



BUDGET VIREMENT POLICY

1. Introduction

The budget is set in November for the next financial year and is the basis for the precept request from residents. History tells us that there will be some overspends and some underspends on budget accounts.

The purpose of this Policy is clarify when a transfer between budget accounts is to be made, how to deal with transfers from the Contingency account and what happens when a budget is exceeded, or under spent.

2. Definition of Virement

Virement is the process of transferring a revenue budget from one budget heading to another, with the approval of the Parish Council. It can be used to amend budgets in the light of experience, or to reflect anticipated changes in the pattern of future income or expenditure.

The budget virement process is part of the practice to make sure that the Parish Council has adequate policies and procedures in place to ensure effective system of financial control.

3. Why do we need a Virement Policy?

The financial year 2010-11 saw the introduction of a new bookkeeping system (RBS Alpha) for the Speldhurst Parish Council (SPC) and there were some errors at the installation stage (wrong accounts set up) which required some virement adjustments. It was also the first year that the SPC had a Contingency account which is monies held for unexpected projects within the Parish and to prevent any drawdown on the Earmarked Reserves.

No payments are made direct from the contingency account. When a grant or expenditure is authorised from the contingency account (by either the Finance Committee or Full Council) the Clerk will transfer the money from the account to the nominated project and the payment made from there. No additional authority is required.

RBS Alpha produces detailed reports and shows when accounts are over and under budget but also approaching budget. It is therefore not proposed to transfer *all* spending over budget, only significant amounts, but they should all be highlighted by the Clerk and noted by either Full Council or the Finance Committee (whichever meets first) and a decision will be made on whether a virement transfer is required.

4. Financial Responsibilities

Budgetary control must be strictly maintained throughout the year in order that any potential expenditure overspends or income loss within individual Committee or budget headings are identified at the earliest opportunity. Any Committee that has a budget should review its financial position at every meeting.

5. Virement Guidelines

- All virements must be identified as related to expenditure
- Any virement transfer from or to the Contingency account must have the prior approval of the Finance Committee or Full Council and shall be recorded in the minutes.
- Only Full Council can approve a virement transfer from an Ear Marked Reserve (EMR)

6. Implementation of this Policy

This policy is to take effect from 11th April 2011 (adopted by Full Council at its meeting of that date).

The policy will be reviewed annually.