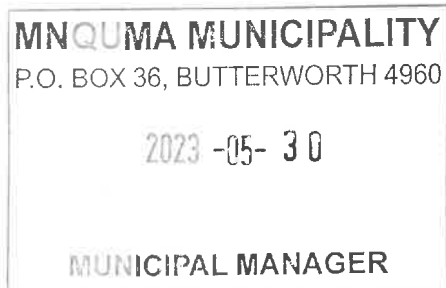




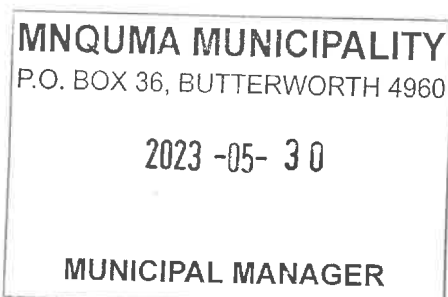
VIREMENT POLICY



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TABLE OF CONTENTS

| Contents | Page |
|--|------|
| 1. Definitions..... | 3 |
| 2. Legislative Framework..... | 4 |
| 3. Consultation | 5 |
| 4. Objectives of the policy..... | 5 |
| 5. Application Procedures..... | 5 |
| 5.1 Introduction..... | 5 |
| 5.2 Virement Requirements and Restrictions..... | 5 |
| 5.3 Operating Budget Virements..... | 6 |
| 5.4 General Expenditure and Repairs and Maintenance (Primary)..... | 7 |
| 5.5 Contracted Services and Collection Costs..... | 7 |
| 5.6 Secondary Operating Cost Elements..... | 7 |
| 5.7 Capital Budget Virements..... | 7 |
| 5.8 Process and Accountability..... | 8 |
| 6. Policy audit and Review | 8 |
| 7. Approval of Policy..... | 8 |



1. DEFINITIONS

Name

“Accounting Officer (MFMA)”

“Approved Budget (MFMA)”

“Chief Financial Officer (MFMA)”

“Department”

“Cost Element”

“Head of Department (Director (MFMA))”

“Financial Year”

“Line Item”

“Overspending (MFMA)”

“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) of the MFMA for implementing the Municipality's delivery of municipal services and its annual budget.

“Unauthorised Expenditure (MFMA)”

Definition

means the Municipal Manager of the Municipality.

means an annual budget: -

(a) Approved by a municipal council; or

(b) Approved by a provincial or the national following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an Adjustments Budget in terms of section 28.

is a municipal official designated by the Accounting Officer of the Municipality.

is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible department owner.

distinguish between primary and secondary cost elements.

(a) Primary cost elements are expenditure items mainly generated outside the organisation.

(b) Secondary cost elements are utilised to reallocate cost by means of assessments, internal billing or activity based recoveries.

Section 56 of the Municipal Systems Act states inter alia that:

“Appointment of managers directly accountable to municipal managers - (a) a municipal council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager”

means a year starting on 1 July and ending on 30 June of the following year.

is an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure.

(a) in relation to the budget of a Municipality, means causing the operational or capital expenditure incurred by the Municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

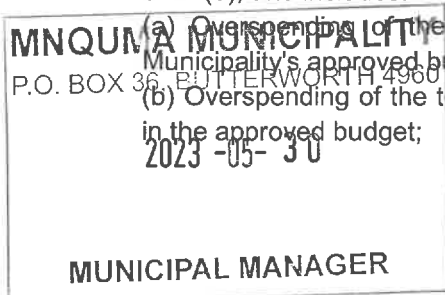
(c) In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;”

means a detailed plan approved by the Mayor of a Municipality in terms of section 53(1) (c) (ii) of the MFMA for implementing the Municipality's delivery of municipal services and its annual budget.

“in relation to a Municipality, means any expenditure incurred by a Municipality otherwise than in accordance with section 15 or 11(3), and includes:-

(a) Overspending of the total amount appropriated in the Municipality's approved budget;

(b) Overspending of the total amount appropriated for a vote in the approved budget;



- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the Municipality otherwise than in accordance with this Act;"

"Virement"

means the process of transferring an approved budgetary provision from one operating cost element or capital project to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

"Vote (MFMA)"

"(a) one of the main segments 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

(b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

MNQUMA MUNICIPALITY

P.O. BOX 36, BUTTERWORTH 4960

2023 -05- 30

MUNICIPAL MANAGER

2. OBJECTIVES OF THE POLICY

- 2.1 This policy aims to provide guidelines to senior management in the use of virements as a mechanism on their day-to-day management of their budgets.
- 2.2 This policy also allows 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 so as to accelerate service delivery in a financially responsible manner.
- 2.3 The MFMA and the Municipal Budget and Reporting Regulations, 2009 seek to move Municipalities away from the traditional approach of appropriating/ approving budgets by line item.
- 2.4 In addition, it specifically aims to empower senior managers with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the Municipality's system of delegations.

3. LEGISLATIVE FRAMEWORK

Section 78(1)(b) of the MFMA states that "Each senior manager of a Municipality and each official of a Municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently"

Section 15 of the MFMA Regulations on Budget versus Expenditure states that "A Municipality may, except where otherwise provided in this Act, incur expenditure only:-

- (a) In terms of an approved budget; and
- (b) Within the limits of the amounts appropriated for the different votes in an approved budget."

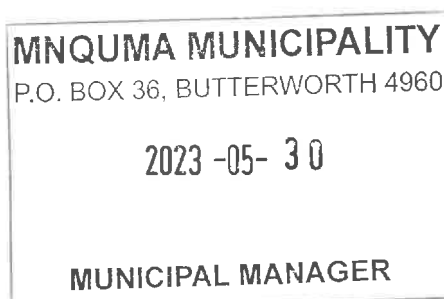
4. CONSULTATION

Relevant stakeholders shall be consulted in development and review of this policy namely; Directorates, Management, SAMWU, IMATU, Council.

5. APPLICATION PROCEDURES

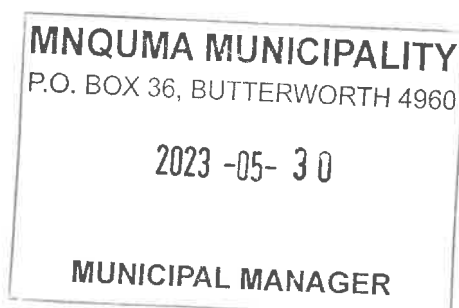
5.1 Introduction

- 5.1.1 A virement presents a flexible mechanism to effect budgetary amendments within a municipal financial year.
- 5.1.2 Changing circumstances and priorities during a financial period may give rise to a need for virement (transfer) of funds within or between approved Votes, as defined in the Municipal Finance Management Act No. 56 of 2003 (MFMA). The treatment of such instances may however be dependent on whether an Adjustments Budget is required or not.
- 5.1.3 Each Municipality must put in place a Council approved Virement Policy, which should provide clear guidance to managers on when they may shift funds between items, projects, programmes and votes.



5.2 Virement Requirements and Restrictions

- 5.2.1 The virement represents a flexible mechanism to affect budgetary amendments within a municipal financial year, and is the major mechanism to align and take corrective (financial / budgetary) action within a Directorate (Vote) during a financial year.
- 5.2.2 In order for a "vote" to transfer funds from one cost element or capital project to another cost element or capital project, a saving has to be identified within the monetary limitations of the approved "giving" cost element or capital project allocations on the respective budgets.
- 5.2.3 Funds can only be shifted between the items within a function with the approval of vote holders, CFO .
- 5.2.4 Virements between Funding sources are permissible but not between conditional grants
- 5.2.5 Sufficient budgetary provision should be available within the "giving" vote's cost element or capital project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
- 5.2.6 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).
- 5.2.7 In terms of Section 17 of the MFMA a Municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets other than through an Adjustments Budget.
- 5.2.8 Virements between Trading- and Rate-funded functions are not allowed, due to the differing impacts on respective tariff- or Rates-borne services' budgets, unless adopted via an Adjustments Budget as per Section 28 of the MFMA.
- 5.2.9 Virements resulting in adjustments to the approved SDBIP by the user Directorate need to be submitted with an Adjustments Budget to the Council with altered outputs and measurements for approval.
- 5.2.10 No virement may be made to cover/ allow for unauthorised, irregular or fruitless and wasteful expenditure.
- 5.2.11 No virements are permitted within the first three months or the final month of the financial year without the approval of the CFO .
- 5.2.12 The virement that relates to an unfunded vacant position is subject to the approval of the Municipal Manager. The budget for such position may only be transferred from Employee related cost, if also approved by the CFO .
- 5.2.13 Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets.
- 5.2.14 All virements should be approved in line with the Council's System of delegations.
- 5.2.15 All virements of funds between votes (Directorates) must be approved by the Chief Financial Officer and reported to the Mayor on a monthly basis.



5.3 Operating Budget Virements

5.3.1 Salaries, Wages and Allowances Subjective Category and Remuneration of Councillors Virements are allowed between cost elements and only if these virements are within this subjective category (salaries, wages and allowances). Virements from this subjective expenditure category are subject to the approval of the CFO .

5.4 General Expenditure and Repairs and Maintenance (Primary)

5.4.1 Virements to and from cost elements within these categories are allowed. Virements are also allowed from General Expenditure to Repairs and Maintenance.

5.5 Contracted Services and Collection Costs

5.5.1 Virements to and from these elements are allowed.

5.5.2 **virements will be permitted from the following expenditure categories, but only at financial year end once final amounts required have been determined:**

- 5.5.2.1 Bulk purchases.
- 5.5.2.2 Debt impairment.
- 5.5.2.3 Revenue forgone.
- 5.5.2.4 Insurance related provisions.
- 5.5.2.5 VAT.
- 5.5.2.6 Conditional grant funds for any purpose not related to the conditions of the specific grant

5.6 Secondary Operating Cost Elements

5.6.1 Virements are allowed within the same cost elements. The service requestor and service provider must both endorse such virements.

5.6.2 Virements may not increase the total approved budget of that cost element.

5.7 Capital Budget Virements

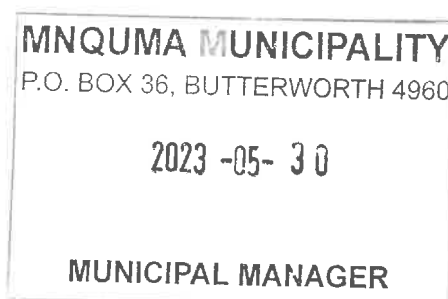
5.7.1 Only virements which relate to projects approved as part of Annual or Adjustments Budgets will be permitted.

5.7.2 No virements, of which the effect will be to add "new" projects onto the Capital Budget, will be allowed. This needs to be effected through an Adjustments Budget.

5.7.3 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.

5.7.4 Implementation of the project may not be prejudiced due to the virement of funds (i.e. must not hinder completion of the project).

5.7.5 Motivations for virements should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.



5.8 Process and Accountability

- 5.8.1 Accountability to ensure that virement application forms are completed in accordance with Council's virement policy and are not in conflict with the Department's strategic objectives manifests with the Head of the relevant Department.
- 5.8.2 The budget office will review and verify the Virement application forms and the Chief Financial Officer will approve the Virement application verified should it comply with the Virement Policy approved by council. If not, the Virement form will be returned to the relevant senior manager or end user.
- 5.8.3 Completed and approved virement documentation is to be effected by the Budget and Treasury Office.
- 5.8.4 Virements approved and processed will be reported for information by the Municipal Manager.

6. POLICY AUDIT AND REVIEW


The policy requires monitoring and its effectiveness will be audited on a quarterly basis and the policy will be reviewed annually in order to ensure it remains responsive and relevant. In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process. All future budget preparation must be made in accordance with this policy.

7. APPROVAL OF THE POLICY

This policy was adopted by Council on the 30th May 2023 as per resolution number SCM6/23/007.1.3.3

AUTHENTICATION


.....
S. MAHLASELA
MUNICIPAL MANAGER


.....
T. MANXILA-NKAMISA
EXECUTIVE MAYOR

