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1. PURPOSE

The purpose of this policy is to provide a guideline for management in their day-to-day management of their budgets.

2. BACKGROUND

The Municipal Council approves a medium term expenditure framework budget (3 - year budget) before the start of the financial year. The approved budget is an estimation of the activities in the financial terms period. The budget consists of an operating and capital budget based on the strategic objectives of the local government. In practice, as the year progresses, circumstances may change such that certain estimates are under-budgeted and other over-budgeted. It is not practical to refer any such deviations to Council and it is therefore common practice to delegate certain authority for transfers to the Mayor and senior officials.

3. LEGISLATION REQUIREMENTS

In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act (MFMA) and related circulars and guideline that are prescribed by National Treasury.

Unlike the Public Finance Management Act, Act 1 of 1999 (PFMA) and Treasury Regulation on PFMA, the MFMA is not specific with regards to virements.

4. DELEGATIONS ON CAPITAL BUDGETS

A Capital Budget is approved per line item or project. This in effect means that council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to council for them to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project.

Virements between capital and operating budget – refer to paragraph 5.5

5. DELEGATION ON TRANSFERS

5.1. Transfers between Votes

A “Vote” in terms of National guidelines is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area. Council therefore decides on the total amount that is allocated to that specific function and classifies it as a vote. Only the shifting of funds within the “vote” can be delegated to the Mayor, the Accounting Officer, the Chief Financial Officer or any other senior Manager, because Council approves the “vote”. As far as the reallocation of funds between “Votes” is concerned it cannot be delegated and Council has to decide on each of them.

5.2. Transfers between Cost/Functional Centers

Transfer between line item budgets between cost/functional centers within a specific “vote” is delegate to the Mayor through a procedure that must be informed by the Budget Steering Committee. The Mayor is the chairperson of the Budget Steering Committee where he/she will play their political oversight and where he/she can be informed by the Accounting Officer, the Chief Financial Officer and other senior functional managers. Any transfer of funds between cost/functional centers by the Mayor must be informed in writing by comments from the Accounting Officer and the Chief Financial Officer. The amount of transfer by the Mayor and the Accounting Officer (Municipal Manager) is limited by the Delegation of Authority; and this amount is revised from time to time in line with the revision of the delegations.

5.3. Transfers between Different Categories (Cost/Functional Categories)

The transfer of budgets between different categories within a functional or cost centre can be delegated. Although no legal prevention exists to delegate such a function it can create a strategic problem. Although council approves a strategic document in the form of “Votes” the decision is based on information provided by a budget report. Based on this report certain assumptions are made. If the delegated person or party now decides to use staff expense money for maintenance it can create a problem.

5.4. Transfers within Categories

The transfer of budgeted amount within categories is delegated to the Accounting Officer and can only be considered on advice in writing by the Chief Financial Officer. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be

transferred in terms of this delegation is one hundred thousand (R100, 000) rand per case. Anything above that amount must be referred to the Mayor for approval under his/her limitation of two hundred thousand (R200 000) per case. Anything above R200 000 must be referred to Council for approval.

The transfer of funds between line items within the category "General Expenses" and "Maintenance" up to a maximum of 5% of the budgeted line item amount can be delegated to senior management and manager budget office by the Accounting Officer.

5.5. Transfer from Capital to Operating Budget

Transfer from capital to operating budget and vice versa can only be approved by the Mayor with recommendation from the Accounting Officer. The amount to be transferred is limited to an amount of one hundred thousand (R100 000) rand. The virements should be made within the approved budget.

6. GENERAL

The purpose of this delegation is to improve the pace at which service delivery is done and to make functionaries more accountable for their action. Members delegated these functions shall be obliged to report to Council every three (3) months all their function done under this delegation.