

NGQUSHWA LOCAL MUNICIPALITY



BUDGET POLICY

2018/2019

Summary

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Related Legislation/Applicable Section of Legislation	Municipal Finance Management Act 56 of 2003 National treasury circular 54, 55, 56, 66 and 67
Related Policies, Procedures, Guidelines, Standards, Frameworks	
Replaces/ Repeals (whichever is relevant, if any)	
Policy Officer (Name/Position)	Mr T Matthysen (Chief Accountant)
Policy Officer (Phone)	040 673 3095
Policy Sponsor (Name/Position)	
Department Responsible	Budget and Treasury Office
Unit responsible	Budget and Reporting
Applies to	All Ngqushwa Local Municipality Employees and Councillors
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REVISION RECORD

Date	Version	Revision Description
May 2018	Version 1	Budget Policy

DEFINITIONS AND ABBREVIATIONS

Act	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
Accounting Officer	refers to the Municipal Manager of the municipality
Asset Finance Fund / AFF	A fund established by the municipal council for the purpose of financing capital projects for the municipality
Budget	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.)
Budget Cycle	refers to the period within which budget must be prepared, up until community involvement through public participation or Imbizo's)
Budget Revision	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)
Chief Financial Officer	refers to the head of the Budget and Treasury Unit
Director	refers to the Head of Department who reports to the Municipal Manager in terms of Section 57 of the Municipal Systems Act No. 32 of 2000
Budget and Treasury	refers to the municipal department dealing with the financial affairs of the municipality
Budget and Service Delivery Committee	refers to the committee of council dealing with the financial affairs of the municipality
Virement	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,

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Policy	refers to the Budget Policy of the Ngqushwa Municipality

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1. TITLE

Budget Policy

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.

3. SCOPE

This policy applies to all directorates of Ngqushwa 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 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:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (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 councilors, 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
- Various 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 projects including total the Council has approved cost.
- 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 is 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, 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,
the 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 on or before 15 March shall not take effect before 1 July of the same year.
- 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 written 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 and contracted staff.

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 prescribed financial management competency levels.

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 draft 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 draft 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

It should be noted that any office bearer or politician that found negligently committed irregular, wasteful and unauthorized expenditure would be held liable for the expenses.

5. ROLES AND RESPONSIBILITIES

Role	Authority

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 draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft 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 indigency 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 Monitoring, evaluation and reporting

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.

6.2 REVIEWAL OF THE POLICY

It will be the responsibility of the Corporate Services Department to consider the provisions of this policy on annual basis. The Corporate Services Department shall request all Departments to submit their proposed changes for submission to Council for approval.

7. ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by the full Ngqushwa Local Municipality Council for implementation

Effective from 1 July 2018

Approved by Resolution Number 6.3 on this day 30 of May 2018.

8. SUPPORTING DOCUMENTS

8.1 SUMMARIZED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
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: Immediately after approval date	Place on website annual budgets and all budget-related documents	
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	

8.2 DETAILED BUDGET TIME

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
21 (1) (b)	31 August	<p>Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for:</p> <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget related policies - tabling and adoption of any amendments to IDP and budget- related policies - any consultative processes forming part of foregoing 	Mayor	Time schedule either must fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		
72 (1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and provincial treasury (presumably immediately).	Accounting Officer	

54 (1) (f)	31 January	Mayor must submit accounting officer's report to council.	Mayor	Special Council meeting may have to be scheduled
87	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	<p>It is not clear to what person or structure in the parent municipality this budget must be submitted.</p> <p>However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.</p>
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality	Board of directors of entity	
16 (2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year	Mayor	Council meeting must be scheduled

				appropriately
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled	Mayor	
22 (a) and 22 (b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	<p>Immediately after (draft) annual budget tabled in council, accounting office must (1) make public budget and documents referred to in Section 17 (3), and invite local community to submit representations in connection with budget, and</p> <p>(2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.</p>	Accounting Officer	
23 (2)	Before 31 May	<p>Council must give mayor opportunity:</p> <p>(1) to respond to submissions received on (draft) annual budget and attendant documentation and</p> <p>(2) to revise budget, if necessary, and table amendments for consideration by council.</p>	Mayor and council	
24 (1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to budget-related policies.		
	Council	Although council has until 30 June to approve budget, best		

		practice will be to approve budget not later than 31 May		
87 (4)	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public	Board of directors of municipal entity	
24 (3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	<p>No time limit is specified for this action, and neither is the format in which the budget is to be submitted is specified.</p> <p>Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.</p>
25 (1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, mayor, councillors and accounting

				officer must co-operate to ensure obstacles to approval timeously removed.
69 (3) (a) and (b)	14 days after approval of annual budget (mid June and mid July)	Accounting officer must submit to mayor draft services delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers	Accounting officer	
53 (1) (c) (ii)	Within 28 days after date annual budget approved (late June to late July)	Mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter, must approve Service delivery and budget implementation plan. (Note that though the mayor approves these targets and KPI's only the council may change them and then only following the approval of an adjustments budget - See Section 54 (1) (c)).	Mayor	
53(1)(c)(iii)(aa)&(bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57 (2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement , but the logical inference is that the date should not be much later that the date on which the service delivery and budget implementation plan

				must be approved. See Section 53 (3)(b).
16 (1)	30 June	Council must approve annual budget.	Council	
53 (3) (a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.	Mayor	Although this is not specified as requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC.
87	(31 January to mid-March)	Parent municipality must consider proposed budget and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must perform this action, but the council seems the logical party. It would also make sense for the council to consider this

				budget by 31 January.
87	(Tabled in council by 31 January)	Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Mayor at next meeting of council of parent municipality must table adjustments budget once approved by board of directors of entity. Adjustment budget must be made public.	Board of directors and mayor of parent municipality	<p>Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget for the new financial year is considered.</p> <p>Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered.</p>

54 (1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" mayor, must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (note that only council may approve changes to service delivery targets and KPI's – these changes must therefore be tabled with the adjustments budget).	Mayor	Adjustments budgets may be prepared by the accounting officer, and tabled in council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March
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				when the draft annual budget for the next year is first tabled.
54 (3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the mayor's approval as part of the process of adjusting the annual budget. the deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54 (1) and (2).