

ANNEXURE B9

HESSEQUA

Munisipaliteit / Municipality



Final Beleid / Final Policy

VIREMENT POLICY

2026/2027

"In terme van Hessequa Munisipaliteit se Anti-Korrupsie strategie en die implementering van Anti-Korrupsie prosedures in al die fasette van Administrasie is dit vir ons belangrik dat hierdie beleidsdokument aan die Raad se Anti-Korrupsie doelwitte voldoen en daarom vorm dit deel van die Hessequa Munisipaliteit se Anti-Korrupsie beleid."

"In terms of Hessequa Municipality's Anti-Corruption strategy and the implementation of the Anti-Corruption procedures in all the facets of Administration it is important that this policy document apply to the Council's Anti-Corruption aims and therefore form part of the Hessequa Municipality's Anti-Corruption policy."

Goedgekeur / Approved:

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1. PREAMBLE

- 1.1. **WHEREAS** Section 81(1)(d) of the MFMA states *inter alia* that “*The Chief Financial Officer of a municipality-...must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79;...;*” and
- 1.2. **WHEREAS** the Chief Financial Officer therefore has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control; and
- 1.3. **WHEREAS** a municipality’s virement policy and its underlying administrative process within the system of delegations is one of these controls; and
- 1.4. **WHEREAS** Section 78(1)(b) of the MFMA states *inter alia* that “*Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure-...(b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;...;*” and
- 1.5. **NOW THEREFORE** the Hessequa Municipal Council adopts the Municipal Virement Policy as set out in this document

2. PURPOSE

- 2.1. This policy aims to provide guidelines to senior management in the use of virements as a mechanism in their day-to-day management of their budgets. 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. SCOPE

- 3.1 This Policy is applicable to all municipal officials and political office bearers and must be complied with in every case where virements are dealt with.
- 3.2 All applications must be referred in the first instance, to the CFO for consideration and advice.

4. DEFINITIONS

- 4.1 “**Accounting officer**” The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA.
- 4.2 “**Approved budget**” means an annual budget approved by a municipal council.
- 4.3 “**Budget-related policy**” means a policy of a municipality affecting or affected by the annual budget of the municipality.
- 4.4 “**Chief financial officer**” 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.

- 4.5 **“Capital Budget”** This is the estimated amount for capital items in a given fiscal period. Capital items are fixed and loose assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods.
- 4.6 **“Council”** means the council of a municipality referred to in section 18 of the Municipal Structures Act.
- 4.7 **“Establishment”** means the formation or organization of something in the Municipality. e.g. The work force establishment, the disciplinary establishment, the policy establishment etc.
- 4.8 **“Financial year”** means a 12-month year ending on 30 June.
- 4.9 **“Operating Budget”** The Town's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
- 4.10 **“Ring Fenced”** an exclusive combination of line items grouped for specific purposes for instance salaries and wages.
- 4.11 **“Service delivery and budget implementation plan”** 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.
- 4.12 **“Virement”** is a flexible mechanism to effect budgetary amendments within a municipal financial year. Virement is the process of transferring budgeted funds from one vote to another, with the approval of the relevant Manager and CFO, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. (Section 28 (2) (c) MFMA)
- 4.13 **“Vote”** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds 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. [See annexure “A” for current Vote structure]

5. STATUTORY FRAMEWORK

- 5.1 Constitution of the Republic of South Africa, 1996 as amended;
- 5.2 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) – section 118 – [MSA];
- 5.3 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) – section 71(1)(g)(iii) – [MFMA]; and
- 5.4 Any other applicable legislation, regulations and policies that may govern virements and that are not in contradiction with the primary legislation referred to above.
- 5.5 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.
- 5.6 Section 15 – Appropriation of funds for expenditure *“A municipality may, except where otherwise provided in this Act, incur expenditure only-*
 - (a) in terms of an approved budget; and*
 - (b) within the limits of the amounts appropriated for the different votes in an approved budget.”*

- 5.7 Unauthorised Expenditure (MFMA Definition) *“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;”*
- 5.8 Overspending (MFMA Definition)
- “(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;”*
- 5.9 Section 71(1)(g)(iii) states inter alia *“(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:...(g) when necessary, an explanation of- ... (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget....”*

6. FINANCIAL RESPONSIBILITIES

- 6.1 Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments is identified at the earliest possible opportunity. (Section 100 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).
- 6.2 It is the responsibility of 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. 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 102.

7. VIREMENT REQUIREMENTS AND RESTRICTIONS

- 7.1 The virement process represents the major mechanism to align and take corrective (financial / budgetary) action within a Vote during a financial year.
- 7.2 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 "giving" cost element or capital project allocations on the respective budgets.
- 7.3 Sufficient, (non-committed) budgetary provision should be available within the "giving" vote's cost element or 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.
- 7.4 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 via an adjustments budget (per MFMA Section 28).
- 7.5 In terms of Section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.
- 7.6 Virements may not exceed a maximum of 10% of the total approved operating budget per Vote.
- 7.7 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years (section 19 and 21 MFMA).
- 7.8 Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to the Council with altered outputs and measurements for approval (MFMA Circular 13, page 3, paragraph 3).
- 7.9 No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of the Council. This refers to expenditures such as entering into agreements into lease or rental agreements such as vehicles, photo copiers or fax machines. This restriction excludes the depreciation expenses of the assets.
- 7.10 No virement may be made where it would result in unauthorised expenditure (section 32 MFMA)
- 7.11 No virement shall add to the staff establishment of the Municipality without the approval of Council and/or Municipal Manager as applicable.
- 7.12 Budget may only be transferred from Salaries if approved by the Council and/or Municipal Manager as applicable.
- 7.13 If the virement relates to an increase in the work force establishment, then the Council's existing recruitment policies and procedures will apply.
- 7.14 Virements may not be made in respect of ring-fenced allocations.
- 7.15 Virements in capital budget allocations are only permitted within specified action plans and not across funding sources.
- 7.16 (No virements are permitted in the first three months or the final month of the financial year without the approval of the CFO.)
- 7.17 No virement proposal shall affect amounts to be paid from another Vote without the prior written agreement of the Manager of that Vote (Section 15 MFMA).
- 7.18 Virement amounts may not be rolled over to subsequent years or create expectations on following budgets. (Section 30 MFMA)
- 7.19 An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the Municipal Supply Chain Management Policy and System as periodically reviewed.
- 7.20 Virements may not be made between Expenditure and Income unless there is a change in accounting policies which reclassify items.

8. OPERATING BUDGET VIREMENTS

8.1 Virements are forbidden on special purpose budgetary allocations to which Council resolutions apply (e.g. budget strategy for growth in repairs and maintenance provisions)

8.2 Sound motivations should be provided for all virements, as provided for on pro forma virement documentation.

8.3 Specific virement limitations:

8.3.1 No virements are permitted between Primary and Secondary cost elements.

8.3.2 No virements are permitted to and from Grants and Subsidies Paid, except if supported by Council decision for such transfer and as per the approved Grants-in-Aid Policy.

8.4 Salaries, Wages and Allowances Subjective Category:

8.4.1 Virements are allowed between cost elements of - and only if these virements are within - this subjective category.

8.4.2 Virements to and from this subjective expenditure category are subject to the approval of the Municipal Manager.

8.5 Remuneration of Councillors

8.5.1 Virements within this category are allowed.

8.5.2 No virements to and from this category are allowed.

8.6 Contracted Services, Operational Cost, Inventory, Transfers & Subsidies (Primary)

8.6.1 Virements to and from cost elements within these categories are allowed, but only between the same cost centres. (Virements are only allowed from General Expenditure to Repairs and Maintenance and vice versa.)

8.6.2 Virements i.r.o. vehicle costs, are the only exception where virements are allowed across different cost centres. (Virements are only allowed from General Expenditure to Repairs and Maintenance and vice versa.)

8.7 Operational/ Capital Grants & Subsidies

8.7.1 Virements i.r.o Grants & Subsidies (as published in the DORA schedules by National and Provincial Treasuries) are allowed across different cost centres subject to the approval of the Accounting Officer. (Virements are only allowed within the same grant e.g from Municipal Infrastructure Grant to Municipal Infrastructure Grant etc.)

8.8 The following cost elements categories are not to be used as sources of virements, but virements are allowed within each category:

8.8.1 Training related expenditure

8.8.2 Bargaining Council provisions and skills development levies

8.8.3 Insurance related provisions

8.8.4 Pensioner and Continued Members

8.8.5 No virements are allowed to and from the following cost elements or provisions:

- (i) Capital Expenditure-related elements
- (ii) Scrapping of Assets / Stock
- (iii) VAT
- (iv) Insurance Fund

8.9 Contracted Services and Collection Costs

8.10 Virements to and from these elements are allowed.

8.11 No virements will be permitted to and from the following expenditure categories, unless such amendments are affected within the cost element (other than this must be approved through an adjustment Budget):

- (i) Bad Debts
- (ii) Interest Charges and Depreciation.
- (iii) Indigent Relief and Income Forgone
- (iv) Appropriation Accounts

Virements for Interest Charges and Depreciation may be done across cost centerse but still within the Cost Element.

8.12 Revenue

8.12.1 No virements will be approved on any Revenue element. Revenue provisions' amendments are to be adopted via an adjustments budget.

8.13 Secondary Operating Cost Elements

8.13.1 Virements are allowed within the same cost elements. The service requestor and service provider must both endorse such virements.

8.13.2 Internal Utilities and Bulk Internal Utilities virements are permissible, on condition that the respective Internal Utilities Revenue and Bulk Internal Utilities Revenue are amended simultaneously.

8.13.3 No virements are allowed to and from the following cost elements or provisions:

8.13.4 Virements may not increase the total approved budget of that cost element.

8.13.5 Virements are not permissible in relation to Support Service Charges.

9. CAPITAL BUDGET VIREMENTS

9.1 Capital budget virements (i.r.o projects and loose assets) are only to be adopted via an adjustment budget to be tabled after the mid- year budget and performance assessment has been tabled in council.

9.2 Any virement that is seen as an immediate necessity before the tabling of the main adjustment budget due to the nature of a project/ commitment, must be approved by the accounting officer.

9.3 The virement must be between projects of similar funding sources, and only between the same cost centres.

9.4 The approved virement must be included in the main adjustment budget for final approval.

9.5 Clear motivations should be provided which states the reason for the saving in the "giving" project, as well as the reason for the additional funds required.

9.6 No virements of which the effect will be to add "new" projects onto the Capital Budget will be allowed (MFMA SCOA Circular No. 8).

9.7 Secondary Capital Cost Elements:

- 9.7.1 Virements are permissible only within the same cost elements of different projects.
- 9.7.2 The service requestor and service provider must endorse such virements.
- 9.7.3 Proposed secondary capital expenditure virements must be approved by the CFO.

9.8 Ward Allocations Projects:

- 9.8.1 Only virements between existing projects approved by Council, within the same directorate will be permitted.
- 9.8.2 Virements will only be considered if approved by the relevant project managers and finance managers of the projects involved.
- 9.8.3 Motivations for virements between projects should clearly state the reason for the saving within the “giving” project, as well as the reason for the additional amount required.

10. PROCESS AND ACCOUNTABILITY

- 10.1 Accountability to ensure that virement application forms are completed in accordance with Council's virement policy and are not in conflict with the Municipality's strategic objectives manifests with the relevant Senior Manager.
- 10.2 Completed virement documentation is to be approved by the CFO.

11. APPEALS, COMPLAINTS, DISPUTES OR OBJECTIONS

In the event of an appeal raised in relation to a decision made in terms of this Policy the provisions of section 62 of the Municipal Systems Act, 2000 will apply.

12. MAINTENANCE

- 12.1 Given the changing nature of the regulatory, control and operational environment of the Municipality, this Policy will be regularly reviewed and updated on an on-going basis.

13. IMPLEMENTATION

- 13.1 This Policy is effective from the date of approval by Council.
- 13.2 It is the responsibility of the various Line Department Managers to bring the content of this Policy to the attention of all parties concerned.
- 13.3 Enquiries on this Policy can be solicited from the Office of the CFO.

APPENDIX A

Vote Classification
VOTES, DIRECTORATES AND DEPARTMENTS

VOTE (GFS CLASSIFICATION)	DIRECTIVE			DEPARTMENT	VOTE HOLDER
Executive and Council	Executive and Council	20		MUNICIPAL MANAGER	Municipal Manager
		21		COUNCIL GENERAL AND COUNCIL CONTRIBUTIONS	Municipal Manager
Finance & Admin	Finance	40		FINANCE	Chief Financial Officer
		40		RATES	Chief Financial Officer
	Corporate	22		INTERNE OUDIT	Municipal Manager
		30		HR	Director: Corporate Management
		24		IT	Director: Corporate Management
		32		LEGAL SERVICES	Director: Corporate Management
		60		MUNICIPAL LAND & BUILDINGS	Director: Technical Services
		31		CORPORATE SERVICES	Director: Corporate Management
	Community	50		COMMUNITY SERVICES	Director: Community Services
Planning & Development		80		TOWN PLANNING	Director: Development Planning
		25		LOCAL ECONOMIC DEV	Director: Development Planning
		23		INTEGRATED DEV PLAN	Municipal Manager
Community & Social Services	Cumminity	33		LIBRARIES	Director: Corporate Management
		36		MUSEUM	Director: Corporate Management
		35		COMMUNITY HALLS	Director: Corporate Management
		51		COMMUNITY HALL RD MULTI PURPOSE	Director: Community Services
		61		CEMETERIES	Director: Technical Services
Housing	Housing	52		HOUSING	Director: Community Services
Public Safety	Community	53		TRAFFIC / MUNICIPAL POLICE / LAW ENFORCEMENT	Director: Community Services
		55		FIRE BRIGADE	Director: Community Services
		57		POUND	Director: Community

VOTE (GFS CLASSIFICATION)	DIRECTIVE			DEPARTMENT	VOTE HOLDER
					Services
Sport & Recreation	Community	62		PARKS	Director: Technical Services
		63		SPORTCLUBS	Director: Technical Services
		64		SWIMMING POOLS	Director: Technical Services
		65		CAMPING SITES	Director: Corporate Management
Environment		81		NATURE CONSERVATION	Director: Development Planning
Waste water Management		70		SEWERAGE	Director: Technical Services
REFUSE		72		SOLID WASTE	Director: Technical Services
Public Works		69		PUBLIC WORKS	Director: Technical Services
Water		73		WATER	Director: Technical Services
Electricity		74		ELECTRICITY	Director: Technical Services
Tourism		26		TOURISM	Director: Development Planning

DOCUMENT AND VERSION CONTROL

Version: Final – 2026/2027

Date: 27 May 2026

Summary: This document describes the Virement Policy that will be applicable to the Hessequa Municipality, with effect from 01 July 2026.

ASA de Klerk
Municipal Manager

Date: 27 May 2026

G RIDDLES
Executive Mayor:

Date: 27 May 2026