

1. OBJECT OF BUDGET TRANSFERS AND VIREMENT POLICY

The object of this policy is to:

- | provide flexibility to the heads of departments/ senior managers of the municipality a greater flexibility in managing their budgets; and
- | provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

2. LEGISLATIVE REQUIREMENT

Section 18(1) of Municipal Finance Management Act 2003, Act 56 of 2003 stipulates that an annual budget of a municipality may only be funded from:

- a) realistically anticipated revenues to be collected;
- b) cash-backed accumulated funds from previous years' surpluses not committed
- c) for other purposes; and
- d) borrowed funds, but only for the capital budget referred to in section 17(2).

3. TRANSFERS AND VIREMENT PRINCIPLES

The following principles shall apply in dealing with transfers and virement of budgeted funds:

- a) Virements are not be permitted in relation to the revenue side of the budget;
- b) Virements from the capital budget to the operating budget are not be permitted;
- c) Virements towards personnel expenditure are not be permitted;
- d) Virements to or from the following items are not be permitted:
 - i. bulk purchases;
 - ii. debt impairment,
 - iii. interest charges;
 - iv. depreciation,
 - v. grants to individuals,
 - vi. revenue foregone,

- vii. insurance,
 - viii. Value Added Tax (VAT),
 - ix. Ring-fenced allocations, and
 - x. Statutory Funds
- e) Virements must not result in adding 'new' projects to the Capital Budget;
 - f) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework are not be permitted;
 - g) Virements must not be made where it would result in over expenditure; and
 - h) Virement amounts shall not be rolled over to subsequent years, or create expectations on following budgets.

4. MANAGEMENT OF TRANSFERS AND VIREMENT PROCESSES

Virements between votes shall 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 separate votes);

Permissible budget transfers and virements shall be recommended by the Head / Director of Department, completing the appropriate documentation and forward to the Chief Financial Officer for approval.

All the necessary virements documentations must be signed for by the relevant Head / Director of the Department and the manager within which the vote is allocated.

Heads / Directors of departments may utilize a saving in the amount appropriated under a main expenditure category (e.g. General Expenses, Repairs & Maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer.

The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category shall not exceed (10%) ten per cent of the amount appropriated under that main expenditure category.

No virements recommendations or proposals shall be considered in the first three months or the final month of the financial year, unless in an emergency situation as stipulated in this policy.

Virements resulting in adjustments to the approved Service Delivery and Budget Implementation Plan (SDBIP) must first be submitted to the Budget Steering Committee for consideration and be submitted with an adjustments budget to the Council with altered outputs and measurements, and must indicate changes to the (SDBIP), and the impact that this will have on the performance objectives as set out in the municipality's Integrated Development Plan (IDP).

In cases of emergency situations virements shall be submitted by the Accounting Officer to the Mayor for authorization and be reported by the Mayor to Council at its next council meeting.

An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the prescribed procurement processes as contained in the municipality's approved supply chain management policy.

Transfers or adjustments falling outside the ambit of this policy must be submitted to the budget adjustment process in terms of section 28 of the Municipal Finance Management Act (MFMA).

5. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

When funds for a capital programme are appropriated in terms of section 16(3) of the Municipal Finance Management Act for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that :

- a) the increase does not exceed 20 per cent of that year's appropriation for the programme;

- b) the increase is funded within the following year's appropriation for that programme;
- c) the municipal manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue; and sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- d) prior written approval is obtained from the mayor for the increase; and
- e) the documents referred to in paragraphs (c) and (d) are submitted to the relevant provincial treasury and the Auditor-General.

13. REPORTING

The Accounting Officer shall, within ten working days of the end of each quarter, report to the mayor on those virements that have taken place during that quarter for the financial year concerned.