



**FETAKGOMO TUBATSE
LOCAL MUNICIPALITY**

VIREMENTS POLICY

2021/2022

FETAKGOMO TUBATSE MUNICIPALITY

M. M

INDEX

1. BACKGROUND AND PURPOSE
2. DEFINITIONS
3. POLICY OPTIONS IDENTIFICATION, ANALYSIS AND ASSESSMENT
4. AUTHORIZATION OF VIREMENTS
5. LIMITATIONS ON AMOUNT OF VIREMENTS
6. VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED
7. FURTHER RESTRICTIONS ON VIREMENTS
8. PROCEDURE FOR VIREMENT
9. IMPLEMENTING STRATEGY
10. POLICY EVALUATION AND REVIEW

M. M.

1. INTRODUCTION

1.1. Each year, the Municipality produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters or savings). As a result, it becomes necessary transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the **Local Government: Municipal Finance management Act ('MFMA')** is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.

1.2. The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

2. DEFINITIONS

2.1. **Virement** means the process of transferring funds from one vote to another to another.

2.2. **Vote**, the definition of "vote" as contained in Section 1 of the MFMA is set out hereunder: 'vote' means-

- 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.*

3. POLICY OPTIONS IDENTIFICATION, ANALYSIS AND ASSESSMENT

3.1. This policy applies only to transfer between line items within votes of the Municipality's operating budget.

3.2. Section 28(2) (d) of the MFMA provides that "An adjustments budget- may authorize the utilization of projected savings in one vote towards spending in another vote." Transfer between votes may therefore be authorized only by the Council of the Municipality.

3.3. This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

3.4. Any deviation from or adjustment to an annual budget or transfers within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

4. AUTHORIZATION OF VIREMENTS

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

4.1.1. If the amount does not exceed R5000.00, the transfer may be authorized by the Budget Specialist or the Specialist: Treasury of the Municipality after consultation with the Manager: budget & Treasury;

4.1.2. If the amount exceeds R10 000, but does not exceed R30000, the transfer may be authorised by the Manager: Budget and Treasury after consultation with the Chief Financial Officer;

4.1.3. If the amount exceeds R30, 000.00 but does not exceed R60, 000.00, the transfer may be authorized by the chief financial officer of the Municipality on the recommendation of the municipal manager.

4.1.4. Notwithstanding the provisions above, a transfer of funds between cost centres within a particular vote may not be authorized by the Chief Financial officer but may only be authorized by Municipal Manager.

A handwritten signature in black ink, consisting of stylized, overlapping letters that appear to be 'M.M.'.

5. LIMITATIONS ON THE AMOUNT OF VIREMENTS

5.1. Notwithstanding the provisions of Section 3 & 4:

- 5.1.1. The total amount transferred from and to line items within a particular vote in any financial year may not exceed 10% of the allocated to that vote;
- 5.1.2. The total amount transferred from and to line items in the entire budget in any financial year may not exceed 10% of the total operating budget for that year;
- 5.1.3. The amount of any one transfer of funds between line items may not exceed the sum of R 2 000,000.00.
- 5.1.4. A transfer which exceeds, or which would results in the exceeding of, any of the limits referred to in 4.1 above may, however, be performed if the Council, by resolution approves thereof.

5.2. Virements Permitted only if Savings are projected - A transfer of funds from one line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

5.3. Further Restrictions on Virements:

- 5.3.1. A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:
- 5.3.2. Contravene any policy of the Municipality; or
- 5.3.3. Alter the approved outcomes or outputs of an Integrated Development Plan; or
- 5.3.4. Result in an adjustment to the Service Delivery and Budget Implementation plan.
- 5.3.5. If any line item has been specifically ring-fenced, no transfer shall be made under this policy to or from such line item.

5.4. Transfers of funds may not be made under this policy between or from capital items or projects.

5.5. If the project segment is funded from a specific revenue source and there is a saving (item expenditure) within the function, then the saving (budget) may only be applied

A handwritten signature in black ink, consisting of stylized initials 'M. M'.

- to another project within the same function or sub-function only if the revenue source is the same and if it is transferred to the same project in another function.
- 5.6. To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.
 - 5.7. By definition, transfers may not be under this policy from a line item administered by one department to a line item administered by another.
 - 5.8. 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.
 - 5.9. The transfer of fund in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
 - 5.10. The approval of any transfer shall not per se constitute authorization for expenditure, and all expenditure resulting from approved transfers must, be carried out in accordance with the Municipality s Supply Chain management Policy
 - 5.11. The transfer of funds must in any event not contravene the provisions of paragraph 4.6 of MFMA Circular 51 (Municipal Budget Circular for the 2010/2011 MTREF) issued on 19 February 2010, which provides, inert alia, as follows:
 - 5.11.1. Virements should not be permitted in relation to the revenue side of the budget
 - 5.11.2. Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separated votes);
 - 5.11.3. Virements from capital budget to the operating budget should not be permitted;
 - 5.11.4. Virements towards personnel expenditure should not be permitted;
 - 5.11.5. Virements to or from the following items should not be permitted: bulk purchases; debt impairment; interest charge; depreciation; grants to individuals, revenue forgone, insurance and VAT;
 - 5.11.6. Virement should not result in adding new projects to the capital Budget;
 - 5.11.7. Virements of conditional grants funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted. Procedure for Virements.

M. M.

6. PROCEDURE FOR VIREMENTS

6.1. Approval for transfer must be made by the Executive Manager of the concerned department.

6.2. The Budget Office shall prescribe a form on which all proposals for transfer of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:

6.2.1. The name of the department concerned;

6.2.2. Descriptions of the line items from and to which the transfer is to be made;

6.2.3. The amount of the proposed transfer;

6.2.4. The cause of the saving in the line item from which the transfer is to be made;

6.2.5. The Justification or motivation for the transfer;

6.2.6. A description of any consequences that such transfer may have for the integrated Development plan or the service Delivery and Budget Implementation Plan.

6.3. Each proposal for a transfer shall be submitted by the Director concerned to the Budget Office and if:

6.3.1. The amount of transfer does not exceed the amount referred to in paragraph 3.1 and 3.2, and the transfer is not between cost centres, the Specialist Budget or manager: Budget & Treasury shall:

6.3.1.1. Approve the proposal, or

6.3.1.2. Reject the proposal; or

6.3.1.3. Refer the proposal to the Chief financial Officer for approval or rejection;

6.3.2. The amount of the transfer does not exceed the amount referred to in paragraph 3.3 but the transfer is between cost centres, or if it falls within the range of amounts referred to in paragraph 3.4, the Chief Financial Officer shall refer the proposal to the Municipal Manager who, after consultation with the Chief Financial Officer, shall approve or reject the proposal;

M. M

6.4. Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

6.4.1. Implementing Strategy:

6.4.1.1. The Municipal manager shall submit a report on all transfers made under this policy to the Mayor every quarter (September; December; March; June).

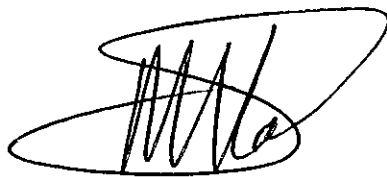
6.5. The municipal Manager shall be responsible for the implementation and administration of this policy.

7. POLICY EFFECTIVE DATE

7.1. This policy will be effective on the date of adoption by Council.

8. POLICY EVALUATION AND REVIEW

8.1. The Municipality will evaluate and review the policy on an annual base and make changes as and where necessary.

A handwritten signature in black ink, consisting of several vertical strokes and a large loop on the right side.

02-06-2021