

## Virements Policy December 2020

### 1. OVERVIEW AND PURPOSE

- 1.1 This policy supports the Financial Regulations. It sets out the approach of the University in meeting the requirement of the Regulations with regards to Virements and describes the means by which the principles of the Regulations should be applied in the day-to-day operations of the University.

### 2. SCOPE

- 2.1 This policy applies to all virements.

### 3. RESPONSIBILITIES

- 3.1 In accordance with Financial Regulation 3.3 Heads of School and Directors of Professional Services are responsible for the financial management of the areas or activities they control and the proper and effective use of University funds in accordance with their approved budget. There are occasions where in order to optimise the use of resources and carry out effective financial management, it is necessary to action virements/ budget transfers during the financial year. Heads of Schools and Directors are responsible for agreeing in-year virements but must not take decisions or transfer resources contrary to current University policy as represented by the approved budget

### 4. POLICY

- 4.1 The term 'virement' means to transfer a budget from one expenditure code to another in order to reflect a change in expenditure or income plans since the budget was approved. It is useful for budgetary control and financial monitoring. It is important to have stringent controls and authorisations over virements as it is effectively giving 'permission to spend' to the Budget Holder within their authorisation limits. It is essential to identify virements as temporary or permanent in order to maintain the wider understanding of budgetary requirements and to help with the longer-term planning and IPBP process. It is not intended to hide overspends and should not be used to create unachievable income budgets. The de-minimus for a virement is £5,000, unless required for operational or technical purposes. Overspends below this sum should be offset by underspends elsewhere.
- 4.2 There are 2 types of virements:
- within Schools/Departments – these are typically to re-align budgets to reflect updated spending plans or to fund one-off expenditure
  - between Schools/Departments or Central – these are typically in year allocations such as HEIF funding and additional grants or to reflect a change in responsibility.

The University currently restricts virements between Schools and Departments unless specifically agreed in order to maintain the approved budget envelope.

- 4.3 Virements should only be actioned when available funding is identified and should not result in an overspend elsewhere. Please see Appendix 1 for the procedure guidance.

**Virements Policy: Procedure**

**Appendix 1**

1. How to decide if you need a virement or not:

It is not the intention to have a proliferation of virements during the financial year therefore when a Budget Holder (level 2) or Senior Budget Holder (level 3) authorises a purchase commitment that is over budget, they should consider the following:

- how much is the year end overspend likely to be? i.e., not just this transaction.  
It may be a timing issue e.g. relates to the following year
- what is the reason for the overspend? Is it one-off or ongoing? Is it essential spend?  
Ensure it is eligible spend
- is the full year forecast overspend above the de-minimus?

If no - record in the authorisation screen in the finance system, the reason for the overspend and how it will be funded to stay within the budget envelope. This is required so that there is an audit trail which clearly justifies the overspend and identifies offsetting savings/income. If appropriate, re-profile the budget to improve future financial management and budgetary control.

If yes – identify alternative funding for a virement to be actioned and follow the procedure below. Virements should only be actioned when available funding is identified and should not result in an overspend elsewhere. Record this action in the authorisation screen in the finance system.

2. The current process for a virement to be actioned is:

- details and reasons for budget transfers to be discussed / agreed with Head of School/ Director of Department and their Finance Business Partner (or MAS Manager if urgent)
- virement template to be completed and appropriate supporting information included for authorisation by relevant Budget Holder and Finance Business Partner before forwarding to the Management Accounting Services (MAS) team
- MAS team to review request and pass to MAS Manager or Supervisor for authorisation to action
- budgets updated overnight and changes reflected in the Finance System the following working day
- templates and all back up information to be filed by the MAS team.

3. If alternative funding cannot be identified, then mitigating actions should be determined and your Finance Business Partner informed with details included in the financial reporting process as appropriate. Significant departures from agreed budgets must be reported immediately to the Director of Finance by the Head of School or Director of Professional Service in accordance with Financial Regulation 3.3.

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