

NAME OF POLICY	VIREMENTS POLICY
VERSION	3
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**Emfuleni Local Municipality
Virements Policy**

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Annexures

- 1. Annexure A – Transfer of Funds Form.**

1. Introduction

This policy has been prepared in compliance with Regulation 7 of the Municipal Budget and Reporting Regulations, 2009 (MBBR), which requires that:

"The Municipal Manager of a municipality must prepare or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the Mayor in terms of section 21(1) (b) of the Act"

MFMA Circulars 51 and 89 give guidance on the contents of municipal virements policies. MFMA Circular 89, issued in December 2017, explains the effect of the mSCOA Regulations on virements policies of municipalities and gives recommendations on amendments to be made to existing policies. The guidance of both circulars is incorporated into this policy.

2. Purpose of the policy

The purpose this policy is to allow flexibility on the use of budgeted funds without compromising service delivery and prudent financial management, or compromising the objectives of the Integrated Development Plan (IDP) and targets in the Service Delivery and Budget Implementation Plan (SDBIP).

3. Definitions

"Segment" means one of the seven segments as listed by the mSCOA regulations and which must inform all line items in the budget and chart of accounts at a transactional level;

"Function Segment" (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.;"

"Item Segment" means an appropriation that is itemized on a separate line in a departmental budget. It describes the nature of the transactions to be recorded either being an asset, liability, net asset, gain or loss, revenue or expenditure;

"Funding Segment" at a transaction level means the source of funding which will be used for the transaction or from which source the revenue is received;

"Region Segment" at a transaction level means the relevant geographical location for capital investment or the appropriate service delivery area for operational expenditure. The regions are as determined by the Integrated Development Plan (IDP);

"Costing Segment" - This segment provides for a classification structure for secondary cost elements and acts as a cost collector in determining inter alia total cost of a service or function, identification of productivity inefficiencies and tariff determination of municipal services;

"Municipal Standard Classification Segment (MSC)" refers to the vote or sub-vote against which a transaction is recorded. The MSC is informed by the structure approved by the Municipal Council;

"Project Segment" means the projects into which the budget is split. This segment provides for the classification of capital and operating projects as provided for in the integrated development plan, as provided for in the Municipal Structures Act, 1998 (Act

No. 117 of 1998), and funded in the budget and records information on spending as against the budget as well as the utilisation of funds provided for the project;

“**Virement**” refers to the transfer of funds from one line-item to another in the same department or vote and within the limits allowed by this policy;

“**Cash-item**” refers to a line item receivable or payable in cash and whose movement then affects the cash position of the municipality;

“**Non-cash item**” refers to an expenditure line whose realisation is not required to be made in cash e.g. depreciation, provision for doubtful debts, etc.;

4. Policy

4.1 Prohibited Virements

- i. No transfer shall be made from or to revenue items or between the revenue items;
- ii. No transfer shall be made from the capital budget to the operational budget or vice versa;
- iii. No transfer shall be made towards personnel expenditure;
- iv. No transfer shall be made to or from the following items: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;
- v. No transfer shall be made which creates a ‘new’ project in the capital budget;
- vi. No transfer shall be made from a line item when it will result in over-expenditure in the line item from which the transfer is made;
- vii. No transfer shall be made from allocations ring-fenced by Council in the approved budget;
- viii. No transfer shall be made from non-cash items to cash items and vice-versa;
- ix. No transfer shall be made where it will result in non-achievement of the targets in the Service Delivery and Budget Implementation Plan by Council;
- x. No transfer shall be made where it will result in non-compliance with the Municipal Finance Management Act and other relevant legislation;
- xi. No transfer shall be made where it will result in the municipality not complying with norms and standards set by the National or Provincial Treasury and other Regulatory Bodies or where it will result in the aggravation of non-compliance with norms and standards e.g. reducing percentage norms or standards for repairs and maintenance to the capital budget or to the NERSA threshold, etc.;
- xii. No transfer shall be made to or from conditional grant funded expenditure;
- xiii. No transfer of funds shall be made which reduces or alters the amounts of projects sanctioned by the transferring officer without the transferring officer’s specific approval;
- xiv. No transfers shall be made across the following mSCOA Segments: Function, Project, Funding and Region;
- xv. No transfer shall be made from the Repairs and Maintenance Project in the Projects Segment; and
- xvi. No transfers shall be made during the mid-year period when the municipality is compiling an adjustments budget in terms of section 28 of the MFMA.

4.2 Administrative Matters

- i. Delegations of authority as approved by Council shall apply when requests for virements are made and as such the limitations of the delegations, financial and otherwise shall not be contravened by any request for a virement;
- ii. All requests for transfers shall be made on an official transfer of funds form which is approved with this policy;
- iii. All transfers for an amount exceeding five million rand shall be approved by the Chief Financial Officer and the Municipal Manager;

5. Scope

This policy is applicable to all revenue and expenditure line items which are included in the budget of the Emfuleni Local Municipality and shall be applied by all officials.

6. Review and amendments

This policy is effective once it is approved by Council and shall be reviewed at least annually or as circumstances change and an update is required.

**EMFULENI LOCAL MUNICIPALITY
TRANSFER OF FUNDS FORM**

1. Please transfer funds TO the account number mentioned below as per request:

Account no:

Line description:

Actual expenditure as at (date):	R
Projected expenditure till the end of the financial year (30 June)	R
Less: Approved budget	R
Amount available on the account	R
Additional amount requested	R

Motivation / Reason for request:

.....

2. Transfer the requested funds FROM the following account number which has sufficient funds:

Account no:

Line description:

In making this request I declare that I have read the virements policy of the municipality and that this request does not contravene the policy, other applicable legislation and does not compromise service delivery or prudent financial management.

Departmental Manager:	Date:
Deputy Municipal Manager:	Date:
Chief Financial Officer:	Date:
Municipal Manager:	Date:

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 Captured By:

Approved By: