



KGATELOPELE LOCAL MUNICIPALITY

FINAL VIREMENT POLICY

2025/2026

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1. INTRODUCTION

- 1.1 A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.
- 1.2 Changing circumstances and priorities during a financial period may give rise to a need for virement (transfer) of funds within or between Votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA). The treatment of such instances may, however, be dependent on whether an adjustment budget is required or not.
- 1.3 The MFMA and the Municipal Budget and Reporting Regulations, 2009 seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the accounting officer and senior management programmes greater flexibility in managing their budgets. In furtherance of this objective, the municipality puts this policy, to provide clear guidance to managers on when they may shift funds between items, projects, programmes and votes.

2. PURPOSE

- 2.1 This policy aims to provide guidelines to senior management in the use of virements as a mechanism in the day-to-day management of their budgets. This policy also allows flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure and/not limited to savings, etc. as they arise to accelerate service delivery in a financially responsible manner.
- 2.2 In addition, it specifically aims to empower senior managers with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the municipality's system of delegations.

3. DEFINITIONS

“Accounting Officer (MFMA)” refers to the Municipal Manager of the Municipality.

” Approved budget (MFMA)” refers to the annual budget:

- (a) Approved by a municipal council; or
- (b) Approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an Adjustment Budget in terms of section 28.

“Chief Financial Officer (MFMA)” refers to a municipal official designated by the Accounting Officer of the Municipality.

“Cost Centre” refers to a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

“Cost Element” distinguishes between primary and secondary cost elements.

- (a) Primary cost elements are expenditure items mainly generated outside the organisation.
- (b) Secondary cost elements are utilised to reallocate cost by means of assessments, internal billing or activity-based recoveries.

“Senior Manager (Executive Director – MFMA)” refers to a manager appointed in terms of section 56 of the Local Government: Municipal Systems Act, 2000 and directly accountable to the Accounting Officer.

“Financial Year” refers to a year starting on 1 July and ending on 30 June of the following year.

“Line Item” is an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditure.

“Overspending (MFMA)”:

- (a) *“in relation to the budget of a municipality, means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure, as the case may be;*
- (b) *In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or*
- (c) *In relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;”*

“Service Delivery and Budget Implementation Plan (SDBIP)” refers to a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c)(ii) of the MFMA for implementing the Municipality’s delivery of municipal services and its annual budget.

“Unauthorised Expenditure (MFMA)” refers to “in relation to a Municipality, means any expenditure incurred by a Municipality otherwise than in accordance with section 15 or 11(3), and includes:

- (a) *“Overspending of the total amount appropriated in the Municipality’s approved budget;*
- (b) *Overspending of the total amount appropriated for a vote in the approved budget;*
- (c) *Expenditure from a vote unrelated to the department or functional area covered by the vote;*
- (d) *Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;*
- (e) *Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or*
- (f) *A grant by the Municipality otherwise than in accordance with this Act;”*

Virement” is the process of transferring an approved budgetary provision from one operating cost element or capital project to another within a function, fund, vote and sub-vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

“Vote (MFMA)” refers to:

- (g) *“One of the main segments into which a budget of a Municipality is divided for the appropriation of money for the different departments or functional areas of the Municipal; and*
- (h) *Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”*

4. VIREMENT REQUIREMENTS AND RESTRICTIONS

- 4.1 The virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year and is the major mechanism to align and take corrective financial or budgetary action within a function and sub-function during a financial year.
- 4.2 In order, for a vote to transfer funds from one cost element or capital project to another cost element or capital project, a saving has to be identified within the monetary limitations of the approved budget giving the cost element or capital project allocations on the respective budgets.
- 4.3 Sufficient, non-committed budgetary provision should be available within the given vote's cost element or capital project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.
- 4.4 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption through an adjustment budget as per section 28 of the MFMA.
- 4.5 Virements between operating and capital budgets is not permitted, other than through an adjustment budget.
- 4.6 Budget transfers within the same function or sub-function shall be recommended by the head of departments (HODs) and the Chief Financial Officer, and/or the Accounting Officer, only if it is from the same source of funding.
- 4.7 No budget transfers or virement shall be made to or from salaries.
- 4.8 The budget for personnel expenditure may not be increased without prior approval of the Accounting Officer.
- 4.9 Savings on allocations earmarked for specific identified projects as per the approved SDBIP, may not be used for other purposes except with the approval of council.
- 4.10 Senior managers may utilize a saving in the amount appropriated under a main expenditure category (operational cost, contracted services, inventory, interest charged, depreciation, grants, insurance and VAT) within a function which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial and/or Accounting Officer.
- 4.11 Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- 4.12 Virements between votes must be included and approved by Council in the adjustment budget.
- 4.13 Virements between trading- and rate-funded functions are not allowed, due to the differing impacts on respective tariff- or rates-borne services' budgets, unless adopted through an adjustment budget (MFMA section 28).
- 4.14 Virements between functions may not exceed a maximum of 10 % of the total approved operating expenditure budget of the department.
- 4.15 A virement may not create a new policy, or significantly vary from current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years.
- 4.16 Virements resulting in adjustments to the approved SDBIP by the user department may need to be submitted with an adjustment budget to Council with altered outputs and measurements for approval.
- 4.17 No virement may commit the district municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of Council. This refers to expenditures such as entering into multi-year lease or rental agreements for the leasing of vehicles, photo copiers or fax machines.
- 4.18 No virement may be made to cover or allow for unauthorised, irregular or fruitless and waste expenditure.
- 4.19 No virements are permitted within the first three months or the final month of the financial year without the approval of the Accounting Officer.

- 4.20 Virement amounts may not be rolled over to subsequent years or create expectations on following budgets.
- 4.21 All virements should be approved in line with the Council's system of delegations.
- 4.22 All virements of funds between votes must be approved by the Accounting Officer and reported to the Executive Mayor on a monthly basis.

5. OPERATING BUDGET VIREMENTS

The following are specific virement limitations:

- 5.1 No virements are permitted between primary and secondary cost elements.
- 5.2 No virements allowed between salaries, wages and allowances expenditure items and remuneration of councillors.
- 5.3 No virements are allowed between operational cost and contracted services (repairs and maintenance)
- 5.4 The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category, which are in same function and funding:
- Training related expenditure;
 - Bargaining Council provisions and skills development levies;
 - Pensioner and continued members; and
 - Contracted Services (repairs and maintenance).
- 5.5 Other contracted services, except repairs and maintenance, and collection costs.
- 5.6 No virements will be permitted from the following expenditure items, unless with the adjustment budget:
- Bulk purchases;
 - Debt impairment;
 - Interest charges;
 - Depreciation;
 - Revenue foregone;
 - Grants to individuals;
 - Insurance related provisions;
 - VAT;
 - Repairs and maintenance; and
 - Conditional grant funds for any purpose not related to the conditions of the specific grant.
- 5.7 Secondary operating cost elements
- 5.8 Virements are allowed within the same cost elements. The service requestor and service provider must both endorse such virements.
- 5.9 Virements are only permitted within the same cost element in the following categories:
- Activity based recoveries; and
 - Internal utilities.
- 5.10 Virements may not increase the total approved budget or that cost element.
- 5.11 Virements are also not permissible in relation to support service charges.

6. CAPITAL BUDGET VIREMENTS

- 6.1 Only virements which relate to projects approved as part of Annual or Adjustment budgets will be permitted.
- 6.2 No virements, of which the effect will be to add new projects onto the capital budget, will be allowed. This needs to be affected through an adjustment budget.
- 6.3 Virements may not cause an increase to the individual projects' total cost.


- 6.4 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.
- 6.5 Implementation of the project may not be prejudiced due to the virement of funds (i.e., must not hinder completion of the project).
- 6.6 Motivations for virements should clearly state the reason for the saving within the giving project, as well as the reason for the additional amount required.
- 6.7 On secondary capital cost elements:
- 6.7.1 Virements are permissible only within the same cost elements of different projects.
 - 6.7.2 The service requestor and service provider must endorse such virements.
 - 6.7.3 Proposed secondary capital expenditure virements may be approved by the Accounting Officer.

7. PROCESS AND ACCOUNTIBILITY

- 7.1 Accountability to ensure that virement application forms are completed in accordance with the municipality's virement policy and are not in conflict with the department's strategic objectives rests with the senior manager of a relevant department.
- 7.2 Completed and approved virement documentation is to be affected by the Finance Department.
- 7.3 Virements approved and processed will be reported for information by the Accounting Officer to the Executive Mayor on a monthly basis.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 8.1 This policy shall be implemented once approved by Council. In terms of section 17(1) (e) of the MFMA this policy must be reviewed on an annual basis and the reviewed policy tabled to Council for approval as part of the budget process.
- 8.2 This policy will come into effect on 1 July 2025;



Adv. W Blundin
Municipal Manager

Resolution SC 36/05/2025