



Leicester
City Council

ALL WARDS

CABINET
COUNCIL

June 27th, 2005
June 30th, 2005

3 MONTH REVIEW OF VIREMENT RULES

REPORT OF THE CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 At its meeting on February 23rd, Council resolved to change the scheme of delegation in respect of the budget management framework. It was further agreed that there would be a review of the operation of the new arrangements after 3 months of the financial year.
- 1.2 This report summarises the current position, and puts forward some options for cabinet to consider.

2. REPORT

- 2.1 The scheme of delegation in respect of virement defines the levels of discretion delegated to Cabinet. The delegation to Cabinet was set by the Council at its meeting on February 23rd, with the detailed budget lines for virement purposes being agreed by Council on March 31st.
- 2.2 A summary of the current position is shown as Appendix A to this report. The effect of the changes was to introduce a more restrictive set of rules than had applied previously.
- 2.3 The first budget monitoring reports of the financial year are not usually prepared until after the end of June (ie for the first 3 months of the year), with the first reports to Members being prepared as at the end of July. Consequently there has been little practical impact of the application of the new rules to date, other than the setting up of new systems to ensure compliance. There has been a request for an increase to 2 budgets which, under the current rules, has been recorded for the purpose of ensuring that the delegated aggregate limits are not exceeded. The details of this request is shown at Appendix B

- 2.4 Potential forthcoming changes which could need Council approval are the Lifelong Learning Recovery Plan and the proposals in respect of the Workplace Nursery.
- 2.5 The main effects of the procedural changes will be to involve Cabinet and also full Council in more detailed decision making than previously. It will also lead to an increase in administration, and although the framework has already been put in place, the details of each relevant virement will still need to be recorded and reported by each Department's Head of Finance as they occur. The Chief Accountant will monitor and report on the aggregate position. The significant increase in the number of controllable budget lines means that there are far more individual service areas that may no longer vire budgets without member approval.
- 2.6 If Cabinet wishes to review the scheme, options to consider are set out below. Clearly it would be feasible for members to retain some of the current scheme while still recommending some changes. The options:
- a) No change.
 - b) To recommend that Council revokes the changes agreed on February 23rd.
It should be borne in mind that, in accordance with Finance Procedure Rules, Council would need to set new limits in respect of the delegation of:
 - i) virement that may be approved by Cabinet. (in 2004/05 this limit was £1m for a single purpose)
 - ii) any permissible additions to / deductions from budgets. (In 2004/05 this limit was £1m for a single purpose)
 - c) To amend the detailed budget lines defined as "controllable budget lines" for the purposes of virement.

For the purposes of c) the current budget lines are shown in the Council's budget book and also at Appendix C. If members wish to change the controllable budget lines, the simplest and perhaps most logical summarisation would be to move up to a divisional level split. This is also shown in the tables at appendix C, for each department.

3. RECOMMENDATIONS TO CABINET

- 3.1 The Cabinet is asked to consider initial views and experiences and make recommendations to Council

4. FINANCIAL IMPLICATIONS

- 4.1 This report is exclusively concerned with financial issues.

5. LEGAL IMPLICATIONS

- 5.1 The report concerns a review of the operational arrangements for the implementation of the Council's scheme of delegation following the

resolutions of the Council at its meetings on February 23rd and March 31st, 2005

6. OTHER IMPLICATIONS

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	Yes	The report concerns the operation of the Council's constitution
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/people on low income	No	-

- 7. Report author:**
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 Chief Accountant

DECISION STATUS

Key Decision	No
Reason	
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)