

# **BUSHBUCKRIDGE LOCAL MUNICIPALITY**



## **VIREMENT POLICY FOR 2014/15 FY**

# VIREMENT POLICY

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## 1 DEFINITIONS

In this policy unless the context indicates otherwise, the following definitions are applied-

- (a) **Accounting Officer**- The municipal manager of a municipality within the meaning of section 82 of the Municipal Structures Act, no 117 of 1998.
- (b) **Delegation**- In relation to a duty includes an instruction or request to perform or to assist in performing a duty.
- (c) **CFO** – The head of the budget and Treasury office designated in terms of section 80 (2) of the MFMA.
- (d) **MFMA** – Municipal Finance Management Act no 56 of 2003.
- (e) **Senior Manager** – An official reporting directly to the general manager.
- (f) **Manager** – An official reporting directly to the senior manager.
- (g) **Virement**– Transfer of funds from one vote to another
- (h) **Sub - vote** – A budget for a specific area of responsibility for general managers as set out within the detailed budget of the municipality.
- (i) **Vote** –
  - (i) One of the main segment 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
  - (ii) That specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

## **The Municipality's Votes and Sub-Votes are:**

1. Vote 1 : Dept 001 – Budget & Treasury Office
2. Vote 2 : Dept 002 – Corporate Services
3. Vote 3 : Dept 005 – Economic Development and Planning
4. Vote 4 : Dept 006 – Community Support Services
5. Vote 5 : Dept 008 – Office of the Municipal Manager
6. Vote 6 : Dept 009 – Office of the Speaker
7. Vote 7 : Dept 010 – Office of the Mayor
8. Vote 8 : Dept 013 – Community Support Services – Traffic
9. Vote 9 : Dept 014 – Municipal Works Public Works

### **Sub Votes**

- 9.1 Vote 10 : Dept 014 – Municipal Works – Public Works  
( Electricity& Human Settlement)
- 9.2 Vote 10 : Dept 015 – Municipal Works - Water
- 9.3 Vote 11 : Dept 016 – Municipal Works - Roads
- 9.4 Vote 12 : Dept 017 – Municipal Works - Refuse
- 9.5 Vote 13 : Dept 018 – Municipal Works - Sewerage
- 9.6 Vote 14 : Dept 020 – Municipal Works - PMU

## **2. OBJECTIVES**

- (a) Give heads of departments, senior managers and cost center managers greater flexibility in managing their budgets.
- (b) Provide guidance to managers of when they may shift funds between items, projects, programmes and votes.
- (c) Comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations to implement a council approved virement policy as one of the budget related policy.
- (d) Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular vote or sub-vote, by offsetting savings in another vote or sub-vote.

## **3. LEGISLATIVE REQUIREMENTS**

Chapter 4 of the Municipal Finance Management Act, No. 56 of 2003, states that the approval of the budget is the responsibility of the council. This does not mean the approval of every line item but rather the approval of the budget which will give effect to the planned strategic priorities of the municipality (IDP, SDBIP). The process, format and other compliance requirements are regulated by the Municipal Finance Management Act no. 56 of 2003 (MFMA) in the Municipal Budget and Reporting Regulations no. 32141 and in National Treasury circular 51 as guide.

#### **4. DELEGATIONS ON VIREMENTS ON – CAPITAL BUDGET**

A Capital budget is approved per line items or per project. This in effect means that council does not allow any discretion to an official other than delivering on the decision taken. Any savings or shortfall must be reported to council for it 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.

##### **Capital Budget Virement**

- a. Transfers to capital items can only be possible if the transfer from is a capital item as well.
- b. Transfers will only be possible if the capital project is an approved project in the capital budget and IDP.
- c. It should also be noted that only the CFO can approve transfers of items between two different funding source (eg. Transfer between “Own funds” and “Ad-hoc” is not possible)

#### **5. DELEGATION ON VIREMENTS ON – OPERATIONAL BUDGET**

##### **5.1 Virement between votes**

A “vote” in terms of the Municipal Finance Management Act no 56 of 2003 is defined 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 of the municipality. This specifies the total amount that is appropriated for the purposes 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, because council approves the “vote” only the shifting of funds within the “vote” can be delegated to the Executive Mayor in consultation with the Accounting Officer and the Chief Financial Officer.

##### **5.2 Virement between Sub-Votes**

Transfer of funds between sub-votes within a specific vote is delegated to the heads of the respective vote, eg, Directors.

##### **5.3 Virement within Sub-Votes**

Transfer of funds within sub-votes (between cost centers) is also delegated to Directors responsible for that directorate.

#### **5.4. Virement within Cost Centers**

Transfer of funds within Cost Centers is delegated to Directors for each directorate..

#### **5.5. Virement within Functional Areas**

Transfer of funds within a functional area is delegated to the Manager responsible for that unit.

#### **5.6 Virement on non-cash items**

Virement cannot be permitted on the following non-cash items:

- 5.6.1 Depreciation
- 5.6.2 Debt impairment
- 5.6.3 Inter departmental charges

#### **5.7 Virement on cash items**

Virement cannot be permitted on the following cash items:

- 5.7.1 Personnel expenditure
- 5.7.2 Bulk purchases
- 5.7.3 Interest charges
- 5.7.4 Revenue forgone
- 5.7.5 Insurance
- 5.7.6 VAT
- 5.7.7 Special Operational Projects

### **6. PRINCIPLES TO BE ADHERED TO IN THE POLICY**

- (a) Virement in relation to the revenue side of the budget should not be permitted.
- (b) Virement from the capital budget to the operating budget should not be permitted, unless if the project is own funded.
- (c) Virement should not result in adding “new” projects to the capital budget.
- (d) Virement of conditional grant funds for purpose outside of that specified in the relevant conditional grant framework must not be permitted.
- (e) Funds to be transferred to or from vote programmes and projects should be limited to the delegation of powers and all approval procedures must be followed.

- (f) All virements made during the first half of the budget year must form part of the adjustments budget.
- (g) All virements made after the adjustments budget e.g. additional allocation made by National or provincial government must be approved by council and form part of the Annual Financial statements at the end of the budget year.
- (h) All the virements and variation orders approvals, consultation should be made with the budget office for budget verification, where the funds will be transferred from.

## **7. COMMENCEMENT**

This policy takes effect from 1 July 2014.