

# OVERSTRAND MUNICIPALITY



## VIREMENT POLICY

*Approved by Council:  
31 May 2023  
Implementation date:  
1 July 2023*

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## OVERSTRAND MUNICIPALITY – VIREMENT POLICY

### 1 DEFINITIONS

<b>“Accounting officer”</b>	The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA
<b>“Approved budget”</b>	means an annual budget or adjustments budget approved by a municipal council.
<b>“Basic Services”</b>	means the following four services: Energy Sources, Water Management, Waste Water Management (Sewerage & Waste Water Treatment) and Waste Management, as contained in the mSCOA function segment
<b>“Budget-related policy”</b>	means a policy of a municipality affecting or affected by the annual budget of the municipality
<b>“Chief financial officer”</b>	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.
<b>“Capital Budget”</b>	This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as infrastructure, facilities and equipment, the cost of which is normally written off (depreciated) over a number of fiscal periods
<b>“Council”</b>	means the council of a municipality referred to in section 18 of the Municipal Structures Act.
<b>“Financial year”</b>	means a 12-month year ending on 30 June.
<b>Function Sub-Function</b>	mSCOA Segment: This segment provides for the classification of budgets according to the function or service delivery objective and provides for the standardisation of functions and sub-functions across local government with due regard to specific service delivery activities and responsibilities of each individual municipality.
<b>“Line Item”</b>	an appropriation that is itemized on a separate line in the internal budget document for the purpose of greater control over expenditure, as contained in the mSCOA segment for Item Expenditure and Revenue, as revised from time to time.
<b>“Operating Budget”</b>	the Municipality’s financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
<b>“Ring Fenced Allocations”</b>	an exclusive combination of line items grouped for specific purposes, such as Debt Impairment, Depreciation and Amortisation, Finance Charges and Provisions.
<b>“Service delivery and budget implementation plan”</b>	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.
<b>“Virement”</b>	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.
<b>“Vote”</b>	means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different Directorates of the municipality; and which specifies the total amount that is appropriated for the purposes of the respective Directorates concerned.

### 2 ABBREVIATIONS

<b>“CFO”</b>	Chief Financial Officer
<b>“GFS”</b>	Government Financial Statistics
<b>“IDP”</b>	Integrated Development Plan
<b>“MFMA”</b>	Municipal Finance Management Act No. 56 of 2003
<b>mSCOA</b>	Municipal Standard Chart of Accounts
<b>“SDBIP”</b>	Service delivery and budget implementation plan

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### 3 OBJECTIVE

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 approval of the relevant Director and CFO, in certain instances, 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. (Chapter 4 of the 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 directorate or activity to which funds are appropriated, 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 32.

### 6 VIREMENT RESTRICTIONS

- (a) A virement of funds between votes (Directorates) will not be allowed without approval in an adjustments budget.
- (b) Cumulative virements may not exceed a maximum of 10% of the total approved operating budget per Directorate.
- (c) A virement may not create new policy, significantly vary from 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 to the Municipal Manager after an adjustments budget, with altered outputs and measurements for approval. (MFMA Circular 13 page 3 paragraph 3)
- (e) No virement request may be effected in the current year which will increase the approved budget in future financial years without the prior approval of the Municipal Manager and the Mayor. This refers to expenditure such as entering into lease- or rental agreements for vehicles, photo copier's or fax machines, operational contracts.
- (f) No virement may be made where it would result in unauthorised expenditure. (section 32 MFMA)
- (g) No virement shall add to the staff establishment of the Municipality without the approval of the Municipal Manager.
- (h) Budget may only be transferred from Employee Related Cost if approved by the Municipal Manager and the Director: Finance.
- (i) If the virement relates to an increase in the work force establishment, then the Council's

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existing recruitment policies and procedures will apply.

- (j) Virements may not be made in respect of ring-fenced allocations.
- (k) Virements are not permitted from or to budgets allocated to the respective Basic Services, unless approved in an adjustments budget.
- (l) 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.
- (m) No virements are permitted in the first three months or the final month of the financial year without the express approval of the CFO.
- (n) No virement proposal shall affect amounts to be paid by another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)
- (o) Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)
- (p) 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.
- (q) Virements may not be made between Expenditure and Income.
- (r) Virements may not be made between capital and operational budgets, except as indicated in paragraph 7.
- (s) No Capital Budget virements are permitted across the mSCOA Function/Sub-Function segment, except in an official adjustments budget.
- (t) Virements are not permitted from the mSCOA line item Inventory: Zero Rated (Fuel) to other expenditure line items within a directorate/department, except where approved in an official adjustments budget.

### 7 VIREMENT PROCEDURE

- (a) All virement proposals must be completed on the appropriate documentation and forwarded to the Budget Office for checking and implementation. All virements must be subjected to scrutiny across all seven segments of the mSCOA classification framework.
- (b) All virements relating to the operational budget must be approved by the relevant Budget Holder/Manager (Section 79 MFMA) in the case of a departmental budget transfer, and also by the relevant Director in the case of a transfer between departments within a Directorate.
- (c) Capital Budget Virements within the mSCOA Function/Sub-Function segment must be approved by the relevant manager and Director, the Municipal Manager and Director: Finance and, in cases where the amount exceeds R100 000, by the Executive Mayor. Virements across the mSCOA Function/Sub-Function segment will only be considered if it qualifies as an Adjustment Budget request and will then be done as part of an official Adjustment Budget.
- (d) A virement form must be completed for all Operational Budget Transfers and in the case of a Capital Budget transfer an official memo approved by the relevant director, MM & CFO must be submitted. The prescribed documentation must be completed.
- (e) Virements in excess of R 50,000 with a maximum as determined under section 6b. requires the approval of the relevant Director for Inter-departmental transfers, as well as the express approval of the Chief Financial Officer. (Section 79 MFMA).
- (f) Virement transfers must be taken into consideration by the respective managers with regards to the SDBIP.
- (g) Virements in respect of Ward specific projects must be approved by the Chief Financial Officer,

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Municipal Manager and the Mayor.

- (h) Virements between Capital and Operational in respect of Ward Specific Projects and grant allocations, will only be allowed if it qualifies as an Adjustment Budget request and will then be done as part of an Adjustments Budget
- (i) All virement documentation must be in order and approved before any expenditure may be committed or incurred. (Section 79 MFMA).
- (j) After all virement documentation has been duly completed, including all authorizations, the budget transfer will normally be effected within three working days, subject to the operating system functionality.
- (k) The Director: Finance must report to the Municipal Manager and the Mayor on a monthly basis in respect of virements in excess of R50 000 per item.

### 8. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented on **1 July 2023** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation.

POLICY SECTION:	SENIOR MANAGER: FINANCIAL SERVICES
CURRENT UPDATE:	31 MAY 2023
PREVIOUS UPDATE:	31 MAY 2022
PREVIOUS UPDATE:	26 MAY 2021
PREVIOUS UPDATE:	27 MAY 2020
PREVIOUS UPDATE:	29 MAY 2019
PREVIOUS UPDATE:	30 MAY 2018
PREVIOUS UPDATE:	31 MAY 2017
PREVIOUS UPDATE:	25 MAY 2016
PREVIOUS REVIEW:	28 MAY 2015
PREVIOUS REVIEW:	28 MAY 2014
PREVIOUS REVIEW:	29 MAY 2013
PREVIOUS REVIEW:	30 MAY 2012
PREVIOUS REVIEW:	4 MAY 2011
APPROVAL BY COUNCIL:	26 MAY 2010

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## mSCOA FUNCTION/SUB- FUNCTION

## ANNEXURE A1

FUNCTION/SUB-FUNCTION	FUNCTION/SUB-FUNCTION
<b>Community and Social Services</b>	<b>Finance and Administration</b>
Aged Care, Home Assistance and Transport Facilities	Administrative and Corporate Support
Animal Care and Diseases	Asset Management
Cemeteries, Funeral Parlours and Crematoriums	Finance
Child Care Facilities	Fleet Management
Community Halls and Facilities	Human Resources
Libraries and Archives	Information Technology
Literacy Programmes	Legal Services
Museums and Art Galleries	Marketing, Customer Relations, Publicity and Media Co-ordination
Theatres	Property Services
Zoo's	Risk Management
	Security Services
	Supply Chain Management
	Valuation Service
<b>Electricity and Gas</b>	<b>Health</b>
Electricity	Health Services
Street Lighting and Signal Systems	Laboratory Services
<b>Environmental Protection</b>	<b>Housing</b>
Biodiversity and Landscape	Housing
Coastal Protection	Informal Settlements
Indigenous Forests	
Nature Conservation	
Pollution Control	
Soil Conservation	
<b>Executive and Council</b>	<b>Internal Audit</b>
Mayor and Council	Governance Function
Municipal Manager, Town Secretary and Chief Executive	
<b>Other</b>	<b>Road Transport</b>
Abattoirs	Public Transport
Air Transport	Roads & Traffic Regulation
Forestry	Roads
Licensing and Regulation	Taxi Ranks
Markets	
Tourism	

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ANNEXURE A1

FUNCTION/SUB-FUNCTION	FUNCTION/SUB-FUNCTION
<p><b>Planning and Development</b></p> <p>Billboards                      Corporate Wide Strategic Planning (IDPs, LEDs)                      Central Improvement District                      Development Facilitation                      Economic Development/Planning                      Town Planning, Building Regulations and Enforcement, and City Engineer                      Project Management Unit                      Support to Local Municipalities</p>	<p><b>Sport and Recreation</b></p> <p>Beaches and Jetties                      Community Parks (including Nurseries)                      Recreational Facilities                      Sports Grounds and Stadiums</p>
<p><b>Public Safety</b></p> <p>Civil Defence (Municipal Commando's)                      Cleansing                      Control of Public Nuisances                      Fencing and Fences                      Fire Fighting and Protection                      Licensing and Control of Animals                      Police Forces, Traffic and Street Parking Control                      Pounds</p>	<p><b>Waste Management</b></p> <p>Recycling                      Solid Waste Disposal (Landfill Sites)                      Solid Waste Removal                      Street Cleansing</p> <p><b>Waste Water Management</b></p> <p>Public Toilets                      Sewerage                      Storm Water Management                      Treatment</p> <p><b>Water</b></p> <p>Water Treatment                      Water Distribution                      Water Storage</p>

Note: The function/sub- function segment consist of core and non-core functions

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## ANNEXURE A2

## OPERATIONAL BUDGET - DIRECTORATES &amp; DEPARTMENTS (OWN SEGMENT)

DEPT	DIRECTORATE	CODE	DEPT	DIRECTORATE	CODE
	<b>Council &amp; Mayor's Office</b>	1	1460	STREETLIGHTS: KLEINMOND	
0010	COUNCIL'S GENERAL		1470	STREETLIGHTS: HERMANUS	
0050	MAYORS OFFICE		1480	STREETLIGHTS: STANFORD	
0060	PENSIONERS & CONTINUED MEMBERS		1490	STREETLIGHTS: GANSBAAI	
	<b>MM &amp; Internal Audit</b>	2	4200	ELECTRICITY(ADMIN) HM/KM	
0100	MUNICIPAL MANAGER		4210	ELECTRICITY(ADMIN) GB&ST	
0140	INTERNAL AUDIT		4250	ELECTRICITY (DISTR): KLEINMOND	
0070	RISK MANAGEMENT		4260	ELECTRICITY (DISTR): HERMANUS	
	<b>Management Services</b>	3	4270	ELECTRICITY (DISTR): STANFORD	
0080	MUNICIPAL COURT		4280	ELECTRICITY (DISTR): GANSBAAI	
0090	COMMUNICATION		4350	ELECT (PURCH/SALES): KLEINMOND	
0110	DIRECTOR: MANAGEMENT SERVICES		4360	ELECT (PURCH/SALES): HERMANUS	
0120	LEGAL SERVICES		4370	ELECT (PURCH/SALES): STANFORD	
0130	STRATEGIC SERVICES		4380	ELECT (PURCH/SALES): GANSBAAI	
0650	HUMAN RESOURCES		4400	ELECTRICITY INCOME	
0660	INFO & COMMUNICATION TECHNOLOGY		4430	ELECT (SERV & CON): KLEINMOND	
0670	COUNCIL SUPPORT SERVICES		4440	ELECT (SERV & CON): HERMANUS	
	<b>Finance</b>	4	4450	ELECT (SERV & CON): STANFORD	
0150	FINANCE: DIRECTOR		4460	ELECT (SERV & CON): GANSBAAI	
0160	FINANCE: DEPUTY DIRECTOR		3640	OVERSTRAND: SOLID WASTE DISP.	
0180	FINANCE: ACCOUNTING SERVICES				
0190	FINANCE: EXPENDITURE & ASSETS				
0200	FINANCE: REVENUE				
0210	FINANCE: SUPPLY CHAIN MANAGEMENT				
0220	DATA CONTROL				
0250	ASSESSMENT RATES				
	<b>Infrastructure &amp; Planning</b>	5			
2180	DIRECTOR:INFRASTRUCTURE & PLAN				
2190	ENGINEERING SERVICES				
2200	TOWN PLANNING				
2210	DEP.DIRECTOR:ENGINEERING PLANN				
2220	GEOGRAPHICAL INFO SYSTEM (GIS)				
2240	SOLID WASTE PLANNING				
2250	BUILDING CONTROL SERVICES				
2260	PROPERTY ADMINISTRATION				
2990	OVERSTRAND HOUSING DEVELOPMENT				
2300	ENVIRONMENTAL MANAGEMENT SERV				
				<b>Protection Services</b>	6
			0700	TRAFFIC	
			0710	LAW ENFORCEMENT	
			0720	VEHICLE TESTING	
			0740	FIRE BRIGADE	
			0750	VEHICLE LICENSING	
			0760	SPECIAL TASK TEAM UNIT	
			0770	DISASTER MANAGEMENT	
			0800	DIRECTOR:PROTECTION & SECURITY	
			0780	SECURITY SERVICES	
				<b>LED</b>	7
			1110	DIRECTOR:ECON.& SOCIAL DEVELOPMENT & TOURISM	
			1120	TOURISM	
			1130	SOCIAL DEVELOPMENT	
			1140	EPWP	
			1150	THUSONG CENTRE HAWSTON	
			1160	PARKING SERVICES	

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DEPT	DIRECTORATE	CODE	DEPT	DIRECTORATE	CODE
	<b>Community Services</b>	8			
0500	DIRECTOR:COMMUNITY SERVICES		1920	OFFICE BUILDINGS ST	
0510	DEPUTY DIR:OPERATIONAL SERVICE		1930	OFFICE BUILDINGS GB	
0530	AREA MANAGER: KLEINMOND		1940	CORPORATE BUILDING (HM)	
0540	AREA MANAGER: HERMANUS		1990	SWIMMING POOL: HAWSTON	
0550	AREA MANAGER: STANFORD		2100	SPORTSGROUNDS: KLEINMOND	
0560	AREA MANAGER: GANSBAAI		2110	SPORTGROUNDS: HERMANUS	
0610	CONTROL ROOM		2120	SPORTGROUNDS: STANFORD	
0620	FLEET MANAGEMENT		2130	SPORTGROUNDS: GANSBAAI	
0630	SPORTS & RECREATION		2140	SWIMMING POOL: HERMANUS	
0640	MANAGER: CORPORATE PROJECTS		2150	SLIPWAY (KLEINBAAI)	
0950	LIBRARY: BETTY'S BAY		2160	STONY POINT (BETTY'S BAY)	
			2170	SLIPWAY KLEINMOND	
0960	LIBRARY: KLEINMOND		2500	CEMETERIES: KLEINMOND	
0970	LIBRARY: HAWSTON		2510	CEMETERIES: HERMANUS	
0980	LIBRARY: MOUNT PLEASANT		2520	CEMETERIES: STANFORD	
0990	LIBRARY: ZWELIHLE		2530	CEMETERIES: GANSBAAI	
1000	LIBRARY: HERMANUS		2600	CARAVAN PARK: PALMIETCAMP	
1010	LIBRARY: STANFORD		2610	CARAVANPARK: KLEINMOND	
1020	LIBRARY: GANSBAAI		2620	CAMPING SITE: HAWSTON	
1100	POST OFFICE AGENCY: STANFORD		2630	CARAVAN PARK: ONRUS	
1300	OPERATIONAL MANAGER: KLEINMOND		2660	CARAVAN PARK: GANSBAAI	
1310	OPERATIONAL MANAGER: HERMANUS		2900	HOUSING & SOCIAL UPLIFTMENT	
1320	OPERATIONAL MANAGER: STANFORD		2910	HOUSING ALL SCHEMES	
1330	OPERATIONAL MANAGER: GANSBAAI		4560	WATER (TREAT): KLEINMOND	
1600	BEACHES: KLEINMOND		4590	WATER (TREAT): DE BOS/PREEKSTO	
1610	BEACHES: HERMANUS		4600	WATER (TREATMENT) STANFORD	
1620	BEACHES: GANSBAAI		4620	WATER (TREAT): GANSBAAI/FRANSK	
1360	STREETS: PROVINCIAL MAIN ROAD		4800	WATER (DISTRIBUTION): KLEINMON	
1400	STREETS: KLEINMOND		4810	WATER (DISTRIBUTION): HERMANUS	
1410	STREETS: HERMANUS		4820	WATER (DISTRIBUTION): STANFORD	
1430	STREETS: STANFORD		4830	WATER (DISTRIBUTION): GANSBAAI	
1440	STREETS: GANSBAAI		4850	OVERSTRAND: WATER	
1450	OVERSTRAND: ROADS		4890	WATER INCOME	
1640	PARKS & TOWNLANDS (KLEINMOND)		4900	WATER (SERV & CON): KLEINMOND	
1650	PARKS & TOWNLANDS (HERMANUS)		4910	WATER (SERV & CON): HERMANUS	
1660	PARKS & TOWNLANDS (STANFORD)		4920	WATER (SERV & CON): STANFORD	
1670	PARKS & TOWNLANDS (GANSBAAI)		4930	WATER (SERV & CON): GANSBAAI	
			4970	WATER (RAW WAT DAMS): GANSBAAI	
1800	COMMUNITY BUILDINGS KM		1500	STORMWATER: KLEINMOND	
1810	COMMUNITY BUILDINGS HM		1510	STORMWATER: HERMANUS	
1820	COMMUNITY BUILDINGS ST		1530	STORMWATER: STANFORD	
1830	COMMUNITY BUILDINGS GB		1540	STORMWATER: GANSBAAI	
1840	AUDITORIUM & BANQUETING HALL		3200	PUBLIC TOILETS (HERMANUS)	
1900	OFFICE BUILDINGS KM		3750	SEWERAGE (DISTRIBU): KLEINMOND	
1910	OFFICE BUILDINGS HM		3760	SEWERAGE (DISTRIBU): HERMANUS	

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ANNEXURE A2

DEPT	DIRECTORATE	CODE
3770	SEWERAGE (DISTRIBU): STANFORD	
3780	SEWERAGE (DISTRIBU): GANSBAAI	
3860	SEWERAGE (SERV/CON): HERMANUS	
3950	SEWERAGE (TANKERS): KLEINMOND	
3960	SEWERAGE (TANKERS): HERMANUS	
3970	SEWERAGE (TANKERS): STANFORD	
3980	SEWERAGE (TANKERS): GANSBAAI	
4050	SEWERAGE (TREATMENT) KLEINMOND	
4060	SEWERAGE (TREATMENT): HAWSTON	
4070	SEWERAGE (TREATMENT) HERMANUS	
4080	SEWERAGE (TREATMENT) STANFORD	
4090	SEWERAGE (TREATMENT) GANSBAAI	
4100	SEWERAGE INCOME	
3300	REFUSE REMOVAL: KLEINMOND	
3310	REFUSE REMOVAL: HERMANUS	
3320	REFUSE REMOVAL: STANFORD	
3330	REFUSE REMOVAL: GANSBAAI	
3400	SOLID WASTE DISPOSAL: B/BAY	
3410	SOLID WASTE DISPOSAL: HAWSTON	
3420	SOLID WASTE DISPOSAL: VOELKLIP	
3430	SOLID WASTE DISPOSAL: STANFORD	
3440	REFUSE DISPOSAL: P/BEACH (TRFST)	
3500	SOLID WASTE DISPOSAL: KLEINMON	
3510	SOLID WASTE DISPOSAL: HERMANUS	
3620	WASTE DISPOSAL SITE: GANSBAAI	
3650	REFUSE INCOME	
<b>Costing Services</b>		<b>9</b>
9996	INTERNAL BILLING	
9997	ACTIVITY BASED COSTING	
9998	DEPT CHARGES AND RECOVERIES	
<b>Main Ledger</b>		<b>10</b>
9995	MAIN LEDGER	