BUDGET VIREMENT POLICY

1. **Introduction**
   The budget is set in January 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 to 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 an effective system of financial control.

3. **Use of Virements**
   Virements may be used:
   a) to enable SPC to correct errors that may have arisen when setting up budget accounts.
   b) to transfer monies from one budget heading to another
   c) to apply monies from the Contingency Account[1], to the appropriate budget account in the event of expenditure that had not been anticipated at the time the budget was set, or an unforeseen increase in the nature of the expenditure.

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 a specified expenditure or budget underspend.
   - 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 at a minimum of every three years.

[1] The Contingency Account was set up to allow maximum flexibility during the budget process because it is recognised that not every expense can be budgeted for.
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 Contingency Account to the nominated budget account and the payment made from there. No additional authority is required.
Note: SPC uses the RBS Alpha bookkeeping system which produces detailed reports and shows when budget accounts are over and under budget or approaching budget. It is not proposed to transfer *all* spending under budget to the Contingency Account, nor to use the Contingency Account to transfer monies to a budget account on any or every overspend, but only to do so where significant amounts are concerned. However, all over- or under-spends should 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.