



# Fezile Dabi

District Municipality

## BUDGET VIREMENT POLICY

*Date of approval by council: 29 May 2014*

*Council Resolution number: Item 117*

Budget Virement Policy

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## Budget Virement Policy

### Definitions

<b>Accounting Standards Board</b>	Was established by the Public Finance Management Act to set standards of Generally Recognised Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.
<b>A-Class Items</b>	A-class items are those items that are not consumable or expendable.
<b>Acquisition Management</b>	<p>Acquisition management is the process of procurement of goods or services and includes the:</p> <ul style="list-style-type: none"><li>• Identification of preferential policy objectives;</li><li>• Determination of market strategy;</li><li>• Application of depreciation rates;</li><li>• Application of total cost of ownership principle;</li><li>• Compilation of bid documentation, including conditions;</li><li>• Determination of evaluation criteria;</li><li>• Evaluation of bids and tabling of recommendations;</li><li>• Compilation and signing of contract documents;</li><li>• Contract administration.</li></ul>
<b>Affordable</b>	<p>Affordable in relation to a PPP agreement, means that the financial obligations to be incurred by a Municipality in terms of the agreement can be met by:</p> <ul style="list-style-type: none"><li>• Funds designated in the Municipality's budget for the current year for the activity outsourced in terms of the agreement;</li><li>• Funds destined for that activity in accordance with the future budgetary projections of the Municipality;</li><li>• Any allocations of the Municipality;</li><li>• Or a combination of such funds and allocations.</li></ul>
<b>AGSA</b>	Auditor-General of South Africa
<b>Agreement</b>	In relation to a <i>prohibited Practice in terms of the Competition Act 89 of 1998 as amended</i> , includes a contract, arrangement or understanding, whether or not legally enforceable
<b>AMP</b>	Asset Management Policy
<b>AMSC</b>	Asset Management Steering Committee (composed as per the Asset Management Policy)
<b>AMU</b>	Asset Management Unit (composed as per the Asset Management Policy)

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<b>AO</b>	Accounting Officer – (Municipal Manager)
<b>Appropriation</b>	Money set aside by Council for a specific purpose
<b>Asset</b>	<p>It is a resource controlled by an entity as a result of past events and from which future economic benefits or service potential is expected to flow to the entity. It has the following characteristics:</p> <p>It possesses service potential or future economic benefit that is expected to flow to the entity.</p> <p>It is controlled by the entity.</p> <p>It originates as a result of a past transaction or event.</p>
<b>Asset Categories</b>	<p>Are the five main asset categories defined by GRAP17. These are:</p> <ul style="list-style-type: none"><li>• <b><u>Community assets</u></b>-are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.</li><li>• <b><u>Heritage assets</u></b>-are defined as culturally significant resources. Examples are works of art, historical buildings and statues.</li><li>• <b><u>Infrastructure assets</u></b>-are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.</li><li>• <b><u>Investment properties</u></b>-are defined as properties that are acquired for economic and capital gains. Examples are office parks and underdeveloped land acquired for the purpose of resale in future years.</li><li>• <b><u>Other assets</u></b>-are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.</li></ul>
<b>Asset Custodian</b>	Is a person in any position or level in the organisation entrusted with the safeguarding and use as well as the condition monitoring of a specific asset.
<b>Asset Management</b>	Is a broad function and includes a structured process of decision-making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximise their service delivery potential and benefits, and to minimise their related risks and costs over their entire life.
<b>Asset Manager</b>	Is any senior official who has been delegated responsibility and accountability for the control, usage, physical and financial management of the Municipality's assets in accordance with the Municipality's standards, policies, procedures and relevant guidelines.
<b>Asset Register</b>	Is a record of information on each asset that supports the effective financial and technical management of the assets, and meets statutory

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requirements.

<b>Assets</b>	Are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential is expected to flow to the entity.
<b>Attractive Items</b>	Are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding. These assets are also referred to as inventory.
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>BBBEEA</b>	Broad Based Black Economic Empowerment Act
<b>BEE</b>	Black Economic Empowerment
<b>Buy Out</b>	Pay someone to give up an ownership.
<b>Capital Assets</b>	Are all assets with a life cycle of greater than one year and above the capitalisation threshold (where applicable). For example, this would include property, plant and equipment (infrastructure network, furniture, motor vehicles, computer equipment, etc.), intangible assets, and investment property.
<b>Capitalisation</b>	is the recognition of expenditure as an asset in the Financial Asset Register and accounting records
<b>Capitalisation Threshold</b>	is the value above which assets are treated as capital assets and entered into an asset register from which reporting in the financial statements (specifically the Statement of Financial Position) is extracted. This threshold serves as guidance only and should be set by the Accounting Officer through consultation with the Asset Management Steering Committee, and reviewed on an annual basis.
<b>Carrying Amount</b>	Is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses thereon.
<b>CFO</b>	The Chief Financial Officer of a municipality designated by Municipal Manager to be administratively in charge of the budgetary and treasury functions.
<b>CIDB</b>	Construction Industry Development Board
<b>Class Of Property, Plant And Equipment</b>	Means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements. (GRAP 17) (This definition of class applies to all capital assets.) Class of assets is also sometimes referred to as the asset hierarchy.
<b>Competitive Bid</b>	Means a bid in terms of a competitive bidding process.
<b>Competitive Bidding Process</b>	Means a competitive bidding process.

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<b>Component</b>	Is a part of an asset with a significantly different useful life and significant cost in relation to the rest of the main asset. Component accounting requires that each such part shall be separately accounted for and is treated separately for depreciation, recognition and de-recognition purposes. It is also referred to as separately depreciable parts.
<b>Concerted Practice</b>	Means co-operative, or coordinated conduct between <i>firms</i> , achieved through direct or indirect contact, that replaces their independent action, but which does not amount to an <i>agreement</i>
<b>Cost</b>	is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, where applicable, the amount attributed to that asset when construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other GRAP.
<b>Cost Of Acquisition</b>	Is all the costs incurred in bringing an item of plant, property or equipment to the required condition and location for its intended use.
<b>Current Asset (Inventory, Debtors And Cash)</b>	An asset that would, in the normal course of operations, be consumed or converted to cash within 12 months after the last reporting date.
<b>Current Liabilities</b>	Current and existing obligations which are due and payable within the subsequent twelve months including but not limited to: <ul style="list-style-type: none"><li>• Creditors;</li><li>• Bank Overdrafts; and</li><li>• Short term portion of the long term liabilities.</li></ul>
<b>Current Replacement Cost</b>	Is the cost of replacing an existing asset with a modern asset of equivalent capacity.
<b>Customer Service</b>	It is the process of serving customers in accordance with acceptable, pre-determined standards in such a manner that it increases customer satisfaction and minimises times and costs.
<b>Demand Management</b>	Demand management ensures that the resources required to support the strategic objectives are delivered at the correct time, at the right price, location, quantity and quality that will satisfy the needs.
<b>Depreciable Amount</b>	Is the cost of an asset or other amount substituted for cost in the financial statements, less its residual value.
<b>Depreciated Replacement Cost</b>	Is a measure of the current value of an asset based on its current replacement cost less an allowance for deterioration of condition to date (based on the fraction of remaining useful life/expected useful life).
<b>Depreciation</b>	Depreciation refers to the reduction in the value of assets generally from wear and tear. The consumption of capital is recognised as a cost of production and an allowance for this is made before net profit is arrived

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<b>Disposal Management</b>	Disposal management is responsible to ensure that all unserviceable, redundant or obsolete assets are subjected to a formal process of doing away with movable assets in a cost-effective, but transparent and responsible manner. It also entails the maintenance of records and documents as prescribed.
<b>DTI</b>	Department of Trade and Industry
<b>E-Class Accountable</b>	Accounting in respect of those stores approved by the relevant Treasury as consumables.
<b>E-Class Items</b>	E-class items are consumable and expendable stores that cannot be repaired when it becomes unusable.
<b>Economic Life</b>	<p>is either:</p> <p>(a) The period over which an asset is expected to yield economic benefits or service potential to one or more users, or</p> <p>(b) The number of production or similar units expected to be obtained from the asset by one or more users.</p>
<b>Economic Principle</b>	Obtain the highest possible output for the lowest possible use of resources.
<b>Economy Of Scale</b>	Reductions in the average cost of a product in the long run, resulting from an expanded level of output
<b>EME</b>	Exempted Micro Enterprise
<b>Enhancement/Rehabilitation</b>	Is an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognised service potential for example, remaining useful life, capacity, quality, and functionality.
<b>Equipment</b>	A-class accountable stores that are issued and accounted for on an inventory.
<b>FA</b>	Financial Accountant
<b>Fair Value</b>	Is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.
<b>Final Award</b>	In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.
<b>Financially Sustainable</b>	in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—

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- (a) The initial capital expenditure required for the service;
- (b) Operating the service; and
- (c) Maintaining, repairing and replacing the physical assets used in the provision

**Formal Written Price Quotation** Means quotations referred to in sub-section 11 of section 23 of this policy.

**GRAP** Stands for “generally recognised accounting practice”.

**HDI** Historically Disadvantaged Individual

**Historically Disadvantaged Individual** Historically Disadvantaged Individual (HDI) means a South African citizen who:

Had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 10 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act no 200 of 1993)(“the Interim Constitution”); and/or

- Is female and/or
- Has a disability.
- Provided that a person, who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.

**HOD** Head/s of Department/s (Directors)

**Horizontal Relationship** Means a relationship between competitors

**HR** Human Resources

**IDP** Integrated Development Plan

**Immovable Assets** All non-produced, non-financial tangible assets, namely land, subsoil assets, water resources and some fixed tangible assets namely fixed structures (bridges, houses and roads).

**In The Service Of The State** Means to be a member of

- Any municipal council,
- Any provincial legislature; or
- The National Assembly or the national Council of Provinces.
- A member of the board of directors of any municipal entity.
- An official of any Municipality or municipal entity.
- An employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No 1



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of 1999).

- A member of the accounting authority of any national or provincial public entity; or
- An employee of Parliament or a provincial legislature.

### **Infrastructure**

means assets that usually display some or all of the following characteristics:

- (a) They are part of a system or network;
- (b) They are specialised in nature and do not have alternative uses;
- (c) They are immovable; and
- (d) They may be subject to constraints on disposal

### **Intangible Assets**

Intangible assets are trademarks, licenses and/or the legally enforceable rights associated with copyright and patents.

### **Integrated SCM**

The foundation of the integrated SCM concept is total cost analysis, which is defined, as minimising the total cost of SCM elements.

### **Inventories**

Including stock and stores (consumable stores, maintenance materials, spare parts, WIP, education/training course materials, client services). Properties/land held for sale. Strategic stocks (fuel supplies, precious stones and metals). Seized or forfeited property.

### **Inventory (Movable Assets) Management**

It shall be possible to determine accountability for all A-class-accountable items at all times. Records shall therefore be available to describe the full extent of the responsibility of officials for equipment belonging to the institution on personal account or sectional inventories for general usage. Inventory (distribution) ledger accounts shall therefore be maintained for all A-class items.

### **Investments**

In relation to funds of a municipality, means; preserving those funds not immediately required for the defraying of expenses and invested at approved financial institutions a person appointed in terms of section 83 of the Municipality Structures Act, 1998 (Act 117 of 1998) as the head of municipality administration;.

### **IT**

Information Technology

### **Items**

An individual article or unit.

### **LCC**

Life Cycle Costing

### **Lifecycle Costing**

Lifecycle costing is a technique developed to identify and quantify all costs, initial and on-going, associated with a project or installation over a given period. Thus, it is a tool that forecasts the total cost of a purchase throughout its predetermined lifecycle.

### **List Of Accredited Prospective**

Means a list of accredited prospective providers which a Municipality or

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<b>Providers</b>	municipal entity must keep in terms of this policy.
<b>Logistics Management</b>	Logistics management ensure that goods and services are available at the right place, time and quantities required to execute the functions of the Municipality.
<b>Long Term Contract</b>	Means a contract with a duration period exceeding one year.
<b>Measurable Objectives</b>	Measurable objectives identify very specific things that the Municipality intends doing or delivering in order to achieve the strategic objectives and ultimately the strategic goals it has set. There must therefore be a direct causal link running from the measurable objective to one or more of the strategic objectives.
<b>MFMA</b>	Municipal Finance Management Act
<b>MFO</b>	Manager: Financial Operations
<b>Minor Asset</b>	Is an asset other than a capital asset, which is fully depreciated in the year of acquisition.
<b>MM</b>	Municipal Manager (Accounting Officer)
<b>Modern Equivalent Asset</b>	Is an asset that replicates the existing asset with the most cost-effective asset performing the same level of service. This includes improvements in technology that may change the nature, life and value of an asset.
<b>Movable Assets</b>	Movable assets are assets that can be moved (e.g. machinery, equipment, vehicles, etc). All inventories and valuables and most fixed assets belong to this category.
<b>MSA</b>	Municipal Systems Act
<b>MTEF</b>	Medium Term Expenditure Framework
<b>Municipal Functions</b>	Means: A municipal service. Any other activity within the legal competence of a Municipality.
<b>Municipal Manager</b>	is the person defined as the Accounting Officer of a Municipality
<b>Municipal Property</b>	In relation to a Municipality, includes any movable, immovable or intellectual property, owned by or under the control of: A Municipality; or A municipal entity under the sole or shared control of the Municipality.
<b>Municipal Stock</b>	Stock certificate issued by the municipality as a proof of a long-term fixed period loan of which the capital is repayable at the end of the period. Interest is payable at predetermined intervals at a fixed rate.

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<b>Negotiable Certificate</b>	A loan certificate that is tradable on the capital market.
<b>Net Present Value (NPV)</b>	The sum that results when the discounted value of the expected costs of an investment are deducted from the discounted value of the expected returns. If the NPV is positive the project in question is potentially worth undertaking.
<b>NIPP</b>	National Industrial Participation Programme
<b>Obsolete</b>	No longer produced or used, out of date, to become obsolete by replacing it with something new.
<b>Official</b>	Official means: An employee of a Municipality; A person seconded to a Municipality to work as a member of the staff of the Municipality; A person contracted to a Municipality to work as a member of the staff of the Municipality otherwise than as an employee.
<b>Operation And Maintenance Plan</b>	The objective of operation and maintenance plans is to ensure assets remain appropriate to programme requirements, are efficiently utilised, and are maintained in the necessary condition to support programme delivery at the lowest possible long-term cost.
<b>Other Applicable Legislation</b>	Means any other legislation applicable to municipal supply chain management, including: The Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000). The Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003). The Construction Industry Development Board Act, 2000 (Act No 38 of 2000).
<b>Over-Utilisation</b>	Over-utilisation can have adverse effects in terms of deterioration in asset performance and condition, shortening productive life and increasing recurrent operating and maintenance costs.
<b>PCCAA</b>	Prevention and Combating of Corrupt Activities Act. 2004
<b>PPP</b>	Public Private Partnership
<b>PPPFA</b>	Preferential Procurement Policy Framework Act (Act 5 of 2000)
<b>Practitioner</b>	A person who practises a profession or art.
<b>Private Party</b>	In terms of a PPP, excludes: A Municipality; A municipal entity; or An organ of state, including an institution listed in any of the schedules

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of the Public Finance Management Act, 1999 (Act 1 of 1999).

### Procedures

Policies are carried out by means of more detailed guidelines called “standard methods”. A series of actions conducted in a certain order or manner.

### Process

A series of actions or steps towards achieving a particular end.

### Project Management

Project management is the planning, directing and controlling of an organisation’s resources over a short term to ensure that specific objectives are successfully met.

### Property, Plant And Equipment

are tangible assets that:

- a) Are expected to be used during more than one period.
- b) Are held by a Municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose; and

### Provider

A provider is the private person or institution that provides supplies, services or works to the Government.

### Public Funds

All monies received by the municipality to perform the function allocated to them.

### Public-Private Partnership

Means a commercial transaction between a Municipality and a private party in terms of which the private party:

- Performs a municipal function on behalf of a Municipality.
- Acquires the use of municipal property for its own commercial purposes.
- Performs both a municipal function and acquires the use of municipal property as referred to above.
- Assumes substantial financial, technical and operational risks in connection with the performance of the municipal function or use of municipal property
- Receives a benefit for performing a municipal function or from utilising municipal property, by way of:
- Consideration to be paid by the Municipality.
- Charges or fees to be collected by the private party from users or customers of a service provided to them.
- A combination of the above.

### Quittance

The acknowledgement by the recipient of the receipt of issued stores, reflecting a signature, receipt voucher number and date of receipt.

### RDP

Reconstruction and Development Programme

### Recognition

Is the process by which expenditure is included in the Financial Asset

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	Register as an asset.
<b>Recoverable Amount</b>	Is the amount that the Municipality expects to recover from the future use of an asset, including its residual value on disposal.
<b>Redundant</b>	No longer needed or useful, superfluous (unnecessary).
<b>Rehabilitation/Enhancement.</b>	Is an improvement or augmentation of an existing asset (including separately depreciable parts) beyond its originally recognised service potential, for example, remaining useful life, capacity, quality, and functionality.
<b>Remaining Useful Life</b>	Is the time remaining (of the total estimated useful life) until an asset ceases to provide the required service level or economic usefulness.
<b>Renewal</b>	Is the work required to replace/ enhance/ rehabilitate an asset. Expenses on renewal works are considered capital expenditure.
<b>Reproduction Cost</b>	Is the cost of reproducing the asset in its present physical form (substantially the same materials and design).
<b>Residual Value</b>	Is the net amount that the Municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
<b>RFI</b>	Request for Information
<b>RFP</b>	Request for Proposal
<b>RFQ</b>	Request for Quotation
<b>Risk Management</b>	Risk management may be defined as the identification, measurement and economic control of risks that threaten the assets and earnings of a business or other enterprise.
<b>Rules</b>	Rules are statements that a specific action must or must not be taken in a given situation.
<b>Salvage</b>	The Act of saving any goods or property in danger of damage or destruction.
<b>SANAS</b>	South African National Accreditation Agency
<b>SAPS</b>	South African Police Services
<b>SARS</b>	South African Revenue Services
<b>SBD</b>	Standard Bidding Documents
<b>SCM</b>	Supply Chain Management
<b>SCM Regulations</b>	Means the Local Government: Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations.

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<b>SCM Unit</b>	Supply Chain Management Unit
<b>SCMP</b>	Supply Chain Management Policy
<b>SCO 1/2/3</b>	Supply Chain Officer 1/2/3
<b>SEA</b>	Senior Expenditure Accountant
<b>Security</b>	A lien, pledge, mortgage, cession or other form of collateral intended to secure the interests of the creditor
<b>Senior Management Team</b>	Are the incumbent of post level 1, 2 and 3 in each directorate being the "senior manager" and everyone up to two levels below them.
<b>Senior Manager</b>	Is a manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the Municipal Manager.
<b>Service Potential</b>	Is a tangible capital asset's output or service capacity, normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs and useful life.
<b>SFA</b>	Senior Financial Accountant (Asset Manager & Head of Asset Management Unit)
<b>SITA</b>	State Information Technology Agency
<b>SLA</b>	Service Level Agreement
<b>SMME</b>	Means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria opposite the smallest relevant size or class. It is a small, medium and micro enterprises conducting business with the municipality, with workforce of between 20 and 199 people and an annual turnover of less than R 10 million.
<b>Sourcing</b>	Find out where to obtain.
<b>SP</b>	Service Provider
<b>SSCO</b>	Senior Supply Chain Officer
<b>Stewardship</b>	" <b>Stewardship</b> " is the act of taking care of and managing property, plant or equipment on behalf of another.
<b>Stores/Stock</b>	All movable state property/assets that are kept in stock for issue purposes.
<b>Strategic Goals</b>	Strategic goals are areas of organisational performance that are critical to the achievement of the mission. They are statements that describe the strategic direction of the organisation.

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<b>Strategic Objectives</b>	Strategic objectives are more concrete and specific than strategic goals. They should give a clear indication of what the Municipality intends doing or producing in order to achieve the strategic goals it has set for itself. As such strategic objectives would normally describe high-level outputs or “results” of actions that the Municipality intends taking.
<b>TCO</b>	Total Cost of Ownership
<b>The MFMA</b>	Means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
<b>TOR</b>	Terms of Reference
<b>Transfer</b>	Shifting of allocated funds from one department (vote), line-item (vote number) or both to the other.
<b>Treasury Guidelines</b>	Means the guidelines on supply chain management issued by the Minister in terms of section 168 of the Act.
<b>Under-Utilisation</b>	Under-utilisation will increase the unit cost of programme delivery and may prompt the purchase of new assets when they are not required.
<b>Useful Life</b>	<p>is either:</p> <p>(a) The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the Municipality,</p> <p>(b) The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the Municipality.</p>
<b>Value For Money</b>	In relation to public-private partnership agreements, means that the performance of a private party in terms of the agreement will result in a net benefit to the Municipality in terms of cost, price, quality, quantity, risk transfer or any combination of those factors.
<b>Virement</b>	The agreed transfer of funds from one budget heading, to which it has been allocated, to another budget heading.
<b>Written Or Verbal Quotations</b>	Means quotations referred to in sub-section 11 of section 23 of this policy.

## Budget Virement Policy

### 1 Objective of the Budget Virement Policy

- Provide flexibility to management of the Fezile Dabi District Municipality in managing budgets appropriated to the municipality by the respective Treasury Departments or compliant organs of state including legally approved funding from alternative sources.
- Provide clarity on approved policies and legal guidelines to managers regarding when managers may shift funds between budget votes.

### 2 Legislative Requirement

Section 18(1) of Municipal Finance Management Act 2003, Act 56 of 2003 stipulates that an annual budget of a municipality may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17(2).

### 3 Virement Principles

The following authorised principles apply in dealing with virements of budgeted funds:

- a) Virements are not be permitted in relation to revenue;
- b) Virements from the capital budget to the operating budget are not be permitted;
- c) Virements towards personnel expenditure are not be permitted;
- d) Virements to or from the following items are not be permitted:
  - bulk purchases;
  - debt impairment,
  - interest charges;
  - depreciation,
  - revenue foregone,
  - insurance,
  - Value Added Tax (VAT),
  - Ring-fenced allocations, and
  - Statutory Funds
- e) Virements must not result in adding 'new' projects to the Capital Budget;
- f) Virements of conditional grant funds for purposes outside of that specified in the relevant conditional grant framework are not be permitted (DORA);
- g) Virements must not be made where it would result in over expenditure; and
- h) Virement amounts shall not be rolled over to subsequent years, or create expectations on the subsequent budgets.
- i) Virement from and between capital assets already approved by council is not allowed.



### Budget Virement Policy

#### 4 Management of Transfers and Virement Processes

Virements between votes shall be permitted where the proposed shifts in funding facilitate sound risk and financial management;

Permissible budget transfers and virements shall be recommended by the Senior Manager (Head / Director of Department), by completing the appropriate documentation and forward to the Chief Financial Officer or the Accounting Officer in the case of the application by the Chief Financial Officer for approval.

All the necessary documentation for virements requests must be signed for by the relevant Head / Director of the Department within which the vote is allocated.

Heads / Directors of departments are not allowed to utilise a saving in the amount appropriated under a main expenditure category (e.g. General Expenses, Repairs & Maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote.

The amount of a saving under an expenditure category of a vote that may be transferred to another expenditure line item shall not exceed (10%) ten percent of the amount appropriated under that expenditure category and shall be limited to R50 000.

No virements recommendations or proposals shall be considered in the first three months of the financial year, unless in an emergency situation as stipulated in this policy. Virements resulting in adjustments to the approved Service Delivery and Budget Implementation Plan (SDBIP) must first be submitted to the Budget Steering Committee for consideration and then be submitted with an adjustments budget to the Council with altered outputs and measurements, and must indicate changes to the (SDBIP), and the impact that this will have on the performance objectives as set out in the municipality's Integrated Development Plan (IDP). Where virement is likely to impact on the planned Asset Management output as set by the Asset Management Steering Committee, it must be submitted to the Asset Management Steering Committee.

In cases of emergency situations virements shall be submitted by the Accounting Officer to the Executive Mayor for authorisation and be reported by the Executive Mayor to Council at its next council meeting following the occurrence of emergency

All expenditure resulting from approved virements must still be subject to the prescribed procurement processes as contained in the municipality's approved supply chain management policy.

Transfers or adjustments falling outside the ambit of this policy must be dealt with within the budget adjustment process in terms of section 28 of the Municipal Finance Management Act (MFMA).

#### 5 Shifting Of Funds between Multi-Year Appropriations

When funds for a capital programme are appropriated in terms of section 16(3) of MFMA for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that :

- a) The increase does not exceed 20 per cent of that year's appropriation for the programme;
- b) The increase is funded within the following year's appropriation for that programme;
- c) The municipal manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue; and sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- d) Prior written approval is obtained from the mayor for the increase; and
- e) The documents referred to in paragraphs (c) and (d) are submitted to the relevant provincial treasury and the Auditor-General.

Where a capital asset has been budgeted for over multiple years in terms of MFMA, the municipality shall plan for the funding needed for every financial year of the project to ensure its financial sustainability.

### Budget Virement Policy

In cases where capital appropriations are unable to be spent during the allocated financial year, the projected roll-overs shall be included as part of the adjustment budget within the framework of section 28(2)(e) of MFMA or the Chief Financial Officer shall provide for an adjusted capital appropriation as part of the next annual budget.

Prior to shifting of funds, the Municipal Manager must obtain written approval from the mayor for the increase; and he must submit to the Provincial Treasury and the Auditor-General the certification that actual revenue will exceed budgeted revenue and that sufficient funds are available for increase without incurring further borrowing beyond the annual budget limit.

### **6 Reporting**

The Chief Financial Officer shall report to the Accounting Officer on all the virements, and the Accounting Officer shall, within ten working days of the end of each quarter, report to the Executive Mayor on those virements that have taken place during that quarter for the financial year concerned.