



LEPELLE- NKUMPI DRAFT BUDGET POLICY

2012-2013 FINANCIAL YEARS

TABLE OF CONTENTS

- 1. INTRODUCTION**
- 2. OBJECTIVE OF THE POLICY**
- 3. BUDGETING PRINCIPLES**
 - 3.1 OPERATING BUDGET**
 - 3.2 CAPITAL BUDGET**
- 4. FUNDING**
- 5. MEDIUM – TERM REVENUE AND EXPENDITURE FRAMEWORK GUIDING PRINCIPLES**
- 6. PROCESS AND ROLES & RESPONSIBILITY**
- 7. PUBLIC PARTICIPATION PROCESS**
- 8. APPROVAL OF BUDGET**
- 9. PUBLICATION OF BUDGET**
- 10. SERVICE DELIVER AND BUDGET IMPLEMENTATION PLAN**
- 11. UNSPENT FUNDS/ ROLL OVERS**
- 12. BUDGET TRANSFER AND VIREMENTS**
- 13. ADJUSTMENT BUDGET**
- 14. BUDGET IMPLEMENTATIONS**
- 15. CONCLUSION**
- 16. POLICY AMENDMENTS AND REVIEWAL**

2. DEFINITIONS

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

Budget

The local authority's financial plan of action for a multi financial cycle. The two types of budgets are operating and capital. Capital budget is the budget that deals with tangible assets or capital assets whilst Operating Budget deals with recurrent and short-term expenditure, like salaries, phone bills fuels, and rents.

Business Plans

Narrative reports containing information on the objectives of the organisation or programme, how objectives intend to be achieved through action plans, target dates for implementation, resources required, people responsible for implementing plans, and how success in implementing action plans will be measured.

Capital Assets

Assets that are expected to be of continued use over a number of years like bridges or buildings. The future economic benefit or potential service provision embodied in an asset is the potential to contribute, directly or indirectly, to the cash and the cash equivalent of the municipality as well as to the delivery of services.

Deficit

A deficit (shortfall or loss) occurs when more money is spent (expenditure) than the amount that was raised/levied (income).

Expenditure

Money spent on operating and capital expenditure.

Financial Management

A series of processes including budgeting funds; safeguarding income, capital and assets; monitoring performance; and financial reporting.

Financial Statements

A summary of the annual financial records of the local authority that provides a picture of the functioning of the local authority in monetary terms.

Financial Year

The financial year of local authorities runs from 1 July to 31 June of the following year.

Fruitless and wasteful expenditure

This is Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Grants

Grants are amounts of money including subsidies given to local authorities by the central or provincial government to fund certain functions such as roads and stormwater, sanitation, health care or emergency services etc. Grants can also be received from members of the public or other institutions. In contrast to loans, however there are conditional (where conditions are set against expenditure) and non-conditional grants.

Income

The money raised by local authorities.

Incremental Budgeting

One method of preparing the budgets in local authorities. The budget for the next financial is based on the actual income and expenditure of the previous year adjusted for expected price increase.

Inflation

A persistent rise in the level of prices and wages throughout a country's economy thereby decreasing the value of the country's currency. If the inflation rate increases from one year to another, it means that consumers get less value for the same amount of money compared to previous years.

Integrated Development Plan

This is a plan that every local authority is required to prepare in terms of legislation. The plan should set out the economic and social development that is required in a local authority to develop and integrate communities. The plan should be based on community needs.

Interest

In the financial world, whenever someone borrows money, that person will have to repay more than they actually borrowed. This additional amount is called interest and is the profit that the lender makes from lending money to someone else.

Interest Rate

This is the amount of the interest that is charged on a loan (or received on a deposit) over a year, and it is expressed as a percentage.

Internal Controls

These are laid down internal rules, which set out the procedures which employees must comply with when doing their duties.

Loan

A loan is sum of money that is lent to a borrower on conditions that it is repaid, either in installments or all at once at a future date. The borrower usually has to pay the lender an agreed rate of interest.

Official

Any of the following:

- An employee of a municipality
- a person contracted by the municipality to work as a member of staff otherwise than as an employee
- a person seconded to a municipality to work as a member of staff. (MFMA).

Overspending

- Causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote.

Rates

Taxes raised based on property values (land and buildings).

Rates Assessment

Is the invoice setting out the rates payable by each ratepayer.

Rates Base

All the individual property owners and businesses that are legally required to pay rates to the local authority.

Rates Rebate

The reduction in rates that is given to categories of ratepayers.

Service Charges

Charges made by local authorities to consumers for the provision and consumption of services such as electricity, water, refuse and sewerage.

Surplus

A surplus occurs when the amount of income exceeds the amount of expenditure.

Unauthorised expenditure

Any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes overspending as defined in the term overspending.

Valuation Roll

The valuator rolls record the value of the land and buildings of every property within the municipal area. These property values are used to determine the rates for each ratepayer.

Virement

Virement is a process whereby the unused budget of a specific line item of expenditure is used to finance a different line item of expenditure which is unbudgeted/under budgeted.

Vote

A vote is one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. (MFMA)

Working Capital

Debtors, creditors, inventory and cash in the bank available to use for payment of employees and suppliers and financing of municipal activities.

Zero Based Approach

As opposed to incremental budgeting, zero-based budgeting means that each year's budget is drawn up independently from that of the previous year. This means that items are not included simply because they were in the previous budget. Each item has to be justified and motivated for and the purpose of each item is considered. All items in the capital budget are treated on a "zero-basis".

1. INTRODUCTION

In terms of the Municipal Finance Management Act, No.56 of 2003, chapter 4 on the Municipal Budgets, Subsection (16), states that the council of a municipal must for each financial year approves an annual budget for the municipal before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, in formulation of a budget; the municipality must take into account the national government's policy framework. In brief, the conceptualization and the operationalisation of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

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

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustment budgets) and within the limits of the amounts appropriated for each vote in the approved budget.
- The capital budget should be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.

- Lepelle-Nkumpi Municipality shall prepare three year budget (medium term revenue and expenditure framework “MTREF” and that will be reviewed annually and approved by council.
- Lepelle-Nkumpi budgets shall have clear and unambiguous linkages to the IDP/LED & turnaround strategies.

3.1 Operational Budget

The operational budget refers to the funds that would be raised in the delivery of basic services, 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.

3.1.1. Basis of Calculation

- a) The incremental approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances the zero based method will be followed.
- b) The annual operating budget shall be based on realistically anticipated revenue, which should be equal to the anticipated operating expenditure in order to result in a balanced budget.
- 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 balanced budget.

3.1.2. Financing

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

Operating Income

- a) Service Charges
 - (i) Property Rates
 - (ii) Water Sales
 - (iii) Refuse Removal Fees
 - (iv) Sewerage Fees
 - (v) Direct Income (other minor charges) such as building plan fees.

Service charges shall be based on the tariff charges as agreed upon which will be effected by external factors such as inflation, government directives and policies,

as well as the employment and affordability demographics of the population. The setting of tariffs of Lepelle-Nkumpi Municipality should be guided by the tariff policy.

b) 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 will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year

e) Fines

Fees for fines 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.

Provisions and reserve

- a) The municipality shall budget in each annual and adjustments budgets for the contribution to :
 - i. provision for accrued leave entitlements equal to 100% of the accrued leave;
 - ii. entitlement of officials as at 30 June of each financial year;
 - iii. provision for bad debts in accordance with its rates and tariffs policies;
 - iv. provision for the obsolete deteriorating stock in accordance with its stores management policy;
 - v. Depreciation and finance charges .
 - vi. At least 10% of the operating component of each annual and adjustments budget shall be set aside for maintenance; The user department must submit a repairs & maintenance plan in every project they are budgeting.

- b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and services tariffs will have on the monthly municipal accounts of households.
- c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

3.2 CAPITAL BUDGET

- a) 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 R500.00 and has a useful life in excess of one year.
- b) Vehicle & Equipment's disposal shall be done in terms of Council's vehicle disposal policy. No globular amounts shall be budgeted for vehicle acquisition.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- d) The 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.
- e) Cash-backed current year surplus in the perform budget, including capital grants and other contributions, cash backed accumulated from the previous financial years not committed for other purposes and borrowings.
- (f) Before approving a capital budget the council must 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.

- v. The projected cost of the project over future financial years until the project becomes operational.
 - vi. Future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
 - vii. Council may approve capital projects either individually or as part of a consolidated capital programme.
 - viii. Maintenance plan of the repairs and other repairs and maintenance of the capital and infrastructural projects.
 - ix. Assets management system to ensure that adequate provision is made for upgrading and maintenance of infrastructure.
- g) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

4. FUNDING OF CAPITAL BUDGET

4.1 Revenue or Surplus

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

4.2 External loans

- a) External loans can be raised only if it is linked to the financing of an asset.
- b) A capital project to be from an external loan can only be included in the budget if the loan has secured or if can be reasonably assumed as being secured.
- c) 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.
- d) Interest payable on external loans shall be included as cost in the expenditure budget.
- e) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the project relates.

4.3 Grant Funding

Capital expenditure funded from grants:

- a) Must be budgeted for as part of the revenue budget;
- b) Capital expenditure must be budgeted for in the capital budget
- c) Interest earned on investments of Conditional Grant Funding shall be capitalized if the conditions state that interest should accumulate in the fund. If there is no condition stated, the interest can then be allocated directly to the revenue account
- d) Grant funding does not need to be cash backed but cash should be secured before spending can take place.
- e) Grants & subsidies shall be based on the all gazette grants & subsidies plus all other subsidies received by the organizations.

5. Medium – term Revenue and Expenditure framework guiding principles

The following guiding principles have to be considered when compiling the Medium-term Revenue and Expenditure Framework:-

- a) The ability of community to pay for services received.
- b) The average effect on consumer accounts
- c) Realistic revenue estimates through a conservative, objective and analytical process based on realistically expected revenue, taking into consideration available actual revenue and estimated growth percentages.
- d) Identification and pursuance of grants from national, provincial and other agencies.
- e) The impact of inflation, the municipal cost index and other cost increases.
- f) Credible collection rates and collection improvements targets.
- g) Ensure ability to extend new services and recovering of costs thereof.
- h) Free basic services component provided to indigents must be taken into account
- i) Turnaround strategy plan.
- j) Tariff increases
- k) The average total impact must be inflation related

6. PROCESS AND RESPONSIBLE PARTIES, ROLES & RESPONSIBILITY

6.1 Role of the Mayor

The Council must maintain oversight over the implementation of Budget Policy. For the purpose of such oversight, the Mayor of a Municipality must:-

- a) Monitor, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities.
- b) Take all reasonable steps to ensure that the municipality performs its constitutional statutory functions within the limits of the municipality's approved budget.
- c) The Mayor must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and
- d) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan.
- e) Instructions the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan and that spending of funds and revenue collection proceed in accordance with the budget.

6.2 Role of the Accounting Officer (Municipal Manager)

- a) The Municipal Manager is the accounting officer and the administrative authority for the municipality. In the first instance the Municipal Manager is accountable to the mayor for the implementation of specific agreed outputs.
- b) In the second instance the Municipal Manager is accountable to the Council for the overall administration of the municipality.
- c) The Municipal Manager must be fully aware of the reforms required in order to provide the Executive Mayor, Councilors, and senior officials with the appropriate guidance and advice on financial and budget issues. Whilst the Municipal Manager may delegate many tasks to the Chief Financial Officer or other senior officials, this must be done carefully to ensure that all tasks are completed appropriately.

The Accounting Officer (Municipal Manager) should –

- d) Implement the municipality's approved budget, including taking all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget.

- e) Ensure that revenue and expenditure are properly monitored.

When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.

- f) Report to the municipal council any shortfalls in budget revenue, overspending and necessary steps taken to prevent shortfalls or overspending.
- g) Submit to the Mayor actual revenue, borrowings, expenditure and where necessary report the variances on revenue projected revenue and the budget.

6.3 The role of the Chief Financial Officer (CFO)

- a) The Chief Financial Officer is the administrative head of the budget and treasury office. The Chief Financial Officer has an essential function in assisting the Municipal Manager to carry out his or her financial management responsibilities, in areas ranging from budget preparation to financial reporting and the development and maintenance of internal control procedures.
- b) The Chief Financial Officer plays a central role in implementing the financial reforms at the direction of the Municipal Manager with assistance of appropriately skilled staff.

6.4 The role of senior managers and other officials

According to the MFMA, the following are the roles to be carried by the senior managers and other officials:

- a) That the system of financial management and internal control established for the municipality is carried out diligently;
- b) Ensure that resources of the municipality are utilised effectively, efficiently, economically and transparently;
- c) Prevent unauthorised, irregular or fruitless and wasteful expenditure and other losses
- d) Collection of revenue
- e) Safeguarding, maintenance and management of assets

Submission of information to the accounting officer for compliance with the Act.

6.5 BUDGET PREPARATION PROCESS

6.5.1 Formulation of the budget

- a) The Accounting Officer with the assistance of the Chief Financial Officer and the Executive Manager Planning shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for ensuing financial year.
- b) The Mayor shall table IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- c) 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 the National Treasury.
- d) The executive mayor shall convene a strategic workshop in September/October with the budget steering committee as per of the regulations 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 Mayor shall table the IDP priorities with the draft budget to Council.
- e) The mayor shall table the draft IDP and MTREF to council by 31 March (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 and cash management, borrowings, etc)
- f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- g) The budget must be in a prescribed format, and must be divided into capital and operating budget.

- h) The budget must reflect the realistically expected revenues by major source of the budget year concerned.
- i) The budget must also contain the information related to 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.

7. Public Participation Process

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

8. Approval of the Budget

- a) Council shall consider the next medium term expenditure framework budget for approval not later than 31May (30 Days before the start of the budget year).
- b) The council's resolution must contain budget policies and performance measures to be adopted.
- c) Should the municipality fail to approve the budget before the start of the budget year, the Mayor must inform the MEC for Local Government and Provincial Treasury that the budget has not been approved.
- d) The budget tabled to Council for approval shall include the following supporting documents:
 - i. Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. Draft budget 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 councilors ,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 the state and organizations such as non – governmental institutions , welfare organizations ,etc;
- ix. Particulars of the municipality’s investments and investment policy , and
- x. Particulars of long term loan.
- xi. Various information in regard to municipal entities under the shared or sole control of the municipality.

9. Publication of the Budget

- a) Within 14 days after the draft annual budget has tabled, Manager Corporate Services must post the budget and the budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to the National and Provincial Treasury.
- b) The chief finance officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well post it on the municipality’s website(www.lepelle-nkumpi.gov.za)

10. Service Delivery and Budget Implementation Plan (SDBIP)

- a) The Mayor must approve the service delivery and budget implementation plan by not later than 28 days after the approval of the budget by the council.
- b) The SDBIP shall include the following components :
 - i. Monthly projections of revenue to be collected for each source.
 - ii. Monthly projections of expenditure (operating and capital) 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 aligned to National and provincial sector plans broken down by ward over three years.
 - Summary of detailed capital plan should reflect:-
 - Information by programme and municipal ward.
 - MIG sector priorities (water, Sanitation, Refuse, Electricity and Roads etc)

- Total capital cost over the life of the programme.
- vi. Future financial and non- financial implications (including tariff implications)
- vii. The source of funding for capital programme/projects.

11. UNSPENT FUNDS / ROLL OVER OF BUDGET

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year.
- c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds.
- d) Adjustments to the rolled over budget shall be done during the 1ST budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year but before the end of September of the financial year following the financial year to which the roll-overs relate.
- e) No funding for projects funded from the Capital Replacement Reserve shall rolled over to the next budget year except in cases where a commitment has been made 90 days(30 March each year) prior the end of that particular financial year.
- f) No unspent operating budget shall be rolled over to the next budget year.

12. BUDGET TRANSFERS AND VIREMENTS

- a) Budget transfers within the same vote shall be recommended by the Executive Manager of that division and approved by the Chief Financial Officer up to R100, 000.00 and Accounting Officer up to his/her discretion.
- b) Virement shall not be permitted to the revenue side of the budget.
- c) Virement from the capital budget to the operating budget should not be permitted.
- d) No budget transfers or virement shall be made to or from salaries, employees costs and benefits and any other allowances except in the Budget Adjustment.
- e) In cases of emergency situations virement shall be submitted by the accounting officer to the Mayor for authorization and be reported by the Mayor to Council at its next meeting.
- f) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with approval of council.
- g) Virements should not result in adding new projects to the capital projects.
- h) Executive manager 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 Department.
- i) 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.
- j) Virements to or from the following items should not be permitted: bulk purchases, debt impairment, interest charges, depreciation, grants to individuals, revenue foregone, insurance and VAT.

- k) Virement on conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and
- l) There should be prudent limits on the amount of funds that may be moved from votes to sub-votes.
- m) Virements between votes shall be included in the adjustment budget.
- n) Virements must only be made from the 5th month after the approval of the annual budget i.e November and from the 11th month after the approval of an adjustment budget i.e May.

13. ADJUSTMENT BUDGET

13.1 Each adjustment budget shall reflect realistic excess, however nominal, of current revenues over expenses:

- a) The Accounting Officer shall ensure that the adjustment budget comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget related policies and shall make recommendations to the executive mayor on the revision of the IDP and the Budget related policies where these are indicated.
- b) The accounting officer must promptly adjust its budgeted revenues and expenses if a material under collection of revenue arises or is apparent.
- c) The accounting officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with item 2 of section 10.
- d) The Council shall in such adjustment budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive committee.

Approved Budget Policy 2012-2013

- e) The council should also authorize the spending of funds 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 was approved by the council.
- f) The Mayor shall table an adjustment budget. Adjustment budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months:
 - i. In October- to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources.
 - 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.
 - iii. May- June final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year.
- g) An adjustment budget must contain all 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 budget.
- h) 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.
- i) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of financial recovery plan.
- j) Unauthorized expenses may be authorized in an adjustments budget.
- k) In regard to unforeseen and unavoidable expenditure, the following apply

- i. The Council may authorize such expenses in an emergency or other exceptional circumstances
 - ii. These expenses must be appropriated in an adjustment budget, and
 - iii. Council must pass the adjustments budget within sixty (60) days after the expenses were incurred
- f) Adjustment budget of a municipality must be in a format specified in national treasury guidelines.

13.2 Timeframes for tabling of adjustments budgets.

- a) An adjustment budget referred to in section 28(2)(b) ,(d), and (f) of the Act may be table in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than the 28 February of the current year.
- b) Only **one** adjustment budget referred to in sec 10.2 (a) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustment budget in which case sub sec 10.2 (c) applies.
- c) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of a municipality must, at the next council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget, table an adjustment budget referred to in section 28(2)(b) Act in the municipal council to appropriate this additional revenues.
- d) Sub sec 10.2 © intended to ensure that additional revenues) allocated to a municipality by national or provincial government through adjustments budget are approved for spending as soon as possible so as to minimize the possibility of under spending.

13.3 Submission of the tabled adjustment budgets.

- a) The accounting officer must submit the adjustment budget within ten working days after the mayor has just tabled an adjustment budget in the municipal council and submit to the national and relevant provincial treasury both printed and electronic format.

14. BUDGET IMPLEMENTATION

14.1 Monitoring

- a) The accounting officer with the assistance of the chief financial officer and other senior management are responsible for the implementation of the budget, and must take reasonable steps to ensure that :
- funds are spent in accordance with the budget
 - expenses are reduced if expected revenue are less than projected; and
 - revenues and expenses are properly monitored
- b) The accounting officer with the assistance of the chief financial officer must prepare any adjustment budget when such budget is necessary and submit it to the executive mayor for consideration and tabling to council.
- c) The accounting officer must report in writing to the council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

14.2 Reporting

14.2.1 Monthly budget statements

- a) The accounting officer with the assistance of the chief financial officer must , not later than 10 working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury 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

Approved Budget Policy 2012-2013

- 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 remains 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 projections have been revised
- b) The report to the National Treasury must be both in electronic format and in a signed written document.

14.2.2 Quarterly Reports

- i. The Mayor must submit to Council within 30(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.

14.2.3 Mid –year Budget and performance assessment

- i. 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 6 (six) months, the service delivery performance of the municipality s against the service delivery targets and performance indicators which were set in service delivery and budget implementation plan
- ii. The accounting officer must then submit a report on such assessment to the Mayor by the 25 January each year and to Council, Provincial Treasury and National Treasury
- iii. 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

- iv. The in year report must be in a format as prescribed by the treasury regulations. SCHEDULE C

15 CONCLUSION

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

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

16 POLICY AMENDMENTS AND REVIEWAL

No amendment(s) may be made to any section of this policy without such amendment (s) first being :

- Consulted upon with the Municipal Manager.
- Duly approved and signed by the Council.

The reviewal of the policy is part of the submissions of the Budget related policies that are done when tabling the Budget or the Adjustment Budget.

Approved Budget Policy 2012-2013

The policy will come into effect onafter approval by Council
with resolution number

