



2026/27 VIREMENT POLICY

Table of Contents

1.	PREAMBLE.....	3
2.	DEFINITIONS	4
3.	OBJECTIVE.....	5
4.	PURPOSE OF VIREMENTS.....	5
5.	SPECIFIC VIREMENT LIMITATIONS:	7
6.	AUTHORIZATION OF REQUESTS FOR VIREMENTS	7
7.	RECOMMENDATION FOR APPROVAL OF THE VIREMENT REQUEST	7
8.	APPROVAL OF THE VIREMENT	7
9.	CONSIDERATION OF VIREMENTS BY COUNCIL.....	7
10.	BUDGET MONITORING	8
11.	REVIEW OF POLICIES	9

1. PREAMBLE

The Municipality in terms of section 15 of the MFMA may, except where otherwise provided in the MFMA, incur expenditure only in terms of an approved budget and within the limited of the amounts appropriated for the different function (vote) in an approved budget.

Section 28(2) (d) read together with section 69 of the MFMA provides that “An adjustments budget...may authorize the utilization of projected savings in one vote towards spending in another vote.” Transfers between votes may therefore be authorized by the Chief Financial Officer, the Accounting Officer and the Council of the Municipality as per their delegated authority.

2. DEFINITIONS

“Capital Budget” this is the estimated amount for capital item in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost which is normally written off over a number of fiscal periods.

“Capital Project” means capital project as per mSCOA project segment.

“Chief Financial Officer” shall mean the head of the Budget and Treasury Office as contemplated in sec 80 of the MFMA.

“Council” shall mean the Council of the municipality, any committee or person to which or to whom an instruction has been given or any power has been delegated or sub-delegated in terms of, or as contemplated in, section 59 of the Local Government: Municipal Systems Act, 2000 or a service provider in respect of any power, function, or duty of the Council.

“Councillor” shall mean a member of the municipal Council of Ray Nkonyeni Municipality.

“Financial Year” shall mean the period from 1 July until 30 June of the next year.

“MBRR” Municipal Budget and Reporting Regulations.

“mSCOA” refers to the Municipal Standard Chart of Accounts.

“Official” shall mean all persons in the full-time employment of Ray Nkonyeni Municipality.

“Operational” shall mean revenue or expenditure included in or to be incurred on the operating budget.

“Operating budget” the municipality’s financial plan, which outlines proposed expenditure for the coming financial year and estimates the revenue used to finance them,

“Operational” projects in terms of mSCOA refers to current and short-term projects for which the cost is immediately recognized as an expense and funded from the municipalities’ operational budget.

“SDBIP” means Service delivery and budget implementation plan.

“Virement” shall mean shifting of funds between a string or project within a Vote. Webster’s New millennium TM Dictionary of English defines “Virement” as “a regulated transfer or re-allocation of money from one account holder, especially public funds”.

“Vote” means:

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department concerned. A “Vote” can be set at department level or filtered down to functional level. The definition of “vote” for Ray Nkonyeni Municipality is set at the Functional area within the respective department.

3. OBJECTIVE

The objective of this policy is to set out the assumptions and methodology for virements as prescribed by Budget regulation 8, mSCOA regulations, various MFMA circulars.

4. PURPOSE OF VIREMENTS

The aim of the virement is to allow Departments freedom to manage their services up to agreed limits and to provide flexibility to assist the Council in meeting its objectives. If, however, the application of these virement powers results in difficulty for the Council, Council has the right to withdraw or suspend their use.

To facilitate virements, rules will be applied for the shifting of funds between budget strings or projects. This policy aims to provide guidance to senior management in the use of virements as a mechanism in the 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 municipality’s system of delegations.

Municipal manager has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality’s virement policy and its underlying administrative process within the system of delegations is one of these controls.

A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.

The general Regulations relating to virement are:

- (a) The transfer of the budget does not involve a change of policy or extra spending in future years.
- (b) The vote from which the budget is being transferred has sufficient resources for the remainder of the financial year taking into account all known commitments.
- (c) The virement does not involve the creation of new staff posts.
- (d) if any of the above Regulations are not met then the virement cannot proceed without the approval of the Council.

- (e) The Chief Financial Officer will report to National Treasury, Provincial Treasury and the Council on virements monthly , summarizing any variations to any budget in the prescribed format.
- (f) All reports concerning supplementary function (vote)s or re-allocation between function(vote)s shall indicate the function (vote) numbers and in all cases, prior comments of the Chief Financial Officer shall be obtained. Votes must be funded by the same funding source.
- (g) Budget transfers within the same function (vote) shall be requested by the Head of Department, recommended by the by the Chief Financial Officer, and approved by the Municipal manager.
- (h) For a “vote” (Functional) to transfer from one string, operating project or capital project to another string, project or capital project, a saving has to be identified within the monetary limitations of the approved “giving” string, operating project, or capital project on the respective budgets.
- (i) Sufficient, (non-committed) budgetary provision should be available within the “giving” string, operating project or capital project concerned to give effect to the budgetary transfer (virement).
- (j) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Director Corporate Services and approved by the Municipal Manager.
- (k) No Budget transfers or virement shall be made in the first 3 months of the financial year.
- (l) No Budget transfers or virement shall exceed 5% of the Total Budget per line item within the function (vote) in a financial year.
- (m) The budget for personnel expenditure may not be increased without prior recommendation of the Chief Financial Officer after consultation with the Head of Department Corporate Service and approved by the Municipal Manager.
- (n) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of council.
- (o) Directors may utilize a saving in the amount appropriated under a main expenditure category (, General Expenses, Repairs & Maintenance, etc.) within a function (vote) which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same function (vote), with the recommendation of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department.
- (p) The amount of a saving under a main expenditure category of a function (vote) that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category.
- (q) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- (r) Virements between function (vote)s shall be included in the adjustment budget.
- (s) In terms of section 17 of the MFMA a municipality’s budget is divided into operating and capital budget and consequently no virements from capital budget to the operating budget are permitted.
 - (t) Virements should not result in adding new projects to the Capital Budget
 - (u) No transfer between income and expenditure is permitted.

5. SPECIFIC VIREMENT LIMITATIONS:

- (a) No virement may be made that will results in unauthorised expenditure (Section 32 MFMA).
- (b) No virement may be performed outside of the MFMA MSCOA Regulations which will constitute a budget adjustment and will require compliance with the prescriptions of MFMA Sections 28 & 29, as well as the MBRR.

6. AUTHORIZATION OF REQUESTS FOR VIREMENTS

Requests for supplementary function (votes)s or re-allocation of function (vote)s in respect of both the Capital and Operating Estimates must be authorized by the Head of Department.

7. RECOMMENDATION FOR APPROVAL OF THE VIREMENT REQUEST

The CFO recommends the approval of the virement after checking the availability of funds from the affected function (vote).

8. AUTHORISATION OF THE VIREMENT

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:

- a) If the amount does not exceed R 300 000, the transfer may be authorized by the Chief Financial Officer of the Municipality;
- b) If the amount exceeds R 300 001 but does not exceed R 1 000 000, the transfer may be authorized by the Municipal Manager after consultation with the Chief Financial Officer;
- c) If the amount exceeds R 1 000 001, the transfer may be authorized by the Executive Committee of Council, on the recommendation of the Chief Financial Officer and the Municipal Manager.

9. CONSIDERATION OF VIREMENTS BY COUNCIL

All virements must be considered by municipal council when tabling adjustment budget within the same financial year.

10. BUDGET MONITORING.

10.1 OPERATING BUDGET

10.1.1 Performance

10.1.1.1 The Chief Financial Officer shall monitor the performance of budgetary control of Heads of Departments. He/She shall coordinate the presentation of a council-wide financial report, including details of the performance of budgetary control.

10.1.1.2 Heads of Departments shall monitor income and expenditure each month, and will notify the Chief Financial Officer any actual, planned or expected variation from budget and provide adequate information to the Chief Financial Officer in sufficient time to enable him to report to the Mayor on the overall financial position of the municipality. The information provided by Heads of Departments will include details of the action taken or planned to deal with variances from budget.

10.1.2 Additional Estimates

10.1.2.1 The Council's general policy is that additional expenditure estimates will be granted only in exceptional circumstances. Additionally, our supplementary estimates, for items of expenditure not provided for in the budget, require Council approval.

10.1.2.2 When a report proposing additional expenditure is being considered by the Council the Chief Financial Officer shall be expected to give advice as to the potential impact, if any, upon the minimum level of financial reserves as required for the purpose of prudent financial management.

10.1.3 Revisions to budget

10.1.3.1 If the Council amends a budget during a financial year, then that "revised budget" shall apply from the date of the Council meeting and relate to the period covered by the budget. Such revisions will occur, for example, when the Council has approved a request from the head of Department for an increase or a decrease in the budget.

10.1.3.2 The Chief Financial Officer will have regard, in his budget monitoring reports to Council, to the level of financial reserves that are considered to be necessary for the prudent financial management of the municipality.

10.1.4 Unspent Funds

10.1.4.1 No underspending on Operating Budget at the end of the financial year shall be carried forward to the next financial year.

10.1.4.2 Where necessary provision was not made in the budget, the responsible HOD shall have to deal with such in terms of virement but not exceed the acceptable limit.

11. REVIEW OF POLICIES

The Chief Financial Officer shall be the custodian of the Policy and shall be responsible for the review of the policy, every year (1) as minimum. The approval of this policy shall lie with the Council.