



DIPALESENG LOCAL MUNICIPALITY

BUDGET VIREMENT POLICY

2026/2027

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PREAMBLE

Whereas Section 15(a) and (b) of the Local Government: Municipal Finance Management Act, 56 of 2003 (hereinafter referred to as the Act) determines that a municipality may, except where otherwise provided for in the Act, incur expenditure only in terms of an approved budget (original and adjustments budgets) and within the limits of the amounts appropriated for the different votes in an approved budget;

And whereas Section 23(1) of the Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations (hereinafter referred to as the Regulations) determines that an adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the relevant year;

And whereas Section 23(2) of the Regulations determines that only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during a financial year.

And whereas there will always be a need to transfer funds within or between approved votes, as defined in the Act, due to changing circumstances and priorities during a financial year;

Now therefore the Municipal Council of the Dipaleseng Local Municipality adopts the following Virement Policy:

1. DEFINITIONS

“Accounting Officer” means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003.

“Act” means the Local Government: Municipal Finance Management Act, 56 of 2003.

“Approved budget” means an annual budget (original or an adjustments budget) referred to in Section 15 of the Act approved by the Municipal Council in terms of Sections 24 and 28 of the Act.

“Chief Financial Officer” means an official designated by the Accounting Officer as the Chief Financial Officer in terms of Section 80(2)(a) of the Act.

“Cost Centre” means a functional area which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

“Cost category” means a category of expenditure as set out in the approved budget.

“Cost item” means a line item of expenditure as set out in the approved budget.

“Financial Year” means the twelve (12) month period between 1 July and 30 June of the following year.

“Senior manager” means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Municipal Manager.

“Vote” means one of the main segments (departments) into which a budget of a municipality is divided for the appropriation of money for the different functional areas (cost centres) of the municipality which specifies the total amount that is appropriated for the purposes of the vote’s functional areas concerned.

“Virement” means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote or across a vote during a municipal financial year due to changed circumstances from which prevailed at the time of the previous budget adoption.

2. PURPOSE OF THIS POLICY

- 2.1 Dipaleseng Local Municipality wishes to achieve the following objectives by adopting this Virement Policy:
- 2.1.1 To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.
 - 2.1.2 To enable the Chief Financial Officer to advise the Accounting Officer and to assist senior managers in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.
 - 2.1.3 To provide guidelines to the Accounting Officer and senior managers in the use of virements as a mechanism in their day- to-day management of their budget votes.
 - 2.1.4 To empower the Accounting Officer and senior managers with an efficient financial and budgetary system to ensure optimum service delivery within the current legislative framework of the Act and the municipality's system of delegations.

3. VIREMENT PRINCIPLES

3.1 Dipaleseng Local Municipality wishes to record that the following virement principles will apply:

- 3.1.1 In order for the Mayor and the Accounting Officer to authorise the transfer of funds from one cost item or capital project to another cost item or capital project within or across a vote (directorate); a saving has to be identified within the monetary limitations and within a similar funding segment of the approved cost item or capital project allocations on the respective budgets (operational and capital).
- 3.1.2 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 via an adjustments budget (Section 28 of the Act).
- 3.1.3 In terms of Section 17 of the Act a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets.
- 3.1.4 Virements between votes (departments) will be permitted where the proposed shifts in funding facilitate sound risk and financial management.
- 3.1.5 Virements to the revenue side of the operational budget are allowed subject to the conditions of this Policy.
- 3.1.6 Virements to the expenditure side of the operational budget are allowed subject to the conditions of this Policy.
- 3.1.7 Virements to the expenditure side of the capital budget are allowed subject to the conditions of this Policy.

4. OPERATING BUDGET VIREMENTS

4.1 Sound motivations should be provided for all virements, as provided for on the pro forma virements documentation attached as Annexure A to this Policy.

4.2 Cost categories

4.2.1 Employee Related Costs and Remuneration of Councilors

- (a) Virements are allowed between cost items, cost centers and votes as well as to and from these categories but only on the recommendation of the Pay Office to ensure that budgets are not committed for staff and councilors already on the payroll.

4.2.2 Provisions (Current and Non-Current) and Bad Debts Written Off

- (a) Virements are allowed between cost items, cost centers and votes within this category of expenditure, but only at financial year end once final provision amounts required for Annual Financial Statement purposes have been calculated.

4.2.3 Contracted Services, Inventory Consumed, Operating Leases and Operational Cost and Bulk Purchases

- (a) Virements to and from cost items, cost centers and votes within these categories of expenditure are allowed.

4.2.4 Depreciation and Amortization, Interest, Dividends and Rent on Land, Transfers and Subsidies, Gains and Losses, Impairment Loss, Disposal of Fixed and Intangible Assets

- (a) Virements are allowed between cost items, cost centres and votes within this category of expenditure, but only at financial year end once final amounts required have been determined.

4.3 Revenue categories

Virements are allowed within a revenue source but only to correct budgeted errors due to incorrect allocations of budgeted funds.

5. CAPITAL BUDGET VIREMENTS

- 5.1 No “new” capital projects as defined by mSCOA onto the capital budget will be permitted except for where it is necessary to accelerate capital projects spending of capital projects already approved by Council in the IDP and capital budget of the indicative MTREF years.
- 5.2 Motivations for virements in paragraph 5.1 should clearly state the reason for the need of a new capital project/s on the budget as well as the saving/s within the approved capital project/s.
- 5.3 Virements to and from the various categories of funding sources are not allowed. Virements are permitted within a single category of funding source.

6. MSCOA SEGMENTS

6.1 Funding Segment

Are the various sources of funding available to municipalities for financing expenditure relating to the operation of the municipality both capital and operational spending?

6.2 Function Segment

Is the location within mSCOA for creating the “vote” structure for all municipalities?

6.3 Item Segment

Is the distinction of what is being bought or money received for in the main categories being Revenue, Expenditure, Assets, liabilities, and Net Assets?

6.4 Project Segment

Is the nature of expense resulting in the classification of transactions linked to the IDP of the municipality?

6.5 Costing Segment

Provides for the recording of full cost reflection.

Virements across segments will be allowed.

7. PROCESS AND ACCOUNTABILITY

- 7.1 Accountability, to ensure that virement application forms are completed in accordance with Council's Virement Policy and which is not in conflict with the department's strategic objectives, manifests with the senior manager of a department.
- 7.2 The relevant senior manager will ensure that the virement application form is duly completed, the virement duly motivated and signed by the senior manager. Supporting documentation, proving savings on a cost item/s, must accompany the application form that needs to be handed over to the budget office.
- 7.3 The budget office will verify the virement application form and the Chief Financial Officer will recommend the virement application verified should it comply with the Virement Policy of Council. If not, the virement application form will be returned to the relevant senior manager.
- 7.4 All relevant virement application forms verified by the budget office and recommended by the Chief Financial Officer will be submitted to the Accounting Officer and the Executive Mayor for final approval. The Accounting Officer or Executive Mayor may refuse to approve a virement application even if the Chief Financial Officer has recommended the virement application.
- 7.5 After receiving the final approval, the budget office may process the virement.
- 7.6 Completed virement documentation is to be kept by the Chief Financial Officer (budget office) for audited purposes.

8. DELEGATIONS

- 8.1 The approval of virements will be done in terms of the approved System of Delegations of Council.
- 8.2 Any official acting in a position of a senior manager, the Chief Financial Officer and the Municipal Manager will have the delegated powers to authorise or approve virement applications.
- 8.3 Virements within the same source will be allowed but only to correct errors due to incorrect allocations of budgeted funds which can be made at the discretion of the Chief Financial Officer and the Accounting Officer.

9. SHORT TITLE

This policy is the Virement Policy of the Dipaleseng Local Municipality.

This policy comes into effect on the date of approval by Council

Implementation Date	Council Resolution no.	Adopted Date
1 July 2026		

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