



VIREMENT POLICY

2026/2027

Signatories

The signatories hereof, confirm acceptance of the contents, recommendation, and adoption hereof.

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INITIATED BY	Chief Financial Officer		
RECOMMENDED BY	Municipal Manager		
CUSTODIAN OF THE POLICY	Chief Financial Officer		

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1. DEFINITIONS AND ACRONYMS

1.1 Statutory and Regulatory

This Procedure applies to the following meanings and interpretations:

#	TERM	DESCRIPTION
1.1.1	Virement	Virement is the process of transferring funds from one line item of a budget to another. The term is derived from a French word meaning a commercial.
1.1.2	Vote	For ease of reference, the definition of "vote" is contained in Section 1 of the MFMA is set out hereunder: 'Vote' means - (a) "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 (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned."
1.1.3	Emergency	This means a serious circumstance which occurred unexpectedly & which requires immediate attention, or which might pose a threat to the lives of people e.g. disasters.

1.2 ACRONYMS

#	TERM	DESCRIPTION
1.2.1	MFMA	Municipal Finance Management Act no 56 of 2003
1.2.2	mSCOA	Municipal Standard Chart of Accounts
1.2.3	MTERF	Medium-Term Expenditure Framework Budget

2. BACKGROUND

2.1 The Council approves a MTERF- (3 year budget) before the start of the financial year.

2.2 The approved budget is an estimation of the activities in a financial terms period.

2.3 The budget consists of an operating and a capital budget based on the strategic objectives of the local government. In practice, as the year progresses, circumstances

may change such that certain estimates are under-budgeted and others overbudgeted. It is not practical to refer any such deviations to the Council, and it is therefore common practice to delegate certain authority for transfers to the executive mayor and senior officials.

3. PURPOSE

3.1 The purpose of this policy is to provide a guideline for management in their day-today management of their budgets.

4. DELEGATIONS ON CAPITAL BUDGETS

4.1 A Capital Budget is approved per line items or per project. This in effect means that council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to council for them to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project.

4.2 Virement from the capital budget to the operating budget should not be permitted.

4.3 Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget.

4.4 Virements within capital budget should only be approved by the Council with recommendation from the Accounting Officer

4.5 Virement should not result in adding "new" projects to the Capital Budget.

5. DELEGATION ON TRANSFERS

TRANSFERS BETWEEN FUNCTIONS AND VOTES

5.1 "Vote" in terms of MFMA is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or

functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area.

5.2 Council therefore decides on the total amount that is allocated to that specific function and classifies it as a vote.

5.3 Because council approves the "vote" only the shifting of funds within the "vote" can be delegated by Council to the Accounting Officer, the Chief Financial Officer or any other Senior Manager.

5.4 As far as the reallocation of funds between "Votes" is concerned it cannot be delegated, and Council has to decide on each of them.

5.5 Virement will only be allowed three months from the implementation date of approved Budget and only emergency virement will be given priority.

5.6 Virements should not be permitted in relation to the revenue side of the budget.

5.7 Virement towards personnel expenditure should not be permitted, except where:

5.7.1 Temporary/contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff, or

5.7.2 The budget savings resulted from outsourced services within the same function in terms of a Council delegated authority).

5.8 Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and

5.9 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).

5.10 Virement can only take place within the function or sub-function and the same source of funding. The creation of new projects or savings across functions can only take place through an adjustment budget.

5.11 Virement must secondly be permitted amongst the Votes on general expenses (Departments), and this must be approved by the Accounting Officer or the Chief financial Officer depending on the amount needed, recommended by the giver department, and supported by the requestor department.

5.12 Virement is not allowed from the repairs and maintenance project to any other nonrepair and maintenance vote.

5.13 The maximum percentage or monetary value of the budget of a function may be shifted through virements should not exceed 40% of the total budget of such vote.

TRANSFERS OF BUDGET

5.14 The transfers of budget amount from R 1 to R1, 000,000.00 are approved by the Chief Financial Officer on recommendation of the Senior Manager requesting the transfer and anything from R 1,000,001.00 and above is approved by the Accounting Officer on recommendation of the Chief Financial Officer.

5.15 The virement should be made within the approved budget.

6. PROCEDURE FOR VIREMENT

6.1 The Budget office shall prescribe a form on which all proposals of transfers of funds under this policy shall be made, the form shall include but not limited to:

6.1.1 The name of the department concerned,

6.1.2 Descriptions of the item segment and project segment from and to which the transfer is to be made.

6.1.3 The amount of the proposed transfer.

6.1.4 Detailed motivations for virements must be clearly stated, the motivation should clearly state the reason for the saving within the “giving” segment, as well as the reason for the additional amount required.

6.1.5 A description of any consequences that the transfer may have for the

Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

6.2 Virements to correct mSCOA segments are not limited to an amount but must be approved by the Chief Financial officer or a delegated senior official.

6.3 The transfers of budget amount from R0 to R1,000,000.00 are approved by the Chief Financial Officer on recommendation of the Senior Manager requesting transfer and anything R1,000,001.00 and above is approved Accounting Officer on recommendation of the Chief Financial Officer.

7. GENERAL

7.1 The purpose of this delegation is to improve the pace at which service delivery is done and to make functionaries more accountable for their actions.

8. LEGISLATIVE AND REGULATORY FRAMEWORK REQUIREMENTS

8.1 In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act (MFMA) and related circulars and guideline that are prescribed by National Treasury. Unlike the Public Finance Management Act, Act 1 of 1999 (PFMA) and Treasury Regulation on PFMA, the MFMA is not specific with regards to virements.

9. REVISION DATE

9.1 The policy will be reviewed annually or as and when necessary.

10. ANNEXURES

10.1 Business Process Map

10.2 Standard Operating procedure