BUDGET POLICY

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LOCAL MUNICIPALITY

MP 313

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DEFINITIONS

"***Accounting Officer***"

a) means the Municipal Manager;

"***allocation***" means -

i) a municipality's share of the local government's equitable share referred to in Section 214(l) (a) of the Constitution;

ii) an allocation of money to a municipality in terms of Section 214(1) (c) of the Constitution;

iii) an allocation of money to a municipality in terms of a provincial budget; or

iv) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction.

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

"***approved budget***" means an annual budget -

a) approved by a municipal council, or

b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

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

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

a) the Tariffs Policy, which the municipality must adopt in terms of Section 74 of the Municipal Systems Act;

b) the Rates Policy which the municipality must adopt in terms of Section 3 of the Municipal Property Rates Act;

c) the Credit Control and Debt Collection Policy, which the municipality must adopt in terms of Section 96 of the Municipal Systems Act;

d) the Cash Management and Investment Policy which the municipality must adopt in terms of Section 13(2) of the Act;

e) a Barrowing Policy which must comply with Chapter 6 of the Act;

f) a Funding and Reserves Policy;

g) a Policy related to the long-term financial plan;

h) the Supply Chain Management Policy which the municipality is required to adopt in terms of Section 111 of the Act;

i) any policies dealing with the management and disposal of assets;

j) any policies dealing with infrastructure investment and capital projects.

"***budget transfer***" means transfer of funding within a function / vote.

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

"***Chief Financial Officer***" means a person designated in terms of Section 80(2)(a) of the MFMA;

"***councillor***" means a member of a municipal council;

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

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

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

"***financial recovery plan***" means a plan prepared in terms of Section 141 of the MFMA;

"***Financial Statements***" means statements consisting of at least -

a) an accounting policy;

b) a statement of financial position;

c) a statement of financial performance;

d) a cash-flow statement;

e) any other statements that may be prescribed; and

f) any notes to these statements;

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

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

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

“**irregular expenditure**”, means -

a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of Section 170 of the MFMA;

b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 20 of 1998); or

d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "*unauthorised expenditure*";

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

a) the placing on deposit of funds of a municipality with a financial institution; or

b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

“**lender**” means a person who provides debt finance to a municipality;

“**local community**” has the meaning assigned to it in Section 1 of the Municipal Systems Act;

“**Municipal Structures Act**” means the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and its subsequent promulgated amendments;

“**Municipal Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and its subsequent promulgated amendments;

“**long-term debt**” means debt repayable over a period exceeding one year;

“**Executive Mayor**” means the councillor elected as the executive mayor of the municipality in terms of Section 55 of the Municipal Structures Act;

“**Municipal Council**” or “**Council**” means the council of the municipality referred to in Section 18 of the Municipal Structures Act;

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

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

“**municipality**” **–**

a) when referred to as a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act; or

b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act 27 of 1998);

“**Accounting Officer**” means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

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

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

“**National Treasury**” means the National Treasury established by Section 5 of the Public Finance Management Act;

“**official**” means -

a) an employee of a municipality or municipal entity;

b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

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

“**overspending**”

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

b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

c) in relation to expenditure under Section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

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

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

a) 1 July to 30 September;

b) 1 October to 31 December;

c) 1 January to 31 March; 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)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate :

a) projections for each month of:

   i) revenue to be collected, by source and vote; and

   ii) operational and capital expenditure, by vote;

b) service delivery targets and performance indicators for each quarter; and

c) any other matters that may be prescribed, and includes any revisions of such plan by the Executive Mayor in terms of Section 54(l)(c) of the MFMA;

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

"**Standards of Generally Recognised Accounting Practice**" means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

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

a) overspending of the total amount appropriated in the municipality's approved budget;

b) overspending of the total amount appropriated for a vote in the approved budget;

c) expenditure from a vote unrelated to the department or functional area covered by the vote;

d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "*allocation*" otherwise than in accordance with any conditions of the allocation; or

f) a grant by the municipality otherwise than in accordance with the MFMA;

"**Virement**" means transfer of funds between functions / votes

"**vote**" means -

a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1. INTRODUCTION

In terms of the Municipal Finance Management Act, Act 56 of 2003, Chapter 4 on Municipal Budgets, subsection (16), states that the Council of a municipality must for each financial year approve an Annual Budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Executive Mayor of the municipality must table the Annual Budget at a Council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation 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;
- The responsibilities of the Executive Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget;
- To ensure that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

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 Budget) and within the limits of the amounts appropriated for each vote in the approved Budget.
- The Municipality shall prepare a three-year Budget (medium term revenue and expenditure framework (MTREF) to be reviewed annually and approved by Council in accordance with the Municipal Budget and Reporting Regulations.
- The MTREF Budget must at all times be within the framework of the Municipal Integrated Development Plan.

- The Annual Budget will only be funded from realistic anticipated revenues to be collected, cash backed accumulated funds not committed for other purposes and borrowed funds, but only for the Capital Budget.

4. BUDGET PREPARATION PROCESS

4.1 Formulation of the budget

a) The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP 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 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 National Treasury.

d) The Executive Mayor shall convene a strategic workshop in September/October 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.

e) The Executive Mayor shall table the draft IDP and MTREF Budget to Council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings et cetera).

f) The Chief Financial Officer and senior managers undertake the technical preparation of the Budget.

g) The Budget must be in the prescribed format, and must be divided into Capital and Operating Budget.

h) The Budget must reflect the realistically expected revenues by major source for the budget year concerned.

i) The expenditure for the budget year will be appropriated under the different votes of the municipality.

j) 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 revenue and expenditure for the prior 3 years as well as the original and adjusted revenue and expenditure for the current year.

4.2 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 organisations, to make representation at the Council hearings and to submit comments in response to the draft Budget.

4.3 Approval of the budget

a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

b) Should the municipality fail to approve the budget before the start of the budget year, the Executive Mayor must inform the MEC for Finance that the Budget has not been approved.

c) The Budget tabled to Council for approval shall include the following supporting documents:

   i) draft resolutions approving the Budget and imposing any municipal taxes and setting of municipal tariffs for the financial year concerned;

   ii) draft resolutions approving any other matter that may be prescribed for the financial year concerned;

   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

xi) particulars of any proposed service delivery agreements, including amendments to existing service delivery agreements.

4.4 **Publication of the budget**

a) Immediately after the draft Annual Budget has been tabled, the Executive Manager : Corporate Services must before 31 March of each year make public the budget and invite the local community to submit presentations in connection with the budget.

b) The Chief Financial Officer must submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury.

c) The Senior Manager: Information Technology Services must within 10 working days after the budget has been tabled display it on the municipal website.

4.5 **Consultation of tabled budgets**

Within fourteen (14) days after the public participation process has expired the Executive Mayor must consider all budget submissions and if necessary, revise the budget and table amendments for consideration by Council.

4.6 Service Delivery and Budget Implementation Plan (SDBIP)

a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.

b) The SDBIP shall include the following components:

i) Monthly projections of revenue to be collected from 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) Detailed capital implementation plans broken down by ward.

5. CAPITAL BUDGET

a) Expenditure of a project shall be included in the Capital Budget if it meets the asset definition, that is, if it results in an asset being acquired or created and its value exceeds R1 000,00 and has a useful life in excess of one year.

b) Vehicle replacement shall be done in terms of 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) 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 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.

e) Before approving a capital project, the Council must consider:

i) the projected cost of the project over all the ensuing financial years until the project becomes operational;

ii) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on Operating Budget (that is: on property rates and service tariffs).

f) 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.

v) Council shall approve the Annual or Adjustment Capital Budget only if it has been properly balanced and fully funded.

vi) the capital expenditure shall be funded from the following sources:

External loans

- External loans can be raised only if it is linked to the financing of an asset;

- A capital project to be financed from an external loan can only be included in the Budget if the loan has been secured or it can be reasonably assumed as being secured;

- The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;

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

Capital Replacement Reserve (CRR)

- Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established 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 CRR, appropriated in terms of the Investments Policy;

c) additional amounts appropriated as contributions in each Annual or Adjustment Budget; and

d) sale of land and profit or loss on the sale of assets;

e) proceeds from royalties and the exploration of minerals or the surface rental of such land.

- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;

- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

- Transfers to the CRR must be budgeted for in the cash budget;

Grant Funding or Conditional Cash Donations

- Capital Grant Funding or conditional cash donations must be budgeted for as part of the revenue budget;

- Capital expenditure funded from grants or conditional cash donations must be budgeted for in the Capital Budget;

- Interest earned on investments of Conditional Grant Funding shall be allocated directly to the revenue accounts and thereafter contributed to the CRR, unless otherwise specified.

- Grant funding must be cash backed.

Donated or Contributed Assets

- Donated or contributed assets must be budgeted for as part of the revenue budget.

Insurance Reserve

- If an insurance claim arises on an asset of the Council, and the insurers remunerate Council accordingly, such funds shall be contributed to the reserve in the financial year of occurrence;

- The replacement of such assets shall be budgeted for as part of a new budget process, and be requested on the Capital Budget to be approved.

6. OPERATING BUDGET

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

   i) provision for accrued leave entitlements.

   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 obsolescence and deterioration of stock in accordance with its Supply Chain Management Policy;

   v) depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.

   vi) at least 5% of the Operating Budget component of each annual and Adjustment Budget shall be set aside for maintenance.

   vii) at least 0,15% of the Operating Budget component of each Annual and Adjustment Budget shall be set aside for skills development.

b) When considering the tabled Annual Budget, Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

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

d) The Operating Budget shall reflect the impact of the capital component on:

   - depreciation charges;
   - interest payable on external borrowings other operating expenses.

e) The Chief Financial Officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

a) The budget may be financed only from:

i) realistically expected revenues, based on current and previous collection levels;

ii) cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

iii) borrowed funds in respect of the capital budget only.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

a) The appropriation of funds in an Annual or Adjustment Budget will lapse to the extent that they are unspent by the end of the relevant budget year, except for funds relating to capital expenditure.

b) Only unspent grant projects, if the conditions for such grant funding allow it and the necessary approval has been obtained or loan funded Capital projects may be rolled over to the next budget year;

c) Application for roll over of funds shall be forwarded to the Budget Office by the end of July each year to be included in and adjustment Budget for adoption by Council by 25 August.

d) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (31 March each year) prior the end of that particular financial year.

e) No unspent Operating Budget shall be rolled over to the next budget year.

9. BUDGET TRANSFERS AND VIREMENTS POLICY

The aim of this policy is to give managers greater flexibility in managing their budgets through providing clear guidance how shifting of funds may take place between items, projects, programmes and votes. Proposed virements must at all times facilitate sound risk and financial management.

a) Budget transfers shall be recommended by managers in accordance with authority and limits set in the delegations of authority.

b) Virements within the same vote can be handled administratively, whereas virements between votes must be included in an adjustment budget.

c) The approval of a virement will not provide the required authority for expenditure. All expenditure are subject to the stipulations of the Supply Chain Management Policy of Council.

d) Virements are subject to the completion of the budget amendment-form, which also includes the SDBIP projections to be revised accordingly.

e) Virements may not create new policy and / or significantly vary current policy, or alter approved outcomes contained in the IDP.

f) Virements between operating and capital budgets are not permissible.

g) No virement may be effected where it would result in the over-expenditure of a vote.

h) Virements are only allowed within the same main votes, but may be between different sub-votes.

i) Virements between main votes are only allowed under extra-ordinary circumstances and are subject to the approval of the CFO.

j) **Operating Budget**

- No budget transfers or virements shall be made to increase a salary vote without the prior comments of the CFO on the financial implication.
- Should a saving realise on a salary vote, such saving may be transferred to another operating vote, but only if the over-expenditure or foreseen over-expenditure of other salary, related votes have fully been addressed and subject to prior financial comments by the CFO.
- Virements can take place in the operating budget between line items within the same main vote, but the virements to or from the following items are not allowed:
    - ❖ Debt impairment;
    - ❖ Interest charges;
    - ❖ Depreciation;
    - ❖ Grants-in-aid;
    - ❖ Revenue forgone;
    - ❖ Insurance;
    - ❖ VAT;
    - ❖ Internal charges & recoveries

- No virements may be made between revenue and expenditure and vice versa.

- No virements are allowed on revenue items.

- Virements may not influence the net surplus / deficit of a vote.

- Virements must originate from savings.

- Virements of conditional grant funds for purposes, which fall outside what is specified in the relevant conditional grant framework, are not permissable.

k) **Capital Budget**

- Virements of conditional grant funds, which fall outside what is specified in the relevant conditional grant framework, are not permissable.

- Virements should not result in adding new projects to the Capital Budget.

- Virements on the Capital Budget must remain within:

  - ❖ The same Main vote;
  - ❖ The same Program name;
  - ❖ The same Funding source

- Virements on capital projects are only allowed if sufficient proof can be provided that a saving realised on the completion of the project, from which funds are to be moved.

10. **UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

a) In the case of an emergency or any other exceptional circumstances, virements shall be submitted by the Accounting officer to the Executive Mayor to authorize any possible unforseeable and unavoidable expenditure for which no provision was made in an approved budget.

b) The Executive Mayor must report such expenditure to the Council at its next meeting which should not be departed more than 60 (sixty) days from approval of expenditure.

c) The Chief Financial Officer shall ensure that Adjustment Budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Executive Mayor, are aligned with the IDP, 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.

d) Council may revise its Annual Budget by means of an Adjustment Budget only in accordance with the MFMA and together with the Municipal Budget and Reporting Regulations.

e) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

f) 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.

g) The Council shall in such Adjustment Budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.

h) The Council should 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.

i) Only the Executive Mayor shall table an Adjustment Budget. Adjustment Budget shall be done in accordance with the prescribed framework and be submitted to Council as follows:

  i) In August – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources;

  ii) February – to take into account recommendations from the Mid-Year Budget and Performance Review tabled to Council in January, that affects the Annual Budget;

  iii) A final budget adjustment to adjust the previous year's budget in cases where there is a indication that the budget provision is insufficient;

j) An Adjustment Budget comply to all prescriptions of the Municipal Budget and Reporting Regulations.

k) Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget.

l) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

m) Unauthorised expenses may not be authorised in an Adjustment Budget apart from prescribed processes.

n) With regard to unforeseen and unavoidable expenditure, it may only be treated as per the Municipal Budget and Reporting Regulations.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is 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 revenues 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 an 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 impeding shortfalls in the Annual Revenue Budget, as well as any impeding overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

a) The Accounting Officer with the assistance of the Chief Financial Officer must, not later than 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 must reflect the following:

i) actual revenues per source, compared with planned revenues;

i. actual expenses per vote, compared with planned expenses;

ii. actual capital expenditure per vote, compared with planned expenses;

iii. actual borrowings, compared with the borrowings envisaged to fund the capital budget;

iv. the amount of allocations received;

v. actual expenses against allocations, but excluding expenses in respect of the equitable share;

vi. explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenditure 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 Adjusted Budget; and

ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

b) The report to the National Treasury must be in both and electronic format and a signed hard copy.

11.2.2 **Quarterly Reports**

a) The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the Budget and the financial state of affairs of the municipality.

11.2.3 Mid-year budget and performance assessment

a) 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.

b) The Accounting Officer must then submit a report on such assessment to the Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

c) The Accounting Officer may in such report make recommendations after considering the recommend-dation of the Chief Financial Officer for adjusting the Annual Budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.

12. CONCLUSION

The Executive Manager: Corporate Services must 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;
- 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.