

INTSIKA YETHU MUNICIPALITY



**BUDGET POLICY
2024-2025**

1. BUDGET POLICY

1.1 Policy Objective

To set out the budgeting principles which the municipality will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget.

1.2 Budgeting Principles To Be Followed

- 1.2.1 The municipality shall not budget for a deficit as a norm and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- 1.2.2 Each Director is responsible for the preparation of its budget (both Operating and Capital) within the approved limits as determined by and communicated to all Directorates through a Budget Circular from the Chief Financial Officer, on an annual basis,
- 1.2.3 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.
- 1.2.4 Except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.
- 1.2.5 The capital budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.
- 1.2.6 Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget. In addition, the council shall consider the likely impact of such

operation expenses – net of any revenues expected to be generated by such item
– on future property rates and service tariffs.

1.2.7 The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

1.2.7.1 Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;

1.2.7.2 Interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;

1.2.7.3 Further amounts appropriated as contributions in each annual or adjustments budget; and

1.2.7.4 Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

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

1.2.9 Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.

1.2.10 An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

1.2.11 The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

1.2.12 The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

1.2.13 The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

1.2.14 All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

1.2.15 Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

1.2.16 Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

1.2.17 The allocation of interest earned on the municipality's investments shall be budgeted for in terms of the banking and investment policy.

1.2.18 The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

1.2.19 In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to

allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, RSC levies payable, skills development levies payable).

1.2.20 Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 40% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councilors shall be excluded from this limit.

1.2.21 The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

1.2.22 In preparing its revenue budget, the municipality shall strive to maintain the aggregate revenues from property rates at not less than 25% of the aggregate revenues budgeted for if possible.

1.2.23 When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the council shall ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index.

1.3 Service Delivery and Budget Implementation Plan (SDBIP)

- 1.3.1 The mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council
- 1.3.2 The IDP manager has been mandated to compile the SDBIP with the help of all managers
- 1.3.3 The SDBIP shall include the following:
 - 1.3.3.1 Monthly projections of revenue to be collected for each source
 - 1.3.3.2 Monthly projections of expenditure (operating and capital) and revenue for each vote
 - 1.3.3.3 Quarterly projections of service delivery targets and performance indicators for each vote
 - 1.3.3.4 Ward information for expenditure and service delivery
 - 1.3.3.5 Detailed capital works plan broken down by ward over three years

1.4 Responsibilities Of The Chief Financial Officer

- 1.4.1 Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets. The municipal manager shall ensure that all heads of departments provide the inputs required by the chief financial officer into these budget processes.
- 1.4.2 The chief financial officer shall draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.
- 1.4.3 Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital

component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:

- 1.4.3.1 depreciation charges
 - 1.4.3.2 repairs and maintenance expenses
 - 1.4.3.3 interest payable on external borrowings
 - 1.4.3.4 Other operating expenses.
- 1.4.4 In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury.
- 1.4.5 The chief financial officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence of stocks.
- 1.4.6 The chief financial officer shall further, with the approval of the mayor and the municipal manager, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.
- 1.4.7 The chief financial officer shall also, again with the approval of the mayor and the municipal manager, and having regard to the municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.
- 1.4.8 The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.
- 1.4.9 The chief financial officer shall provide technical and administrative support to the mayor in the preparation and approval of the annual and adjustment budgets,

as well as in the consultative processes, which must precede the approval of such budgets.

- 1.4.10 The chief financial officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 1.4.11 The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
- 1.4.12 The chief financial officer shall determine the basis for allocating overhead expenses not directly chargeable to votes.
- 1.4.13 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
- 1.4.14 The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

1.5 BUDGET PREPARATION PROCESS

1.5.1 Formulation of the budget

1.5.1.1 The 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.

1.5.1.2 The mayor shall give political guidance over the budget processes and the priorities that must guide the preparation of the budget.

1.5.1.3 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.

1.5.1.4 The mayor shall table the IDP process plan as well as the budget process plan to Council by 31 August each year for approval (**11** months before the start of the next budget year)

1.5.1.5 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.

1.5.1.6 The 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.

1.5.1.7 The mayor shall table the draft IDP and MTREF budget to council by 30 March 2019 (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).

1.5.1.8 The mayor should take reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for the future.

1.5.1.9 The Municipal Manager; Chief Financial Officer and senior managers undertake the technical preparation of the budget.

1.5.1.10 The budget must be in the prescribed format, and must be divided into capital and operating budget in this case the prescribed format will be in the relevant circular set by national treasury.

1.5.1.11 The budget must reflect the realistically expected revenues by major source for the budget year concerned.

1.5.1.12 The expenses reflected in the budget must be divided into Operating and Capital budget.

1.5.1.13 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.

1.5.2 Publication of Draft Budgets

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

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

1.5.3 Publication of Draft Budgets

1.5.3.1 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.

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

1.5.4 Approval of the budget

1.5.4.1 Council shall consider the next medium term expenditure framework budget for approval not later than 30 May 2019 (30 days before the start of the budget year).

1.5.4.2 The council resolution, must contain budget policies and performance measures be adopted.

1.5.4.3 Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved.

1.5.4.4 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

1.6 Publication of the budget

1.6.1 Within 14 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.

1.6.2 The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

1.7 Service Delivery and Budget Implementation Plan (SDBIP)

1.7.1 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.

1.7.2 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

1.8 CAPITAL BUDGET

1.8.1 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 R5, 000 and has a useful life in excess of one year.

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

1.8.3 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.

1.8.4 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.

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

1.8.6 The capital expenditure shall be funded from the following sources:

1.87 Revenue or Surplus

- I. 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.
- II. If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

1.8.8 External loans

- (i) External loans can be raised only if it is linked to the financing of an asset;
- (ii) 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;
- (iii) 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;
- (iv) Interest payable on external loans shall be included as a cost in the revenue budget;
- (v) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
- (vi) A capital project can be funded from donor funding and government grants

1.8.9 Grant Funding

- (i)* Non capital expenditure funded from grants
- (ii)* must be budgeted for as part of the revenue budget;
- (iii)* Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- (iv)* Capital expenditure must be budgeted for in the capital budget;
- (v)* 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.
- (vi)* Grant funding does not need to be cash backed but cash should be secured before spending can take place.

1.9 OPERATING BUDGET

1.9.1 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.

1.9.2 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.

1.9.3 The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

- (i)* depreciation charges
- (ii)* repairs and maintenance expenses
- (iii)* interest payable on external borrowings
- (iv)* other operating expenses.

- 1.9.4 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.
- 1.9.5 The operating budget shall reflect the impact of the capital component on:
- (i) The budget for Wages; salaries and allowances and salaries- relate benefits shall be separately prepared.
 - (ii) The remuneration of political office bearers and other councillors shall be excluded from this limit.
- 1.9.6 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
- 1.9.7 The council should strive to maintain the aggregate revenues from property rates at not less than 25% of the budgeted revenue.

1.10 FUNDING OF CAPITAL AND OPERATING BUDGET

1.10.1 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.

1.11 UNSPENT FUNDS / ROLL OVER OF BUDGET

- 1.11.1 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.
- 1.11.2 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
- 1.11.3 Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- 1.11.4 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.
- 1.11.5 No unspent operating budget shall be rolled over to the next budget **year except if it is grant funded**

1.12 BUDGET TRANSFERS AND VIREMENTS

- 1.12.1 Budget transfers within the same vote shall be recommended by the Director of the Directorate and approved by the Chief Financial Officer.
- 1.12.2 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.
- 1.12.3 In cases of emergency situations virements shall be submitted by the accounting officer to the Executive mayor for authorization and be reported by the Executive mayor to Council at its next ordinary council meeting.
- 1.12.4 No budget transfers and virements shall be made two months after adjustment or final budget has been approved by Council.
- 1.12.4 The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- 1.12.5 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. 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.
- 1.12.6 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.
- 1.12.7 Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- 1.12.8 Virements between votes shall be included in the adjustment budget.

1.13 ADJUSTMENT BUDGET

- 1.13.1 Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- 1.13.2 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 mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 1.13.3 Council may revise its annual budget by means of an adjustments budget at most three times a year or as regulated.
- 1.13.4 The Accounting Officer must promptly adjust its budgeted revenues and expenses if there is a material under-collection of revenue during the current year.

1.13.5 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.

1.13.6 The Council may in such adjustments budget, and within the prescribed framework, authorise unforeseeable and unavoidable expenditure on the recommendation of the mayor.

1.13.7 The council may authorise the utilisation of projected savings in one vote towards spending under another vote.

1.13.8 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.

1.13.9 Only the 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 November/December – 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/June – 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 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 mayor to the next ordinary council meeting;

iv. The expenses must be appropriated in an adjustments budget; and

1.14 BUDGET IMPLEMENTATION

1.14.1 Monitoring

1.14.1.1 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:

- i. Funds are spent in accordance with the budget;
- ii. Expenses are reduced if expected revenues are less than projected; and revenue collection report monthly
- iii. Identify the actual revenue received
- iv. Notice the revenue projected is less than actual
- v. Prepare report stating the figure to be reduced and send it to budget planning
- vi. Budget Planning will package it and to be considered in the next adjustment budget which will need approval of the council
- vii. Advise the Directorate concern with adjustment made in their budget
- viii. Revenues and expenses are properly monitored.
- ix. Communication between Chief Accountant & Directorates on the revenue they expect for that particular financial year
- x. Liaise with Accountant financial reporting monthly asking of any grants received with no remittance and provide answers
- xi. Allocate it correctly by ensuring that it is receipted in the correct investment vote number for that specific project
- xii. Ensure that reconciliation is performed weekly before the month end run and after month end on the projects so that revenue must be equal to expenditure incurred
- xiii. Communicate with accounts clerk responsible for journals of revenue received if they do balance with expenditure on the monthly report
- xiv. Send the report to Directorates for comments on the expenditure incurred and revenue received on a monthly basis
- xv. The monthly report must also include the commitments of expenditure spent on projects, variance report of repairs and maintenance and general expenses
- xvi. The monthly report must also indicate to Directorates if the under –expenditure on projects has been noticed ask them to provide answers
- xvii. 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 Chief Accountant budget monitoring

1.14.1.2 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.

- i. Memo;s and transfer forms to be sent to the budget office by the Directorates via Chief Financial Officer to adjust the budget
- ii. Scrutinise the transfer forms and file the forms
- iii. 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
- iv. The Directorates will advice on the projects to be rolled-over

- v. All projects confirmed they will also be accommodated in the adjustment budget
- vi. Accommodate the grants received from funders after the budget has been approved
- vii. Send an e-mail to the Directorates advise them with their adjustment application

1.14.1.3 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.

1.15 Reporting

1.15.1 Monthly budget statements

1.15.1.1 The accounting officer with the assistance of the chief financial officer must, not later than ten 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.

1.15.1.2 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.

Ixx) 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 before the 10th of every month

1.15.2 Quarterly Reports

The 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.

1.15.3 Mid-year budget and performance assessment

1.15.3.1 The Accounting officer 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.

1.15.1.1 The Accounting officer must then submit a report on such assessment to the Executive mayor by 31 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

1.15.1.1 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.

1.16 CONCLUSION

The Communications Manager must place on the municipality's official website the following:

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

POLICY ADOPTION

This policy has been considered and approved by the Council of **Intsika Yethu Local**

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

| FINAL DATE | ACTION BY MUNICIPALITY | ACTION BY MUNICIPAL ENTITY |
|-----------------------------------|--|---|
| 31 August | Table in council timetable for preparation of coming year's annual budget | - |
| 20 January | - | Assess current year's budget performance and submit report to board of directors and municipality |
| 25 January | Assess current year's budget performance | - |
| 31 January | Table assessment report in council | - |
| 31 January or earlier | - | Submit proposed budget for coming year to municipality |
| (31 January) | Consider municipal entity's proposed budget for coming year and make recommendations | - |
| (31 January or earlier) | Table municipal entity's adjustments budget for coming year | Submit adjustments budget for current year to municipality and make budget public |
| (Between 31 January and 31 March) | Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs | - |
| (Between 31 January and 31 March) | Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year | - |
| Mid-March | - | Submit revised budget for coming year to municipality |
| 31 March | Table municipality's draft budget for coming year | - |
| 31 March | Table municipal entity's revised budget for coming year | - |
| Immediately after 31 March | Make public draft budget for coming year and invite submissions from community, provincial treasury and others | - |
| FINAL DATE | ACTION BY MUNICIPALITY | ACTION BY MUNICIPAL ENTITY |

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| Before 31 May | Respond to submissions and revise draft budget for coming year | - |
| 31 May | Consider approval of budget for coming year and attendant resolutions | Approve revised budget for coming year and make budget public |
| 30 June | Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled. | - |
| Early June to early July: immediately after budget approved | Submit budget to national treasury and provincial treasury | - |
| Early June to early July: immediately after approval dates | Place on website annual budgets and all budget-related documents | - |
| Mid June to mid July: 14 days after budget approved | Finalise draft service delivery and budget implementation plan and draft performance agreements | - |
| Late June to late July: 28 days after budget approved | Approve service delivery and budget implementation plan | - |
| Late June to late July: 28 days after budget approved | Conclude performance agreements | - |
| Mid July to mid August: 14 days after service delivery and budget implementation plan approved | Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements | - |

DETAILED BUDGET TIMETABLE

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
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| 21(1)(b) | 31 August | Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing | Mayor | Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled. |
| Section 88 | 20 January | Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality. | | |
| 72(1), (2) and (3) | 25 January | Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury (presumably immediately). | Accounting officer | |
| 54(1)(f) | 31 January | Mayor must submit accounting officer's report to council. | Mayor | Special council meeting may have to be scheduled. |
| 87 | 31 January or earlier if so requested by | Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year. | Board of directors of entity | It is not clear to what person or structure in the parent municipality this |

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| | parent municipality | | | <p>budget must be submitted.</p> <p>However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers he municipality's own proposed adjustments budget.</p> |
| 87 | (31 January to mid-March) | Parent municipality must consider proposed budget, and make any necessary recommendations. | | It is not clear what person or structure in the parent municipality must perform this action, but the council seems the logical party. It would also make sense for the council to consider this budget by 31 January. |
| 87 | (Tabled in council by 31 January) | Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public. | Board of directors and mayor of parent municipality | Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget |

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| | | | | <p>for the new financial year is considered.</p> <p>Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered.</p> |
| 54(1) and (2) | (Between 31 January and 31 March) | If municipality faces “serious financial problems” mayor must “promptly” respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget). | Mayor | Adjustments budgets may be prepared by the accounting officer, and tabled in council by the Mayor “when necessary”. They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when “serious financial problems” are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled. |

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| 54(3) | (Between 31 January and 31 March) | Mayor must ensure that revisions to service delivery and budget implementation plan are “promptly” made public. (Note that no concomitant revision of performance agreements is evidently envisaged). | Mayor | Presumably the accounting officer must make these revisions for the mayor’s approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2). |
| 87 | 100 days before start of financial year (approximately mid March) | Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality. | Board of directors of entity | |
| 16(2) | 31 March | Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year. | Mayor | Council meeting must be scheduled appropriately. |
| 87 | 31 March | Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled. | Mayor | - |
| 22(a) and 22(b) | Immediately after 31 March or earlier date if annual budget tabled before 31 March | Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to | Accounting officer | |

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| | | prescribed national and provincial organs of state and to other municipalities affected by the budget. | | |
| 23(2) | Before 31 May | Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by council. | Mayor and council | - |
| 24(1) and (2) | 31 May | Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies. | Council | Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May. |
| 87(4) | 31 May | Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public. | Board of directors of municipal entity | |
| 24(3) | (Immediate after approval date) | Accounting officer must submit approved annual budget to national treasury and provincial treasury. | Accounting officer | No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date. |
| 25(1) and (2) | Within 7 days of date of council meeting which failed to | If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If | Council | As province will intervene if budget not approved by 30 June, mayor, councillors and |

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| | approve annual budget | necessary, process must be repeated until budget approved by 30 June. | | accounting officer must co-operate to ensure obstacles to approval timeously removed. |
| 69(3)(a) and (b) | 14 days after approval of annual budget (mid June to mid July) | Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers. | Accounting officer | |
| 53(1)(c)(ii) | Within 28 days after date annual budget approved (late June to late July) | Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)). | Mayor | - |
| 53(1)(c)(iii)(aa) & (bb) | Within 28 days after date annual budget approved (late June to late July) | Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act. | Mayor | No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b). |
| 16(1) | 30 June | Annual budget must be approved by council | Council | - |
| 53(3)(a) and (b) | 14 days after approval of service delivery and budget | Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements | Mayor | Although this is not specified as a requirement, logic dictates that copies of the |

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| | implementation plan (mid July to mid August, depending on date plan approved) | of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government. | | service delivery and budget implementation plan should also be submitted to council and the MEC. |
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