



Harry Gwala District Municipality

**HGDM-P003
DRAFT VIREMENT
POLICY
2026-27**



Harry Gwala District Municipality

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1. PURPOSE

- 1.1 Virement is the process of transferring funds from one line item of budget to another. The term is derived from a French word meaning a commercial transfer.
- 1.2 Each year the Municipality produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (For example, due to occurrence of disasters) or savings. As a result, it becomes necessary to transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the council, and as the local Government: Municipal Finance Management Act ("MFMA") is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.
- 1.3 It is important to note that the MFMA responsibility on each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted and thus virements should be kept to a minimum.
- 1.4 The main aim of this Policy is therefore to provide a framework to give the Heads of Departments greater flexibility while retaining sound control and accountability in managing their budgets whereby certain transfers between line items within votes and between votes may be performed with the prior approval of certain delegated officials.

2. DEFINITIONS AND ABBREVIATIONS

- a) **EXCO** – means Executive Committee
- b) **Accounting officer** - means the Municipal Manager of the municipality
- c) **Budget (approved)** – means an annual budget approved by a municipal council; or 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 adjustments budget.
- d) **Municipal financial year** – means a year ending on 30 June.
- e) **Virement** – means a process of transferring funds from one line item of budget or one Vote to another arising from circumstances which materially changed from those that were present at time of the adoption of the previous budget and also which take into account anticipated (projected) changes.



- f) **Vote** - means 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 municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

3. APPLICATION OF POLICY

- 3.1 This policy, with certain limitations, applies to both transfers within Votes and between votes of the Municipality's budget.
- 3.2 Section 28(2) (d) of the MFMA provides that "AN adjustments budget...may authorise the utilization of projected savings in one vote towards spending in another vote." However, Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes)
- 3.3 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.
- 3.4 Virements from the capital budget to the operating budget should not be permitted.
- 3.5 Virements towards personnel expenditure should not be permitted, except where:
- 3.5.1 Temporary/contracted (budget for as contracted services in terms to the Mscoa classification) staff status has changed to permanent staff; or
- 3.5.2 The budget savings resulted from Outsourced Services within the same function in terms of a council delegated authority.
- 3.6 Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT.
- 3.7 Virements should not result in adding 'new' projects to the Capital Budget
- 3.8 Virements should not be permitted in relation to the revenue side of the budget.
- 3.9 Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted.
- 3.10 Virements resulting from scrapping of assets (including stock/inventory) should not be allowed.
- 3.11 All 7 segments must be addressed if funds are to be transferred from one cost element, string, operating or capital project to another. Any budgetary amendment



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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 via an adjustments budget (per MFMA section 28).

- 3.12 Virements to Typical work stream projects from municipal running cost are permitted.
- 3.13 Virements between Typical work stream projects is permitted.
- 3.14 Virements will only be allowed within and the same source of funding in the funding segment. (MFMA circular 89-page 5 par. 2.2).

Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this policy, or any other policy may not be performed unless approved by Executive Committee through an adjustments budget.

4. AUTHORISATION OF VIREMENTS

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorized as follows:

- 4.1 If the amount does not exceed R2 000 000 per budget string (7 segments), the transfer may be authorised by the chief financial officer of the Municipality or the Municipal manager of the Municipality after consultation with the chief financial officer:
- 4.2 If the amount exceeds R2 000 000 but does not exceed R5 000 000 per budget string (7 segments), the transfer may be authorized by the municipal manager after consultation with the Chief Financial Officer.
- 4.3 If the amount of the transfer exceeds R5 000 000 per budget string (7 segments), the transfer may be authorised by the Municipal Manager then report to EXCO of the municipality for endorsement.
- 4.4 For reporting purposes 4.1 to 4.3 must be reported to EXCO on a monthly basis.

5. LIMITATIONS ON AMOUNT OF VIREMENT

- 5.1 Notwithstanding the provisions of section 4:
 - 5.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 30% of the amount allocated to that vote



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- 5.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 20% of the total operating budget for that year.
- 5.2 A transfer which exceeds, or which would result in exceeding of, any of the limits referred to in 5.1 above may, however, be performed if the Executive Committee by resolution approves thereof.
- 5.3 To comply with mSCOA regulations, the transferring of funds may be made under this policy between or from capital project to same categories items or projects of a capital in nature.

6. VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED

A transfer of funds from one item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

FURTHER RESTRICTIONS ON VIREMENT

- 6.1 A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:
- 6.1.1 Contravene any policy of the Municipality; or
 - 6.1.2 Alter the approved outcomes or outputs of an Integrated Development Plan; or
 - 6.1.3 Result in any adjustment to the Service Delivery and Budget Implementation Plan
- 6.2 No transfer of funds shall be permitted if same were to result in any change to the staff establishment of the Municipality, except if the Municipal Manager approves of such change.
- 6.3 Transfer of funds may not be made under this policy between or from capital items or projects.
- 6.4 To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided. Strict budgetary control must be maintained throughout the financial year in order that potential overspending and / or income under recovery within individual vote departments are identified at the earliest opportunity. (Section 100 MFMA).



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6.5 By definition, transfers may not be made under this policy from a line item administered by one department to a line item administered by another.

6.6 In accordance with section 30 of the MFMA with no transfer of funds may be made from a line item of a budget of a particular year to a line item of a budget for a subsequent year.

6.7 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.

6.8 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause

6.9 The approval of any transfer shall not per se constitute expenditure authority, and all expenditure resulting from approved transfers must, to the extent that same is applicable, be carried out in accordance with the Municipality's Supply Chain Management Policy.

7. POLICY PROCEDURES

7.1 Proposals for transfers may be made by the Head of Department concerned.

7.2 The Municipal Manager shall prescribe a form on which all proposals for transfers of funds under this policy shall be made, which form shall include, but not limited to, provisions for the following:

7.2.1 The name of the department concerned;

7.2.2 Descriptions of the line items from and to which the transfer is to be made;

7.2.3 The amount of the proposed transfer;

7.2.4 The cause of the saving in the line item from which the transfer is to be made;

7.2.5 The justification for the transfer;

7.2.6 A description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan

7.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if:

7.3.1 The amount of the transfer does not exceed the amount referred to in section 4.1 and the transfer is not between cost or functional centers, the Chief Financial Officer shall:

7.3.1.1 Approve the proposal, or

7.3.1.2 Reject the proposal;

7.3.1.3 Refer the proposal to the Municipal Manager for approval or rejection.



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7.3.2 The amount of the transfer does not exceed the amount referred to in section 4.1 but the transfer is between cost or functional centers, or if it falls within the range of amounts referred to in section 4.2, the Chief Financial Officer shall refer the proposal to the Municipal Manager who, after consultation with the Chief Financial Officer, shall approve or reject the proposal;

7.3.3 The amount of the transfer falls within the range of the amounts referred to in section 4.3, the Chief Financial Officer shall refer the matter to the Municipal Manager who in turn shall refer the matter to the Executive Committee, together with his recommendations, and the Executive Committee shall either approve or reject the proposal.

7.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

8. REPORTING

8.1 The Municipal Manager shall submit a report on all transfers made under this Policy to the Executive Committee every month.

9. REVIEW OF POLICY

In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the review policy tabled to Council for approval as part of the budget process.

The following should be taken into account for future amendments to this policy:

- Changes in financial strategy;
- Changes in non-financial strategic strategies; and
- Changes in legislation

Policy section:	Director: Budget and Reporting
Current date:	24 March 2026
Previous review date:	28 May 2025

10. APPROVAL AND IMPLEMENTATION OF POLICY

10.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.

10.2 This Policy, once adopted by Council, shall come into effect on 01 July 2026 once approved by the council.



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Policy section:	Director: Budget and Reporting
Approval by council:	