



Budget Virement Policy

1. Definitions

"Accounting officer" The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

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

"Budget-related policy" means a policy of a municipality affecting or affected by the annual budget of the municipality as defined in the Budget Policy of the Council

"Chief financial officer" means a person designated in terms of the MFMA 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.

"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

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

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

"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 "B" for current item structure]

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

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

"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.

"Virement" is the process of transferring an approved budget allocation from one vote to another, with the approval of the Municipal Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

"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. [See annexure "A" for current Vote structure]

"Budget transfer" means the transfer of an approved budget allocation from one operating or capital line item to another within a vote, with the approval of the relevant senior manager.

2. Abbreviations

- 2.1. CFO – Chief Financial Officer
- 2.2. IDP – Integrated Development Plan
- 2.3. MFMA – Municipal Finance Management Act No. 56 of 2003
- 2.4. SDBIP -Service delivery and budget implementation plan
- 2.5. CM – Council Minute/s

3. Objective

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. Financial Responsibilities

- 4.1 Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments is identified at the earliest possible opportunity. (Section 100 MFMA)
- 4.2 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)
- 4.3 It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78 and 102.

5. Virement Restrictions

- 5.1 No funds may be viremented between votes without consent of both vote holders and the Municipal Manager.
- 5.2 Virements may not exceed a maximum annual limit of 5 % per vote from which the virement originates.
- 5.3 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years.
- 5.4 No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Mayoral Committee.

- 5.5 No funds may be transferred between line items without approval of the vote holder authorization, in other words the senior Manager's approval.
- 5.6 Budget may not be transferred from Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure, Insurance and Income Foregone.
- 5.7 Budget may only be transferred from or to Salaries or employee related costs if approved by the CFO.
- 5.8 Transfers Virements in capital budget allocations are only permitted within specified action plans and not across funding sources and must in addition have comparable asset lifespan classifications.
- 5.9 No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- 5.10 An approved virement/transfer does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.
- 5.11 Virements/transfers may not be made between Expenditure and Income.
- 5.12 No veriments/transfers are allowed in terms of income line items.
- 5.13 No veriment/transfers are allowed from capital budget to the operating budget
- 5.14 Veriments/transfers should not result in new projects on the capital budget
- 5.15 Veriments/transfers of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.

6. **Virement Procedure**
 - 6.1 All virement/transfer proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
 - 6.2 All veriments must be signed by the Initiator, Vote Holder, Municipal Manager and the official responsible for budgets.
 - 6.3 All transfers must be signed by the Initiator, Vote holder, the official responsible to process the proposals and a Line Manager within Finance.
 - 6.4 The form must be completed for all Budget Transfers, veriments as well as transfers.
 - 6.5 Virements/transfers in excess of R 50,000 require the approval of the Chief Financial Officer.
 - 6.6 All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
 - 6.7 The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.