegation (SORD) are detailed in the table below.

Type	To be signed off by
Above £50,000	Chief Executive Officer
Up to £50,000	Chief Finance Officer
Movement of up to £25,000	Deputy Chief Finance Officer

An audit trail of all budget amendments will be recorded by the Finance Department to ensure that the overall budget remains unchanged and that the Virement Process has been followed. A budget reconciliation is to be done monthly by the Finance Business Partners.

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

Division:	
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

Directorate Transferring Funding	
Signature of Budget Holder/Directorate Manager/Divisional Director	
Date:	

Directorate Receiving Funding	
Signature of Budget Holder/Directorate Manager/Divisional Director	
Date:	

Executive /Finance Approval	
Signature of COO/CEO/Finance Director	
Date:	

SECTION 4 – ACTION BY FINANCE

Virement actioned date:	
Signature:	
Period actioned Date:	