

# **NGQUSHWA LOCAL MUNICIPALITY**



## **DRAFT BUDGET POLICY**

**2023/2024**

## Summary

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Related Policies, Procedures, Guidelines, Standards, Frameworks	
Replaces/ Repeals (whichever is relevant, if any)	
Policy Officer (Name/Position)	
Policy Officer (Phone)	
Policy Sponsor (Name/Position)	
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## **1. TITLE**

This is the Budget Policy of the Ngqushwa Local Municipality.

## **2. PURPOSE**

To set out the budgeting principles, which the municipality will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget. This Policy is subject to the provisions of the MFMA, its relevant Regulations and National Treasury Circulars, those adopted by Council.

## **3. SCOPE**

This policy applies to all directorates and units of the Ngqushwa Local Municipality.

## **4. PROCEDURE DETAIL**

### **4.1 LEGAL REQUIREMENTS IN TERMS OF MFMA**

#### **4.1.1 Section 15 Appropriation of funds for expenditure**

- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for the different votes in an approved budget.

#### **4.1.2 Section 16 Annual budgets**

- The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.
- The Mayor must table the annual budget at least 90 days before the start of such financial year.
- The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

### **4.1.3 Section 17 Contents of annual budgets and supporting documents**

The budget must be in the National Treasury prescribed format, and must be divided into a capital and an operating budget.

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

The expenses reflected in the budget must be divided into votes.

The budget must 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.

The budget must be accompanied by all the following documents:

- Resolutions of Council approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- Resolutions of Council (where applicable) amending the IDP and the budget-related policies;
- Measurable performance objectives for each budget vote, taking into account the municipality 's IDP;
- The projected cash flows for the financial year by revenue sources and expenditure votes;
- Any proposed amendments to the IDP;
- Any proposed amendments to the budget-related policies;
- The cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other Councillors, the Municipal Manager, the Chief Financial Officer, and other Senior Managers;
- 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 NGOs, welfare institutions and so on;
- Particulars of the municipality 's investments; and
- Relevant information about municipal entities under the shared or sole control of the municipality.

### **4.1.4 Section 18 Funding of expenditures**

The annual budget may be financed only from:

- realistically anticipated revenues to be collected,
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- Borrowed funds in respect of the capital budget only.

Revenue projections in the budget must be realistic, taking into account:

- projected revenue for the current year based on collection levels to date,
- Actual revenue collected in previous financial years.

#### **4.1.5 Section 19 Capital projects**

A municipality may spend money on a capital project only if –

- The money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.
- The total projects costs have been approved by Council.
- Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

#### **4.1.6 Section 20 Matters to be prescribed**

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections, which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

#### **4.1.7 Section 21 Budget preparation process**

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least 10 months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the

National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.

- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district municipality and all other local municipalities in the district.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide on request any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.

#### **4.1.8 Section 22 Publication of annual budgets**

Immediately after the annual budget has been tabled, the Municipal Manager must:

- make public the annual budget and the documents referred to in section 17 (3) and
- invite the local community to submit representations in connection with the budget, and
- Submit the annual budget in both printed and electronic formats to the National Treasury and relevant provincial treasury.

#### **4.1.9 Section 23 Consultations on tabled budgets**

After the budget has been tabled, the Council of the municipality must consider the views of the local community, National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities, which have made submissions on the budget.

After considering these views, the Council must give the Mayor the opportunity:

- to respond to the submissions received, and
- if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if the Council adopts them.

#### **4.1.10 Section 24 Approval of annual budgets**

The Council must consider approval of the budget at least 30 days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

#### **4.1.11 Section 25 Failure to approve budget before start of budget year**

This Section sets out the process, which must be followed if the budget is not approved in the normal course of events. Briefly, the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

#### **4.1.12 Section 26 Consequences of failure to approve budget before start of budget year**

The provincial executive must intervene in any municipality, which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

#### **4.1.13 Section 27 Non-compliance with provisions of this chapter**

This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

#### **4.1.14 Section 28 Municipal adjustments budgets**

A municipality may revise its annual budget by means of an adjustments budget.

However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

A municipality may appropriate additional revenues, which have become available but only to revise or accelerate spending programs already budgeted for a municipality may in such adjustments budget, and within the prescribed framework, authorize unforeseen and unavoidable expenses on the recommendation of the Mayor.

A municipality may authorize the utilization of projected savings on any vote towards spending under another vote.



Municipalities may also authorize the spending of funds unspent at the end of the previous financial year, the Council approved where such under-spending could not reasonably have been foreseen at the time the annual budget.

Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets.

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

#### **4.15 Section 29 Unforeseen and unavoidable expenditure**

In regard to unforeseen and unavoidable expenses, the following apply:

- the Mayor may authorize such expenses in an emergency or other exceptional circumstances;
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- these expenses must be reported by the Mayor to the next Council meeting;
- the expenses must be appropriated in an adjustments budget; and
- The adjustments budget must be passed within sixty days after the expenses were incurred.

#### **4.1.16 Section 30 Unspent funds**

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

#### **4.1.17 Section 31 Shifting of funds between multi-year appropriations**

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year 's allocation;

- the increase is funded in the next financial year 's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

#### **4.1.18 Section 32 Unauthorized, irregular or fruitless and wasteful expenditure**

Unauthorized expenses may be authorized in an adjustments budget.

#### **4.1.19 Section 33 Contracts having future budgetary implications**

A municipality may enter into contracts extending beyond one financial year, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarizing the municipality 's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

#### **4.1.20 Section 43 Applicability of tax and tariff capping on municipalities**

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

#### **4.1.21 Section 53 Budget processes and related matters**

The Mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and
- Determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives, which are approved with the budget and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

#### **4.1.22 Section 68 Budget preparation**

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

#### **4.1.23 Section 69 Budget implementation**

The Municipal Manager is responsible for implementing 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.

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

#### **4.1.24 Section 70 Impending shortfalls, overspending and overdrafts**

The Municipal Manager 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.

#### **4.1.25 Section 71 Monthly budget statements**

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor of the Municipality and Provincial 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.

The report must 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.

The report to the National Treasury must be both in electronic format and in a signed document.

#### **4.1.26 Section 54 Budgetary control and early identification of financial problems**

On receipt of the report from the Municipal Manager, the Mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
- 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.

If the municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be

supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

#### **4.1.27 Section 55 Report to provincial executive if conditions for provincial intervention exist**

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the Mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

#### **4.1.28 Section 72 Mid-year budget and performance assessment**

- The Municipal Manager 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 targets and performance indicators which were set in the service delivery budget and implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.
- The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.
- The Municipal Manager may in such report recommend for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.
- In terms of Section 54(1) (f), the Mayor must promptly submit this assessment report to the Council of the municipality.

#### **4.1.29 Section 73 Reports on failure to adopt or implement budget-related and other policies**

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

#### **4.1.30 Section 75 Information to be placed on websites of municipalities**

The Municipal Manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;

- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

#### **4.31 Section 80 Establishment (of municipal budget and treasury office)**

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials.

##### **4.1.32 Section 81 Role of Chief Financial Officer**

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the Municipal Manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- account to the Municipal Manager for the performance of all the foregoing responsibilities

##### **4.1.33 Section 83 Competency levels of professional financial officials**

The Municipal Manager, Senior Managers, the Chief Financial Officer and the other financial officials in a municipality must all meet financial management competency levels, as prescribed in sections 83, 107 and 119 of the MFMA as well as the Municipal Regulations on Minimum Competency Levels issued in terms of the MFMA and NT Circular 60.

##### **4.1.34 Municipal Budgeting and Reporting Regulations**

#### **4.2 BUDGETING PRINCIPLES TO BE FOLLOWED**

Except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

The council shall only approve the capital budget component of the annual or adjustments budget if it has been properly balanced, that is, if the sources of finance, which are realistically envisaged to fund the budget, equal the proposed capital expenses.

Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget. In addition, the council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

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

- unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
- further amounts appropriated as contributions in each annual or adjustments budget and
- net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

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

An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and may be offset against any unappropriated surplus carried forward from preceding financial years.

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

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

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

Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such



department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

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

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

The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy.

In the preparation of the final operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments- (for example, depreciation charges, finance charges, insurance costs, contribution to the COID, RSC levies payable, skills development levies payable).

Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

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

When considering the final annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the

increases concerned, the council shall ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index.

### **4.3 COMMUNICATION**

Circulars, messages and notices on notice boards will be utilized in order to inform all employees of the availability of the policy. Copies of the policy will also be distributed to the parties that took part in the consultation process

### **4.4 NON COMPLIANCE AND CONTRAVENTION.**

It should be noted that any employee, office bearer or Councillor that is found to have negligently or deliberately contravened and or not complied with any provision of this Policy, may be subjected to appropriate consequence management, as provided for in, amongst others, MFMA NT Circular No. 76 and the Municipal Regulations of Financial Misconduct Procedures and Criminal Proceedings

### **5.1. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER (ASSUMING REQUIRED DELEGATIONS BY ACCOUNTING OFFICER IN PLACE)**

Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking and investments policy), and shall be accountable to the municipal manager in regard to the performance of these functions.

The municipal manager shall ensure that all heads of departments provide the inputs required by the chief financial officer into these budget processes.

The chief financial officer shall prepare the budget timetable for the ensuing financial year for the mayor 's approval, and shall indicate in such timetable the target dates for the revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.

Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:

- Depreciation charges;
- Repairs and maintenance expenses;
- Interest payable on external borrowings; and
- Other operating expenses.

In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organizational structure of the municipality, and further in so doing shall comply – in so far as the organizational structure permits – also with the prescribed budget format of National Treasury.

The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions reserves, and the contributions to the provisions for bad debts and accrued leave entitlements.

The Chief Financial Officer shall further, with the approval of the Mayor and the Municipal Manager, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.

The Chief Financial Officer shall also, again with the approval of the Mayor and the Municipal Manager, and having regard to the municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

The Chief Financial Officer shall provide technical and administrative support to the mayor in the preparation and approval of the annual and

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

The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

The Chief Financial Officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.

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

The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

## **6. MONITORING, EVALUATION AND REVIEW**

### **6.1 Implementation Progress Report**

A report detailing the progress with the implementation of Budget Policy with specific reference to achievement of this policy has to be compiled every year by the person with the responsibility for implementation and monitoring. The policy must be made available to all consulting parties for perusal and comment and must be circulated to all staff members by means of circulars, notices and notice boards.

## **7. ROLES AND RESPONSIBILITIES**

<b>Role</b>	<b>Authority</b>
<ul style="list-style-type: none"> <li>Approval of the Policy</li> </ul>	Council
<ul style="list-style-type: none"> <li>Implement and enforce this policy</li> <li>Establish and control the administration necessary to fulfil this policy, and report efficiently and regularly to the Committee in this regard.</li> </ul>	Municipal Manager
<ul style="list-style-type: none"> <li>Ensure that there is compliance with Budget policy.</li> </ul>	Chief Financial Officer

## **8. DEFINITIONS AND ABBREVIATIONS**

<b>Act</b>	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
<b>Accounting Officer</b>	refers to the Municipal Manager of the municipality
<b>Asset Finance Fund / AFF</b>	A fund established by the municipal council for the purpose of financing capital projects for the municipality
<b>Budget</b>	refers to both Capital Budget (which is the budget for capital programs such as building of Community halls, tarring of roads, purchase of Motor-Vehicles, etc), and Operating Budget (which is the budget for daily operations, such as payment of salaries, wages and allowances, purchasing of stationery, etc.)
<b>Budget Cycle</b>	refers to the period within which budget must be prepared, up until community involvement through public participation or Imbizo's)
<b>Budget Revision</b>	refers to a period during a financial year where the budget can be revised, (when Directorates that they are not to spend the originally budgeted funds as originally planned or are not to receive the income as originally anticipated, they must be allowed to revise

	their budget once a year, for as long as the total bottom will remain within the original limits)
<b>Chief Financial Officer</b>	refers to the head of the Budget and Treasury Unit
<b>Director</b>	refers to the Head of Department appointed in terms of Section 56 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and who reports directly to the Municipal Manager
<b>Budget and Treasury</b>	refers to the municipal department dealing with the financial affairs of the municipality
<b>Budget and Service Delivery Committee</b>	refers to the committee of council dealing with the financial affairs of the municipality
<b>Virement</b>	A document prepared by a Directorate with all relevant signatures, where funds are transferred from one expenditure/income vote's item number to another expenditure/income vote's item,
<b>Policy</b>	refers to the Budget Policy of the Ngqushwa Municipality

## 9. SUPPORTING DOCUMENTS

### 9.1 SUMMARIZED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

<b>FINAL DATE</b>	<b>ACTION BY MUNICIPALITY</b>	<b>ACTION BY MUNICIPAL ENTITY</b>
31 August	Table in council timetable for preparation of coming year's annual budget	
20 January		Assess current year's budget performance and submit report to board of directors and municipality
25 January	Assess current year's budget performance	
31 January	Table assessment report in council	

31 January or earlier		Submit proposed budget for coming year to municipality
(31 January)	Consider municipal entity's proposed budget for coming year and make recommendations	
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPI's	
(Between 31 January and 31 March)	Make Public adjustments budget and revisions to service delivery and budget implementation plan for current year	
Mid March		Submit revised budget for coming year to municipality
31 March	Table municipality's draft budget for coming year	
31 March	Table municipal entity's revised budget for coming year	
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	
Early June to early July: Immediately after budget approved	Submit budget to national treasury and provincial treasury	
Early June to early July:	Place on website annual budgets and all budget-related documents	

Immediately after approval date		
Mid June to mid July: 14 days after budget approved	Finalize draft service delivery and budget implementation plan and draft performance agreements	
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	
Late June to late July: 28 days after budget approved	Conclude performance agreements	
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	

**9. REFERENCES**

- None

**10 APPENDIXES**

- None

**11. APPROVAL BY COUNCIL**

This Draft Policy is approved by Council and shall be effective from 1 July 2023.

APPROVED BY COUNCIL ON MARCH 2023

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MUNICIPAL MANAGER

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MAYOR OBO COUNCIL