UGU DISTRICT MUNICIPALITY

Policy Custodian	**Budget & Treasury Office**
Policy Name	**Virement Policy**
Policy Number	**5/26/P**
Status (New/Review) **Date (Financial Year)**	**Adopted** **2025/2026 FY**
Approved by	**Council** **C/R 11.1**
Date First Approved	**28 June 2018**
Date Last Approved	**28 May 2026**
Date for Next Review	**2026/2027 FY**

Contents

PREAMBLE

This Policy will serve as a guideline for the effective management of the Municipal virement processes, in order to attain the strategic objectives of the Municipality within the ambits of the applicable legislation and shall apply to all departments within the Municipality.

1. INTRODUCTION

Council has considered the guidelines distributed by National Treasury to local government which detail the processes and formats to be followed when preparing the virement policy. The Municipality shall comply with the provisions of this Policy in the processing of its the virements. This Policy provides the framework for dealing with Ugu District Municipality's virements. Key Principles further elaborated within this Policy are summarized as follows:

2. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act, has the same meaning as in that Act.

2.1. **"Accounting Officer"** means the Municipal Manger of Ugu District Municipality,

2.2. **"Chief Financial Officer"** means the Chief Financial Officer of Ugu District Municipality,

2.3. **"Financial year"** means a twelve months period commencing on 1 July and ending on 30 June each year,

2.4. "**Identified Savings**", the original budget less all the expenditure incurred and committed orders on that account.

2.5. "**Virement**", means "a regulated transfer or re-allocation of money from one line item account to another, within the same vote especially publicfunds."

2.6. **"Vote"** means

2.6.1. 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

2.6.2. which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

3. POLICY OBJECTIVES

3.1. To introduce a Framework by which departmental budgets can be managed by Heads of Departments to ensure effective financial management. A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.

4. PRESCRIPTIVE/LEGAL FRAMEWORK

4.1. Ugu District Municipality's Virement Policy has been developed with recognition of the macro and micro prescriptive context – within which it needs to comply, and policy imperatives of national and provincial government; as indicated, but not limited to, below:

4.1.1. Ugu District Municipality's Supply Chain Management Policy and Procedures,

4.1.2. Ugu District Municipality's Integrated Development Plan,

4.1.3. The Local Government Municipal Systems Act, Act No 32 of 2000,

4.1.4. The Local Government Municipal Finance Management Act, Act No 56 of 2003,

4.1.5. The Municipal Budget and Reporting Regulations published in terms of Section 168 of the MFMA, and

4.1.6. All relevant budget related Circulars and notices issued by the National Treasury.

5. POLICY APPLICATION

5.1. This Policy is applicable to staff, the political office bearers and the communities, both future and present, of the Ugu District Municipality.

6. POLICY PRINCIPLES

6.1. KEY PRINCIPLES AND GUIDELINES PERTAINING TO THE VIREMENT POLICY

6.1.1. Section 215 (1) of the Constitution of the Republic of South Africa states that National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.

6.1.2. Section 26(h) of the Municipal Systems Act (Act 32 of 2000) requires a municipality's Integrated Development Plan to reflect a financial plan, which must include a budget projection for at least the next three years (Medium Term Expenditure Framework);

6.1.3. The Minister with the concurrence of the Minister for Provincial and Local Government, has in terms of S168 of the Municipal Finance Management Act issued the Municipal Budget and Reporting Regulations which aim to secure sound and sustainable management of the budgeting and the reporting practices of the municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes; therefore, the Council of Ugu District Municipality adopts the Budget Policy as set out in this document.

6.2. DETERMINATION OF VOTE

6.2.1. Chief Financial Officer shall determine the number and type of votes to be used and line items to be shown under each vote. In so doing, the Chief Financial Officer shall consider and properly reflect the organizational structure and shall comply with the prescribed budget format of National Treasury. The operating expenditure shall be classified as per the Government Financial Statistics classifications used in the prescribed National Treasury format.

6.3. AUTHORISATION OF VIREMENTS

6.3.1. 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:

6.3.2. If the amount does not exceed R1 000 000.00 the transfer may be authorized by the Chief Financial Officer of the Municipality or the Accounting Officer of the Municipality after consultation with the Chief Financial Officer;

6.3.3. If the amount exceeds R1 000 000.00 but does not exceed R5 000 000.00 the transfer may be authorized by the Accounting Officer after consultation with the Chief Financial Officer;

6.3.4. The Mayor may authorize expenses in an emergency, or other exceptional circumstances and the adjustment budget must be adopted during the adjustment period after the expenses were incurred.

6.3.5. Notwithstanding the provisions of above, a transfer of funds between cost or functional centers within a particular Vote/Department may not be authorized by the Chief Financial Officer but may only be authorized by the Accounting Officer, if the amount does not exceed the amount of R5 000 000.00

6.4. RESTRICTIONS ON AMOUNT OF VIREMENTS

6.4.1. Notwithstanding the provisions of section 5:

6.4.1.1. The total amount transferred from and to line items within a particular vote in any financial year may not exceed 40% of the amount allocated to that vote;

6.4.1.2. The total amount transferred from and to line items in the entire budget in any financial year may not exceed 25 % of the total operating budget for that year;

6.4.2. A transfer which exceeds, or which would result in the exceeding of any of the limits referred to in 6.1 above may, however, be performed if the Council by resolution approves thereof.

6.4.3. 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.

6.5. MANAGEABLE GROUPS OF REVENUE

6.5.1. All manageable revenue which is budgeted for under a department is the responsibility of each Head of Department to ensure that it is collected.

6.5.2. Must report to the Chief Financial Officer and budget office any deviations that they become aware of which might affect the budgeted estimates.

6.5.3. Head of Department’s are responsible for all grants and donations which are budgeted for under their departments. They must report any deviations to the Chief Financial Officer or the budget office in writing. They must seek reasons for deviations from the responsible donor or the transferring sector departments.

6.5.4. If Head of Department’s become aware that budgeted revenue will not materialize or will not be collected, they must inform the Chief Financial Officer or the Budget Office to ensure that revenue will be adjusted downwards in the Adjustments Budget.

6.6. NON-MANAGEABLE GROUPS OF REVENUE AND EXPENDITURE

6.6.1. No funds Transfers can be made on these groups –

6.6.1.1. Depreciation,

6.6.1.2. Finance Charges,

6.6.1.3. Departmental Charges,
6.6.1.4. Investment Income, and
6.6.1.5. Employee Related Costs

6.7. OPERATING BUDGET VIREMENTS

6.7.1. Operating budget virements can only be done on General Expenses, Contracted Services and Repairs and Maintenance items. Funds transfer can take place within these groups provided the total approved budget allocation per vote is not exceeded. In order for an account to transfer funds from one item to another, there must be identified savings within the limitations of the approved budget for that group. These must be clearly stated in the formal funding requests submitted to the Chief Financial Officer and the Budget Office. Funds may not be transferred to new line items of the operating budget.

6.7.2. All requests for the transfer of funds must be in writing using the prescribed request forms in Annexure and must be properly authorized by the Manager and Head of Department responsible for that vote and the Chief Financial Officer as per the set limits.

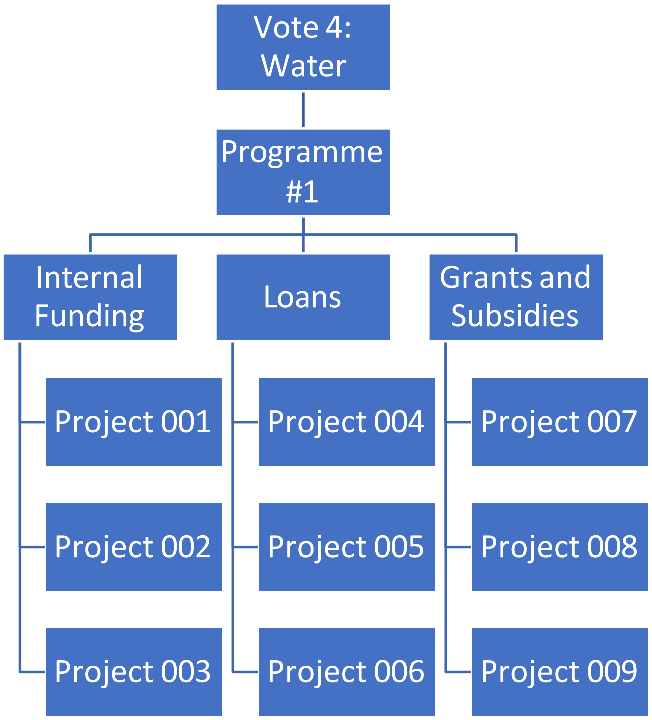
6.7.3. The prescribed request form shall include, but not limited to, provisions for the following:

6.7.3.1. The name of the department concerned,
6.7.3.2. Descriptions of the line items from and to which the transfer is to be made,
6.7.3.3. The amount of the proposed transfer,
6.7.3.4. The cause of the saving in the line item from which the transfer is to be made,
6.7.3.5. The justification for the transfer,
6.7.3.6. A description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.

6.7.4. Each Head of Department is responsible for his/her own operational budget and must ensure that all expenditure is contained to the approved allocations by Council.

6.7.5. Movement of funds from different sectors and categories will be attended to in the normal Adjustments Budget process annually in February.

6.8. CAPITAL BUDGET VIREMENTS



6.8.1. Virements on the Capital budget allocations can be done from one project to another within the same vote and source of funding, i.e. from Water, CRR to Water CRR. Virements cannot be done to a new project which was not part of the approved capital budget. Any other transfer of funds or requests for new allocations must be done through an adjustments budget and approved by Council.

6.8.1.1. Virements can be done on conditional grant funded projects; provided that there is a written agreement by the said funder.

6.8.1.2. All requests must be in writing on the prescribed form in **Appendix A** and must be properly authorized by the responsible Manager, General Manager and the Chief Financial Officer.

7. MONITORING AND EVALUATION

7.1. This Policy shall be monitored and evaluated by the General Manager: Budget and Treasury Office, and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee and Full Council Meetings.

8. COMMENCEMENT OF THE POLICY

8.1. This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

9. AMENDMENT AND/OR ABOLITION

9.1. This policy may be amended or repealed by the Municipality through a Council Resolution.

10. COMPLIANCE AND ENFORCEMENT

10.1. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.

10.2. It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

11. POLICY REVIEW

11.1. This Policy will be reviewed once annually during the Annual Budget Process.

Records of Approval

Meeting	Date	Resolution
Review 2021/22		
Policy Committee	24 March 2021	Recommended to MANCO
Extended MANCO/MANCO	03 May 2021	Recommendation to Portfolio Committee on Finance
Portfolio Committee on Finance	06 May 2021	Recommendation to EXCO
EXCO	19 May 2021	Recommendation to Council
Council	27 May 2021	Recommendation to Approve the policy

Meeting	Date	Resolution
Review 2022/23		
Policy Committee	24 March 2023	Recommendation to MANCO
Extended MANCO/MANCO	08 May 2023	Recommendation to Portfolio Committee on Finance
Portfolio Committee on Finance	16 May 2023	Recommendation to EXCO
EXCO	17 May 2023	Recommendation to Council
Council	25 May 2023	Recommendation to Approve the policy

Meeting	Date	Resolution
Review 2023/24		
Policy Committee	14 February 2024	Recommendation to MANCO
Extended MANCO/MANCO	06 May 2024	Recommendation to Portfolio Committee on Finance
Portfolio Committee on Finance	14 May 2024	Recommendation to EXCO
EXCO	22 May 2024	Recommendation to Council
Council	30 May 2024	Recommendation to Approve the policy

Meeting	Date	Resolution
Review 2024/25		
Policy Committee	18 February 2025	Recommendation to MANCO
Extended MANCO/MANCO	19 May 2025	Recommendation to Portfolio Committee on Finance
Portfolio Committee on Finance	21 May 2025	Recommendation to EXCO
EXCO	26 May 2025	Recommendation to Council
Council	29 May 2025	Approved by Council

Meeting	Date	Resolution
Review 2025/26		
Policy Committee	24 February 2026	Recommendation to MANCO
Extended MANCO/MANCO	04 May 2026	Recommendation to Portfolio Committee on Finance
Portfolio Committee on Finance	12 May 2026	Recommendation to EXCO
EXCO	20 May 2026	Recommendation to Council
Council	28 May 2026	Approved by Council

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REFERENCE NUMBER:	VIRE/01/07/2025

Ugu District Municipality

FINANCAL YEAR:	2025/26

BUDGET AND TEASURY OFFICE

APPLICATION FOR VIREMENT OF FUNDS

PURPOSE:

The purpose of this form is to facilitate the compliance of the virement policy.

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 authorized as follows:
1. If the amount does not exceed **R1 000 000.00** the transfer may be authorized by the Chief Financial Officer of the Municipality or the Accounting Officer of the Municipality after consultation with the Chief Financial Officer;
2. If the amount exceeds **R1 000 000.00** but does not exceed **R5 000 000.00** the transfer may be authorized by the Accounting Officer after consultation with the Chief Financial Officer;
3. The Mayor may authorize expenses in an emergency, or other exceptional circumstances and the adjustment budget must be adopted during the adjustment period after the expenses were incurred.
4. Notwithstanding the provisions above, a transfer of funds between cost or functional centers within a particular Vote/Department may not be authorized by the Chief Financial Officer but may only be authorized by the Accounting Officer, if the amount does not exceed the amount of **R5 000 000.00**

RESTRICTIONS ON AMOUNT OF VIREMENTS:

1. The total amount transferred from and to line items within a particular vote in any financial year may not exceed **40%** of the amount allocated to that vote;
2. The total amount transferred from and to line items in the entire budget in any financial year may not exceed **25 %** of the total operating budget for that year;
3. A transfer which exceeds, or which would result in the exceeding of any of the limits referred to above may, however, be performed if the **Council** by resolution approves thereof.
4. 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.

FROM:	
VOTE CODE	
BUDGET ALLOCATION	
ACTUAL EXPENDITURE	
COMMITMENTS	
AVAILABLE BUDGET	
VIREMENT AMOUNT	

TO:	
VOTE CODE	
BUDGET ALLOCATION	
ACTUAL EXPENDITURE	
COMMITMENTS	
AVAILABLE BUDGET	
VIREMENT AMOUNT	

PROPOSED VIREMENT %	

REQUEST AND VERIFICATION:

REQUESTED BY:	
NAME:	
POSITION:	
SIGNATURE:	
DATE:	

VERIFIED BY:	
NAME:	
POSITION:	BUDGET OFFICER/BUDGET COORDINATOR
SIGNATURE:	
DATE:	

RECOMMENDED BY:	
NAME:	
POSITION:	MANAGER: BUDGET
SIGNATURE:	
DATE:	

BUDGET OFFICE STAMP

APPROVAL FOR AMOUNTS BELOW R1 000 000

APPROVED BY:	
NAME:	
POSITION:	GENARAL MANAGER: BTO
SIGNATURE:	
DATE:	

APPROVAL FOR AMOUNTS ABOVE R1 000 000 BUT BELOW R5 000 000

APPROVED BY:	
NAME:	
POSITION:	MUNICIPAL MANAGER
SIGNATURE:	
DATE:	