

VIREMENTS POLICY



UMTSHEZI MUNICIPALITY

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1. Definitions

1. **“Accounting officer”** The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
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 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 year 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 “B” for current item structure]
9. **“Operating Budget”** The Town'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. 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. [See annexure “A” for current Vote structure]

2. Abbreviations

1. **CFO** – Chief Financial Officer
2. **IDP** – Integrated Development Plan
3. **MFMA** – Municipal Finance Management Act No. 56 of 2003
4. **SDBIP** - Service delivery and budget implementation plan
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. **Virement Clarification**

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)

5. **Financial Responsibilities**

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments are identified at the earliest possible opportunity. (Section 100 MFMA)

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)

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.

6. **Virement Restrictions**

- a. No funds may be viremented between votes (GFS Classifications) without approval of both vote holders and the Director Finance..
- b. Virements may not exceed a maximum of 0.1% of the total approved operating expenditure budget
- c. 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. (section 19 and 21 MFMA)
- d. Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- e. 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.

- i. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copier's or fax machines
- f. No virement may be made where it would result in over expenditure.
(section 32 MFMA)
- g. No virement shall add to the establishment of the Municipality without the approval of Municipal Manager.
- h. If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- i. Virements may not be made in respect of ring-fenced allocations.
- j. Budget may not be transferred from Support service (interdepartmental) costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- k. Budget may only be transferred from Salaries if approved by the CFO.
- l. 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.
- m. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- n. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- o. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- p. An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.
- q. Virements may not be made between Expenditure and Income.

7. Virement Procedure

- a. All virement proposals must be completed on the appropriate documentation and forwarded to the relevant Finance Officer for checking and implementation.
- b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)
- c. A virement form must be completed for all Budget Transfers.
- d. Virements in excess of R 50,000 with a maximum as determined under section 6 a. requires the approval of the Chief Financial Officer. (Section 79 MFMA)
- e. Must include changes to the SDBIP.
- f. All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)
- g. The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter.

Sources

Municipal Finance Management Act No. 56 Of 2003

MFMA Circular No.13 - Service Delivery and Budget Implementation Plan

Mark Pearson National Treasury Advisor

Airedale Primary Care Trust Budget Virement Policy: 2004-5 UK

George Mason University Virginia USA

Appendix B

Item Classification

Item	Sub Section Description	Comments	Virement From	Virement To
	<u>Salaries and Wages</u>			
7102	Allowance: Housing Subsidy	Expenditure	Yes*	No
7104	Allowance: Locomotion - Fixed	Expenditure	Yes*	No
7105	Allowance: Scarcity	Expenditure	Yes*	No
7108	Allowance: Uniforms/Protective Clothing	Expenditure	Yes*	No
7112	Allowance: Other	Expenditure	Yes*	No
7113	Allowance: Acting	Expenditure	Yes*	No
7116	Bonuses	Expenditure	Yes*	No
7120	Contributions: Pension Fund	Expenditure	Yes*	No
7122	Contributions: Medical Aid Fund	Expenditure	Yes*	No
7123	Contr. med Aid: Cont Members	Expenditure	Yes*	No
7124	Ex Gratia Pensions	Expenditure	Yes*	No
7125	External Bursary	Expenditure	Yes*	No
7126	Group Life Insurance	Expenditure	Yes*	No
7129	Internship Program (Council)	Expenditure	Yes*	No
7132	Overtime Pay	Expenditure	Yes*	Yes
7134	Provision: Protective Clothing	Expenditure	Yes*	No
7136	Salaries	Expenditure	Yes*	No
7137	Salaries: Vacant Posts	Expenditure	Yes*	No
7138	Standby	Expenditure	Yes*	Yes
7140	Study Assistance / Bursaries	Expenditure	Yes*	No
7142	Temporary/Casual Staff	Expenditure	Yes*	Yes
7146	Unemployment Insurance Fund	Expenditure	Yes*	No
7147	Volunteers Remuneration	Expenditure	Yes*	Yes
7199	Equalisation	Expenditure	Yes*	No
	* Only with approval of CFO			
	<u>Employees Costs – External Funding</u>			
7161	Funding from National Treasury	Expenditure	No	No
7162	Funding from Province	Expenditure	No	No
	<u>General Expenses - Bulk Purchases</u>			
7200	Bulk Purchases - Electricity	Expenditure	Yes	Yes
7201	Bulk Purchases - Refuse Drums	Expenditure	Yes	Yes
7202	Bulk Purchases – ESKOM Repayment	Expenditure	Yes	Yes
	<u>General Expenses – Outsourced</u>			
7220	Agency Payments	Expenditure	Yes	Yes
7221	Animal Welfare	Expenditure	Yes	Yes
7228	Maemsa Management Fee	Expenditure	Yes	Yes
7229	Penalty Disconnection Charges	Expenditure	Yes	Yes

7230	Prepaid Management Fees	Expenditure	Yes	Yes
7231	Prepaid Vendor Commission Fees	Expenditure	Yes	Yes
7232	Removal of Illegal Shacks	Expenditure	Yes	Yes
	<u>General Expenses – Interdepartmental Charges</u>			
7250	Administration Charges	Expenditure	No	No
	<u>General Expenses - Other</u>			
7303	Councillors Contr Pension Fund	Expenditure	Yes	Yes
7308	Councilors Contribution Medical Aid	Expenditure	Yes	Yes
7312	Councilors Remunerations	Ring Fenced	Yes	Yes
7313	Councilors: Office Allowance	Ring Fenced	Yes	Yes
7314	Councilors: Telephone Allowances	Ring Fenced	Yes	Yes
7317	Councilors Housing Allowance	Ring Fenced	Yes	Yes
7318	Councilors Locomotion Allowance	Ring Fenced	Yes	Yes
7319	Councilors Other Allowance	Ring Fenced	Yes	Yes
7339	Grants-in-aid Animal Welfare	Ring Fenced	No	Yes
7340	Grants-in-aid And Donations	Ring Fenced	No	Yes
7341	Grants-in-aid Tourism	Ring Fenced	No	Yes
7342	Grants-in-aid LED	Ring Fenced	No	Yes
7343	Grants-in-aid HIV/AIDS	Ring Fenced	No	Yes
7344	Grants-in-aid School Bursaries	Ring Fenced	No	Yes
7316	Disaster Assistance / Donations	Ring Fenced	No	Yes
7366	Levy - Bargaining Council	Ring Fenced	Yes	Yes
7369	Levy - Occupation Health & Safety	Ring Fenced	Yes	Yes
7371	Levy - Shop Steward Fulltime DM	Ring Fenced	Yes	Yes
7372	Levy - Skills Development SETA	Ring Fenced	Yes	Yes
7374	Levy - Water Research Fund	Ring Fenced	Yes	Yes
7375	Levy - Water Gouritz CMA	Ring Fenced	Yes	Yes
7284	Advertising	Expenditure	Yes	Yes
7286	Aids-Budget	Expenditure	Yes	Yes
7287	Aids Education	Expenditure	Yes	Yes
7288	Audit Fees - External	Expenditure	Yes	Yes
7289	Air Pollution Control	Expenditure	Yes	Yes
7290	Audit Committee Remuneration	Expenditure	Yes	Yes
7294	Bank Charges	Expenditure	Yes	Yes
7297	Customer Care	Expenditure	Yes	Yes
7298	Collection Costs & Summonses	Expenditure	Yes	Yes
7301	Community Development Workers	Expenditure	Yes	Yes
7304	Consumables	Expenditure	Yes	Yes
7305	Consultants Fees	Expenditure	Yes	Yes
7306	Computer Software	Expenditure	Yes	Yes
7307	Commission - Easy Pay/ Post Office	Expenditure	Yes	Yes
7309	Contingencies	Expenditure	Yes	Yes
7310	Corporate Gifts	Expenditure	Yes	Yes
7311	Copyright Fees	Expenditure	Yes	Yes

7320	Education Program - Litter	Expenditure	Yes	Yes
7322	Election Expenses	Expenditure	Yes	Yes
7325	Driving Permits Reimbursement	Expenditure	Yes	Yes
7326	Entertainment	Expenditure	Yes	Yes
7327	Entertainment - Mayor	Expenditure	Yes	Yes
7329	Fire Hydrants	Expenditure	Yes	Yes
7330	Fire belt & Plot Clearing	Expenditure	Yes	Yes
7332	Floral Arrangements	Expenditure	Yes	Yes
7334	Fuel and Oil	Expenditure	Yes	Yes
7335	Fuel and Oil: Small Plant	Expenditure	Yes	Yes
7346	Hakea Eradication DAWF	Expenditure	Yes	Yes
7348	Hire Charges	Expenditure	Yes	Yes
7349	Hire Charges: Office Equipment	Expenditure	Yes	Yes
7350	Infectious Diseases Treatment	Expenditure	Yes	Yes
7352	Insurance: Broker Fees	Expenditure	Yes	Yes
7353	Insurance W C A	Expenditure	Yes	Yes
7355	Insurance: Non Claimable	Expenditure	Yes	Yes
7357	KEPMAP Project	Expenditure	Yes	Yes
7360	Land Sales Expenses	Expenditure	Yes	Yes
7362	Lease Charges	Expenditure	Yes	Yes
7363	Local Economic Development	Expenditure	Yes	Yes
7364	Legal Services	Expenditure	Yes	Yes
7370	Levy - Services SCDM	Expenditure	Yes	Yes
7376	License and Register Fees Vehicle	Expenditure	Yes	Yes
7377	License and Register Fees Software	Expenditure	Yes	Yes
7378	Lost Books	Expenditure	Yes	Yes
7391	Magistrate Salary Contribution	Expenditure	Yes	Yes
7392	Mayoral Donations	Expenditure	Yes	Yes
7393	Mayoral Deputy Donations	Expenditure	Yes	Yes
7394	Materials & Stores	Expenditure	Yes	Yes
7395	Materials & Stores: New Connections	Expenditure	Yes	Yes
7396	Network costs	Expenditure	Yes	Yes
7400	Medical Treatments	Expenditure	Yes	Yes
7405	Medical Waste Disposal	Expenditure	Yes	Yes
7407	Newspapers	Expenditure	Yes	Yes
7408	Noise Control	Expenditure	Yes	Yes
7414	Office Accommodations Services	Expenditure	Yes	Yes
7419	Administration Fee	Expenditure	Yes	Yes
7421	Performance Management	Expenditure	Yes	Yes
7422	Pauper Burial	Expenditure	Yes	Yes
7424	Pest Control	Expenditure	Yes	Yes
7425	Planning	Expenditure	Yes	Yes
7426	Postage, Revenue Stamps, Box Rentals	Expenditure	Yes	Yes
7428	Pound Costs	Expenditure	Yes	Yes
7430	Printing Costs	Expenditure	Yes	Yes
7431	Professional Fees	Expenditure	Yes	Yes
7434	Project	Expenditure	Yes	Yes
7435	Quality of Supply Metering	Expenditure	Yes	Yes
7436	ICASA Radio Licenses	Expenditure	Yes	Yes

7438	Recruitment Expenses	Expenditure	Yes	Yes
7442	Refreshments	Expenditure	Yes	Yes
7443	Refuse Cleanup Campaign	Expenditure	Yes	Yes
7445	Refuse Removal: Transnet	Expenditure	Yes	Yes
7446	Road Paint & Materials	Expenditure	Yes	Yes
7447	Removal of Bees	Expenditure	Yes	Yes
7448	Relocation Expenses	Expenditure	Yes	Yes
7449	Remote Server Access	Expenditure	Yes	Yes
7450	Removal Of Trees Informal Areas	Expenditure	Yes	Yes
7451	Reporting to Public	Expenditure	Yes	Yes
7452	Removal of Trees Project	Expenditure	Yes	Yes
7453	Rehabilitation of Tip Sites	Expenditure	Yes	Yes
7458	Security Services: External	Expenditure	Yes	Yes
7460	Septic Tank Removals	Expenditure	Yes	Yes
7462	Service Criminal Process Documental	Expenditure	Yes	Yes
7256	Sports Development	Expenditure	No	Yes
7478	Subscriptions	Expenditure	Yes	Yes
7481	Sundry Services Recharged	Expenditure	Yes	Yes
7484	Swartvlei Costs	Expenditure	Yes	Yes
7485	TASK Process	Expenditure	Yes	Yes
7486	Telephones	Expenditure	Yes	Yes
7488	Testing of Samples	Expenditure	Yes	Yes
7496	Training	Expenditure	Yes	Yes
7498	Transfer Return Fees Deeds Office	Expenditure	Yes	Yes
7499	Translation Services	Expenditure	Yes	Yes
7500	Transport	Expenditure	Yes	Yes
7502	Traveling and Subsistence	Expenditure	Yes	Yes
7505	WSDP Upgrading	Expenditure	Yes	Yes
7507	Unavoidable Expenditure	Expenditure	Yes	Yes
7508	Unforeseen Disaster	Expenditure	Yes	Yes
7510	Valuation Expenses	Expenditure	Yes	Yes
7511	Vehicle Management System	Expenditure	Yes	Yes
7512	Vehicle Testing [SABS Fee]	Expenditure	Yes	Yes
7513	Ward Committee/Council Support	Expenditure	Yes	Yes
7518	Way Leaves	Expenditure	Yes	Yes
7519	Website	Expenditure	Yes	Yes
7521	Youth Advisory Centre	Expenditure	Yes	Yes
7522	Youth and Gender Development	Expenditure	Yes	Yes
	<u>Repairs & Maintenance</u>			
7550	Air-conditioning	Expenditure	Yes	Yes
7555	Buildings	Expenditure	Yes	Yes
7556	Bulk Containers	Expenditure	Yes	Yes
7557	Buildings Restoration	Expenditure	Yes	Yes
7560	Computer Equipment	Expenditure	Yes	Yes
7561	Computer Software	Expenditure	Yes	Yes
7565	Electricity Infrastructure	Expenditure	Yes	Yes
7568	Fencing	Expenditure	Yes	Yes
7569	General Repairs	Expenditure	Yes	Yes

7570	Grounds and Gardens	Expenditure	Yes	Yes
7573	Housing	Expenditure	Yes	Yes
7575	Infrastructures	Expenditure	Yes	Yes
7580	Office Furniture & Equipment	Expenditure	Yes	Yes
7585	Other	Expenditure	Yes	Yes
7589	Pro-active: Water Management	Expenditure	Yes	Yes
7590	Plant & Equipment	Expenditure	Yes	Yes
7591	Plumbing	Expenditure	Yes	Yes
7592	Pro-active: Infrastructure	Expenditure	Yes	Yes
7593	Pro-active: Motor Control Panels	Expenditure	Yes	Yes
7594	Pro-active: Pumps	Expenditure	Yes	Yes
7595	Parks Program	Expenditure	Yes	Yes
7596	Pro-active: Dry Waste	Expenditure	Yes	Yes
7597	Pro-active: Drying Beds	Expenditure	Yes	Yes
7598	Pro-active: Old Ponds	Expenditure	Yes	Yes
7599	Pro-active: Winter Sludge Pond	Expenditure	Yes	Yes
7600	Seawalls	Expenditure	Yes	Yes
7603	Analytical Services	Expenditure	Yes	Yes
7604	Sewer Purification Works	Expenditure	Yes	Yes
7605	Sewerage Infrastructure	Expenditure	Yes	Yes
7606	Sewerage: Pumps	Expenditure	Yes	Yes
7607	Sewerage: Motor Control Panels	Expenditure	Yes	Yes
7608	Sewerage: Settling Tanks	Expenditure	Yes	Yes
7609	Sewerage: Sludge Lagoon	Expenditure	Yes	Yes
7610	Streets - General Repairs	Expenditure	Yes	Yes
7611	Streets: Regravelling	Expenditure	Yes	Yes
7612	Streets - Resealing	Expenditure	Yes	Yes
7615	Stormwater Drains	Expenditure	Yes	Yes
7617	Sports Grounds	Expenditure	Yes	Yes
7619	Telemetry	Expenditure	Yes	Yes
7620	Traffic Lights	Expenditure	Yes	Yes
7621	Traffic Signs	Expenditure	Yes	Yes
7622	Upgrading of Bulk Meters	Expenditure	Yes	Yes
7623	Upgrading Out of Seq PP Meters	Expenditure	Yes	Yes
7625	Vehicles	Expenditure	Yes	Yes
7629	Water (Ex Cap)	Expenditure	Yes	Yes
7630	Water Infrastructure	Expenditure	Yes	Yes
7631	Water: Pump Stations	Expenditure	Yes	Yes
	<u>Depreciation</u>			
7650	External Loan	Expenditure	No	No
7652	Grant	Expenditure	No	No
7654	Internal Loan	Expenditure	No	No
7655	Other	Expenditure	No	No
7656	Revenue	Expenditure	No	No
7657	Special Fund	Expenditure	No	No
7658	Depreciation: Public Contribution	Expenditure	No	No

	<u>Capital Charges - External</u>			
7705	Interest - Annuity Loans	Expenditure	No	No
7710	Interest - Stock Issue	Expenditure	No	No
	<u>Grant Expenditure</u>			
7724	Grant - National Government	Expenditure	No	No
7725	Grant - EDEN District	Expenditure	No	No
7726	Grant - W C P A	Expenditure	No	No
7727	Grant - W C P A: Disaster	Expenditure	No	No
7729	Grant – Other	Expenditure	No	No
7730	Grant – DBSA	Expenditure	No	No
7731	Grant - Umsobomvu Youth Fund	Expenditure	No	No
	<u>Contributions From Operating To Capital Outlays</u>			
7760	Loose Assets	Nett Assets	Yes	Yes
7762	New Air-Conditioning	Nett Assets	Yes	Yes
7764	New Computer Equipment	Nett Assets	Yes	Yes
7766	New Office Furniture & Equipment	Nett Assets	Yes	Yes
7768	New Small Plant	Nett Assets	Yes	Yes
7770	New Tools & Equipment	Nett Assets	Yes	Yes
	<u>Contributions To Reserves</u>			
7794	Capital Replacement Reserve	Nett Assets	No	No
7795	Community Facilities Fund	Nett Assets	No	No
7796	Disaster Fund	Nett Assets	No	No
7798	Karatara/Bos Dorp (phase in)	Nett Assets	No	No
7800	Housing Repair Fund	Nett Assets	No	No
7801	Grant Funds	Nett Assets	No	No
7802	Government Grant Reserve	Nett Assets	No	No
7805	Leave Pay	Expenditure	No	No
7815	Loss Of Rent Reserve Fund	Nett Assets	No	No
7822	General Repairs Fund	Nett Assets	No	No
7823	Valuation Reserve Fund	Nett Assets	No	No
7825	Working Capital	Expenditure	No	No
7888	Contribution Received from Electric	Nett Assets	No	No
7889	Contribution in relief of rate	Nett Assets	No	No
	<u>Contributions From Reserves</u>			
7862	FDR: Grant	Nett Assets	No	No
7864	FDR: Internal Loan	Nett Assets	No	No
7865	FDR: Other	Nett Assets	No	No
7866	FDR: Revenue	Nett Assets	No	No
7867	FDR: Special Fund	Nett Assets	No	No
7868	FDR: Public Contribution	Nett Assets	No	No
	<u>Interdepartmental Charges And Recoveries / Transfers</u>			
7900	Inter Departmental Transfer or Recovery	Expenditure	No	No