

Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality
that improves the quality of life of its people*



Budget Policy 2012

INDEX

1. Introduction	1
2. Definitions	1
3. Abbreviations used	4
4. Objectives	4
5. Budgeting Principles	4
6. Budget Preparation Process	5
7. Approval of the Budget	7
8. Publication of the Budget	7
9. Service Delivery and Budget Implementation Plan (SDBIP)	7
10. Capital Budget	7
11. Capital Replacement Reserve	9
12. Grant Funding	10
13. Operating Budget	10
14. Unspent Funds / Roll-over Budget	11
15. Budget Transfers and Virements	11
16. Adjustment Budget	12
17. Budget Implementation	14
18. Approval	18

1. Introduction

Section 16 of the Municipal Finance Management Act requires a municipality to approve an annual budget for the municipality before the commencement of each financial year. This policy has been developed in line with this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipal budget shall take into account the national government's macro-economic and fiscal policies within its policy framework.

2. Definitions

"allocation", means –

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

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

"approved budget," means an annual budget –

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

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

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

- Tariffs Policy
- Rates Policy
- Credit Control and Debt Collection Policy
- Cash Management and Investment Policy
- Borrowing Policy
- Funding and Reserves Policy
- Supply Chain Management Policy
- Indigents Policy

as well as -

- policy(ies) related to long-term financial planning
- policy(ies) dealing with the management and disposal of assets
- policy(ies) dealing with infrastructure investment and capital projects
- policy(ies) related to the provision of free basic services
- policy(ies) related to budget implementation and monitoring
- policy(ies) related to managing electricity and water
- policy(ies) relating to personnel
- policy(ies) dealing with municipal entities

"budget transfer" means transfer of funding within a function / vote;

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

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

“the councillor” means a member of a municipal the council;

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

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

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

“financial recovery plan” means a plan prepared in terms of section 141 of the MFMA;

“financial statements”, means statements consisting of at least –

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

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

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

“irregular expenditure”, means -

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

“investment”, in relation to funds of a municipality, means -

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

“local community” has the meaning assigned to it in section 1 of the municipal Systems Act;

“executive mayor” means the councillor elected as the executive mayor of the municipality in terms of section 55 of the municipal Structures Act;

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

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

“municipal Finance Management Act” means the Local Government: municipal Finance Management Act, 2003 (Act No 56 of 2003);

“municipal manager” means the accounting officer as appointed in terms of section 82(l)(a) or (b) of the municipal Structures Act;

“municipal Structures Act” means the Local Government: municipal Structures Act, 1998 (Act No 117 of 1998);

“municipal Systems Act” means the Local Government: municipal Systems Act, 2000 (Act No 32 of 2000);

“municipality” means Chief Albert Luthuli municipality; and -

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

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

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

“national treasury” means the national treasury established by section 5 of the Public Finance Management Act;

“official”, means –

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

“overspending” -

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

“past financial year” means the financial year preceding the current year;

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

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

“service delivery and budget implementation plan” means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(b) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which shall indicate

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

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

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

“virement” means transfer of funds between functions / votes; and

“vote” means -

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

3. Abbreviations used

CPIX	=	Consumer Price Index excluding interest rates on mortgage bonds
CDF	=	capital development fund
IDP	=	Integrated Development Plan
MFMA	=	municipal Finance Management Act
MIG	=	municipal Infrastructure Grant
MSIG	=	municipal Systems Improvement Grant
MTREF	=	Medium-Term Revenue and Expenditure Framework
SDBIP	=	Service Delivery and budget Implementation Plan

4. Objectives

The objective of this policy is -

- (1) To set out the principles which the municipality shall follow in preparing each MTREF budget.
- (2) To set out the responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget.
- (3) To establish and maintain procedures to ensure adherence to the municipality's IDP review and budget process.
- (4) To ensure that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.
- (5) This policy shall apply to all the relevant parties within the municipality that are involved throughout the budget process.

5. Budgeting principles

- (1) The municipality shall not budget for a deficit and shall also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- (2) The municipality shall prepare three-year budget (medium term revenue and expenditure framework) which shall be reviewed annually and approved by the council.
- (3) The MTREF budget shall at all times be within the framework of the IDP; the budget and IDP review process shall run concurrently.

- (4) Expenses may only be incurred in terms of the approved annual budget (or Adjustment budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- (5) The Annual budget shall only be funded from realistic anticipated revenues to be collected, cash-backed accumulated funds not committed for other purposes and borrowed funds.

6. Budget preparation process

(1) Formulation of the budget

- (a) The accounting officer with the assistance of the chief financial officer and the director: planning and economic development shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- (b) The executive mayor shall table the IDP process plan as well as the budget timetable to the council by 31 August each year for approval (10 months before the start of the next budget year). The budget timetable shall contain deadlines for –
 - (i) the annual review of the IDP
 - (ii) the review of budget related policies
 - (iii) the preparation, tabling and approval of the annual budget
 - (iv) the consultative processes forming part of the budget process.
- (c) The 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.
- (d) The chief financial officer, and after consultation with the portfolio the councillor of finance set the reasonable growth level of the operational budget based on the current financial performance and the prevailing industry growth levels (ie CPIX). After the income has been determined, an acceptable growth level for the operating expenditure (including salary increases) is estimated.
- (e) In September each year, the chief financial officer shall prepare a budget strategy which shall contain the principles, objectives and strategies that shall apply during the forthcoming budget preparation process. Such budget strategy shall take cognisance of the directives, guidelines and economic factors prevailing at the time or circulated by national and provincial government. The budget strategy shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process
- (f) Thereafter, the executive mayor shall convene a strategic workshop with the mayoral committee and senior managers in order to determine the IDP priorities which shall form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality.
- (g) Before the end of October each year, the executive mayor shall table the budget strategy and IDP priorities together with an outline draft budget to the council.
- (h) The chief financial officer and senior managers undertake the technical preparation of the budget.
- (a) The budget tabled to the council for approval shall include the following supporting documents –

- (a) The budget shall be in the format prescribed by national treasury and shall be divided into a capital and an operating budget.
- (b) The budget shall be balanced and reflect the realistically anticipated revenues by major revenue source for the budget year concerned.
- (c) The expenses reflected in the budget shall be divided into different categories (for operating budget) and different capital projects or services (for capital budget).
- (d) The budget shall also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.
- (j) The budget 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 (where applicable) amending the IDP and the budget-related policies;
 - (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 broken down per month;
 - (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 the councillors, the municipal manager, the chief financial officer, and other senior managers employed in terms of section 57 of the Municipal Systems Act;
 - (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 NGOs, welfare institutions etc;
 - (ix) particulars of the municipality's investments; and
 - (x) various information in regard to municipal entities (if any) under the shared or sole control of the municipality.
- (k) The executive mayor shall table the draft IDP, MTREF budget and supporting documents to the council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies.

(2) Public participation process

- (a) Immediately after the annual budget has been tabled, the municipal manager shall make this budget and other budget-related documentation public, and invite the local community to submit representations in regard to such budget. The public participation process shall be a formal process and shall ensure adequate consultation as contemplated in the MFMA.

- (b) After considering all budget submissions, the council shall give the executive mayor an opportunity to respond to the submissions; and if necessary, to revise the budget and table amendments for consideration by the council.

7. Approval of the budget

- (1) The council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (2) The council resolution, shall contain budget policies and performance measures be adopted (as per section 17 of the MFMA).
- (3) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor shall inform the MEC for Finance that the budget has not been approved.

8. Publication of the budget

- (1) The municipal manager shall within 14 days after approval of the budget submit the approved budget and supporting documentation in both printed and electronic formats to the national treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.
- (2) The municipal manager shall publish the approved budget on the municipal website.

9. Service Delivery and Budget Implementation Plan (SDBIP)

- (1) The executive mayor shall approve the SDBIP not later than 28 days after the approval of the budget by the council.
- (2) The SDBIP shall include the following components –
 - (a) monthly projections of revenue to be collected for each source;
 - (b) monthly projections of expenditure (operating and capital) and revenue for each vote;
 - (c) quarterly projections of service delivery targets and performance indicators for each vote;
 - (d) ward information for expenditure and service delivery; and
 - (d) detailed capital works plan broken down by ward over three years.

10. Capital budget

(1) Capital budget preparation

- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition ie if it results in an asset being acquired or created and its value exceeds R10.000 and has a useful life in excess of one year.
- (b) Vehicle replacement shall be done in terms of the council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- (c) 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 using a sero-based approach.

- (d) The municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (e) The council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- (f) Excess budget available on capital projects may not be used for purposes other than what the expenditure was initially intended for.

(2) Capital budget Funding

- (a) The envisaged sources of funding for the capital budget shall be properly considered and the council shall be satisfied that this funding is available and has not been committed for other purposes.
- (b) Before approving a capital project, the council shall consider –
 - (i) the projected cost of the project over all the ensuing financial years until the project becomes operational; and
 - (ii) any future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (ie on property rates and service tariffs).
- (c) 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.
- (d) The capital expenditure shall be funded from the following sources –

Internal sources

- (i) If any project is to be financed from revenue this financing shall be included in the cash budget to raise sufficient cash for the expenditure.
- (ii) If the project is to be financed from surplus or from the capital development fund there shall be sufficient cash available at time of execution of the project.

External loans

- (iii) External loans can be raised only if it is linked to the financing of an asset;
- (iv) 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;
- (v) The loan redemption period shall 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;

- (vi) Interest payable on external loans shall be included as a cost in the revenue budget;
- (vii) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

External Sources

- (viii) Grants and subsidies as allocated in the annual Division of Revenue of Act;
 - (ix) Grants and subsidies as allocated by provincial government;
 - (x) Private contributions;
 - (xi) Contributions from the capital development fund (developer's contributions) and,
 - (xii) Any other financing source secured by the municipality.
- (e) Borrowing is only permitted to fund capital investment in property, plant and equipment, but assets deemed essential to the maintenance of public health and safety or that may compromise the ability to deliver certain essential services may not be pledged as security for such borrowings.

11. Capital replacement reserve

- (1) The council may establish a capital development fund as a capital replacement reserve for the purpose of financing capital projects and the acquisition of assets.
- (2) The capital development fund may be funded from the following sources of revenue –
 - (a) unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - (b) interest on the investments of the capital development fund, appropriated in terms of the investments policy;
 - (c) additional amounts appropriated as contributions in each annual or adjustment budget;
 - (d) sale of land and profit or loss on the sale of assets; and
 - (e) proceeds from royalties and the exploration of minerals.
- (3) Before any asset can be financed from the capital development fund the financing shall be available within the reserve and available as cash as this fund shall be cash-backed.
- (4) If there is insufficient cash available to fund the capital development fund this reserve fund shall then be adjusted to equal the available cash.
- (5) Transfers to the capital development fund shall be budgeted for in the cash budget.

12. Grant Funding

- (1) Capital expenditure funded by grants shall be budgeted for in the capital budget;
- (2) Interest earned on investments of conditional grant funding shall be capitalised if the conditions state that interest shall accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts.

- (3) Grant funding does not need to be cash-backed but cash shall be secured before spending can take place.

13. Operating budget

- (1) The municipality shall budget in each annual and adjustment budget for the contribution to:
 - (a) provision for accrued leave entitlements equal to 100% of the accrued leave;
 - (b) entitlement of officials as at 30 June of each financial year;
 - (c) provision for bad debts in accordance with its rates and tariffs policies;
 - (d) provision for the obsolescence and deterioration of stock in accordance with its supply chain management policy;
 - (e) depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;
 - (f) at least 8% of the operating budget component of each annual and adjustment budget shall be set aside for such maintenance;
 - (g) the budget for salaries, allowances and salaries-related benefits shall not exceed 45% of the aggregate operating budget component of each annual and adjustment budget (for purposes of this item, the remuneration of political office bearers and other the councillors shall be excluded from this limit); and
 - (h) at least 0.15% of the operating budget component of each annual budget shall be set aside for skills development.
- (2) When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs shall have on the monthly municipal accounts of households.
- (3) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- (4) The operating budget shall reflect the impact of the capital component on –
 - (a) depreciation charges;
 - (b) repairs and maintenance expenses;
 - (c) interest payable on external borrowings; and
 - (d) other operating expenses.
- (5) The chief financial officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.
- (6) Operating expenditure funded from grants shall be budgeted for as part of the revenue budget.
- (7) A zero-based approach shall be 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 which case the zero based method shall be followed.

- (8) The operational budget may be financed only from –
 - (a) realistically expected revenues, based on current and previous collection levels; and
 - (b) cash-backed funds available from previous surpluses where such funds are not required for other purposes.

14. Unspent funds / roll-over of budget

- (1) The appropriation of funds in an annual or adjustment budget shall lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (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.
- (3) Conditions of the grant fund shall be taken into account in applying for such roll over of funds.
- (4) Application for roll over of funds shall be forwarded to the budget office by 15 April each year for inclusion in following year's budget for adoption by the council in May of that year.
- (5) Adjustments to the rolled over budget shall be done during the first budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (6) No funding for projects funded from the capital development fund shall be 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.
- (7) No unspent operating budget shall be rolled over to the next budget year.

15. Budget transfers and virements

- (1) 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.
- (2) The budget for personnel expenditure may not be increased without prior approval of the chief financial officer.
- (3) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of the council.
- (4) 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 ten per cent of the amount appropriated under that main expenditure category.
- (5) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure, except in the cases of grants whose conditions permit such a transfer.
- (6) budget transfers or virements with respect to capital projects may only be undertaken in accordance with section 31 of the MFMA.
- (7) Directors may utilise a saving in the amount appropriated under a main expenditure category (eg salaries, general expenses, repairs and 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, after obtaining approval of the chief financial officer or such senior delegated official in the budget and treasury department.

- (8) Budget transfers within the same vote shall be recommended by the director responsible for that vote and approved by the chief financial officer or such other senior delegated official in the finance department.
- (9) The municipal manager shall report to the executive mayor on a monthly basis on all virements that have been approved during the preceding month, and to the executive mayoral committee on all virements of funds between votes (directorates) that have been approved during the preceding month.
- (10) Virements between votes shall be included in the adjustment budget.
- (11) In the case of emergency or any other exceptional circumstances virements shall be submitted by the municipal manager to the executive mayor to authorise any possible unforeseeable or unavoidable expenditure for which no provision was made in an approved budget.
- (12) The executive mayor shall report such expenditure to the council at its next meeting which shall not be departed more than 60 (sixty) days from approval of expenditure.

16. Adjustment budget

- (1) Each adjustment budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- (2) The chief financial officer shall ensure that the adjustment budgets comply with the requirements of the national treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- (3) The council may revise its annual budget by means of an adjustment budget at most three times a year or a regulated.
- (4) The municipal manager shall promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (5) The municipal manager 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 the council.
- (6) The council shall in such adjustment budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the executive mayor.
- (7) The council shall also authorise 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.
- (8) Only the executive mayor shall table an adjustment budget.
- (9) An adjustments budget shall be tabled at most three times a year after the end of each quarter and be submitted to the council in the following months –
 - (a) 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;
 - (b) In February – to take into account recommendations from the mid-year budget and performance report tabled to the council in January that affect the annual budget;

- (c) In May – to adjust current year’s budget in cases where there is a indication that there shall be rolling over of funding to the next financial year.

OR

- (d) An adjustment budgets shall be done once per year and only during December of each year and be submitted to the council before 25 January each year.
- (e) An adjustment budget shall 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.
- (f) Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustment budget, but shall be appropriated to the municipality’s capital development fund.
- (g) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (h) Unauthorised expenses may be authorised in an adjustment budget.
- (i) In regard to unforeseen and unavoidable expenditure, the following apply –
 - (i) the executive mayor may authorise such expenses in an emergency or other exceptional circumstances;
 - (ii) the municipality may not exceed 3% of the approved annual budget in respect of such unforeseen and unavoidable expenses;
 - (iii) these expenses shall be reported by the executive mayor to the next the council meeting;
 - (iv) the expenses shall be appropriated in an adjustment budget; and
 - (v) the council shall pass the adjustment budget within sixty days after the expenses were incurred.

17. Budget Implementation

(1) Monitoring

- (a) The municipal manager with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and shall 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
 - (iii) revenues and expenses are properly monitored.
- (b) The municipal manager with the assistance of the chief financial officer shall prepare any adjustment budget when such budget is necessary and submit it to the executive mayor for consideration and tabling to the council.
- (c) The municipal manager shall 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.

(2) Reporting

(a) Monthly budget statements

- (i) The municipal manager with the assistance of the chief financial officer shall, 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 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 shall reflect the following –
- actual revenues per source, compared with budgeted revenues;
 - actual expenses per vote, compared with budgeted expenses;
 - actual capital expenditure per vote, compared with budgeted expenses;
 - actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - the amount of allocations received, compared with the budgeted amount;
 - actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - 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;
 - the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - 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.
- (ii) The report to the national treasury shall be both in electronic format and in a signed written document.

(b) Quarterly Reports

- (i) The executive mayor shall submit to the 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.

(c) Mid-year budget and performance assessment

- (i) The municipal manager shall 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.
- (ii) The municipal manager shall then submit a report on such assessment to the executive mayor by 25 January each year and to the council, Provincial Treasury and national treasury by 31 January each year.
- (iii) The municipal manager 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.

(d) Website Publishing

(i) The Director Corporate Services shall place on the municipality's official website the following –

- the annual and adjustment 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; and
- all quarterly and mid-year reports submitted the council on the implementation of the budget and the financial state of affairs of the municipality.

(e) Other Reports

(i) The chief financial officer shall ensure that the financial information which is required for the following annual, six-monthly, quarterly and monthly reports is provided within the required deadlines –

Annual Reports

- Asset Management
- budget Evaluation Checklist
- Financial Position
- Financial Position Audited
- Capital Acquisition
- Capital Acquisition Audited
- Cash Flow budget
- Grants and Subsidies Given
- Grants and Subsidies Received
- Financial Performance Audited
- Financial Performance budget
- IDP to budget
- Mid-year budget and performance assessment
- Annual budget

Six-Monthly Reports

- Mid-year budget and Performance Assessment
(section 72 MFMA)

Quarterly Reports

- Borrow Monitoring
- Corporate Entity
- Long Term Contracts
- MFMA 12 Urgent Priorities
- Public-Private Partnerships
- Equitable Share
- Withdrawals from municipal Bank Accounts
- Environment and Health – Allocations and Expenditure
- Budget Review (section 52 MFMA)

Monthly Reports

- Aged Creditors
- Aged Debtors
- Capital Acquisitions Actual
- Cash Flow Actuals
- Finance Management Grant
- Financial Performance Actuals
- Restructuring Grant
- Municipal Infrastructure Grant
- MSIG – Project Consolidate
- Budget Statement (section 71 MFMA)
- Supply Chain Management Awards

18. Approval

Date approved : 31 May 2012 (Council Resolution No CL1.160)
Operation date: 1 July 2012

MUNICIPAL MANAGER

EXECUTIVE MAYOR

MNR/es
2012