

**OVERBERG
DISTRICT
MUNICIPALITY**

BUDGET POLICY

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1. OBJECTIVES OF THE POLICY

The policy sets out the budgeting principles which Overberg District Municipality will follow in preparing each annual budget.

The policy aims to give effect to the requirements and stipulations of –
the Municipal Finance Management Act 56 of 2003 (The Act);
the Budget and Reporting Regulations, Notice 393 of 2009 (of which a summary is attached hereto as Annexure "A");
any official directive issued by the Minister of Finance, in terms of section 168 (1) of the Act, from time to time;
in regard to the planning, preparation and approval of the annual budget.

Every budget cycle should place Council in a stronger position in relation to the link between Municipality's policies, strategic objectives, its service delivery and budget implementation plans and ultimately the delivery of services. The tabling of three-year service delivery and budget implementation plans, together with the revenue and expenditure estimates for the corresponding period, provides a basis for the introduction of important enhancements to the previous budget process. Greater attention will be given to service delivery achievements, changes to policies and plans, and how these translate into requests for increases in baseline allocations.

The success of the budget process will require a team effort and will depend on the understanding and commitment of those involved. It will further require closer working relationship between the Budget Office, IDP Offices and Business Unit Managers to improve the usefulness of information that is presented in the budget.

The policy shall apply to all the relevant parties within the Overberg District Municipality that are involved throughout the budget process.

2. PURPOSE OF THE POLICY

The purpose of this policy is to control and inform the basis, format and information that are included in the Budget documentation.

3. MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

Medium-term budgeting is a continuous process which covers a time span of more than one year. The purpose of such a process is to assist in planning over the medium-term and to reflect the effect of current decision over the medium term.

The budget process will aim to facilitate the achievement of the aforementioned objectives and in doing so; it will allow the municipality to:

Plan for the period covered by the MTREF - three years presently,

Evaluate changing priorities and implementation plans that increase accountability of projects that is executed over the medium-term,

Involve various role-players who provide political and technical expertise when faced with the challenge to make trade-offs between equally important strategic priorities, and

Allocate resources in line with strategic priorities and service delivery plans

When finalizing budget documentation, departments are encouraged to pay particular attention to:

Improving the alignment between the IDP, operational plans, existing medium-term allocations and expected service delivery milestones, and

Optimising the inclusion of new priorities within baseline allocations through reprioritisation, and

Ensuring the affordability of revised medium-term plans which require an increase to baseline allocations.

4. FORMAT AND CONTENT OF THE BUDGET

The budget of the Council consists of the operating budget (operating revenue and expenditure), the capital budget as well as a number of strategic reports, graphs and

schedules that should enhance the understanding of the document and its objective.

The budget must be a reflection of the Integrated Development Plan of Council.

The annual budget and supporting documentation of a municipality must be in the format specified in section 71(3) of the Act, read with Schedule A of the Budget and Reporting Regulations, Notice 393 of 2009 and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act, covering the following –

- Mayor's report
- Resolutions
- Executive summary
- Annual budget tables
- Overview of annual budget process
- Overview of alignment of annual budget with Integrated Development Plan
- Measurable performance objectives and indicators
- Overview of budget related policies
- Overview of budget funding
- Expenditure on allocations and grant programmes
- Allocations of grants made by the municipality –
 - in terms of section 17(3)(j) to:
 - other municipalities
 - municipal entities
 - other external mechanisms
 - other organs of state
 - any organisations or bodies referred to in section 67(1)
- Councillor and board member allowances and employee benefits
- Monthly targets of revenue, expenditure and cash flow
- Annual budgets and service delivery and budget implementation plans –internal departments
- Annual budgets and service delivery agreements – municipal entities and other external mechanisms
- Contracts having future budgetary implications
- Capital expenditure details

- Legislation compliance status
- Other supporting documents –
 - to include the following listed under sections 17(3)(f),(g) & (h):
 - particulars of the municipality's investments
 - any prescribed budget information of linked municipal entities
 - particulars of any proposed municipal entities intended to be linked
- Municipal manager's quality certification

5. BUDGET PRINCIPLES

5.1 CAPITAL BUDGETS

The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year.

5.1.1. Basis of Calculation

- a) The **zero based method** is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b) The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
- c) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.
- d) In addition, the council shall consider the future impact of such operational expenses- net of any revenues expected to be generated by such item.

5.1.2. Financing

Own Financing Sources (Basic Capital Budget)

The Council may establish a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and the acquisition of capital assets. Such reserve may be established from the following:

- a) unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes
- b) further amounts appropriated as contributions in each annual or adjustments budget;
- c) net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy; and
- d) Interest on the investments of the capital replacement reserve, appropriate in terms of the banking and investment guideline and/or policy.

Other Finance Sources (Ad Hoc Capital Budget)

The Ad- Hoc capital budget shall be financed from external sources such as the following:

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act.
- b) Grants and subsidies as allocated by Provincial government.
- c) External Loans
- d) Private Contributions
- e) Contributions from the Capital Development Fund (and,
- f) Any other financing source secured by the local authority.

5.2 OPERATING BUDGETS

The operating budget refers to the funds that would be raised in the delivery of basic services, ~~property rates, grants & subsidies and any other municipal services~~ rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization.

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5.2.1. Basis of Calculation

- a) The principle of zero-based- and incremental budgeting shall be applied in preparing the annual operating budget.
- b) ~~The annual operating budget shall be based on realistically anticipated revenue, which should be moderately higher than the anticipated operating expenditure in order to result in a small but moderate surplus budget.~~

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- c) An income based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a cash funded budget.

5.2.2. Financing

The operating budget shall be financed from the following sources of financing:

a) Service Charges

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(i) Karwyderskraal Landfill Site

(ii) Resorts

Service charges shall be based on the tariff growth rate as agreed upon.

b) Agency Services

A rate based on the specific Service Level Agreements.

c) Grants & Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization.

c) Interest on Investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organization.

d) Rental Fees

Fees for rental property, facilities and equipment will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year

e) Licences and Permits

Fees for licences and permits will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year

f) Other Income

All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year.

5.2.3. Budget Categories

The following expenditure categories shall be accommodated in the operating budget.

a) Salaries, Wages and Allowances

The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organized labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by the Department of Housing and Local Government.

~~b) Bulk Purchases~~

~~The expenditure on bulk purchases shall be determined using the tariffs as stipulated by the Water Boards and NERSA and by any other service provider from time to time.~~

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c) Other General Expenditure

A percentage growth for all other general expenditure will be based on the percentage determined by Financial Services in line with prevailing growth rates and the CPIX.

d) Repairs and Maintenance

The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the departments in terms of repairing their assets.

e) Capital Expenses

Capital expenses refer to interest and redemption that has to be repaid on an external loan taken up by Council. The budget for capital

expenses will be determined by the repayments that the municipality is liable for based on the agreements entered into with the other party.

f) Contributions to Capital

A global amount that will be spent on the acquisition of small capital items is determined. The needs of departments in terms of small capital items are requested and these needs are then prioritized and then the budget is allocated to those prioritized items.

g) Contributions to Funds

Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

~~h) Less: Debited Elsewhere~~

~~This category refers to interdepartmental charges within the organization. The performance of each of line items is analyzed and then the budget is based on the preceding year's performance.~~

i) Appropriations

Refers to the transfers to- and from the capital replacement reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

6. BUDGET PROCESS

6.1 BUDGET STEERING COMMITTEE

A Budget Steering Committee, as part of a MFMA ~~Combined Steering Finance~~ Finance Portfolio Committee, established by the Executive Mayor, in terms of regulation 4 of the Municipal Budget and Reporting Regulations, to provide technical assistance to the Mayor in discharging the budget process and related matters set out in section 53 of the Act.

6.2 QUALITY CERTIFICATION

Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B or C of the regulations, as the case may be, and signed by the

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municipal manager.

6.3 CONSISTENCY IN BASIS OF MEASUREMENT AND ACCOUNTING POLICIES

The municipal manager of a municipality must take all reasonable steps to ensure that –

- (a) the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation, its adjustments budgets and supporting documentation, and its in-year reports; and
- (b) any differences or changes between financial years are explicitly noted.

6.4 BUDGET RELATED POLICIES

The municipal manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality – as defined in section 1 of the Act and representing policies that affect or are affected by the annual budget and as listed under regulation 7 in the attached Annexure "A", or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1)(b) of the Act.

6.5 FUNDING AND RESERVES POLICY

- (a) Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating –
 - (i) projected billings, collections and all direct revenues;
 - (ii) the provision for revenue that will not be collected;
 - (iii) the funds the municipality can expect to receive from investments;
 - (iv) the dividends the municipality can expect to receive from municipal entities;

- (v) the proceeds the municipality can expect to receive from the transfer or disposal of assets;
 - (vi) the municipality's borrowing requirements; and
 - (vii) the funds to be set aside in reserves.
- (b) When **developing or amending the funding and reserves policy** of the municipality, the municipal manager must ensure that the policy –
- (i) is consistent with the most recent actual billings and collection trends;
 - (ii) takes into account the credit rating of the municipality, if available, the financial position of the municipality, the cost of borrowing and the capacity to repay debt;
 - (iii) takes into account all the budget-related policies of the municipality, particularly recent amendments to any of those policies;
 - (iv) takes account of any statutory requirements to set aside funds in reserves; and
 - (v) takes account of the transfer and disposal of assets.

6.6 PLANNING

(a) Budget Time Table

The Chief Financial Officer (CFO) shall prepare a draft budget timetable for the ensuing financial year which shall be tabled by the Executive Mayor to Council for approval at least 10 months before the start of the next budget year.

The budget timetable shall contain key deadlines for:

- i) the annual review of the IDP
- ii) the review of budget related policies
- iii) the preparation, tabling and approval of the annual budget
- iv) the consultative processes forming part of the budget process, prescribed in sections 21,22 and 23 of the Act.

Business Unit Managers shall ensure that they meet the deadlines as set out in the Budget Timetable.

(b) Budget strategy

The CFO shall prepare a Budget Strategy for approval by Council, which shall contain the principles, objectives and strategies that will apply during the forthcoming budget preparation process. Such Budget Strategy shall take cognisance of the directives, guidelines and economic factors prevailing at the time or circulated by National and Provincial Government. The Budget Strategy shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process.

(c) Budget compilation process

The process to be followed in the compilation of the budget is as follows and should incorporate the funding principles detailed under paragraph 6.7 below:

- i) The CFO, in conjunction with the Manager: Financial Services, and after consultation with the Budget Steering Committee set the reasonable growth level of the capital budget to be financed out of own sources (CRR) and the operational budget based on the current financial performance and the prevailing industry growth levels (i.e. CPIX).
- ii) After the income has been determined, an acceptable growth level for the operating expenditure is determined and the draft operating budget is discussed with the relevant Business Unit Managers for their perusal and amendments.
- iii) The draft operating and capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- iv) The CFO, together with the Manager: Financial Services, engage with the Business Unit Managers and specifically the IDP Manager in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities.

v) The CFO to prepare and submit to the mayor, via the budget steering committee, for consideration the following:

- The draft operating and capital budget for perusal and suggestions;
- A draft service delivery and budget implementation plan, to include the components as listed under paragraph 7.1 below, for the budget year together with the annual budget as prescribed by regulation 14(2);
- Drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Act.

6.7 FUNDING

(a) Funding of expenditure

(i) The funding of an annual budget must:

- be estimated in accordance with the assumptions and methodologies set out in the funding and reserves policy of the municipality referred to in paragraph 6.5; and
- be consistent with the trends, current and past, of actual funding collected or received.

(ii) Realistically anticipated revenues to be received from national or provincial government, national or provincial public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds.

Acceptable documentation is constituted as listed under regulation 10(2).

(iii) Estimated provision for revenue from rates, taxes, levies or other charges that will not be collected must be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.

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(iv) The cash flow budget required in terms of Schedule A must reflect all funds realistically forecast to be collected, including arrears.

~~(v) The municipal manager in signing the quality certificate in Schedule A certifies that all ratepayers and consumers are accounted for in the annual budget calculations and that billing systems including property records and metering information are up to date and consistent with the revenue projections in the annual budget.~~

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(vi) To determine whether an annual budget is funded in accordance with section 18 of the Act, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

(b) Funding of capital expenditure

An annual budget must show total capital expenditure and the different sources of funding.

All sources of funding shown must be available, and must not have been committed for other purposes.

The total budgeted capital funding by source must equal the total budgeted capital expenditure.

(c) Funds created in terms of section 12 of the Act (i.e. Relief, charitable, trust funds).

Funds created in terms of section 12 of the Act must be fully cash backed.

A municipality may make expenditures or donations in support of the objectives for which funds created in terms of section 12 of the Act were established if approved in an annual budget or adjustments budget.

Money received for relief, charitable and/or other funds in terms of section 12(1) deposited in a separate account opened in terms of section 12(2) may be withdrawn from the account without appropriation in terms of an approved budget, but only:

- i. by or on the written authority of the accounting officer in acting in accordance with decisions of the municipal council; and

- ii. for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

No municipal funds may be paid into a fund created in terms of section 12 of the Act.

6.8 APPROVAL OF CAPITAL PROJECTS

- (a) Within ten working days after the municipal council has given individual approval for a capital project in terms of section 19(1)(b) of the Act, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public –
 - (i) the municipal council resolution approving the capital project; and
 - (ii) details of the nature, location and total projected cost of the approved capital project.
- (b) The following capital projects may be approved by a council either individually or as part of a consolidated capital programme as contemplated in section 19(3) of the Act:
 - (i) capital projects of which the total projected cost is below 5% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
 - (ii) capital projects of which the total projected cost is below 8% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million; and
 - (iii) capital projects of which the total projected cost is below R50 million, in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.
- (c) Paragraph 5.8(a) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in Paragraph 5.8(b).
- (d) Expenditure needed for capital projects below the values set out in paragraph 5.8(b) may be included in the annual budget before the project is approved in terms of section 19(3) of the Act.

6.9 TABLING IN COUNCIL

- (1) The draft budget must be tabled to Council at least 90 days before the start of the new financial year (31 March) in terms of sections 16(2) with the accompanying quality certificate required in terms of the Budget and Reporting Regulations.
- (2) An annual budget and supporting documentation tabled in a municipal council in terms of section 17(3) of the Act must –
 - (a) be in the format in which it will eventually be approved by the council; and
 - (b) be credible and realistic such that it is capable of being approved and implemented as tabled.
- (3) When complying with section 68 of the Act, the municipal manager must submit the draft municipal service delivery and budget implementation plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the Act.
- (4) For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so recommended by the budget steering committee.

6.10 PUBLICATION AND SUBMISSION FOR CONSIDERATION

- (1) After the draft budget is approved by Council, it is released for public comment and for National and Provincial Treasuries as required by section 22 of the Act.
- (2) When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with section 21A of the Municipal Systems Act, the municipal manager must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process, including –
 - (a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
 - (b) information relevant to each ward in the municipality.

- (3) All information contemplated in (1) above must cover:
 - (a) the relevant financial and service delivery implications of the annual budget; and
 - (b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.
- (4) When submitting the annual budget to the National Treasury and the relevant provincial treasury in terms of section 22(b)(i) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - (a) the supporting documentation as tabled in the municipal council;
 - (b) the draft service delivery and budget implementation plan; and
 - (c) any other information as may be required by the National Treasury.
- (5) The municipal manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to –
 - (a) any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
 - (b) any other organ of state on receipt of a request from that organ of state.

6.11 CONSULTATIONS ON TABLED BUDGETS

- (1) The mayor must for purposes of section 23 of the Act table the following documents in the municipal council –
 - (a) a report summarising the local community's views on the annual budget;
 - (b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;
 - (c) any comments on the annual budget received from any other organ of state, including any affected municipality; and
 - (d) any comments on the annual budget received from any other stakeholders.
- (2) The municipal manager must assist the mayor in the preparation of the documents referred to in subparagraph (1) and section 23(2) of the Act.

- (3) Once the comments from the public, and the National and Provincial Treasuries have been submitted, noted and considered, the necessary amendments are made to the draft budget and the budget is then tabled for Council to consider approval of the budget at least 30 days before the start of the budget year (31 May).

6.12 APPROVAL OF ANNUAL BUDGETS

- (1) A municipal council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before finally approving the annual budget before the start of the budget year.
- (2) When approving an annual budget, a municipal council must in terms of section 24(2)(c) of the Act, consider and adopt separate resolutions dealing with each of the matters contemplated in that section.

6.13 PUBLICATION OF APPROVED BUDGET

- (1) Within ten working days after the municipal council has approved the annual budget of a municipality, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved annual budget and supporting documentation and the resolutions referred to in section 24(2)(c) of the Act.
- (2) The municipal manager must also make public any other information that the municipal council considers appropriate to facilitate public awareness of the annual budget, including –
 - (a) summaries of the annual budget and supporting documentation in in accordance with communication policy alternate languages predominant in the community; and
 - (b) ~~information relevant to each ward in the municipality.~~
- (3) All information contemplated in subparagraph (2) must cover:
 - (a) the relevant financial and service delivery implications of the annual budget; and
 - (b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year and the following two years.

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6.14 PUBLICATION OF APPROVED SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the Act.

6.15 SUBMISSION OF APPROVED ANNUAL BUDGET

- (1) The municipal manager must comply with section 24(3) of the Act within ten working days after the municipal council has approved the annual budget.
- (2) The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - (a) the supporting documentation within ten working days after the municipal council has approved the annual budget;
 - (b) the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan; and
 - (c) any other information as may be required by the National Treasury.
- (3) The municipal manager must send copies of the approved annual budget and supporting documentation, in both printed and electronic form to –
 - (a) any other municipality affected by the annual budget within ten working days after the municipal council has approved the annual budget; and
 - (b) any other organ of state on receipt of a request from that organ of state.

7. BUDGET IMPLEMENTATION

- 7.1 After the budget has been approved, the service delivery and budget Implementation plan (SDBIP) should be compiled to include the following components –
- > Monthly projections of revenue to be collected for each source
 - > Monthly projections of expenditure (operating and capital) versus actual expenditure for each vote
 - > Quarterly projections of service delivery targets and performance indicators for each vote
 - > Detailed capital works plan broken down by vote-ward-over three years.

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7.3 Each Business Unit Manager has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)

7.4 These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.

7.5 The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the Business Unit Managers at the beginning of the year.

7.6 Each Business Unit Manager can use their respective vote numbers as indicated on the budget.

7.7 The Mayor, in consultation with the Budget Steering Committee, must take all reasonable steps to ensure that the annual performance agreements of the municipal manager and all senior managers –
comply, and are concluded, as required in terms of section 57 the Municipal Systems Act, and
are linked to the measurable performance objectives approved with the budget and SDBIP.

7.8 The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the Act.

8. ADJUSTMENTS BUDGET

8.1 AUTHORITY

Budget amendments are only allowed when Council approve a recommendation by the Executive Mayor, in terms of section 28 of the Act, to revise the approved annual budget.

8.2 TIMEFRAMES AND REASONS FOR ADJUSTMENTS BUDGETS

(a) During the year –

Should any material under-collection of revenue become a reality, the revenue and expenditure estimates **must** be adjusted downwards.

(b) At any time after the mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the current year –

- (i) Additional revenues that have become available over and above those anticipated in the annual budget **may** be appropriated, but only to revise or accelerate spending programmes already budgeted for;
- (ii) *The utilization of projected savings in one vote **may** be utilized towards spending under another vote;*
- (iii) Any errors in the annual budget **may** be corrected;
- (iv) Unauthorised expenditure of the current financial year, not recoverable from the person liable for that expenditure, may be authorized in terms of section 32(a)(i) of the Act.

(c) Only one adjustments budget referred to in (b) above may be tabled in council during a year, except when –

the additional revenues referred to in (b)(i) above are allocations to the municipality in a National or Provincial adjustments budget, when it will be required that the Mayor **must**, at the next council meeting, but within 60 days of the approval of the relevant National or Provincial adjustments budget, table an adjustments budget in council to appropriate the additional revenues;

(d) At the first available opportunity after any unforeseeable and unavoidable expenditure was incurred –

the mayor may in emergency or other exceptional circumstances recommend the authorization of unforeseeable and unavoidable expenditure for which no

provision was made in an approved budget and table the adjustment budget **but** if such adjustments budget is **not passed** by council within 60 days after the unforeseeable and unavoidable expenditure was incurred, the expenditure is unauthorized and section 32 of the Act applies;

(e) After the end of the past financial year where the under-spending could not reasonably have been foreseen at the time–

The authorization of the spending of funds, that was unspent at the end of the past year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by council, **must** be approved in an adjustments budget for that purpose by the council by 25 August of the year following the year to which the roll-over relate;

(f) When the mayor tables the annual report, within seven months after the end of a financial year, in terms of section 127(2) of the Act–

A special adjustments budget must be tabled in the municipal council which may only deal with unauthorised expenditure from the previous financial year, which the council is being requested to authorize in terms of section 32(2)(a)(i) of the Act.

8.3 FORMAT

An adjustments budget and supporting documentation of a municipality must be in the format specified in Schedule B of the regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

8.4 FUNDING

An adjustments budget of a municipality must be appropriately funded. The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

8.5 SUBMISSION OF TABLED ADJUSTMENTS BUDGET

When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form –

- the supporting documentation referred to in section 28(5) of the Act within ten working days of the adjustments budget being tabled in the municipal council; and
- any other information as may be required by the National Treasury.

The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –

- any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
- any other organ of state on receipt of a request from that organ of state..

8.6 APPROVAL

A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in regulation 21 before approving the adjustments budget.

An adjustment budget must be accompanied by all of the following:

- An explanation of how the adjustments affect the approved annual budget;
- Appropriate motivation of any material changes to the annual budget;
- An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two years; and
- Any other supporting documentation that may be prescribed.

Expenditure may only be incurred on amended budgets after approval by Council of such Budget amendment, except in case of emergency or other exceptional circumstances as defined in Section 29 of the MFMA.

When approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with each of the following matters listed in Part 1 and 2 of Schedule B of the regulations -

Mayor's report;
Resolutions;
Executive summary;

Tables;
Quality certificate;
Supporting documentation.

8.7 PUBLICATION

Within ten working days after the municipal council has approved an adjustments budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in regulation 25(3) and information required under regulation 26(2).

8.8 SUBMISSION OF APPROVED ADJUSTMENTS BUDGET AND OTHER DOCUMENTS

- (1) The municipal manager must comply with section 28(7) of the Act read together with section 24(3) of the Act within ten working days after the municipal council has approved an adjustments budget.
- (2) When submitting an adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - (a) the supporting documentation within ten working days after the municipal council has approved the adjustments budget;
 - (b) the amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of section 54(1)(c) of the Act; and
 - (c) any other information as may be required by the National Treasury.
- (3) The municipal manager must send copies of an approved adjustments budget and supporting documentation, in both printed and electronic form to –
 - (a) any other municipality affected by that adjustments budget within ten working days after the municipal council has approved the adjustments budget; and
 - (b) any other organ of state on receipt of a request from that organ of state.

9. MONITORING AND REPORTING

Reports mentioned under sections 10.1, 10.2 and 10.3 below must be in the format specified in Schedule C of the Municipal Budget and Reporting Regulations (Notice 393 of

2009) and to include all the required tables, charts and explanatory information taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

9.1 MONTHLY REPORTS

A monthly report prepared by Financial Services shall serve to monitor the actual expenditure against the Budget and cash flow forecasts reflected in the SDBIP for the period. Business Unit Managers shall provide any possible comments to the Chief Financial Officer for inclusion in the report before it is forwarded to the Municipal Manager for submission as prescribed by the Act and Regulations.

a) The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasuries a report in the prescribed format 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 and Provincial Treasuries must be both in electronic format and in a signed written document.

9.2 QUARTERLY REPORTS

The Executive Mayor must submit to the Council within thirty days after the end of each quarter, a report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52 (d) of the Act.

9.3 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

- a) The Municipal Manager must 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 in terms of section 72 of the Act.
- b) The Municipal Manager must then submit a report on such assessment to the Executive Mayor by 25 January each year as well as to Provincial Treasury and National Treasury.
- c) The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan subject to the requirements stipulated in section 9 of this policy.
- d) The Executive Mayor must submit the section 72 assessment report to Council by 31 January of each year as required by section 54(1) (f) of the Act.

9.4 WEBSITE REPORTING:

The Municipal Manager must place on the municipality's official website the following information relating to the budgetary process in terms of section 75 of the Act:

- a) the annual and adjustments budgets and all budget-related documents;
- b) all budget-related policies;
- c) the annual report;
- d) all performance agreements;
- e) all service delivery agreements;

- f) all long-term borrowing contracts;
- g) all monthly-, quarterly- and mid-year reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

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