NDWEDWE LOCAL MUNICIPALITY

APPROVED BUDGET POLICY

2024-2025

Review: 2024/2025 Financial Year
Next review: 2025/2026 Financial Year

TABLE OF CONTENT **PAGE NUMBER**

1. BACKGROUNG	2-2
2. DEFINITIONS	3-8
3. ABBREVIATIONS & ACRONYMS	8-8
4. OBJECTIVES	8-9
5. BUDGETING PRINSIPLES	9-9
6. BUDGET PREPARATION PROCESS	9-9
6.1 Formulation of The Budget	9-12
6.2 mSCOA Budget	
6.3 Public Participation Process	12-12
6.4 Approval of The Budget	12-12
6.5 Publication of The Budget	13
6.6 Service Delivery and Budget Implementation Plan (SDBIP)	13-13
7. CAPITAL BUDGET	13-13
7.1 Revenue or Surplus	14-14
7.2 External Loans	14-14
7.3 Capital Replacement Reserve (CRR)	14-15
7.4 Grant Funding	15-15
8. OPERATING BUDGET	16-16
9. FUNDING OF CAPITAL AND OPERATING BUDGET	16-16
10. UNSPENT FUNDS / ROLL OVER OF BUDGET	16-16
11. BUDGET TRANSFERS AND VIREMENTS	17-17
12. ADJUSTMENTBUDGET	17-18
13. BUDGET IMPLEMENTATION	19-19
13.1 Monitoring....	19-20
13.2 Quarterly Reports	20-20
13.3 Mid-year Budget and Performance Assessment	20-20
14. CONCLUSION	20-20
15. POLICY IMPLEMENTATION	21-21

1. BACKGROUND

- In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the Council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to the formulation of a municipality budget must take into account the governments macroeconomic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.
- National Treasury issued Government Gazette No 37577, Municipal Regulations on Standard Chart of Accounts, which is effective 01 July 2017. Application of Regulations is to all municipalities and municipal entities. No exemption or transitional provisions from the Regulation for the application of mSCOA to municipalities or municipal entities is allowed.
- The policy must also indicate how the virements process is to be managed within the municipality so as to enable the tracking and reporting of funding shifts.
- This policy must also guide on the implementation of the mSCOA just for the compliance with the mSCOA Regulation and the Circulars.

2. DEFINITIONS

Accounting Officer	Means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act
Allocation	Means a municipality's share of the local government's equitable share referred to in section 214(1) (a) of the Constitution
Annual Division of Revenue Act	Means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution
Approved Budget	Means an annual budget is approved by a municipal council
Municipal Council	Means an annual budget has been approved by an adjustments budget in terms of section 28 of the MFMA
Basic Municipal Service	Means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment
Budget -related Policy	Means a policy of a municipality affecting or affected by the annual budget of the municipality, including: -the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act -the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates -the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act
Budget Transfer	Means transfer of funding within a function/ vote
Budget Year	Means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA
Chief Financial Officer	Means a person designated in terms of section 80(2) (a) of the MFMA
Councilor	Means a member of a Municipal Council.
Creditor	Means a person to whom money is owed by the municipality.
Current Year	Means the financial year, which has already commenced, but not yet ended.
Delegation	In relation to a duty includes an instruction or request to perform or to assist in performing the duty.
Financial Recovery Plan	Means a plan prepared in terms of section 141 of the MFMA.
Financial Statements	Means statements consisting of at least: -a statement of financial position

	-a statement of financial performance -a cash-flow statement -any other statements that may be prescribed -any notes to these statements
Financial Year	Means a twelve-month period commencing on 1 July and ending on 30 June each year Financing Agreement Includes any loan agreement, lease, and installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time.
Fruitless and Wasteful Expenditure	Means expenditure that was made in vain and would have been avoided had reasonable care been exercised.
Irregular Expenditure	Means expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 {Act No. 20 of 1998) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's bylaws giving effect to such policy, and which has not been condoned in terms of such pol icy or bylaw, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure.
Investment, in relation to funds of a Municipality	The placing of Municipality deposit funds with a financial institution The acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds.
Lender Means	Means a person who provides debt finance to a municipality.
Local Community	Has the meaning assigned to it in section 1 of the Municipal Systems Act.

Municipal Structures Act	Means the Local Government: Municipal Structures Act, 1998 {Act No. 117 of 1998)
Municipal Systems Act	Means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000
Long-term Debt	Means debt repayable over a period exceeding one year.
Mayor	Means the Councillor elected as the Mayor of the municipality in terms of section 55 of the Municipal Structures Act.
Municipal Council or Council	Means the Council of a municipality referred to in section 18 of the Municipal Structures Act.
Municipal Debt Instrument	Means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialized or electronic evidence of indebtedness intended to be used in trade;
Municipal entity	Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition).
Municipality	When referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act. When referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998)
Municipal Service	Has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition).
Municipal Tariff	Means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff
Municipal Tax	Means property rates or other taxes, levies or duties that a municipality may impose.
National Treasury	Means the National Treasury established by section 5 of the Public Finance Management Act.
Official	Means an employee of a municipality or municipal entity Means a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity. Means a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee.
Overspending Means	Means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount

	appropriated in that year's budget for its operational or capital expenditure, as the case may be; in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or in relation to expenditure under section 26 of the MFM A, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section
Past Financial Year	Means the financial year preceding the current year Quarter Means any of the following periods in a financial year: -1 July to 30 September -1 October to 31 December -1 January to 31 M arch -1 April to 30 June
Service Delivery and Budget Implementation Plan	Means a detailed plan approved by the Mayor of a municipality in terms of section 53(1}(c}(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate: -projections for each month of(i) revenue to be collected, by source; and (ii) operational and capital expenditure, by vote -service delivery targets and performance indicators for each quarter - any other matters that may be prescribed, and includes any revisions of such plan by -the Mayor in terms of section 54(1) (c) of the MFMA
Short -term Debt	Means debt repayable over a period not exceeding one year.
Standards of generally recognized Accounting Practice	Means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board.
Unauthorized Expenditure	Means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes: -over spending of the total amount appropriated in the municipality's approved budget -overspending of the total amount appropriated for a vote in the approved budget -expenditure from a vote. unrelated to the department or functional area covered by the vote -expenditure of money appropriated for a specific purpose, otherwise than for - spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of " allocation" otherwise than in accordance with any conditions of the allocation - a grant by the municipality otherwise than in accordance with the MFMA
Virement	Means transfer of funds between functions/ votes

	Vote Means one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality which specifies the total amount that is appropriated for the purposes of the department or functional area concerned
Municipal Standard Chart of Accounts (mSCOA)	The standard chart of accounts consists of the coding of items used for classification, budgeting, recording and reporting of revenue and expenditure within the local government sphere contributing to whole of government reporting. mSCOA prescribes the method (the how) and format (the look) that municipalities and their entities should use to record and classify all expenditure (capital and operating), revenue, assets, liabilities, equity, policy outcomes and legislative reporting.
Seven segments	1. **Projec**t allocates the expenditure to a project, capital and operating) 2.**Function** similar to vote and sub vote, core vs non-core function) 3.**Item**: Assets, Liabilities and Net assets; Expenditure re; Revenue; Gains and Losses 4.**Fund** (which funding source is utilized for expenditure transactions) 5.**Regional Indicator** (which region is benefiting from the service) 6.**Costing** (secondary transaction - focus on services) 7.**Municipal Standard Classification** -No standardization (address differentiation in function allocation)

3. ABBREVIATIONS & ACRONYMS

BTO	Budget & Treasury Office (Finance)
CFO	Chief Financial Officer
COGTA	Co-operative Governance & Traditional Affairs
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act 2003 (Act No. 56 of 2003)
MPRA	Municipal Property Rates Act 2004 (Act No. 6 of 2004)
MSA	Municipal Systems Act 2000 (Act No. 32 of 2000)
MSIG	Municipal Systems Improvement Grant
MTREF	Medium Term Revenue & Expenditure Framework
NT	National Treasury
PT	Provincial Treasury
SDBIP	Service Delivery & Budget Implementation Plan

4. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget,
- The responsibilities of the Mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget,
- To establish and maintain procedures to ensure adherence to Ndwedwe local Municipality's IDP review and budget processes.

The introduction of any adjustment budgets

Unforeseen and unavoidable expenditure

The objective of the mSCOA regulations is to:

- Provide a National Standard for uniform recording and classification of municipal budget and financial information at a transactional level by providing a Standardised Chart of Accounts: - aligned to budget formats and accounting standards; - enable uniform information sets across the whole of government to better inform national policy coordination and reporting, benchmarking and performance measurement.

5. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection level. Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- Ndwedwe Local Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF) and that will be reviewed annually and approved by the Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

6. BUDGET PREPARATION PROCESS

6.1 Formulation of the budget

(a)The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.

(b)The Mayor shall table the Budget and IDP process plan to Council by 31 August each year for approval (10 months before the start of the next budget year).

(c)IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

(d)The Mayor shall convene a strategic workshop in October/November with the executive committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The Mayor shall table the IDP priorities with the draft budget to Council.

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

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

(g)The budget must be in the prescribed format, and must be divided into capital and operating budget.

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

(i)The expenses reflected in the budget must be divided into terms.

(j)The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

(k)The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes as income foregone and/or as per MFMA Circular requirements issued by National Treasury from time-to-time.

6.2 mSCOA Budget:

Comprises seven (7) segments that are to be complied with on transaction (posting) level. No further breakdown is required subsequent to transaction posting. All these seven segments are IDP driven.

6.2.1 Project Segment

- The project segment is linked to the IDP of the municipality. Due to the IDP being a 5- year plan, the need for a project segment was identified.

- The accumulation of project-related transactions in a single posting-level account results in a classification not relating to "what is bought".
- The Project Segment distinguishes projects according to the nature of the expense whether it is capital or an operational expense.

6.2.2 Function Segment

- The Function Segment is the location within the SCOA for creating the "vote" structure standardised for all municipalities.
- This does not replicate the current vote structure, but indicate what function is being performed.

6.2.3 Item Segment

- The item segment relates to elements stemming from the Statement of Financial Performance and the Statement of Financial Position.
- For mSCOA purposes these comprise of 4 sub-categories Revenue, Expenditure; Gains and Losses and Assets, Liabilities and Net Assets.

6.3.4 Funding Segment

- The funding segment is applying to the different sources of funding relevant to the varying transaction types.
- It is broken into 6 sub-categories
    - ✓ Revenue
    - ✓ Commercial Services
    - ✓ Transfers and Subsidies
    - ✓ Borrowing
    - ✓ Cash Backed Reserves
    - ✓ Non-funding Transactions

6.2.5 Regional indicator

- The regional indicator is location driven.
- This is broken into 3 sub-categories:
    - ✓ Administrative or Head Office (incl. Satellite Offices)
    - ✓ Wards (specific to municipality)
    - ✓ Whole of the municipality

6.2.6 Costing Segment

- The Costing segment provides for the classification of indirect (secondary) costs that do not directly attribute to the output and are sometimes referred to as activity-based

recoveries, for example labour, vehicle, plant and equipment, internal service charges (internal billings), and departmental charges for example office rental, audit fees and procurement.

- Indirect cost (secondary cost) is initially recorded as primary cost within the "Item "segment and funded according to the indicator selected in the "Fund" segment. The costing indicator within the "costing" Segment provides for the re-distribution of these primary costs between functions (no change in the funding source), together with indicators provided in the "Cost" segment. The "Project" segment provides the classification link to these indicators and specific projects.
- The purpose for including this segment in mSCOA is to provide for the recording of full cost reflection for at least the four core municipal functions being electricity, water, waste water and waste management services, as a minimum requirement (for now).

6.2.7 Municipal Standard Classification

- Non-Standardised segment. "Against which organisational vote or sub-vote should the transaction be recorded.
- This segment contains the "votes" set-up by the municipality based on the organisational structure in place for the municipality. The "vote" structure needs to be aligned to the municipality ' s organisational structure.
- Municipal revenue, operating and capital expenditure are then classified in terms of each of these votes. This means it is possible to present the operating surplus or deficit for each vote, along with information on the proposed capital budget. If a municipality delivers services within a particular vote structure these tables enable, useful performance information based on the vote structure.

6.3 Public participation process

- Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organizations, to make representation at the Council hearings and to submit comments in response to the draft budget.

6.4 Approval of the budget

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

(b) The Council resolution must contain budget policies and performance measures be adopted.

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

(d) The budget tabled to Council for approval shall include the following supporting documents:

(i) draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
(ii) draft resolutions;
(iii) measurable performance objectives for each budget vote, taking into account the municipality's IDP;
(iv) the projected cash flows for the financial year by revenue sources and expenditure votes;
(v) any proposed amendments to the top;
(vi) any proposed amendments to the budget-related policies;
(vii) the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other Councilors, the accounting officer, the chief financial officer, and other senior managers;
(viii) particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
(ix) particulars of the municipality's investments; and
(x) various information in regard to municipal entities under the shared or sole control of the municipality.

6.5 Publication of the budget

(a) Within 10 working days after the draft annual budget has been tabled, the BTO Manager must post the budget and other budget-related documentation on the municipal website, so that it is accessible to the public as well as to send data strings, PDF budget document and PDF A Schedule to GoMuni.

6.6 Service Delivery and Budget Implementation Plan (SDBIP)

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

(b) The SDBIP shall include the following components:

(i) Monthly projections of revenue to be collected for each source
(ii) Monthly projections of expenditure (operating and capital) and revenue for each vote
(iii) Quarterly projections of service delivery targets and performance indicators for each vote
(iv) Ward information for expenditure and service delivery

(v) Detailed capital works plan broken down by ward over three years

7. CAPITAL BUDGET

(a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.

(b) Vehicle replacement must be accompanied by a Council Resolution. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.

(c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

(d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

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

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

(ii) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariff s).

(f) Before approving the capital budget, the Council shall consider:

(i) the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

(ii) depreciation of fixed assets,

(iii) maintenance of fixed assets, and

(iv) any other ordinary operational expenses associated with any item on such capital budget.

(g) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

(h) The capital expenditure shall be funded from the following sources:

7.1 Revenue or Surplus

- If any project is to be financed from revenue that financing must be included in the cash budget to raise sufficient cash for the expenditure.
- If the project is to be financed from surplus there must be sufficient cash available at the time of execution of the project.

7.2 External Loans

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life Expectancy of the asset. If this happens, the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

7.3 Capital Replacement Reserve (CRR)

Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:

- Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investments of the CRR, appropriated in terms of the investments policy;
- Additional amounts appropriated as contributions in each annual or adjustments budget; and sale of land and profit or loss on the sale of assets.

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

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

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

7.4 Grant Funding

(a) Non capital expenditure funded from grants
    - must be budgeted for as part of the revenue budget;
    - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

(b) Capital expenditure must be budgeted for in the capital budget;

(c) Interest earned on investments of Conditional Grant

Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated, the interest can then be allocated directly to the revenue accounts.

(d) Grant funding does not need to be cash backed but cash should be secured before spending can take place.

8. OPERATING BUDGET

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

I. Provision for accrued leave entitlements equal to 100% of the accrued leave

II. Entitlement of officials as at 30 June of each financial year,

- provision for bad debts in accordance with its rates and tariffs policies
- Depreciation and finance charges shall be charged to or apportioned only between the departments or to which the projects relate.
- At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for asset maintenance.

(b) When considering the draft annual budget, Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

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

(d) The operating budget shall reflect the impact of the capital component on:

- depreciation charges
- repairs and maintenance expenses
- interest payable on external borrowings
- Other operating expenses.

(e) The chief financial officer shall ensure that the cost of indigence relief is separately reflected in the appropriate votes.

9. FUNDING OF CAPITAL AND OPERATING BUDGET

The budget must be funded in terms of the Council approved Funding and Reserves Policy.

(a) The budget may be financed only from:

I. Realistically expected revenues, based on current and previous collection levels

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

III. Borrowed funds in respect of the capital budget only.

10. UNSPENT FUNDS/ ROLL OVER OF BUDGET

(a) 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 funds relating to capital expenditure.

(b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year

(c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds.

(d) Application for roll over of funds shall be submitted to National Treasury by 30 August and if approved it will be included in the adjustments budget.

(e) Adjustments to the rolled over budget shall be done during the budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.

(f) No funding for projects funded from the Capital Replacement Reserve.

Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.

(g)No unspent operating budget shall be rolled over to the next budget year.

11. BUDGET TRANSFERS AND VIREMENTS

(a) Budget transfers within the same vote shall be recommended by the Manager of the department and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Department.
(b) Virements should not be permitted in relation to the revenue side of the budget
(c) Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
(d) In cases of emergency situations virements shall be submitted by the accounting officer to the Mayor for authorization and be reported by the Mayor to Council at its next meeting.
(e) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of Council.
(f) Virement from the capital budget to the operating budget should not be permitted; virements should not result in adding 'new' projects to the Capital Budget department.
(g) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category.
(h) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and

I. Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
II. The entire Virement policy is drafted in line with mSCOA version 6.6 has been locked down by National Treasury.
III. There should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 20 per cent of the budget may be moved to or from a vote, programme, project etc.)

12. ADJUSTMENT BUDGET

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

(a) The Chief Financial Officer shall ensure that the 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
(b) Council may revise its annual budget by means of an adjustments budget at most three times a year or as regulated.
(c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
(d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.
(e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
(f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
(g) Only the Mayor shall table an adjustments budget. Adjustment budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months:
(h) In October - to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
(i) February - to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budge

(j) May- final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year

(k) 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.

(l) Any unappropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality' s capital replacement reserve.

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

(n) Unauthorised expenses may be authorised in an adjustments budget.

(o) In regard to unforeseen and unavoidable expenditure, the following apply: the Mayor may authorise such expenses in an emergency or other exceptional circumstances; the municipality may not exceed 3 % 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 Council must pass the adjustments budget within sixty days after the expenses were incurred.

13. BUDGET IMPLEMENTATION

13.1 Monitoring

(a) The accounting officer with the assistance of the chief financial officer and other senior managers responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored

(b) The Accounting Officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

(c) The Accounting Officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

13.1.1 Reporting

12.1.1.1 Monthly budget statements

(a) The Accounting Officer with the assistance of the Chief Financial Officer must, no later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

I. actual revenues per source, compared with budgeted revenues;
II. actual expenses per vote, compared with budgeted expenses;
III. actual capital expenditure per vote, compared with budgeted expenses;
IV. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
V. the amount of allocations received, compared with the budgeted amount;
VI. actual expenses against allocations, but excluding expenses in respect of the equitable share;
VII. 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;
VIII. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
IX. Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

13.2 Quarterly Reports

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

12.3 Mid-year budget and performance assessment

(a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.

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

(c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

14. CONCLUSION

The BTO Manager and Manager IDP/PMS must place on the municipality's official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies
- the integrated development plan
- the annual report
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

14. POLICY IMPLEMENTATION

This policy takes effect on the date on which it is adopted by the Council.

Policy adoption date	31 May 2024
Policy implementation date	1 July 2024
Next Review date	May 2025
Signed by……	**Date…**……