

# **PHOKWANE LOCAL MUNICIPALITY**



## **DRAFT VIREMENT POLICY**

**2023-24**

**TABLE OF CONTENTS**

1. DEFINITIONS .....2  
2. ABBREVIATIONS.....3  
3. OBJECTIVE OF THE POLICY.....3  
4. VIREMENT CLARIFICATION .....3  
5. FINANCIAL RESPONSIBILITIES .....3  
6. VIREMENT RESTRCITIONS.....3  
7. VIREMENT PROCEDURE.....5  
APPENDIX A .....6  
APPENDIX B .....6

**PHOKWANE LOCAL MUNICIPALITY**  
**PRINCIPLES AND POLICY ON BUDGET VIREMENTS**

**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**

**CFO** – Chief Financial Officer

**IDP** – Integrated Development Plan

**MFMA** – Municipal Finance Management Act No. 56 of 2003

**SDBIP** - Service delivery and budget implementation plan

**CM** – Council Minute/s

## **3. OBJECTIVE OF THE POLICY**

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 Municipal Manager, Relevant Managers 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 shifted between votes (GFS Classifications) without approval of both vote holders, Municipal Manager and the Chief Financial Officer.

- b. Total virements for the financial year may not exceed a maximum of 50% 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 Council. 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.
- h. Virements may not be made in respect of ring-fenced allocations.
- i. Budget may not be transferred from interdepartmental costs, Capital financing, Depreciation, Contributions, Grant Expenditure and Income Foregone.
- j. Budget may only be transferred from Salaries if approved by the Municipal Manager and CFO.
- k. 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.
- l. No virements are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.
- m. 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)

- n. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- o. 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.
- p. 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 Chief 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. Virement limits on the amount of funds that may be moved to and from votes and sub-votes may not exceed ten (10%) per cent of the budget unless approved by Council and incorporated as part of the adjustment budget.
- 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.

**APPENDIX A**

**DEPARTMENTS, GFS CLASSIFICATIONS AND VOTE HOLDERS**

<b>VOTE</b>	<b>GFS CLASSIFICATION</b>	<b>DEPARTMENT</b>	<b>VOTE HOLDER</b>	<b>SUPPORT VOTE HOLDER</b>
Executive and Council	Executive and Council	Council General	Municipal Manager	Municipal Manager
		Municipal Manager	Municipal Manager	Municipal Manager
Finance	Finance and Admin	Finance	CFO	CFO
Corporate Services	Finance and Admin	Corporate Services	Municipal Manager	Municipal Manager
		Human Resources	Municipal Manager	Municipal Manager
		Customer Care	Municipal Manager	Municipal Manager
		IT	Municipal Manager	Municipal Manager
Community Services		Community Services Admin	HOD: Community Services	Municipal Manager
		Traffic	HOD: Community Services	Municipal Manager
		LED	HOD: Community Services	Municipal Manager
		Fleet	HOD: Community Services	Municipal Manager
		IDP	HOD: Community Services	Municipal Manager
		Municipal Buildings	HOD: Community Services	Municipal Manager
		Parks & Cemetery	HOD: Community Services	Municipal Manager
		Library	HOD: Community Services	Municipal Manager
Technical Services		Water	HOD: Technical Services	Municipal Manager
		Sewer	HOD: Technical Services	Municipal Manager
		Electricity	HOD: Technical Services	Municipal Manager
		Planning & Human Settlement	HOD: Technical Services	Municipal Manager
		Roads & Stormwater	HOD: Technical Services	Municipal Manager
		Refuse	HOD: Technical Services	Municipal Manager
		Project Management	HOD: Technical Services	Municipal Manager

**APPENDIX B**

Virement Virement

**DRAFT PHOKWANE LOCAL MUNICIPALITY  
PRINCIPLES AND POLICY ON BUDGET VIREMENTS  
2023-24 Financial Year**

Item	Description	Comment	From	To
	<b>EMPLOYEE RELATED COSTS - WAGES/SALARIES</b>			
	BASIC SALARY	Expenditure	Yes	No
	BONUS - ANNUAL	Expenditure	Yes	No
	BONUS - LONG SERVICE	Expenditure	Yes	No
	ALLOWANCE - ACTING	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCE - HOUSING	Expenditure	Yes	No
	ALLOWANCE - OTHER	Expenditure	Yes	No
	ALLOWANCE - STANDBY	Expenditure	Yes	No
	ALLOWANCE - TRAVELLING	Expenditure	Yes	No
	OVERTIME	Expenditure	Yes	No
	<b>EMPLOYEE RELATED COSTS - SOCIAL CONTR</b>			
	BARGAINING COUNCIL LEVY	Expenditure	Yes	No
	GROUP INSURANCE	Expenditure	Yes	No
	INDUSTRIAL COUNCIL LEVY	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	PROVIDENT FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
	WORKMAN'S COMPENSATION	Expenditure	Yes	No
	<b>REMUNERATION OF COUNCILLORS</b>			
	BASIC SALARY	Expenditure	Yes	No
	ALLOWANCE - CELLPHONE	Expenditure	Yes	No
	ALLOWANCES - TRAVELLING	Expenditure	Yes	No
	MEDICAL AID FUND	Expenditure	Yes	No
	PENSION FUND	Expenditure	Yes	No
	SKILLS DEVELOPMENT LEVY	Expenditure	Yes	No
	WORKMEN'S COMPENSATION	Expenditure	Yes	No
	UNEMPLOYMENT INSURANCE	Expenditure	Yes	No
	<b>BAD DEBTS</b>			
	BAD DEBTS	Expenditure	Yes	Yes
	<b>DEPRECIATION</b>			
	DEPRECIATION	Expenditure	No	No
	<b>REPAIRS &amp; MAINTENANCE</b>			
	MAINT.: BUILDINGS	Expenditure	Yes	Yes
	MAINT.: CEMETERIES	Expenditure	Yes	Yes
	MAINT.: COMMUNITY HALLS	Expenditure	Yes	Yes
	MAINT.: COMPUTER HARDWARE	Expenditure	Yes	Yes
	MAINT.: COMPUTER NETWORK	Expenditure	Yes	Yes
	MAINT.: COMPUTER SOFTWARE	Expenditure	Yes	Yes
	MAINT.: DUMPING SITES	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL METERS	Expenditure	Yes	Yes
	MAINT.: ELECTRICAL NETWORK	Expenditure	Yes	Yes
	MAINT.: EMERGENCY EQUIPMENT	Expenditure	Yes	Yes
	MAINT.: FURNITURE & FITTINGS	Expenditure	Yes	Yes
	MAINT.: GROUND & FENCING	Expenditure	Yes	Yes
	MAINT.: LAND FILL	Expenditure	Yes	Yes
	MAINT.: MOTOR VEHICLES REPAIRS	Expenditure	Yes	Yes
	MAINT.: MOTOR VEHICLES TYRES	Expenditure	Yes	Yes
	MAINT.: OFFICE EQUIPMENT	Expenditure	Yes	Yes
	MAINT.: PLANT & MACHINERY	Expenditure	Yes	Yes
	MAINT.: PRINTERS	Expenditure	Yes	Yes
	MAINT.: RADIO NETWORK	Expenditure	Yes	Yes
	MAINT.: RESORT & PARKS	Expenditure	Yes	Yes
	MAINT.: ROADS AND STORM WATER	Expenditure	Yes	Yes
	MAINT.: SANITATION NETWORK	Expenditure	Yes	Yes
	MAINT.: SECUR MEASURES - ACCESS CONTROL	Expenditure	Yes	Yes
	MAINT.: SIDEWALKS	Expenditure	Yes	Yes



MAINT.: SPEED CONTROL EQUIPMENT	Expenditure	Yes	Yes
MAINT.: STREET LIGHTS	Expenditure	Yes	Yes
MAINT.: SWIMMING POOLS	Expenditure	Yes	Yes
MAINT.: TRANSFORMERS	Expenditure	Yes	Yes
MAINT.: WARDS	Expenditure	Yes	Yes
MAINT.: WATER NETWORK	Expenditure	Yes	Yes
MAINT.ROADS : MATERIALS	Expenditure	Yes	Yes
MAINT.ROADS : OTHER	Expenditure	Yes	Yes
MAINT.ROADS : TRAFFIC SIGNS	Expenditure	Yes	Yes
MAINT.ROADS : WORKSHOP EQUIPMENT	Expenditure	Yes	Yes
MAINT.: TELEPHONE SYSTEM	Expenditure	Yes	Yes
MAINT.: REFUSE REMOVAL	Expenditure	Yes	Yes
<b>INTEREST EXPENSE - EXTERNAL BORROWINGS</b>			
INTEREST PAID: BANK OVERDRAFT	Expenditure	Yes	Yes
INTEREST PAID: CREDITORS	Expenditure	Yes	Yes
INTEREST PAID: EXTERNAL BORROWING	Expenditure	No	No
<b>BULK PURCHASES</b>			
BULK PURCHASES - ELECTRICITY	Expenditure	Yes	Yes
BULK PURCHASES - WATER	Expenditure	Yes	Yes
<b>CONTRACTED SERVICES</b>			
AGENCY FEES	Expenditure	Yes	Yes
AUDIT FEES OUTSOURCED	Expenditure	Yes	Yes
CLEANING SERVICES	Expenditure	Yes	Yes
CONSULTANCY: AUDIT COMMITTEE	Expenditure	Yes	Yes
LEASE CHARGES	Expenditure	Yes	Yes
CONSULTANCY: PROFESSIONAL SERVICE OTHER	Expenditure	Yes	Yes
CONSULTANCY: PROPERTY VALUATION	Expenditure	Yes	Yes
DEBT COLLECTION SERVICES	Expenditure	Yes	Yes
LEGAL SERVICES	Expenditure	Yes	Yes
METER READING SERVICES	Expenditure	Yes	Yes
SECURITY SERVICES	Expenditure	Yes	Yes
<b>GRANTS &amp; SUBSIDIES PAID - OPERATING</b>			
FMG - PROJECT 1	Expenditure	No	No
MSIG - PROJECT 1	Expenditure	No	No
DWA	Expenditure	No	No
<b>PROVINCIAL GRANTS PAID</b>			
EPWP	Expenditure	No	No
LIBRARY	Expenditure	No	No
<b>GENERAL EXPENSES</b>			
ADMIN CHARGES	Expenditure	Yes	Yes
ADVERTISING: GENERAL NOTICES	Expenditure	Yes	Yes
ADVERTISING: RECRUITMENT	Expenditure	Yes	Yes
AFFILIATION FEES: SALGA MEMBERSHIP	Expenditure	Yes	Yes
AUDIT FEES	Expenditure	Yes	Yes
BANK CHARGES	Expenditure	Yes	Yes
BOOKS AND PUBLICATIONS	Expenditure	Yes	Yes
BUILDING PLANS	Expenditure	Yes	Yes
BURSARIES	Expenditure	Yes	Yes
CLEANING MATERIALS	Expenditure	Yes	Yes
CLEANING MATERIALS AND CONSUMABLES	Expenditure	Yes	Yes
COMMISSION PAID	Expenditure	Yes	Yes
COMPUTER SOFTWARE	Expenditure	Yes	Yes
CONFERENCES AND SEMINARS	Expenditure	Yes	Yes
CONTINGENCIES	Expenditure	Yes	Yes
CREDIT CONTROL IMPROVEMENT	Expenditure	Yes	Yes
DISASTER MANAGEMENT	Expenditure	Yes	Yes
DISCOUNT ON CAP DEBT	Expenditure	Yes	Yes
DUMPING SITES	Expenditure	Yes	Yes
ENTERTAINMENT	Expenditure	Yes	Yes
ELECTRICITY DEPARTMENTAL	Expenditure	Yes	Yes

**DRAFT PHOKWANE LOCAL MUNICIPALITY  
PRINCIPLES AND POLICY ON BUDGET VIREMENTS  
2023-24 Financial Year**

FUNCTIONS AND EVENTS	Expenditure	Yes	Yes
IDP REVIEW PROCESS	Expenditure	Yes	Yes
INDIGENT SUBSIDIES PAID	Expenditure	Yes	Yes
INSURANCE	Expenditure	Yes	Yes
LAND SURVEY COST	Expenditure	Yes	Yes
LEASE CHARGES	Expenditure	Yes	Yes
LICENSES	Expenditure	Yes	Yes
MAYORAL FUND	Expenditure	Yes	Yes
OFFICE REQUIREMENTS: INVENTORY	Expenditure	Yes	Yes
MOTOR VEHICLE: FUEL	Expenditure	yes	yes
MOTOR VEHICLE: LICENSES	Expenditure	Yes	Yes
MUNICIPAL SERVICES: ELECTRICITY AND WATER	Expenditure	Yes	yes
MUNICIPAL SERVICES: STREET LIGHTING	Expenditure	Yes	Yes
PAUPER BURIALS	Expenditure	Yes	Yes
POSTAGE	Expenditure	Yes	Yes
PRINTING & STATIONERY	Expenditure	Yes	Yes
PROTECTIVE CLOTHING	Expenditure	Yes	Yes
PUBLICITY	Expenditure	Yes	Yes
PURIFICATION WORKS - CHEMICALS	Expenditure	Yes	Yes
RADIO LICENSES	Expenditure	Yes	Yes
REFRESHMENTS	Expenditure	Yes	Yes
REFUSE BAGS	Expenditure	Yes	Yes
RENTAL EQUIPMENT	Expenditure	Yes	Yes
RENTAL: BUILDINGS	Expenditure	Yes	Yes
RENTAL: TRANSPORT	Expenditure	Yes	Yes
ROAD MARKINGS	Expenditure	Yes	Yes
SAMPLE ANALYSIS	Expenditure	Yes	Yes
SEWERAGE REMOVAL	Expenditure	Yes	Yes
SOCIAL RESPONSIBILITY	Expenditure	Yes	Yes
SPEAKERS FUND	Expenditure	Yes	Yes
STORES COSTS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING COUNCILLORS	Expenditure	Yes	Yes
SUBSISTENCE AND TRAVELLING OFFICIALS	Expenditure	Yes	Yes
SUNDRY EXPENSES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: CELLPHONES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: DATA LINES	Expenditure	Yes	Yes
TELECOMMUNICATIONS: TELEPHONE	Expenditure	Yes	Yes
TENDER FEES	Expenditure	Yes	Yes
TEST CONSUMABLES	Expenditure	Yes	Yes
TOOLS	Expenditure	Yes	Yes
TOWN PLANNING	Expenditure	Yes	Yes
TRAINING	Expenditure	Yes	Yes
WARD COMMITTEE EXPENSES	Expenditure	Yes	Yes
WATER	Expenditure	Yes	Yes
FOOD FOR WASTE PROJECT	Expenditure	Yes	Yes
<b>LOSS ON DISPOSAL OF PROP PLANT &amp; EQUIP</b>			
LOSS ON SALE OF ASSETS (GAMAP)	Expenditure	Yes	Yes
<b>CONTRIBUTIONS TO PROVISIONS</b>			
BAD DEBTS	Expenditure	No	No
CONTR TO CAPITAL REPLACEMT RES	Expenditure	No	No
LEAVE	Expenditure	No	No
<b>INDIRECT OPERATING EXPENDITURE</b>			
DEPARTMENTAL CHARGES	Expenditure	No	No