



Ndwedwe Local Municipality

Approved Virement Policy for

2026/2027

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1. Background and Purpose

- 1.1 Each year, the Municipality produces an annual budget which must be approved by the 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 the occurrence of disasters), savings and reduced revenue projected. 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.
- 1.2 Circular 51 of the MFMA allows the heads of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a Council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes. The circular further indicated the principles under which the policy of the municipality must incorporate, further to that the implementation of mSCOA has resulted to the principles highlighted in the circular 51 to be amended in such a way that the virements can now only take place within a **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. The acceptability of virements has continued to be clarified in subsequent Circular’s issued via both National and Provincial Treasury.
- 1.3 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating and capital budget may be performed with the approval of certain officials within the municipality.

2. Definitions

2.1 Accounting Officer	means the Municipal Manager of Ndwedwe Local Municipality is the Accounting Officer of the municipality in terms of section 60 of the MFMA, no 56 of 2003.
2.2 Municipality	refers to Ndwedwe Local Municipality
2.3 Approved Budget	means an annual budget approved by a Municipal Council.
2.4 Budget Related Policy	means a policy of a municipality affecting or affected by the annual budget of the municipality.
2.5 Chief Financial Officer	means the Chief Financial Officer of Ndwedwe Municipality a person designated in terms of the MFMA who performs such budgeting, and other duties as may in terms section 79 of the MFMA be delegated by the Accounting Officer to the Chief Financial Officer.
2.6 Capital Budget	This is the estimated amount for capital items in a given financial period. Capital items are fixed assets such as Property, Plant and Equipment, the cost of which is normally written off over a number of financial periods.
2.7 Council	means the Council of Ndwedwe a Municipality referred to in section 18 of the Municipal Structures Act, no. 117 of 1998.
2.8 Financial Year	means a 12-month period starting from 01 July ending 30 June.
2.9 Line Item	an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures. (see annexure B for current item structure)
2.10 Operating Budget	The Municipalities Financial Plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.
2.11 Ring-Fenced	means an exclusive combination of line items grouped for specific purposes; for instance, employment costs.
2.12 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.
2.13 Virement	Refer to the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Director. To enable budgets to be amended in the light

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	of experience or to reflect anticipated changes. This applies if any of the seven. mSCOA segments are effected.
2.14 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)
2.15 Director	Employed in terms of Section 57/56 of the MSA. He/ She is directly accountable to the Municipal Manager
2.16 Municipal Standard Chart of Accounts (mSCOA)	The standard chart of accounts consists of the coding of items used for classification, budgeting, recording, and reporting of revenue and expenditure within the local government sphere contributing to whole of government reporting. mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.
2.17 Seven segments	1. Project: allocates the expenditure to a project, capital and operating) 2. Function: like vote and sub vote, core vs non-core function) 3. Item: Assets, Liabilities and Net assets; Expenditure re; Revenue; Gains and Losses 4. Fund: (which funding source is utilized for expenditure transactions) 5. Regional Indicator: (which region is benefiting from the service) 6. Costing: (secondary transaction - focus on services) 7. Municipal Standard Classification: –No standardization (address differentiation in function allocation)

3. Abbreviations

3.1 CFO	-Chief Financial Officer
3.2 IDP	– Integrated Development Plan
3.3 MFMA	–Municipal Finance Management Act No.56 of 2003
3.4 SDBIP	–Service Delivery Budget Implementation Plan
3.5 PMS	– Performance Management Systems
3.6 mSCOA	– Municipal Standard Chart of Accounts

4. Objective

4.1 To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure, or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

5. Application of Policy

5.1 This Policy applies only to transfers between any of the segments within a data-string of the Municipality's operating and capital budget.

5.2 Section 28(2) (d) read together with section 69 of the MFMA provides that “*An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.*” Transfers between votes may therefore be authorised only by the Council of the Municipality.

5.3 This Policy shall not apply to transfers between or from capital projects to operating projects or items and no such transfers may be performed under this Policy.

5.4 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 the Council through an adjustments budget.

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6. Financial Responsibility

6.1 Strict budgetary control must be maintained throughout the financial year so that potential overspends and /or income under- recovery, within individual vote department, are identified at the earliest possible opportunity. (Section 100 of the MFMA refers).

6.2 The Accounting 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.

6.3 It is the responsibility of the Director of each department, to which funds are allocated, 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 unauthorised; irregular or fruitless and wasteful expenditure, in terms of section 78 and 102 of the MFMA.

7. Virement Restrictions

7.1 Virements should not be allowed from the repairs and maintenance project in the project segment.

7.2 Any virements to fund fruitless wasteful, unauthorised, or irregular expenditure may only be approved by the Municipal Manager or Council subject to the limitations as per section 9 below.

7.3 Should the user department have any concerns that the virement has or may been/be used to fund fruitless wasteful, unauthorised or irregular expenditure this must be specifically stated on the virement form and the comments from SCM sought prior to submission of the form to the relevant approval authority.

7.4 If unforeseen or unavoidable expenditure is incurred for which that has been no budgetary provision, Sections 71, 72, 73 of the Municipal Budget and Reporting Regulations, April 2009 shall apply.

7.5 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 of the MFMA refers).

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- 7.6 Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to Council, with altered outputs and measurements, for approval. (NT Circular 13-page 3 paragraph 3 refers).
- 7.7 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 Council. This refers to expenditures such as entering into lease or rental agreements such as vehicles, photo copiers or fax machines.
- 7.8 No virement may be made where it would result in over-expenditure from the transferred vote. (Section 32 of the MFMA refers).
- 7.9 If the virement relates to an increase in the workforce establishment, then the Council's existing recruitment policies and procedures will apply.
- 7.10 Virements may not be made in respect of ring- fenced allocations.
- 7.11 Budget may not be transferred from Departmental Charges, Charge out allocations or Grant expenditure and Income votes. This will be done via a Section 28 Adjusting Budget Process.
- 7.12 Budget may only be transferred from or within the Salaries if approved by the Chief Financial Officer. Cannot transfer to salaries, catering or to any other expenditure line item highlighted in the ***cost containment measures policy***.
- 7.13 Virements in capital budget allocations are only permitted within specified action plans and must in addition have comparable asset lifespan classifications. Virements should not result in adding "NEW" projects to the Capital Budget if it is first submitted and approved by council and such item is reflected in the municipal IDP.
- 7.14 Virements from the capital budget to the operating budget and vice versa, is not permissible.
- 7.15 Virements amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 of the MFMA refers).

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- 7.16 An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.
- 7.17 Virements may not be made between Expenditure and Income.
- 7.18 To the extent that it is practical to do so, transfers within the first FOUR months and the last FOUR months of the financial year must be avoided.
- 7.19 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.
- 7.20 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.
- 7.21 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.
- 7.22 Any changes to funding, function or project segment will constitute an adjustment budget.

8. 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 authorised as follows:

8.1 If the amount does not exceed R50 000, 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;

8.2 If the amount exceeds R50 000 but does not exceed R200 000, the transfer may be authorised by the Municipal Manager after consultation with the Chief Financial Officer;

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8.3 If the amount exceeds R200 000 but does not exceed R500 000, the transfer may be authorised by the EXCO of the Municipality on the recommendation of the Municipal Manager.

8.4 Notwithstanding the provisions of 8.1, a transfer of funds between votes or functional centres within a particular vote may not be authorised by the Chief Financial Officer but may only be authorised by:

8.4.1 the Municipal Manager, if the amount does not exceed the amount of R200 000

8.4.2 the EXCO, if the cost exceeds the amount of R200 000 but does not exceed R500 000.

9. Limitations on amount of Virement

9.1 Notwithstanding the provisions of section 8:

9.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 20 % (the amount available after actual and committed expenditure is accounted for) of the amount allocated to that vote;

9.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 15% (amount) of the total operating budget for that year;

9.1.3 The amount of any one transfer of funds between line items may not exceed the sum of R500 000.

9.2 A transfer which exceeds, or which would result in the exceeding of any of the limits referred to in 9.1 above may, however, be performed if the Council by resolution approves thereof.

10. Circumstances under which the Virement is Permitted

10.1 A transfer of funds from one-line 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.

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11. Procedure for Virement

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

11.2 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 be limited to, provisions for the following:

- i. the name of the department concerned;
- ii. descriptions of the line items from and to which the transfer is to be made;
- iii. the amount of the proposed transfer;
- iv. the cause of the saving in the line item from which the transfer is to be made;
- v. the justification for the transfer;
- vi. a description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

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

11.3.1 the amount of the transfer does not exceed the amount referred to in section 8.1 and the transfer is not between cost or functional centres, the Chief Financial Officer shall:

- 11.3.1.1 approve the proposal, or
- 11.3.1.2 reject the proposal; or
- 11.3.1.3 refer the proposal to the Municipal Manager for approval or rejection;

11.3.2 the amount of the transfer does not exceed the amount referred to in section 8.1 but if the transfer is between cost or functional centres, or if it falls within the range of amounts referred to in section 8.2, 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.

11.3.3 the amount of the transfer falls within the range of the amounts referred to in section 8.3, the Chief Financial Officer shall refer the matter to the Municipal Manager who in turn shall refer the matter to the EXCO, together with his recommendations, and the EXCO shall either approve or reject the proposal.

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

12 Reporting

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12.1 The Municipal Manager shall submit a report on all transfers made under this Policy to the EXCO at the end of each quarter from which virement was undertaken.

13 General

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

13.2 This Policy shall come into effect on 01 July 2026.

14 Policy Implementation

This policy takes effect on the date on which it is adopted by the Council.

Policy adoption date	28 May 2026
Policy implementation date	01 July 2026
Next Review date	May 2027
Signed by.....	Date.....

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ANNEXURE A**Vote Classification**

Vote Department	Sections	Responsible Director
Budget and Treasury Office	-Finance -Supply Chain Management	Chief Financial officer
Corporate Services	-Human Resources -Administrative and Corporate Support -Information Technology -Legal Services	Director Corporate Services
Municipal Manager	-Municipal Manager's Office -Public Participation -IDP/PMS -Communication -Internal Audit -Risk Management	Municipal Manager
Community and Social Services	-Community Services -Solid Waste Removal -Disaster Management -Social Cohesion -Libraries and Archives -Youth Development -Sport and Recreation -Public Safety	Director Community and Social Services
Technical Services	-Public Works -Project Management Unit -Street Cleaning	Director Technical Services
Council General	-Mayor and Council	Municipal Manager
Economic Development and Planning	-Local Economic Development -Town Planning	Director Economic Development and Planning

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NDWEDWE LOCAL MUNICIPALITY VIREMENT FORM

APPENDIX A

NAME OF THE DEPARTMENT CONCERN:

DATE.....

FINANCIAL YEAR:

2	0	2	6
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2	0	2	7
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Amount to be transferred.....

Please reflect the virement as follows:

	FROM												
Department													
Main Function <i>(Refer to appendix B attached)</i>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Municipal governance and administration</td> <td style="width: 10%; text-align: center;"> </td> <td style="width: 10%;"></td> </tr> <tr> <td>2. Community and public safety</td> <td style="text-align: center;"> </td> <td></td> </tr> <tr> <td>3. Economic and environmental services</td> <td style="text-align: center;"> </td> <td></td> </tr> <tr> <td>4. Trading Services</td> <td style="text-align: center;"> </td> <td></td> </tr> </table>	1. Municipal governance and administration			2. Community and public safety			3. Economic and environmental services			4. Trading Services		
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4. Trading Services													
Sub Function One <i>(Refer to appendix B attached)</i>													
Sub Function Two <i>(Refer to appendix B attached)</i>													
Funding Source Segment													
Account Description													
Account Number/Vote													
	TO												
Department													
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	4. Trading Services ☐
Sub Function One (Refer to appendix B attached)	
Sub Function Two (Refer to appendix B attached)	
Funding Source Segment	
Account Description	
Account Number/Vote	

1. What is the cause of the saving in the line item from which the transfer is to be made from?

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.....

.....

2. What consequences that this transfer will have on the approved Integrated Development Plan or on the Service Delivery and Budget Implementation Plan?

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.....

.....

3. Is the above virement intended to pay for the cost of Unauthorised Expenditure? ☐

If yes; please provide details: (Should the below space be unsatisfactory, please attach a detail motivation)

.....

.....

.....

4. Is the above virement intended to pay for the cost of Irregular expenditure? ☐

If yes; please provide details: (Should the below space be unsatisfactory, please attach a detail motivation)

.....

.....

Is the above virement intended to pay for the cost of Fruitless and Wasteful expenditure? ☐

If yes; please provide details: (Should the below space be unsatisfactory, please attach a detail motivation)

.....

.....

5. Will the vote where the funds are transferring from require a further top-up (adjustment budget or virements)? ☐

CERTIFICATION OF REQUEST

I hereby declare that I fully understand the contents of the Virement Policy and request that the above virement be approved.

I further declare that after a review of the transferring votes listed in the attached application, I am not aware of any existing commitments or core service delivery requirements which will not be able to be funded or partly funded due to the transfer.

I declare all the above as at date of signature of the document.

Director: (Signature)

Director: (Print Name in Full)

Date:

CHECKING OF REQUEST

Manager Budget and Reporting:

Date:

APPROVAL OF REQUEST

Chief Financial Officer:

Date:

Municipal Manager:

Date:

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APPENDIX B

Main Function	Sub Function One	Sub Function Two
Community and public safety	Community and Social Services	Library
Community and public safety	Community and Social Services	Community Halls
Community and public safety	Community and Social Services	Disaster Management
Community and public safety	Sport and recreation	Sport and Recreation
Community and public safety	Community and Social Services	Social Cohesion

Main Function	Sub Function One	Sub Function Two
Municipal governance and administration	Executive and Council	Council General
Municipal governance and administration	Executive and Council	Office Municipal Manager
Municipal governance and administration	Finance and Administration	Finance
Municipal governance and administration	Finance and Administration	Human Resources
Municipal governance and administration	Finance and Administration	Administration General
Municipal governance and administration	Finance and Administration	Information Technology
Municipal governance and administration	Finance and Administration	Supply Chain Management

Main Function	Sub Function One	Sub Function Two
Economic and environmental services	Planning and Development	Economic Development and Planning
Economic and environmental services	Planning and Development	IDP and PMS
Economic and environmental services	Planning and Development	Town Planning
Economic and environmental services	Planning and Development	Project Management Unit
Economic and environmental services	Road transport	Public Works

Main Function	Sub Function One	Sub Function Two
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Trading Services	Waste management	Street Cleaning
Trading Services	Waste management	Solid Waste Removal