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## BUDGET POLICY



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## 1. DEFINITIONS

In this Policy, unless the context indicates otherwise:

- 1.1. **“Accounting officer”** means the municipal manager, as indicated in section 60 of the Local Government: Municipal Finance Management Act, 2003, Act No 56 of 2003;
- 1.2. **“Act”** as referred to in this policy means the Local Government: Municipal Finance Management Act, 2003, Act No. 56 of 2003;
- 1.3. **“Allocation”** means:
  - (a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(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;
- 1.4. **“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;
- 1.5. **“Budget related policies”** means policies of a municipality affecting or affected by the annual budget of the municipality, including:
  - (a) the tariff 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 legislation regulating the municipal property rates; and
  - (c) the credit control and debt collection policy, which the municipality must adopted in terms of Section 96 of the Municipal Systems Act;
- 1.6. **“Budget vote transfer”** means a transfer of funding from one vote to another vote;
- 1.7. **“Budget year”** means the financial year for which an annual budget is to be approved in terms of section 16(1) of the Act;

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- 1.8. “**Chief Financial Officer**” means a person designated in terms of section 80(2)(a) of the Act;
- 1.9. “**Councillor**” means a member of a municipal council;
- 1.10. “**Current year**” means the financial year which has already commenced, but not yet ended;
- 1.11. “**District municipality**” means a municipality that has municipal executive and legislative authority in an area that included more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;
- 1.12. “**Financial recovery plan**” means a plan prepared in terms of section 141 of the Act;
- 1.13. “**Financial year**” means a twelve month financial period commencing on 1 July and ending on 30 June each year;
- 1.14. “**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 liability over a period of time;
- 1.15. “**Fruitless and wasteful expenditure**” means expenditure that was made in vain and would have been avoided had reasonable care been exercised; in terms of section 1 of the MFMA.
- 1.16. “**Irregular expenditure**” means:
- (a) expenditure incurred by a municipality 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 Act;
  - (b) expenditure incurred by a municipality 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 the Municipal Systems 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, (Act No 20 of 1998); or
  - (d) expenditure incurred by a municipality 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 bylaws giving effect to such policy, and which has not been condoned in terms of such policy or bylaw, but excludes expenditure by a municipality which falls within the definition of “unauthorized expenditure”;

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- 1.17. “**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;
- 1.18. “**Local community**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.19. “**Local authority**” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;
- 1.20. “**Mayor**” in relation to-
- (a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
  - (b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;
- 1.21. “**MEC for finance**” means the member of the Executive Council of a Province who is responsible for local government in that province;
- 1.22. “**Minister**” means the Cabinet member responsible for finance;
- 1.23. “**Month**” means one of the 12 months of a calendar year;
- 1.24. “**Municipal council**” or “council” means the council of a municipality referred to in section 18 of the Municipal Structures Act;
- 1.25. “**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 No 27 of 1998);

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- 1.26. “**Municipal manager**” means a person appointed in terms of section 82(1)(a) or (c) of the Municipal Structures Act;
- 1.27. “**Municipal service**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.28. “**Municipal Structures Act**” means the Local Government Municipal Structures Act, 1998 (Act No 117 of 1998);
- 1.29. “**Municipal Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
- 1.30. “**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
- 1.31. “**Municipal tax**” means property rates or other taxes, levies or duties that a municipality may impose;
- 1.32. “**National Treasury**” means the National Treasury established by section 5 of the Public Finance Management Act;
- 1.33. “**Official**” in relation to a municipality, means:
- (a) an employee of a municipality;
  - (b) a person seconded to a municipality to work as a member of the staff of the municipality; or
  - (c) a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee;
- 1.34. “**Overspending**”:
- (a) in relation to the budget of a municipality means causing the operation 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 that vote; or
  - (c) in relation to expenditure under section 26 of the Act, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

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- 1.35. “**Past financial year**” means the financial year preceding the current year;
- 1.36. “**Political office-bearer**” in relation to a municipality means:
- (a) the speaker, mayor, deputy mayor, or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
  - (b) a councillor referred to in section 57(1) of this Act;
- 1.37. “**Political structure**” in relation to a municipality, means:
- (a) the council of a municipality; or
  - (b) any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act;
- 1.38. “**Prescribe**” means prescribe by regulation in terms of section 168 of the Act;
- 1.39. “**Provincial treasury**” means a treasury established in terms of section 17 of the Public Finance Management Act;
- 1.40. “**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;
- 1.41. “**Senior manager**” in relation to a municipality, means a manager referred to in section 56 of the Municipal Systems Act;
- 1.42. “**Service delivery agreement**” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.43. “**Shared control**” in relation to a municipal entity, means the rights and powers a municipality has over a municipal entity which is:
- (a) a private company in which effective control as defined in section 1 of the Municipal Systems Act is vested in that municipality and one or more other municipalities collectively; or
  - (b) a multi- jurisdictional service utility in which that municipality participates;

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- 1.44. **“Standards of Generally Recognised Accounting Practice”** means an accounting practice complying with standards applicable to municipalities as determined by the Accounting Standards Board;
- 1.45. **“Unauthorized expenditure”** in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA Act, 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 this Act;
- 1.46. **“Virement”** means transfer of funds between functions/votes;
- 1.47. **“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;

In this Act, a word or expression derived from a word or expression defined in has a corresponding meaning unless the context indicates that another meaning is intended.

## 2. OBJECTIVE

The objective of the budget policy is to set out:

- 2.1. The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget;
- 2.2. The responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer, the Manager: Budget and Planning, and other Senior Managers in compiling the budget; and
- 2.3. To establish and maintain procedures to ensure adherence to AbaQulusi Municipality’s budget processes.

## 3. BUDGETING PRINCIPLES

- 3.1. AbaQulusi Municipality shall prepare a three year budget (medium term revenue and expenditure framework, MTREF) which requires review annually and approved by Council, for every financial year.



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- 3.2. The budget must 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 expenses for the prior year, and the estimated revenues and expenses for the current year.
- 3.3. The budget for every financial year must be in the prescribed format, and must clearly distinguish between the operating budget and a capital budget.
- 3.4. The budget must reflect the realistically expected revenues by major source for the budget period under consideration.
- 3.5. The expenses and income must be categorised into items, and allocated to the respective departments.
- 3.6. The accounting standards as prescribed by National Treasury.
- 3.7. The municipality shall not budget for an operating deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- 3.8. The MTREF budget must at all times be within the framework of the Municipality's Integrated Development Plan (IDP).
- 3.9. Except in so far as capital projects represent a contractual commitment to the Municipality or represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

#### **4. BUDGET PREPARATION PROCESS**

##### **4.1. Formulation of the budget**

- 4.1.1. The Accounting officer with the assistance of the Manager: Budget and Planning, and the Chief Financial Officer shall draft the budget timetable for the preparation of the budget of the municipality for the ensuing financial year.
- 4.1.2. The mayor shall table the budget timetable to Council by the 31 August every financial year for approval, ten months before the commencement of the financial year, ensuring compliance with section 21(1)(b) of the Act.
- 4.1.3. The budget timetable shall indicate the key deadlines for the preparation of the medium term revenue and expenditure framework budget and the annual adjustment budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, No. 56 of 2003 (MFMA) as well as the guidelines set by National Treasury.
- 4.1.4. The Executive Directors for the respective departments are required to engage in section meetings with the relevant staff in order to identify and prioritize their needs and budget requirements for the ensuing financial year.

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- 4.1.5. The respective Executive Directors will then forward their input, in writing, to the responsible manager for preparation of the IDP and the budget and compliance office.
- 4.1.6. The Accounting Officer, the Executive Directors for the respective Departments, the Chief Financial Officer, the Manager: Budgets and Planning, and other Senior Managers, are to liaise with various external stakeholders (Departments, district municipality, etc) and establish their priorities and projected budget allocations to this municipality.
- 4.1.7. The submissions of the Executive Directors, stakeholders budget allocations, and Council priorities are to be considered during preparation of the IDP and the budget.
- 4.1.8. The Chief Financial Officer and the Manager: Budgets and Planning undertake the technical preparation of the budget.
- 4.1.9. The budget must comply with the budgeting principles enlisted in section 3 of this policy.
- 4.1.10. The Mayor shall table the draft MTREF budget to council by the 31 March (90 days before the start of the new budget year) together with the draft resolutions and a proposed plan for the consultation process of the budget.

**4.2. Public Participation Process**

- 4.2.1. Immediately subsequent to the tabling of the draft budget to council, the municipality must convene public hearings on the draft budget and invite the public and stakeholder organizations to submit written comments in response to the draft budget.
- 4.2.2. The draft budget must further be submitted to National Treasury, the relevant Provincial Treasury, and all national and provincial organs of state or municipalities that are affected by the budget.
- 4.2.3. The draft budget shall further be made available on the authorized website of the municipality for public comment.
- 4.2.4. The public participation period requires completion by the 15 May of every financial year.

**4.3. Approval of the budget**

- 4.3.1. AbaQulusi Municipality is obliged to consider all written comments received from the public, the relevant Provincial Treasury, National Treasury, and all National and Provincial organs of state and municipalities affected by the budget before Council may consider the approval of the MTREF budget.
- 4.3.2. Council shall commence consideration of the approval of the budget no later than the 31 May, which is 30 days before the commencement of the ensuing financial year, as required by section 24(1) of the Act.
- 4.3.3. The budget tabled for approval shall include the following supporting documents:
  - (a) draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year under consideration;
  - (b) draft resolutions;

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- (c) the projected cash flows for the financial year by revenue sources and expenditure votes;
  - (d) and proposed amendments to the budget related policies;
  - (e) 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 organizations such as non-governmental organizations, welfare institutions, etc; and
  - (f) particulars of the municipality's investments for the preceding month at which the budget is tabled.
- 4.3.4. Furthermore, a report detailing all comments received from the public, National Treasury, Provincial Treasury, and all organs of state and municipalities affected by the budget, as well as the action taken by the municipality in addressing these comments, shall be tabled to council with the budget for approval.
- 4.3.5. The budget must be approved by Council before the start of the financial year.
- 4.3.6. Should the municipality fail to approve the budget before the commencement of the budget year, the mayor must inform the MEC for Finance, in writing, that the budget has not been approved.

**4.4. Publication of the budget**

- 4.4.1. The Manager: Budgets and Planning must ensure that the draft budget, the IDP and other budget related information is made available on the municipal website so that it is accessible to the public as well as provide hard and electronic copies to National and the relevant Provincial Treasury, within 14 days after the draft annual budget has been tabled to Council.
- 4.4.2. The Manager: Budgets and Planning must further submit the approved budget in both printed and electronic formats to National Treasury, the relevant Provincial Treasury, and publish on the municipality's website, within 14 days after approval of the budget by Council.

**5. CAPITAL BUDGET**

- 5.1. Expenditure of a project shall be included in the capital budget if it meets the asset definition, as defined in the municipality's approved asset management policy.
- 5.2. The capital budget for vehicles shall distinguish between replacement vehicles and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- 5.3. A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- 5.4. The envisaged sources of funding for the capital budget must be properly considered and Council must be satisfied that this funding is available and has not been committed for other purposes.
- 5.5. Before approving a **capital project**, the Council must consider:
- 5.5.1. the projected cost of the project over all the ensuing financial years until the project becomes operational;
  - 5.5.2. future operational costs and any revenues, which may arise in respect of such projects, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

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- 5.6. Before approving a **capital budget**, the Council shall consider:
- 5.6.1. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans;
  - 5.6.2. depreciation of fixed assets;
  - 5.6.3. maintenance of fixed assets;
  - 5.6.4. any other ordinary operational expenses associated with any item or such capital budget.
- 5.7. Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- 5.8. The capital expenditure shall be funded from the following sources:

**Revenue or Surplus**

- 5.8.1. If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure; and
- 5.8.2. If the project is to be financed from surplus there must be sufficient cash available at the time of commencement of the project.

**External Loans**

- 5.8.3. External loans can be raised only if it is linked to the financing of an asset;
- 5.8.4. 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 it can be reasonably assumed as being secured;
- 5.8.5. Interest payable on external loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

**6. OPERATING BUDGET**

- 6.1. The municipality shall budget in each annual and adjustment budget for the contribution to:
- 6.1.1. provision for accrued leave entitlements equal to 100% of the accrued leave;
  - 6.1.2. provision for post retirement medical benefits
  - 6.1.3. provision for bad debts in accordance with the debt collection and credit control policy;
  - 6.1.4. provision for the obsolescence and deterioration of stock;
  - 6.1.5. depreciation and finance charges shall be charged to or appropriated only between the departments or votes to which the projects relate;
  - 6.1.6. provision for Sect 57 Bonuses
  - 6.1.7. provision for Landfill Sites

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- 6.2. When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and other related tariffs will have on the households.
- 6.3. The operating budget shall reflect the impact of the capital component on:
  - 6.3.1. depreciation charges
  - 6.3.2. repairs and maintenance expenses
  - 6.3.3. interest payable on external borrowings
  - 6.3.4. other operating expenses.
- 6.4. The cost of indigent relief is to be separately reflected in the appropriate votes.

**7. FRAMEWORK FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

- 7.1 In terms of the Budget Regulations the following must be adhered to-
  - Authorisation of unforeseen and unavoidable expenditure
  - (1) the mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if-
    - (a) the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
    - (b) the delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28(2)(c) of the Act to authorise the expenditure may –
      - (i) result in significant financial loss for the municipality
      - (ii) cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
      - (iii) lead to loss of life or serious injury or significant damage to property; or
      - (iv) obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
    - (2) the mayor of a municipality may not authorise expenditure in terms of section 29 of the Act if the expenditure –
      - (a) was considered by the council, but not approved in the annual budget or an adjustments budget;
      - (b) is required for –
        - (i) price increases of goods or services during the financial year;
        - (ii) new municipal services or functions during the financial year;
        - (iii) the extension of existing municipal services or functions during the financial year;
        - (iv) the appointment of personnel during the financial year; or
        - (v) allocating discretionary appropriations to any vote during the financial year; or
      - (c) would contravene any existing council policy; or

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- (d) is intended to ratify irregular or fruitless and wasteful expenditure.

Monetary limits on unforeseen and unavoidable expenditure

72. the amount of expenditure that a mayor of a municipality may authorise in terms of section 29 of the Act is limited to –
- (a) 5% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
- (b) the greater of R5 million or 4% of the municipality's own revenue in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million

**8. FUNDING OF CAPITAL AND OPERATING BUDGET**

- 8.1. The budget may be financed only from:
- 8.1.1. realistically expected revenues, based on current and previous collection levels;
- 8.1.2. cash backed funds available from previous surpluses where such funds are not required for other purposes; and
- 8.1.3. borrowed funds in respect of the capital budget only.

**9. UNSPENT FUNDS/ROLL OVER OF BUDGET**

- 9.1. 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, but except for funds relating to capital expenditure.
- 9.2. Only unspent grant, should the conditions of such grant funding allows that, or loan funded capital budget may be rolled over to the next budget year. 15 April each year to be included in next year's budget for adoption by Council
- 9.3. Conditions of the grant fund shall be taken into account in applying for such roll over of funds.
- 9.4. Application for rollover of funds shall be forwarded to the budget office by the
- 9.5. 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.
- 9.6. No funding for projects funded from the ( **Capital Replacement Reserve**) Inappropriate Surplus 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 to the end of that financial year
- 9.7. No unspent operating budget shall be rolled over to the next budget year.

## **10. BUDGET VOTE TRANSFERS**

### **10.1. Conditions for a budget vote transfer:**

- 10.1.1. AbaQulusi Municipality appreciates that unforeseen and necessary expenditure may need to be incurred which have not been adequately accounted for in the approved budget for the financial year.
- 10.1.2. Necessary funds may need to be made available urgently and therefore the incurring of the expenditure cannot be deferred for consideration during the budget adjustment review.
- 10.1.3. A budget vote transfer may then be authorised, provided that the following circumstances have been met:
  - (a) The expenditure is unforeseen and considered necessary in achieving AbaQulusi's strategic goals or operational functions; or has been erroneously budgeted for in the approved budget;
  - (b) Adequate funds for the expenditure have been made available from a saving from an existing vote/s; and
  - (c) The saving from a capital expenditure vote may not be utilised to defray expenditure on operational expenditure, and vice versa.

### **10.2. Recording of Budget Vote Transfers:**

- 10.2.1. A Vote Transfer Requisition form will be maintained for each of the five Departments.
- 10.2.2. The Vote Transfer Requisition Forms shall be duplicated, with the first copy being filed by the Budget Office and the duplicate maintained in the Vote Transfer From department.

### **10.3. Procedure for Requisitioning an OPERATING BUDGET Vote Transfer:**

- 10.3.1. Should a vote transfer of funds be considered necessary, the requesting official shall complete a "Vote Transfer Requisition" (ANNEXURE A) which needs to clearly dictate the reason for the vote transfer and the vote from which the funds will be made available.
- 10.3.2. The "Vote Transfer Requisition" shall be authorised by the relevant Head of Department.
- 10.3.3. By authorising the vote transfer, the Head of Department acknowledges the following:
  - (a) The vote transfer is considered necessary for performing day to day operational functions or meeting the strategic needs of the organization;
  - (b) The expenditure is considered to be unforeseen or has been erroneously budgeted for in the approved budget;
  - (c) The Department has/anticipates adequate savings to fund the vote transfer.
- 10.3.4. The "Vote Transfer Requisition" is then submitted to the Manager: Budgets and Planning for signature.

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10.3.5. By signing the vote transfer requisition, the Manager: Budget and Planning provides assurance of the following:

- (a) The vote where savings has been identified by the Department is adequate to fund the vote transfer; and
- (b) The Department has sufficiently justified the reasons for the transfer.

10.3.6. Upon signature of the Manager: Budget and Planning, the vote transfer requisition is submitted to the Municipal Manager for final authorization.

**10.4. Procedure for Requisitioning a CAPITAL BUDGET Vote Transfer:**

10.4.1. Should a vote transfer of funds be considered necessary, the requesting official shall complete a "Vote Transfer Requisition" which needs to clearly dictate the reason for the vote transfer and the vote from which the funds will be made available.

10.4.2. The "Vote Transfer Requisition" shall be authorised by the relevant Head of Department.

10.4.3. By authorising the vote transfer, the Head of Department acknowledges the following:

- (a) The vote transfer is considered necessary for performing day to day operational functions or meeting the strategic needs of the organization;
- (b) The expenditure is considered to be unforeseen or has been erroneously budgeted for in the approved budget;
- (c) The Department has/anticipates adequate savings to fund the vote transfer.

10.4.4. The "Vote Transfer Requisition" is then submitted to the Manager: Budgets and Planning for signature.

10.4.5. By signing the vote transfer requisition, the Manager: Budget and Planning provides assurance of the following:

- (a) The vote where savings has been identified by the Department is adequate to fund the vote transfer;
- (b) The Department has sufficient justified the reasons for the transfer; and
- (c) For capital expenditure in excess of R 15,000.00 the relevant Council resolution has been taken authorizing the vote transfer.

10.4.6. Upon signature of the Manager: Budgets and Planning, the vote transfer requisition is submitted to the Municipal Manager for final authorization.

**10.5. Approval of OPERATING BUDGET Vote Transfers:**

10.5.1. The Municipal Manager is authorized to approve all vote transfers for operational items on behalf of the Council.

10.5.2. No vote transfers shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Director: Corporate Services.



**10.6. Approval of CAPITAL BUDGET Vote Transfers:**

10.6.1. The Municipal Manager may authorize all vote transfers for Capital Expenditure that is limited to R 15,000.00.

10.6.2. Vote transfers for capital expenditure in excess of R 15,000.00 but limited to R 200,000 shall be submitted to EXCO for approval.

10.6.3. Vote transfers for capital expenditure in excess of R200,000 shall be submitted to Council for approval.

**10.7. Processing of vote transfers:**

10.7.1. The Manager: Budget and Planning or his/her delegate may process a vote transfer.

10.7.2. The vote transfer may only be processed upon completion of the vote transfer requisition form and signatures of the following:

- (a) Relevant Head of Department;
- (b) Manager: Budget and Planning;
- (c) Municipal Manager;
- (d) Council resolution, where applicable.

10.7.3. The Budget and Planning office shall ensure that the relevant Head of Department and the Head: Procurement is notified, in writing, of the completion of the vote transfer and the appropriate vote number that is to be utilised from thereon.

10.7.4. The completed Vote Transfer Requisition Form (first copy), print screens of the selected vote numbers prior and subsequent to the vote transfer, council resolution (where applicable) and the letter of notification for completion of the transfer shall be filed and maintained by the Budget office for all transfers.

**10.8. Reconciliation Processes:**

10.8.1. The Budget and Planning Office shall ensure that a "Vote Transfer Register" is maintained for all vote transfers.

10.8.2. This Vote Transfer Register shall be updated on a weekly basis and reviewed by the Manager: Budget and Planning at least once a month.

10.8.3. A reconciliation of the approved budget to the budget as per the MUNSOFT system shall be performed on a monthly basis, and reviewed by the Manager: Budget and Planning.

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- 10.8.4. Any unreconciled differences i.e. any differences which cannot be agreed to authorized vote transfers, shall be investigated and reported to Council within 30 days of such unauthorized transfers.
- 10.8.5. A schedule of vote transfers for capital items limited to R 15,000.00 shall be maintained, and submitted to Council on a quarterly basis, for noting.

**11. ADJUSTMENT BUDGET**

- 11.1. Where unforeseen and unavoidable expenses need to be incurred urgently, but the funding is uncertain at that point in time, the expenditure may occur, provided that the item is documented in a **budget review form (ANNEXURE B)** and authorized by the Accounting Officer. These items will then require ratification by means of an adjustment budget.
- 11.2. **The Chief Financial Officer with the assistance of the Manager: Budget and Planning shall ensure that the adjustment budget complies with the requirements of National Treasury and reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget related policies.**
- 11.3. Council may revise its annual budget by means of an adjustment budget once every financial year.
- 11.4. The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenue arises or is apparent.
- 11.5. The Accounting Office 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.
- 11.6. The Council shall in such adjustment budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- 11.7. The Council shall further 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 Council.
- 11.8. Only the Mayor shall table an adjustment budget.
- 11.9. An adjustment budget must contain all of the following:
  - 11.9.1. an explanation of how the adjustments affect the approved annual budget;
  - 11.9.2. appropriate motivations for material adjustments; and
  - 11.9.3. an explanation of the impact of any increased spending on the current and future annual budgets.
- 11.10. Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- 11.11. Unauthorised expenses may be authorized in an adjustment budget.

## **12. BUDGET IMPLEMENTATION**

### **12.1. Monitoring**

12.1.1. The Accounting Officer with the assistance of the Chief Financial Officer, the Manager: Budgets and Planning, and the Executive Directors for the respective departments, is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- (a) funds are spent in accordance with the budget;
- (b) expenses are reduced if expected revenues are less than projected; and
- (c) revenue and expenses are properly monitored.

12.1.2. 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.

### **12.2. Reporting**

#### **Monthly budget statements**

12.2.1. The Accounting Officer with the assistance of the Chief Financial Officer and the Manager: Budgets and Planning must, no later than 10 working days after the end of each calendar month, submit to the Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for that particular month, and cumulatively for the financial year to date.

11.2.2. The Accounting Officer is to further table a report on the state of the municipality's budget for a particular month, and cumulatively for the financial year to date at the next council meeting subsequent to the end of that particular month.

#### **Quarterly reports**

12.2.3. The Accounting Officer with the assistance of the Chief Financial Officer and the Manager: Budgets and Planning must, no later than 10 working days after the end of each quarter, submit to the Provincial and National Treasury a quarterly report in the prescribed format on the state of the municipality's budget for that particular quarter and cumulatively for the financial year to date.

12.2.4. The Mayor must submit to Council within 30 days at the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality by the 25<sup>th</sup> January each year and to Council, Provincial Treasury and National Treasury by 31 January each year

**Mid year budget and performance assessment**

To comply with Section 72 of the MFMA the Accounting Officer of AbaQulusi Municipality must by 25 January of each year –

12.2.5. (i) The Accounting Officer must assess the budgetary performance of the municipality for the first six months of the financial year, taking into account all the monthly budget reports, the service delivery performance of the municipality.

(ii) the past year's annual report, and progress on resolving problems identified in the annual report

12.2.6. The Accounting Officer must then submit an assessment to the Mayor

12.2.7. The Accounting Officer may in such report make recommendations after considering the recommendations of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses.

***Approved:***