

MATATIELE LOCAL MUNICIPALITY



VIREMENT POLICY

<u>POLICY INFORMATION</u>	
<u>DATE OF COUNCIL ADOPTION:</u>	27/03/2024
<u>COUNCIL RESOLUTION NUMBER:</u>	CR 588/27/03/2024
<u>POLICY NUMBER:</u>	<u>MLM/BTO/P30</u>

Virement Police effective 01 July 2024

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 522 9770 Prepaid Sales: 079 523 322 Finance Office: 039 737 3565 Disaster and Fire: 039-2560610/079 523 2223

Police(SAPS): 039-7379904/9905 Water: 082 520 1476 Ambulance: 10177 Traffic: 079 522 9774

Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

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3. OBJECTIVE

The objective of the policy is to provide the guidelines to be followed, to effect virements of approved budgeted expenditure during the course of a financial year.

4. PRINCIPLES

Changing circumstances during a financial year can require amendments to the original budget approved by Council to authorise expenditure, known as Virement. Amendments to line items within a function can be approved by accounting officer , but changes to across functions require approval by Council.

5. GUIDELINES

5.1. Virement of line items within a function can be approved as follows:

- 5.1.1. Strategic managers to recommend Virement to line items within a function under their responsibilities.
- 5.1.2. The Chief Financial Officer to recommend Virement of line items within all departments, within any function/vote.
- 5.1.3. The Municipal Manager to approve all Virements in respect of line items within all votes and departments
- 5.1.4. The Mayor to approve Virements in respect of line items within a function exceeding R 200 000.

5.2. Virement of any budgeted expenditure between functions/votes can only be approved by the Mayor, upon consideration of a report from the Municipal Manager to support the necessity thereof, which also extends

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to the authorisation of unforeseeable or unavoidable expenditure not provided for in the budget.

5.3. No Virement is permitted within the first quarter of the new financial year.

5.4. Virement is not permitted in relation to the revenue side of the budget.

Revenue provisions amendments are to be adopted via an adjustments budget.

5.5. Only Virements which relate to projects approved as part of the municipal integrated development plan, the service delivery and budget implementation plan and the annual or adjustments budget will be permitted.

5.6. Virements should not result in adding new projects to the capital budget.

5.7. Virements must be between projects of the same source of funding (e.g. MIG, own revenue).

5.8. Virements from the capital budget to the operating budget is not permitted, operational funds to the Capital budget may be done, but only via an Adjustments budget.

5.9. No Virements to and from the following items;

- grants and subsidies to individuals,
- bulk purchases
- debt impairment

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- interest charges
 - depreciation
 - revenue foregone
 - insurance and VAT
- 5.10. Virements towards personnel expenditure is not permitted, except where:
- Temporary/contracted (budget for as contracted services in terms of mSCOA classification) staff status has changed to permanent staff; or
 - The budget savings resulted from outsourced services within the same function in terms of a Council delegated authority.
- 5.11. Motivations for virements between projects should clearly state the reason saving within the “giving “project as well as for the additional amount required.
- 5.12. Virements between functions 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 separate votes)
- 5.13. The Council may authorise the utilisation of savings in one vote/ line item to cover over expenditure in other vote/line items at the end of the financial period.

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6. GUIDE OF MSCOA

PROJECT SEGMENT

No virement is permitted to create a new project on Capital, operational or default projects

If there is no project change the virement should not result to moving funds to Operational expenditure.

If there is no project change the virement may be done only to change item segment.

FUNCTION SEGMENT

No virement is permitted to change function segment, virement principles may be followed where virement is within a function.

FUNDING SEGMENT

No virement is permitted between funding sources, if the virement will not result to funding change the virement principles may be followed.

REGIONAL SEGMENT

A virement is not permitted if there is a change in the regional segment but an adjustments budget is required, because Council allocates the project and funding to a specific region.

A virement may be done if it will not result in changes to the regional segment by applying the virement principles.

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ITEM SEGMENT

If changes in item expenditure are incurred in the capital or operational budget, the virement decision should start with project segment, if virement is allowed, it will be subject to virement principles. ;p[

COSTING SEGMENT

Changes to the costing segment should not effect the application of a virement.

7. PROCESS, ACCOUNTABILITY AND AUTHORISATION

The completed and signed Virement form to be effected only by the Budget Office.

All virements to be authorised in the Adjustment budget by Council.

Accountability to ensure that the Virement application forms are completed in accordance with the Council's Virement policy and not in conflict with the strategic objectives vests with the head of the relevant department.

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