

EPHRAIM MOGALE LOCAL MUNICIPALITY



VIREMENT POLICY

DOCUMENT APPROVAL

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Ephraim Mogale Local Municipality

2015/16 Medium Term Revenue and Expenditure

Framework (MTREF) Policy review

VIREMENT POLICY

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1. Definitions

1. "Accounting officer"

The municipal manager of the municipality is the accounting officer of the municipality in terms of section 60 of the MFMA and within the meaning of section 82 of the Municipal Structures Act, no 117 of 1998.

2. "Approved budget" means an annual budget approved by a municipal council.

3. "Budget-related policy" means a policy of a municipality affecting or affected by the annual budget of the municipality

4. "Chief financial officer" means a person designated in terms of the MFMA who is the head of the budget and Treasury office, designated in terms of section 80 (2) of the MFMA and who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.

5. "Capital Budget"

This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods

6. "Council" means the council of a municipality referred to in section 18 of the Municipal Structures Act.

7. "Financial year" means a 12-month period ending on 30 June.

8. "Line Item" an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [See annexure "D" for current item structure]

9. "Operating Budget"

The Municipality's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

10. "Ring Fenced" an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

11. "Service delivery and budget implementation plan" means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget.

12. "Virement" is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager.

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To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

13. **“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

14. **“Senior Manager”** – An official reporting directly to the Municipal Manager.

15. **Department /Vote** –

(i) One of the main segment into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(ii) That specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

1. The Municipality’s Departments/(Votes) and Sub-Departments **are:**

1. Municipal Manager

1.1 Council Support

1.2 Office of Municipal Manager

2. Planning and Economic Development,

2.1 Urban and Renewal Programme

3. Corporate services

3.1 Human resources

3.2 corporate services

3.3 Administration

4. Financial services

4.1 Stores

4.3 Budget and treasury office

4.6 Fleet management

5. Infrastructure Services

5.1 Electricity Service

5.2 Technical Services

5.3 Housing and Building Control

5.4 Roads and Stormwater

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6. Community services

- 6.1 Community Service Mangement
- 6.2 Registration Authority
- 6.3 Parks and cemeteries management
- 6.4 Licencing and Traffic
- 6.5 Health General
- 6.6 Solid Waste
- 6.7 Sports, Arts and Culture

2. OBJECTIVES

- 2.1 Give directors/(senior managers) who are the heads of departments greater flexibility in managing their appropriations / budgets.
- 2.2 Provides guidance to managers on how and when they may shift funds between items, projects, programmes within their areas of responsibilities.
- 2.3 Comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations to implement a council approved virement policy as one of the budget related policy.
- 2.4 Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular department, sub-department and functional area by offsetting or transferring savings in another department, sub-department and functional area.
- 2.5 Allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen/unavoidable expenditure as they arise to accelerate service delivery in a financially responsible manner.

3. DELEGATIONS ON VIREMENTS ON CAPITAL BUDGET

- 3.1 Virements of conditional grant funds, which fall outside what is specified in relevant conditional grant framework, are not permissible.
- 3.2 Virements should not result in adding new projects to the capital budget.
- 3.3 Virements on the capital budget must remain within:
 - 3.3.1 The same main vote ;
 - 3.3.2 The same programme name; and
 - 3.3.3 The same funding source.

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- 3.4 Virements on capital projects are only allowed if sufficient proof can be provided that are saving realized on the completion of the project, from which the fund are to be moved.

4. DELEGATION ON VIREMENTS ON OPERATIONAL BUDGET

- 4.1 No budget transfer or virements shall be made to increase a salary vote without the prior consideration and approval of the chief financial officer on the financial implication.
- 4.2 Should a saving realize on a salary vote , such saving may be transferred to another operating vote, but only if the over-expenditure or foreseen over-expenditure of other salary, related votes have fully been addressed and subject to prior financial comments by the chief financial officer.
- 4.3 Virements can take place in the operating budget between line items within the same main vote and sub votes, but the virements to or from the following items are not allowed
- 4.3.1 Debt impairment;
 - 4.3.2 Interest charges;
 - 4.3.3 Depreciation;
 - 4.3.4 Grants-in-aid;
 - 4.3.5 Revenue foregone;
 - 4.3.6 Insurance;
 - 4.3.7 VAT
 - 4.3.8 Internal charges & recoveries ; and /or
 - 4.3.9 Free basic services.
- 4.4 No virements may be made between revenue and expenditure and vice versa.
- 4.5 No virements are allowed on revenue items.
- 4.6 Virements must originate from savings.

5. PRINCIPLES TO BE ADHERED TO IN THE POLICY

- 5.1 Virement in relation to the revenue side of the budget should not be permitted.
- 5.2 Virement from the capital budget to the operating budget should not be permitted.
- 5.3 Virement should not result in adding "new" projects to the capital budget.
- 5.4 All virements made during the first half of the budget year including section 29 and 32 of the MFMA must form part of the adjustments budget.
- 5.5 Virements within the same vote can be done administratively to a prescribed limit, whereas virements between votes must be approved in an adjustment budget.

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- 5.5 All virements made after the adjustments budget e.g. additional allocation made by National or provincial government must be approved by council and form part of the Annual Financial statements at the end of the budget year.

6. Authorisation of Virements

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- 6.1 All virements must be done within a limit of 5% of the annual budget for the relevant vote/department as per treasury guidelines.
- 6.2 All virements will be approved by the Municipal Manager after recommendation by the Chief Financial Officer.
- 6.3 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.
- 6.4 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
- 6.5 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.
- 6.6 No virements may be affected where it would result in the over-expenditure of a vote.
- 6.7 Virements are only allowed within the same main votes, but may be between different sub-votes subject to Chief Financial Officer's approval.
- 6.8 Virements between main votes are only allowed under extra-ordinary circumstances and are subject to the approval of the chief financial officer.

7 Procedure for Virement

- 7.1 Proposals for transfers may be made by the Head of Department concerned.
- 7.2 Virements must be done on the prescribed budget amendment form, which also include the SDBIP projections to be revised accordingly. The following information must be verified on the form:
- Transfer of funds are within the limits of delegated authority;
 - reasons/backgrounds for transfer of funds; and
 - approval by relevant managers.

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- 7.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if :
- 7.3.1 the amount of the transfer is considered regular and appropriate, the Chief Financial Officer shall:
 - 7.3.1.1 approve the proposal, or
 - 7.3.1.2 reject the proposal; or
 - 7.3.1.3 refer the proposal to the Municipal Manager for approval or rejection;
- 7.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

8. General

- 8.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.
- 8.2 This policy will be effective on the date of adoption by Council.