

LEPHALALE

LOCAL Municipality



**Lim362 Budget Implementation and Management
Policy Draft 2027**

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1. BACKGROUND AND PURPOSE

- 1.1 Virement is the process of transferring funds from one line item of a budget to another. The policy will monitor the budget transfers of Lephalale Local Municipality
- 1.2 The Municipality produces an annual budget which must be approved by Council each year. In practice, as the year progresses, circumstances may change so that certain estimates are under – budgeted and others over – budgeted due to unforeseen expenditure or savings. As a result it becomes necessary to transfer funds between votes and line items. As the Local Government: Municipal Finance Management Act (MFMA) is silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.
- 1.3 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 **Accounting Officer** – The municipal Manager of a Municipality is the accounting officer of the Municipality in terms of section 60 of the MFMA.
- 2.2 **Approved budget** – means an annual budget approved by the Council
- 2.3 **CFO** – 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 CFO.
- 2.4 **Council** – means the Council of a Municipality referred to in section 18 of the Municipal Structures Act
- 2.5 **Fruitless and wasteful expenditure** – means expenditure that was made in vain and would have been avoided had reasonable care been exercised
- 2.6 **Irregular expenditure** – means expenditure incurred by a Municipality in contravention of, or that is not in accordance with, a requirements of MFMA, and which has been condoned in terms of section 170 of the MFMA
- 2.7 **Line item** – an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure.
- 2.8 **Municipality** – means the Lephalale Local Municipality
- 2.9 **Overspending** – means
 - (a) 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.

- 2.10 **Ring fenced** – an exclusive combination of the line items grouped for specific purposes for instances salaries and wages.
- 2.11 **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 CFO or the Municipal Manager after consultation with the CFO. To enable budget managers to amend savings, etc. as they arise to accelerate services delivery in a financially responsible manner. This is essentially a means of utilising funds set aside for one purpose within a vote for expenditure of a different purpose.
- 2.12 **Unauthorised expenditure** – means any expenditure incurred by a Municipality otherwise than in accordance with section 16 or 11 (3) of the MFMA 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 of money appropriated for a specific purpose otherwise than for that specific purpose.
- 2.13 **Vote** – means 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 which specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

3. SCOPE OF APPLICATION

- 3.1 This policy is applicable to all employees of Lephalale Local Municipality
- 3.2 This policy applies only to transfers between line items within votes of the Municipality's operating budget
- 3.3 Section 28(2) of the MFMA provides that "An adjustments budget may authorise the utilisation of projected savings in one vote towards spending in another vote". Transfers between votes may therefore be authorised only by the Council of the Municipality.
- 3.4 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.
- 3.5 Any deviation from or adjustment to an annual budget or transfer 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. AUTHORISATION OF VIREMENTS

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

- 4.1 If the amount does not exceed R 50 000, the transfer may be authorised by the CFO of the Municipality.
- 4.2 If the amount exceeds R 50 000 but does not exceed R 200 000, the transfer may be authorised by the Municipal Manager after consultation with the CFO

5. LIMITATION ON AMOUNT OF VIREMENT

- 5.1 Due to MSCOA implementation there is no restriction of the amount to be moved, as long as it won't result in an over expenditure on that vote.

6. RESTRICTIONS ON VIREMENT

- 6.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:
 - 6.1.1 Contravene any policy of the Municipality; or
 - 6.1.2 Alter the approved outcomes or outputs of an integrated Development Plan;
 - 6.1.2 Result in any adjustment to the Services delivery and Budget Implementation Plan.
- 6.2 No virement may be made where it would result in over expenditure (section 32 MFMA)
- 6.3 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality, except if the municipal manager approves such change
- 6.4 Virements may not be made in respect of ring – fenced allocations. E.g. this means virements may not be made from personnel expenditure to other operating expenditure & vice versa
- 6.5 Budget transfers to or from the following items are not permitted: bulk purchases, interest charges, salaries, depreciation and insurance
- 6.6 Virements of conditional grants funds to purpose outside of that specified in the relevant conditional grant framework is not permitted.
- 6.7 No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO and Municipal Manager and then only in extreme circumstances.
- 6.8 Virements amounts may not rolled over to subsequent years, or create expectations on the following budgets. (Section 30 MFMA)

- 6.9 An approved virements does not give expenditure authority and all expenditure resulting from approved virements must still be subjects to the procurement/supply chain management policy of Council.
- 6.10 Virements are not permitted in relation to the revenue side of the budget.
- 6.11 Virements between votes shall be included in the Adjustment Budget.
- 6.12 No virements shall create new capital projects without the approval of Council.
- 6.13 Virements from the capital budget to the operating budget are not permitted.
- 6.14 No virements may be made to entertainment votes.

7. VIREMENT PROCEDURE

- 7.1 All virement proposals must be completed on the appropriate documentation and forwarded to the Divisional Head: Budget for checking, after which it is submitted to the CFO and MM for approval and then back to the Divisional head: Budget for implementation.
- 7.2 All the virements must be signed by the Manager within which the vote is allocated.
- 7.3 The Budget Transfer form must be completed for all budget transfers.
- 7.4 All virements require the recommendation of the CFO and approval of Municipal Manager.
- 7.5 All documentation must be in order and approved before any expenditure (including order) can be committed or incurred.

8. REPORTING

There will be a report on quarterly basis to Council to report all the transfers made under this policy

9. GENERAL

This policy will be effective from 1 July 2020.

SIGNED AT LEPHALALE ON _____

**M M COCQUYT
MUNICIPAL MANAGER**

BUDGET TRANSFER FORM

DATE :

DEPARTMENT :

BUDGET TRANSFER FROM :	VOTE NUMBER	AMOUNT
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REASON FOR SAVINGS :

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BUDGET TRANSFER TO :	VOTE NUMBER	AMOUNT
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PURPOSE :

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DATE REQUESTED: **DATE REQUIRED:**

ADDITIONAL COMMENTS BY DEPARTMENTAL MANAGER:

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MANAGER (DEPARTMENT REQUESTING TRANSFER) **DATE**

FOR BUDGET AND TREASURY OFFICE USE ONLY			
BUDGET VOTE NUMBER TRANSFERRED FROM:			
VOTE NUMBER	BUDGET AVAILABLE	CURRENT BUDGET	NEW BUDGET
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BUDGET VOTE NUMBER TRANSFERRED TO:			
VOTE NUMBER	BUDGET AVAILABLE	CURRENT BUDGET	NEW BUDGET
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COMMENTS BY BUDGET OFFICE:			
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DIVISIONAL HEAD: BUDGET	SIGNATURE	DATE
COMMENTS BY CFO:		

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CHIEF FINANCIAL OFFICER	DATE

APPROVED / NOT APPROVED

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MUNICIPAL MANAGER	DATE

NB: A fully signed copy of this document must be attached to the order/request for payment of the service being procured.

CAPTURED:		
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DIVISIONAL HEAD	SIGNATURE	DATE