



MOGALE CITY LOCAL MUNICIPALITY

VIREMENT POLICY

2026 -2027

EFFECTIVE DATE: 01 JULY 2026



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DEFINITIONS

“MFMA” – Local Government: Municipal Finance Management Act, Act No. 56 Of 2003

“mSCOA” – municipal Standard Chart of Accounts

“Virement” –the process of transferring funds **from item segment and project segment within same source of funding of an operating and capital budget**. The term is derived from a French word meaning a commercial.

“CFO” – Chief Financial Officer

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1. PREAMBLE

Each year, the Municipality produces an annual budget which must be approved by 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 or savings). As a result, it becomes necessary to transfer funds between **item segments and project segments within same source of funding**. It is not practical to refer all transfers between **item segments and project segments** within a specific function segment 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 **item segments and project segments within same source of funding**.

2. PURPOSE

The purpose of this policy is therefore to provide a framework whereby transfers between within **item segments and project segments within same funding segments** of the operating budget and **capital budget** may be performed with the approval of certain officials.

3. KEY COMPONENTS OF THE POLICY

Section 28(2) (d) of the MFMA provides that “An adjustments budget – may authorise the utilisation of projected savings in one function segment towards spending in another function segment.” Transfers between municipal standard classification or departments may therefore be authorised only by the Council of the Municipality.

3.1 Operating Budget Virements

This policy applies only to transfers between item segments and project segments within same source of funding of the Municipality’s operating budget. Virements are also allowed within the repairs and maintenance project in the project segment, provided the grand total of such project is not changed. Virements from contractual line items are not allowed.

3.2 Capital Budget Virements

This policy applies to capital projects approved as part of annual or adjustment budget. No virements of which the effect will be to add “new” projects onto capital budget will be allowed. Virements must be between projects of similar funding sources. Savings across functions can only take place through an adjustment budget.

3.3 mSCOA is a multi-dimensional recording and reporting system across seven segments:

- 3.3.1 Municipal Standard Classification (own cost centres)
- 3.3.2 Function segment– (GFS item segment structure)
- 3.3.3 Item segment – (asset, liability, revenue, expenditure)
- 3.3.4 Project segment- (capital, operating, repairs & maintenance)
- 3.3.5 Region segment – (jurisdictional area, town, suburb, ward)
- 3.3.6 Funding segment – (rates, services charges, grants, public donations & loans)
- 3.3.7 Costing segment – (determine cost drivers, internal billing & departmental charges)

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 Municipal Council through an adjustment budget.

4. AUTHORISATION OF VIREMENTS

A transfer of funds from **item segments and project segments with function segment segments** to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- 4.1 Transfer of funds may only be authorised by the Executive Manager of the requesting department.
- 4.2 Notwithstanding the provisions above, a transfer of funds between **functions or sub-functions** within a particular function segment may not be authorised by the Chief Financial Officer but may only be authorised by Municipal Manager.

5. LIMITATIONS ON AMOUNT OF VIREMENT

Notwithstanding the provisions of Section 4:

- 5.1 The total amount transferred from and to **item segment** within a particular function segment in any financial year may not exceed 50% of the total project. However, projects that are funded by grants will be exempted.
- 5.2 The total amount transferred from and to **item segment** in the entire budget in any financial year may not exceed 50% of the total operating budget for that year.
- 5.3 The amount of any one transfer of funds between **item segment** may not exceed the sum of R 6 000,000.00. However, projects that are funded by grants will be exempted from this limit.
- 5.4 A transfer which exceeds, or which would result in the exceeding of, any of the limits referred to **above** may, however, be **only** performed if Council, by resolution approves thereof.

6 VIREMENT PERMITTED ONLY IF SAVINGS ARE PROJECTED

A transfer of funds from one **item segment or project segment** to another may take place if savings within the first-mentioned item segment or project segment **within the same funding segment** are projected or the project segment may not be implemented due to unforeseen circumstances and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

7 FURTHER RESTRICTIONS ON VIREMENT

- 7.1 A transfer of funds between item segment shall not be permitted under this policy if the effect thereof would be to:
 - a. contravene any policy of the Municipality; or
 - b. alter the approved outcomes or outputs of an Integrated Development Plan; or
 - c. result in any adjustment to the Service Delivery and Budget Implementation Plan.
- 7.2 If any line item has been specifically ring-fenced, no transfer of funds may be made under this policy to or from such line item.

- 7.3 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.**
- 7.4 Transfer from line items which may impact on the implementation of projects and plans by the designated department other than the one requesting the transfer may only be authorised once co-signed by such implementing department.
- 7.5 In accordance with Section 30 of the MFMA, no transfer of funds may be made from **item segment and project segment** of a budget for a particular year to **item segment and project segment** of a budget for a subsequent year.
- 7.6 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.
- 7.7 The approval of any transfer shall not *per se* constitute authorisation for expenditure, and all expenditure resulting from approved transfers must, be carried out in accordance with the Municipality's Supply Chain Management Policy.
- 7.8 The transfer of funds must in any event not **contravene Municipal Budget and Reporting Regulations (MBRR)** and the provisions of paragraph 4.6 of MFMA Circular 51 (Municipal Budget Circular for the 2010/2011 MTREF) issued on 19 February 2010, which provides, inter alia, as follows:
- a. *Virements should not be permitted in relation to the revenue side of the budget;*
 - b. *Virements between item segment 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 item segment);*
 - c. *Virements from the capital budget to the operating budget should not be permitted;*
 - d. *Virements towards personnel expenditure should not be permitted;*
 - e. *Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;*
 - f. **Virements should not result in adding 'new' projects to Operating and Capital Budget;**
 - g. *Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted."*
- 7.9 **Transfers within the first three months following approval of the original budget will not be permitted. Furthermore, no transfers will be approved during the three months (January–March) of the adjustment budget period.**
- 7.10 *No virements can be done during the adjustment process but only permit those incidents that are unavoidable to take place.*
- 7.11 *The virement application form must be completed with written motivation that serve as the reason of the virement.*

8 PROCEDURE FOR VIREMENT

- 8.1 Approval for transfers must be made by the Executive Manager of the concerned department.
- 8.2 The Budget Office 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:
- a. the name of the department concerned;
 - b. descriptions of the **item segment and project segment** from and to which the transfer is to be made;
 - c. the amount of the proposed transfer;
 - d. the cause of the saving in the item segment and project segment from which the transfer is to be made;

- e. the justification or motivation for the transfer;
 - f. a description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.
- 8.3 Each proposal for a transfer shall be submitted by the Executive Manager concerned to the Municipal Manager for Approval after recommendation by the Chief Financial Officer.
- 8.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.
- 8.5 Overs and unders of the budget will be performed at year end to balance the expenditure incurred.

9 IMPLEMENTING STRATEGY

- 9.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.
- 9.2 *After the approval of the Municipal Council, this Policy will be in effect as of 1 July 2026 for the 2026/2027 financial year.*

10 POLICY EVALUATION AND REVIEW

The Municipality would evaluate and review the policy on an annual basis and make changes if it is necessary.