

MNQUMA LOCAL MUNICIPALITY



BUDGET POLICY MARCH 2016

Budget and Treasury Directorate
Office No 28
Cnr King & Mthatha Street
Butterworth
Telephone: (047) 401 2400
Facsimile: (047) 491 0195
Website: www.mnquma.gov.za

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DEFINITIONS

"Accounting Officer"-

- a) means the Municipal Manager;

"Allocation", means-

- (a) a municipality's share of the local government's equitable share referred to in section 214(l)(a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

"Approved budget," means an annual budget-

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of the property rates act; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96(b) of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function / vote.

"Budget Year" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"chief financial officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"councillor" means a member of a municipal council;

"creditor", means a person to whom money is owed by the municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA

"financial statements", means statements consisting of at least-

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the councillor elected as the Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or **"council"** means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"municipal entity" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"municipal manager" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March;
- (d) 1 April to 30 June

"service delivery and budget implementation plan" means a detailed plan approved by the Executive Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of-
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the Executive Mayor in terms of section 54(l) (c) of the MFMA;

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"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. PREAMBLE

In the spirit of the Municipal Finance Management Act, (No.56 of 2003) "to modernize budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all residents customers, users and investors" and,

Whereas chapter 4 of the Municipal Finance Management Act, (No 56 of 2003) determines that a municipality may, except where otherwise provided in the Act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget. Therefore Mquma Local Municipality adopts the reviewed budget policy set out in this document

2. OBJECTIVES OF THE POLICY

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure budget framework,
- The responsibilities of the Executive Mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to Mquma's IDP review and budget processes.

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- The Operating and Capital Budget shall only be approved by the council if it has been properly balanced, that is, if sources of finance are realistically envisaged to fund the budget; equal the proposed expenditure. **This implies that no other committee can approve the Capital or Operating Budget, hence even the revision of the budget must be tabled before full Council**
- Both Capital and Operating Expenditure may be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget. In terms of the MFMA in a case of an emergency, the Executive Mayor of the municipality is allowed to approve any spending that was unforeseeable (when the original budget was approved), **BUT**, such occurrence **MUST** be reported to full Council for CONDONATION, and also indicate how the budget for such expenditure will be financed.
- Mquma Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- Each Director is responsible for the preparation of its budget (both Operating and Capital)
- Within the approved limits as determined by the Minister of Finance and communicated to all Directorates through a Budget Circular from the Chief Financial Officer, on an annual basis,

- Each Director is also responsible for the implementation and control of its budget. Budget and Treasury must ensure that budget expenditure reports are availed to the respective Directorates on a monthly basis, and over-expenditure line items are indicated.

4. BUDGET PREPARATION PROCESS

4.1. Formulation of the budget

- (a) The Executive Mayor shall coordinate the processes for the preparing the annual budget, and for reviewing the municipality's IDP and budget related processes, to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- (b) The Executive Mayor shall give political guidance over the budget processes and the priorities that must guide the preparation of the budget.
- (c) The Accounting Officer with the assistance of the Chief Financial Officer and the Director responsible for IDP shall draft the IDP process plan as well as the budget process plan for the municipality the following financial year.
- (d) The Executive Mayor shall table the IDP process plan as well as the budget process plan to Council by 31 August each year for approval (10 months before the start of the next budget year).
- (e) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- (f) The Executive Mayor shall convene a strategic workshop in January/February with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The Executive Mayor shall table the IDP priorities with the draft budget to Council.
- (g) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March(90 days before the start of the new budget year) together with the budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.)
- (h) The Executive Mayor should take reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for the future.
- (i) The Municipal Manager; Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (j) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (k) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (l) The expenses reflected in the budget must be divided into Operating and Capital budget.

- (m) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

4.2. Publication of Draft Budgets

Immediately after the draft annual budget has been tabled, the Executive Mayor must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

The accounting officer must immediately submit the tabled budget in both printed and electronic prescribed formats to National Treasury and Provincial Treasury.

4.3. Publication of Draft Budgets

When the annual budget has been tabled the council must consider the views of the local community, the National Treasury, the Provincial Treasury and any other national or provincial organs of state.

After considering these views, the council must give the Executive Mayor the opportunity to respond on the submissions received and if necessary, revise the budget and table amendments for consideration by the council.

4.4. Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and performance measures be adopted.
- (c) Should the municipality fail to approve the budget before the start of the budget year, the Executive Mayor must inform the MEC for Finance that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
- i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. draft resolutions;
 - iii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
 - iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
 - v. any proposed amendments to the IDP;
 - vi. any proposed amendments to the budget-related policies;
 - vii. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;

- viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
- ix. particulars of the municipality's investments; and
- x. various information in regard to municipal entities under the shared or sole control of the municipality

4.5 Publication of the budget

Within 10 working days after the draft annual budget has been tabled, the Chief Financial Officer must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury.

The Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic prescribed formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

4.6 Service Delivery and Budget Implementation Plan (SDBIP)

- (a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
 - i. Monthly projections of revenue to be collected for each source
 - ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
 - iii. Quarterly projections of service delivery targets and performance indicators for each vote
 - iv. Ward information for expenditure and service delivery
 - v. Detailed capital works plan broken down by ward over three years

5. CAPITAL BUDGET

Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and its value exceeds R1, 000 and has a useful life in excess of one year.

A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

- (a) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and

- iv. any other ordinary operational expenses associated with any item on such capital budget.

Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

- (b) The capital expenditure shall be funded from the following sources:

Revenue or Surplus

- If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.
- If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

External loans

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
- A capital project can be funded from donor funding and government grants

Grant Funding

- Non capital expenditure funded from grants
 - must be budgeted for as part of the revenue budget;
 - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- Capital expenditure must be budgeted for in the capital budget;
- Interest earned on investments of Conditional Grant Funding shall be transferred to operating budget. If there is no condition stated the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

6. OPERATING BUDGET

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:

- i. provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,
 - ii. provision for bad debts in accordance with its rates and tariffs policies
 - iii. Depreciation and finance charges on fixed assets shall be charged to or apportioned only between the departments or votes to which the projects relate.
 - iv. Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget.
 - v. Allocation of interest earned on the municipality's investments shall be budgeted for in terms of the investment policy.
 - vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance of fixed assets.
- (b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- 1. depreciation charges
 - 2. repairs and maintenance expenses
 - 3. interest payable on external borrowings
 - 4. Other operating expenses.
- (d) The head of directorates shall have the right to allocate the total budgeted amount to the line items within such vote except for provisions, statutory and contractual commitments which are done by the chief financial officer.
- (e) The operating budget shall reflect the impact of the capital component on:
- (f) The budget for Wages; salaries and allowances and salaries- relate benefits shall be separately prepared.
- (g) The remuneration of political office bearers and other councillors shall be excluded from this limit.
- (h) The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
- (i) The council should strive to maintain the aggregate revenues from property rates at not less than 25% of the budgeted revenue.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

- (a) The budget may be financed only from:
- i. realistically expected revenues, based on current and previous collection levels;
 - ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
 - iii. borrowed funds in respect of the capital budget only.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- (d) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (e) No unspent operating budget shall be rolled over to the next budget year except if it is grant funded

9. BUDGET TRANSFERS AND VIREMENTS

- (a) Budget transfers within the same vote shall be recommended by the Director of the Directorate and approved by the Chief Financial Officer.
- (b) 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.
- (c) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- (d) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval by Chief Financial Officer.
- (e) Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses, Repairs & Maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Directorate.
- (f) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed 10% of the amount appropriated under that main expenditure category.
- (g) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- (h) Virements between votes shall be included in the adjustment budget.

10. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- (a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Executive Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Executive Mayor on the revision of the IDP and the budget-related policies where these are indicated.

- (b) Council may revise its annual budget by means of an adjustments budget at most three times a year or as regulated.
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if there is a material under-collection of revenue during the current year.
- (d) The Accounting Officer may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- (e) The Council may in such adjustments budget, and within the prescribed framework, authorise unforeseeable and unavoidable expenditure on the recommendation of the Executive Mayor.
- (f) The council may authorise the utilisation of projected savings in one vote towards spending under another vote.
- (g) The Council may authorise the spending of funds that were unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget for the current year was approved by the Council.
- (h) **Only the Executive Mayor shall table an adjustments budget. Adjustments budget shall be done at most three times and be submitted to Council in the following months:**
 - i. In August – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources if it is necessary
 - ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget if it is necessary
 - iii. May – final budget adjustment to adjust current year's budget in cases where there is a indication that there will be rolling over of funding to the next financial year if it is necessary
- (h) An adjustments budget must contain all of the following:
 - i. An explanation of how the adjustments affect the approved annual budget;
 - ii. Appropriate motivations for material adjustments; and
 - iii. An explanation of the impact of any increased spending on the current and future annual budgets.
- (i) Any unappropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.
- (j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (k) Unauthorised expenses may be authorised in an adjustments budget.
- (l) In regard to unforeseen and unavoidable expenditure for which no provision was made in the approved budget, the following apply:

- i. The Executive Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- ii. The municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- iii. These expenses must be reported by the Executive Mayor to the next ordinary council meeting;
- iv. The expenses must be appropriated in an adjustments budget.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

- (a) The accounting officer with the assistance of the Chief Financial Officer and other Directors are responsible for the implementation of the budget, and must take reasonable steps to ensure that:

Funds are spent in accordance with the budget;

- I. Expenses are reduced if expected revenues are less than projected; and revenue collection report monthly
- II. Identify the actual revenue received
- III. Notice the revenue projected is less than actual
- IV. Prepare report stating the figure to be reduced and send it to budget planning
- V. Budget Planning will package it and to be considered in the next adjustment budget which will need approval of the council
- VI. Advise the Directorate concern with adjustment made in their budget
- VII. Revenues and expenses are properly monitored.
- VIII. Communication between Manager & Directorates on the revenue they expect for that particular financial year
- IX. Liaise with Accountant financial reporting monthly asking of any grants received with no remittance and provide answers
- X. Allocate it correctly by ensuring that it is receipted in the correct investment vote number for that specific project
- XI. Ensure that reconciliation(s) is/are performed on a monthly basis before the month end run on the projects so that revenue must be equal to expenditure incurred
- XII. Communicate with accounts clerk responsible for journals of revenue received if they do balance with expenditure on the monthly report
- XIII. Send the report to Directorates for comments on the expenditure incurred and revenue received on a monthly basis, the monthly report must also include the commitments of expenditure spent on projects, variance report of repairs and maintenance and general expenses
- XIV. The monthly report must also indicate to Directorates if the under –expenditure on projects has been noticed ask them to provide answers

- XV. The report will have due date for submission back to budget office, scrutinise the report from the Directorates consolidate it and send it to the Manager Budget Monitoring.
- b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to Council.
- Memo's and transfer forms to be sent to the budget office by the Directorates via Chief Financial Officer to adjust the budget
 - Scrutinise the transfer forms and file the forms
 - List of all the projects that needs to be rolled – over from the previous year's budget which reflect the correct closing balances forward them to Directorates
 - The Directorates will advice on the projects to be rolled-over
 - All projects confirmed they will also be accommodated in the adjustment budget
 - Accommodate the grants received from funders after the budget has been approved
 - Send an e-mail to the Directorates advice them with their adjustment application
- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

- a) The accounting officer with the assistance of the chief financial officer must, not later than 10 working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format (section 71 of the MFMA) on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- i) actual revenues per source, compared with budgeted revenues;
- ii) actual expenses per vote, compared with budgeted expenses;
- iii) actual capital expenditure per vote, compared with budgeted expenses;
- iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v) the amount of allocations received, compared with the budgeted amount;
- vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;

- vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
 - viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- b) The report to the National Treasury must be both in electronic format and in a signed written document.
- Update the Capital Acquisition actuals(CAA) for the current month
 - Report to be consolidated and sent to National treasury within 10 working days every month.

11.2.2 Quarterly Reports

- a) The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality in terms of section 52d of the MFMA 56 of 2003.

11.2.3 Mid-year budget and performance assessment

- a) The Accounting officer must by 25th January of each year assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b) The Accounting officer must then submit a report on such assessment by 25th January each year to Executive Mayor, Council, Provincial Treasury and National Treasury.
- c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. CONCLUSION

The Chief Financial Officer must place on the municipality's official website the following:

- The annual and adjustments budgets and all budget-related documents;
- All budget-related policies;
- The integrated development plan
- The annual report;
- All performance agreements;
- All service delivery agreements;
- All long-term borrowing contracts;
- All quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

13. FINAL ADOPTION

Council is the formulator of, and decision maker where, policies are concerned. The final approval of this policy rests with the Mquma Local Council on recommendation of the Executive Mayor.


14. IMPLEMENTATION AND REVIEW OF THIS POLICY

- a) This policy shall be implemented once approved by Council. All future budget preparation must be made in accordance with this policy.
- b) In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process

15. DATE APPROVED

The policy was adopted by council on the 29 May 2012 and be reviewed for adoption on the 29 March 2016 as per resolution number OCM3/16/007.1.2.3(v)

AUTHENTICATION


S. TANTSI
MUNICIPAL MANAGER


B. GANJANA
EXECUTIVE MAYOR