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BUDGET AND VIREMENTS POLICY

As Adopted with the Budget 2014/15 MTREF
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DEFINITIONS

"Accounting Officer"-

(a) means the Municipal Manager;

"Allocation", means-

- (a) a municipality's share of the local government's equitable share
- (b) an allocation of money to a municipality in terms of a provincial or national budget; or
- (c) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

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

"Approved budget," means an annual budget-

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

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

"BTO" means Budget and Treasury Office;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality.

"Budget transfer" means transfer of funding within a function / vote / service / directorate.

"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) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

"financing agreement" includes any loan agreement, lease, and 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-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality

which falls within the definition of “unauthorized expenditure”?

"investment", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act 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 councilor 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;

"municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

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

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

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

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

"overspending"-

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means incurring expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the mayor of a municipality in terms of section 53(l) (c) (ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget.

"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-

- (a) overspending of the total amount appropriated in the municipalities approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"vote" means-

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1. INTRODUCTION

In terms of the Municipal Finance Management Act, 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, interpreted and implemented against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals.

2. OBJECTIVE

The objectives of this policy are to secure sound and sustainable, management of the budgeting and reporting practices of the municipality by establishing requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes and other relevant matters as required by Municipal Finance Management Act 56 of 2003.

The objectives of the policy are set on the foundation of the following legislative prescripts;

- 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

This policy shall be read in the context of the provisions of the following acts, regulations and administrative guidelines;

- MFMA Circulars
- MFMA 56 of 2003
- Municipal Budget and Reporting Regulations, Government Gazette no. 32141 dated 17 April 2009

3. POLICY OVERVIEW

Employees of the municipality involved directly with the handling of the budget must possess an acute awareness of and show a strong commitment to the enforcement and maintenance of the adequate internal controls governing the process.

4. BUDGETING PRINCIPLES

The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels unless motivated by the implementation of a certain policy or legislative requirement.

Expenses may only be incurred in terms of the approved annual budget (or adjustment budget) and within the limits of the amounts appropriated for each vote in the approved budget.

Ramotshere Moiloa Local Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually

and approved by Council. The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan (IDP).

5. BUDGET PREPARATION PROCESS

5.1. Budget steering committee

- 1) The mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.
- 2) The steering committee must consist of at least the following persons:
 - a) the councilor responsible for financial matters;
 - b) the municipal manager;
 - c) the chief financial officer;
 - d) the senior managers in the municipality;
 - e) the manager responsible for budgeting;
 - f) the manager responsible for planning (IDP); and
 - g) any technical expert on infrastructure.

5.2. Formulation of the budget

The Accounting Officer with the assistance of the Chief Financial Officer and the IDP Manager shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

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

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.

- a) The Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and service delivery pressures facing the municipality.
- b) 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.
- c) The Chief Financial Officer, Manager Budgeting, Accountants, Unit Managers and Senior Managers undertake the technical preparation of the budget.
- d) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- e) The budget must reflect the realistically expected revenues by source for the budget year concerned.
- f) The expenses reflected in the budget must be divided into line items.
- g) 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.

The budget must be accompanied by the following documents

- a) Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned
- b) Draft resolutions (where applicable) amending the IDP and the budget related policies
- c) Measureable performance objectives for each budget vote taking into account municipality's IDP
- d) The projected cash flows for the financial year by revenue source and expenditure votes broken down per month
- e) The cost to the municipality for the budget year of the salaries, allowances and other benefits

5.3. Quality certification

Whenever an annual budget and supporting documentation, an adjustment budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate signed by the municipal manager.

5.4. Consistency in basis of measurement and accounting policies

The municipal manager of a municipality must take all reasonable steps to ensure that;

- a) the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the preparation of the municipality's annual budget and supporting documentation, its adjustment budgets and supporting documentation, and its in-year reports; and

b) any differences or changes between financial years are explicitly noted.

5.5. Budget related policies of municipalities

The municipal manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1) (b) of the Act.

5.6. Annual budgets of municipalities

Format of annual budgets

The annual budget and supporting documentation of a municipality must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

6. Funding of expenditure

- 1) The funding of an annual budget must be consistent with the trends, current and past, of actual funding collected or received.
- 2) Realistically anticipated revenues to be received from national or provincial government, national or provincial public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds. Acceptable documentation is constituted by –
 - a) in case of allocations or transfers from national or provincial government, the latest available –
 - (i) gazetted allocations or transfers to the municipality following the approval of the current year's Division of Revenue Act, national annual budget,

national adjustments budget, relevant provincial annual budget or provincial adjustments budget;

- (ii) proposed allocations or transfers to the municipality contained in the tabled national and provincial budgets as detailed in accordance with section 36(2) of the Act;
- (iii) written notifications from the relevant treasury of proposed allocations or transfers subsequent to the previous year's national and provincial approved annual budgets and latest adjustment budgets, but prior to the current year's budgets being tabled; or
- (iv) the previous years' allocations or transfers in the national and provincial annual budgets and adjustments budgets as gazetted;

b) in the case of transfers from other municipalities, the latest available –

- (i) transfers in the approved annual budget or any subsequent approved adjustments budget of the transferring municipality;
- (ii) proposed transfers contained in the tabled annual budget of the relevant transferring municipality;
- (iii) written notification of proposed transfers from transferring municipalities communicated to the municipality in terms of section 37(2) of the Act; or
- (iv) the previous year's transfers in the approved annual budget or any adjustments budget of the transferring municipality; and

c) in case of agency payments, public contributions, donations, donor grants or any other grants, subsidies or contributions, the relevant service level agreement, contract or other legally binding document which guarantees the funding.

3) Estimated provision for revenue from rates, taxes, levies or other charges that will not be collected must be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.

- 4) The cash flow budget must reflect all funds realistically forecast to be collected, including arrears.
- 5) The municipal manager in signing the quality certificate certifies that all ratepayers and consumers are accounted for in the annual budget calculations and that billing systems including property records and metering information are up to date and consistent with the revenue projections in the annual budget.
- 6) To determine whether an annual budget is funded in accordance with section 18 of the Act, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

6.1. Funding of capital expenditure

- 1) An annual budget must show total capital expenditure and the different sources of funding.
- 2) All sources of funding shown in terms of sub regulation (1) must be available, and must not have been committed for other purposes.
- 3) The total budgeted capital funding by source must equal the total budgeted capital expenditure.

7. Approval of capital projects

- 1) Within ten working days after the municipal council has given individual approval for a capital project in terms of section 19(1)(b) of the Act, the

municipal manager must in accordance with section 21A of the Municipal System Act make public –

- a) the municipal council resolution approving the capital project; and
- b) details of the nature, location and total projected cost of the approved capital project.

2) The following capital projects may be approved by a council either individually or as part of a consolidated capital programme as contemplated in section 19(3) of the Act:

- a) capital projects of which the total projected cost is below R50 million, in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.

3) Sub regulation (1) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in sub regulation (2).

4) Expenditure needed for capital projects below the values set out in sub regulation (2) may be included in the annual budget before the project is approved in terms of section 19(3) of the Act.

8. Tabling of annual budgets in municipal councils

1) An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must –

- a) be in the format in which it will eventually be approved by the council; and
- b) be credible and realistic such that it is capable of being approved and implemented as tabled.
- c) When complying with section 68 of the Act, the municipal manager must submit

- 2) The draft municipal service delivery and budget implementation plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the Act.
- 3) For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so recommended by the budget steering committee.

9. **Publication and submission of annual budgets for consultation**

- 1) When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with section 21 A of the Municipal Systems Act, the municipal manager must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process, including –
 - b) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
 - c) information relevant to each ward in the municipality.
- 2) All information contemplated in sub regulation (1) must cover:
 - a) the relevant financial and service delivery implications of the annual budget; and
 - b) at least the previous year's actual outcome, the current years forecast outcome, the budget year, and the following two years.
- 3) When submitting the annual budget to the National Treasury and the relevant provincial treasury in terms of section 22(b)(l) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - a) the supporting documentation as tabled in the municipal council; and

- b) any other information as may be required by the National Treasury.
- 4) The municipal manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to –
- a) Any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
 - b) Any other organ of state on receipt of a request from that organ of state.
 - c) Within 14 days after the draft annual budget has been tabled, the Municipality must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National Treasury.
 - d) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

10. Consideration of annual budgets by municipal councils

- 1) At least 30 days before the start of the budget year the mayor must for purposes of section 23 of the Act table the following documents in the municipal council –
- a) a report summarizing the local community's views on the annual budget;
 - b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;
 - c) any comments on the annual budget received from any other organ of state, including any affected municipality; and
 - d) any comments on the annual budget received from any other stakeholders.

- 2) The municipal manager must assist the mayor in the preparation of the documents referred to in sub regulation (1) and section 23(2) of the Act.

11. Approval of annual budgets

- 1) A municipal council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.
 - a) The council resolution can contain budget policies.
 - b) 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.
 - c) The budget tabled to Council for approval shall include the following supporting documents:
 - i. resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. other resolutions;
 - iii. National Treasury prescribed budget schedules and supporting tables;
 - iv. any proposed amendments to the IDP;
 - v. any proposed amendments to the budget related policies.
- 2) When approving an annual budget, a municipal council must in terms of section 24(2) (c) of the Act, consider and adopt separate resolutions dealing with each of the matters contemplated in that section.
 - a) Within 14 days after the draft annual budget has been tabled, the Municipality must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National Treasury.

- b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

12. Service Delivery and Budget Implementation Plan (SDBIP)

The Mayor must approve the Service Delivery and Budget Implementation Plan in the required format not later than 28 days after the approval of the Budget by Council.

The Accounting Officer must ensure that there is alignment between the IDP, SDBIPs and the budget, as guided by **Annexure A** to this policy.

13. CAPITAL BUDGET

- a) Expenditure of a project shall be included in the capital budget if it meets the asset definition.
- b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy.
- 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 tariffs).

- f) Before approving the capital budget, the council shall consider:
- i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- 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:

13.1. Revenue or Surplus

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

13.2. 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 started if the loan has been secured.
- The loan redemption period should not exceed the estimated life expectancy of the asset.
- Interest payable on external loans shall be included as a cost in the operating budget;

- Finance charges relating to such loans shall be charged to the service/vote to which the projects relate.

13.3. 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:
 - Un-appropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - additional amounts appropriated as contributions in each annual or adjustment budget; and
- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

13.4. Grant Funding

- Non capital expenditure funded from grants must be budgeted for as part of the operating budget;
- Expenditure must be reimbursed from the funding creditor and transferred to the operating budget for such;
- Capital expenditure must be budgeted for in the capital budget;
- Grant funding should be secured before spending can take place.

14. OPERATING BUDGET

- a) The municipality shall budget in each annual and adjustment budget for the contribution / payment of:
 - i. provision for accrued leave
 - ii. unauthorized / over and other expenditure
 - iii. provision for bad debts
 - iv. provision for the obsolescence and deterioration of stock
 - v. Depreciation and finance charges.
- 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 as required by National Treasury.
- 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.

15. FUNDING OF CAPITAL AND OPERATING BUDGET

- a) The budget may be financed only from:
 - i. realistically expected revenues, based on current and previous collection levels;
 - ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

- iii. borrowed funds in respect of the capital budget only.
 - iv. grant funding
- b) Funding Compliance Testing must be performed before the budget is adopted by Council as guided by Treasury Circulars

16. UNSPENT FUNDS / ROLL OVER OF BUDGET

- a) The appropriation of funds in an annual or adjustment budget will lapse to the extent that they are unspent by the end of the relevant budget year, except for external 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 rollover of funds
- d) Application for rollover of funds shall be forwarded to the budget office by the 15th of April/January 31st ?? each year to be included in next year's budget for adoption by Council in May.
- e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- f) Projects funded from the Capital Replacement Reserve can be rolled over to the next budget year only if confirmed by the Budget and Treasury Office.
- g) No unspent operating budget shall be rolled over to the next budget year.

17. BUDGET TRANSFERS AND VIREMENTS

- a) Budget transfers within the same vote shall be recommended by a Senior Manager and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Office.

- b) No budget transfers or virement shall be made to or from salaries except with the prior **approval of the Municipal Manager.**
- c) Virements should be based on sound risk and financial management.
- d) The budget for personnel expenditure may not be increased.
- e) Virements to or from the following categories is not permitted: bulk purchasing, provision for bad debts, depreciation and income.
- f) Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses etc.) within a vote and service which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote and service, with the approval **of the Municipal Manager or the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department.**
- g) Virements of conditional grant funds to purpose outside of that specified in the relevant conditional grant framework is not permitted.
- h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- i) Virements should not result in adding new projects to the Capital Budget.

18. ADJUSTMENT BUDGET

18.1. Formats of adjustments budgets

An adjustments budget and supporting documentation of a municipality must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

18.2. Funding of adjustments budgets

- 1) An adjustments budget of a municipality must be appropriately funded.

- 2) The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

18.3. Timeframes for tabling of adjustments budgets

- 1) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than **31 January of the each year.**
- 2) Only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case sub regulation (3) applies.
- 3) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2) (b) of the Act in the municipal council to appropriate these additional revenues.
- 4) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred and within the time period set in section 29(3) of the Act.
- 5) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

- 6) An adjustments budget contemplated in section 28(2)(g) of the Act may only authorize unauthorized expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –
- a) dealt with as part of the adjustments budget contemplated in sub regulation (1); and
 - b) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a)(i) of the Act.

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

- 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 these are indicated.
- b) Council may revise its annual budget by means of an adjustments budget 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 Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- e) The Council should also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

- f) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- g) Unauthorized expenses may be authorized in an adjustments budget.
- h) In regard to unforeseen and unavoidable expenditure, the following apply:
 - i. the Mayor may authorize such expenses in an emergency or other exceptional circumstances;
 - ii. the municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;
 - iii. these expenses must be reported by the Mayor to the next Council meeting;
 - iv. the expenses must be appropriated in an adjustments budget; and
 - v. Council must pass the adjustments budget within sixty days after the expenses were incurred.

18.4. Submission of tabled adjustments budgets

- 1) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b) (i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.
- 2) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form –
 - a) the supporting documentation referred to in section 28(5) of the Act within ten working days of the adjustments budget being tabled in the municipal council; and
 - b) any other information as may be required by the National Treasury.
- 3) The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –

- a) any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
- b) any other organ of state on receipt of a request from that organ of state.

18.5. Approval of adjustments budget

- 1) A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in regulation 21 before approving the adjustments budget.
- 2) A municipal council may approve an adjustments budget dealing with matters referred to in section 28(2)(c) of the Act only if the expenditure was recommended by the mayor in accordance with the framework prescribed in Chapter 5 of these Regulations.

18.6. Publication of approved adjustments budget

- 1) Within ten working days after the municipal council has approved an adjustments budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in regulation 25(3).
- 2) When making public an adjustments budget and supporting documentation in terms of sub regulation (1), the municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the adjustments budget, including –
 - a) summaries of the adjustments budget and supporting documentation in alternate languages predominant in the community;
 - b) information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and

- c) any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

18.7. Submission of approved adjustments budget and other documents

- 1) The municipal manager must comply with section 28(7) of the Act read together with section 24(3) of the Act within ten working days after the municipal council has approved an adjustments budget.
- 2) When submitting an adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –
 - a) the supporting documentation within ten working days after the municipal council has approved the adjustments budget;
 - b) the amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of section 54(1)(c) of the Act; and
 - c) any other information as may be required by the National Treasury.
- 3) The municipal manager must send copies of an approved adjustments budget and supporting documentation, in both printed and electronic form to –
 - a) any other municipality affected by that adjustments budget within ten working days after the municipal council has approved the adjustments budget; and
 - b) any other organ of state on receipt of a request from that organ of state.

19. IN-YEAR REPORTS OF MUNICIPALITIES

Format of monthly budget statements

The monthly budget statement of a municipality must be in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

Tabling of monthly budget statements

The mayor may table in the municipal council a monthly budget statement submitted to the mayor in terms of section 71(1) of the Act. If the mayor does so, the monthly budget statement must be accompanied by a mayor's report in a format set out by National Treasury.

Publication of monthly budget statements

1) The monthly budget statement of a municipality must be placed on the municipality's website.

Quarterly reports on implementation of budget

- 1) The mayor's quarterly report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52(d) of the Act must be –
- a) in the format specified by National Treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
 - b) consistent with the monthly budget statements for September, December, March and June as applicable; and
 - c) submitted to the National Treasury and the relevant provincial treasury within five days of tabling of the report in the council.

Publication of quarterly reports on implementation of budget

When publishing the quarterly reports on the implementation of the budget in terms of section 75(1) (k) of the Act, the municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the quarterly report on the implementation of the budget and the financial state of affairs of the municipality, including –

- a) summaries of quarterly report in alternate languages predominant in the community; and
- b) information relevant to each ward in the municipality.

Format of a mid-year budget and performance assessment

A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified by National treasury, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

Publication of mid-year budget and performance assessments

- 1) Within five working days of 25 January each year the municipal manager must make the mid-year budget and performance assessment public by placing it on the municipal website.

Submission of mid-year budget and performance assessments

The municipal manager must submit to the National Treasury and the Relevant provincial treasury, in both printed and electronic form –

- a) the mid-year budget and performance assessment by 25 January of each year; and

- b) any other information relating to the mid-year budget and performance assessment as may be required by the National Treasury.

20. BUDGET IMPLEMENTATION

Monitoring

- a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
- funds are spent in accordance with the budget;
 - expenses are reduced if expected revenues are less than projected; and
 - revenues and expenses are properly monitored.
- b) The Accounting Officer with the assistance of the chief financial officer must prepare 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 to the Council any impending shortfalls in the annual operating budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

21. CONCLUSION

The Accounting Officer 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 (IDP)
- the SDBIPs (Service Delivery and Budget Implementation Plans)

- Senior Management Performance Agreements(Section 56 and 57 Managers)
- the annual report;