KING SABATA DALINDYEBO
MUNICIPALITY

BUDGET POLICY

2024 - 2025

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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 referred to in section 214(1)(a) of the Constitution

(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"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;

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

(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act ;

(b) the rates policy which the municipality must adopt in terms of legislation regulating to municipal property rates ; or

(c) 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;

"Councillor" means a member of a municipal council;

"Creditor", means a person to whom money is owed by the municipality;

"C*urrent 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 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"-

(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(1) (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 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:

(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 executive 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, and which must indicate-

(a) projections for each month of-

(i) revenue to be collected, by source; and

(ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter; and

(c) any other matters that may be prescribed, and includes any revisions of such plan by the executive 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 recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"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.

"Unauthorised 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 municipality's approved budget;

(b) overspending of the total amount appropriated for a vote in the approved budget;

(c) expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

(f) a grant by the municipality otherwise than in accordance with the MFMA;

“**vote”** means ;

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas; and

(b) which specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

“**Mscoa**” means municipal standard chart of accounts

1. INTRODUCTION

The purpose of this policy is to ensure that the budget is prepared in line with; *the provisions of the Constitution S153(a) the Municipal Systems Act S11(3)(h), a sound and sustainable management of the budget compilation and approval process.*

Municipal Budgeting and Reporting Regulations

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 executive 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, analyzed, 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 this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

a. The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,

b. The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget

c. To establish and maintain procedures to ensure adherence to KSD's IDP review and budget processes.

3. BUDGETING PRINCIPLES

a) *The budget will be funded from realistically anticipated revenues to be collected, cash backed accumulated funds not committed for other purposes and borrowed funds (only for capital budget).*

b) *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.*

c) *Revenue projections in the budget shall be realistic, taking into account :*

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

d) *Zero-based budgeting shall be used, except in cases of contractual commitment that would span over more than one year.*

e) *A three-year budget (medium term revenue and expenditure framework (MTREF)) shall be prepared, reviewed annually and approved by Council.*

f) *The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.*

g) *The municipality shall not budget for a deficit, unless the municipality has cash-backed reserves.*

h) *The maintenance budget shall be based on the submissions made by various departments but shall not be less than a particular proportion of the total value of property, plant and equipment, which shall be determined by Council from to time.*

i) *Capital allocations for projects will be made on condition that a detailed business plan has been submitted*

j) *Tariff increases shall respond to DORA allocations and population growth in the KSD area of jurisdiction.*

k) *The budget shall, in accordance with the MFMA, meet the following three criteria:*

- ***Credibility:*** *to determine if budgets are funded in terms of Section 18 of the MFMA and whether the municipality adopted a budget process with evidence of sufficient political oversight and public participation. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.*
- ***Relevance:*** *to test if the budget is aligned to the reviewed Integrated Development Plan (IDP) of the municipality and the extent to which the national development plan and provincial priorities, including MFMA Circulars were considered.*
- ***Sustainability:*** *to determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial as the budget should be analysed over the MTREF.*

l) *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.*

The steering committee must consist of at least the following persons:

- *the councillor responsible for financial matters;*
- *the municipal manager;*
- *the chief financial officer;*
- *the senior managers responsible for at least the three largest votes in the municipality;*
- *the manager responsible for budgeting;*
- *the manager responsible for planning;*
- *any technical experts on infrastructure*

4. BUDGET PREPARATION PROCESS

4.1. Formulation of the budget

a) The Accounting Officer with the assistance of the Manager responsible for IDP and Manager responsible for Budget shall draft the IDP and Budget process plan timetable for the municipality including municipal entities for the ensuing financial year.

b) The executive mayor shall table the IDP & Budget process plan timetable 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 Chief Financial Officer shall prepare a budget strategy for approval by Council with encompassing principles, objectives and strategies that will apply during the forthcoming budget preparation process.*

e) *The strategy shall take cognizance of derivatives, guidelines and economic factors and shall give directions to the budget process, affordable growth and envisaged tariff increases.*

f) 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).

g) *The Chief Financial Officer shall issue budget instructions in August/September to all Head of Departments based on the approved strategy.*

h) The Chief Financial Officer and senior managers undertake the technical preparation of the budget. The budget must be in the prescribed format, and must be divided into capital and operating budget and from the 201718 budget must be SCOA compliant with each line item having nine segments and aligned with IDP.

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

j) The expenses reflected in the budget must be divided into line items.

k) 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.

4.2. Public participation Process

a) 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.

4.3. 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. *The annual budget must be approved before the start of the budget year.* Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance *in the Province* 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 IDP;

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 organizations such as Non-Government Organizations, 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.

4.4. Publication of the budget

a) Within 5 days after the draft annual budget has been tabled, the Manager Budgeting must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public, and send copies to National and Provincial Treasury.

b) The Manager Budgeting must within 5 days submit the approved budget in electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website and advertise it in the local newspaper for community comments.

4.5. 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

5. CAPITAL BUDGET

a) *Expenditure shall be included in the capital budget if it meets the asset definition as defined in GRAP 17. The threshold value, which currently is R5 000, will also be used to determine which items need to be capitalized and included in the fixed asset register. The threshold value will be reviewed on an annual basis.*

b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy. 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 tariffs).

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

iv. depreciation of fixed assets,

v. maintenance of fixed assets, and

vi. any other ordinary operational expenses associated with any item on such capital budget.

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

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

5.1. <u>Revenue or Surplus</u>

(a) If any project is to be financed from revenue this financing must be included in the capital budget

(b) Operational budget to raise sufficient cash for the expenditure.

(c) If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

5.2. <u>External loans</u>

a) External loans can be raised only if it is linked to the financing of an asset;

b) A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if it can be reasonably assumed as being secured.

c) 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.

d) Interest payable on external loans shall be included as a cost in the expenditure budget.

e) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

5.3. Grant Funding

(a) Non capital expenditure funded from grants

- o must be budgeted for as part of the revenue budget;
- o Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- o Capital expenditure must be budgeted for in the capital budget;

- Interest earned on investments of Conditional Grant Funding shall be capitalized 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.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

6. 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,

   iii. Provision for bad debts in accordance with its rates and tariffs policies.

   iv. Provision for the obsolescence and deterioration of stock in accordance with its stores management policy,

   v. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.

   vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for 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 indigency relief is separately reflected in the appropriate votes.

7. FUNDING OF 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. *Allocations from other spheres of government..*

8. 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 forwarded to the budget office by the 15th of April 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 1 st 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 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

9. 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 adjustment budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Executive Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive 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 at most three times a year or as regulated by National Treasury.

(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 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.

(g) Only the mayor shall table an adjustments budget. Adjustments 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:

i. 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,

ii. February - to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget

iii. 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

(h) An adjustments budget must contain all of the following:

i. an explanation of how the adjustments affect the approved annual budget;

ii. appropriate motivations for material adjustments; and

iii. an explanation of the impact of any increased spending on the current and future annual budgets.

(i) 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.

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

(k) Unauthorized expenses may be authorized in an adjustments budget.

(l) With regards to unforeseen and unavoidable expenditure, the following apply:

i. the Executive 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.

10. RESTRICTIONS TO BUDGET POLICY

I. On the 01 July each year budget is locked on the system as per National treasury requirements.

II. No override memo for budget must be allowed during the financial year

III. No request memo be submitted to budget office without being costed, i.e overtime

IV. All overtime to be worked must be costed

V. Non - performance on revenue collection will lead to limitation of budget allocation

VI. Locking of departmental budget due to non-performance on revenue.

VII. No transfer of employees between departments during the financial year, transfer of staff must only be done in October and November.

11. BUDGET IMPLEMENTATION

The Accounting Officer with the assistance of the Chief Financial officer and other senior managers is responsible for the implementation of the budget,

11.1 Monitoring

Expenditure

a) The Accounting officer and directors must take reasonable steps to ensure that:

- funds are spent in accordance with the budget and non-compliance with this requirement must be dealt with. Directors or managers overspending on the allocated budget should be held liable.
- similarly underspending on grants is strongly discouraged.
- expenses are reduced if expected revenues are less than projected; and

b) The Accounting Officer in terms of Section 71 of the MFMA must on a *monthly basis report to the Executive Mayor and on quarterly basis (Section 52D) to the Council the extent of the implementation of the budget, and if there are material variances, reasonable steps be taken to address the situation.*

c) 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.

d) 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.

11.2 Unforeseen and unavoidable expenditure

(a) In the case of an emergency or any other exceptional circumstances the Accounting Officer may submit to the Executive Mayor for authorization any unforeseen and unavoidable expenditure for which no provision was made in an approved budget.

(b) The Executive Mayor must report such expenditure to Council at its next meeting which should not be later than 60(sixty) days from approval of the expenditure.

(c) Such an expenditure may not exceed 5(five) percent of the approved total annual budget.

11.3 Revenue

The accounting officer of a municipality is responsible for the management of the revenue of the municipality.

(a) The accounting officer and directors must also take reasonable steps to ensure that:

- Revenue is collected in accordance with the budget, and non-compliance with this requirement must be dealt with. Directors or managers under collecting on the allocated budget should be held liable.

11.4. Reporting

11.4.1 Monthly budget statements

(a) The Accounting Officer with the assistance of the Chief Financial Officer must, not 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.

11.3.2 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.

11.3.3 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 as set 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 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

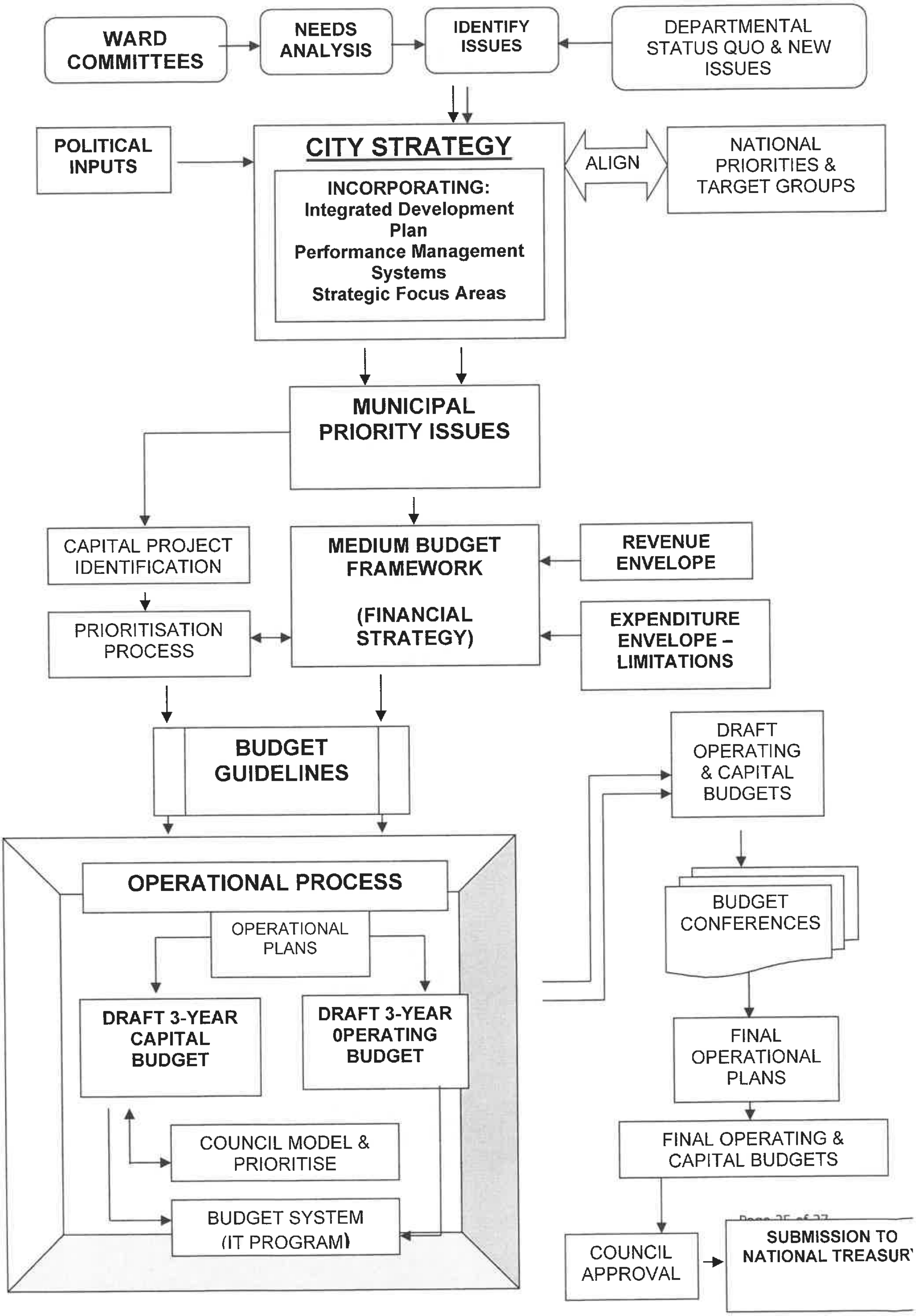
(c) The Accounting Officer may in such report make recommendations after considering the recommendations of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. CONCLUSION

The Corporate Services Manager 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.

OPERATIONAL FLOW OF BUDGET PROCESS

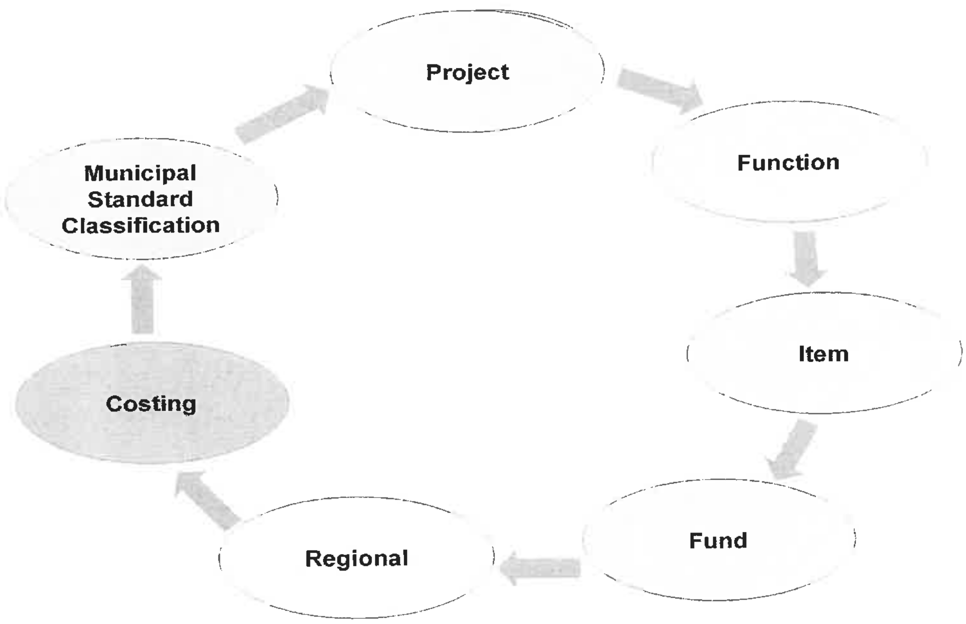


13.What is Municipal SCOA (mSCOA):

mSCOA stands for "standard chart of accounts" and provides a uniform and standardised financial transaction classification framework. Essentially this means that 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. mSCOA is a "proudly South African" project researched by National Treasury based on municipal practices, reporting outcomes, policy implementation and review, etc.

12.1 mSCOA is multi-dimensional in nature

mSCOA is a business reform rather than a mere financial reform and requires multi-dimensional recording and reporting of every transaction across the following 7 segments:



12.2 Who must implement mSCOA:

The *Municipal Regulations on a Standard Chart of Accounts (mSCOA)* is applicable to all municipalities and municipal entities with effect from 1 July 2017. This means that as of 1 July 2015, a non-pilot municipality still has a 16 month preparation and readiness window remaining to enable it to capture all transactions (at posting level) in accordance with mSCOA within its respective financial applications (systems). This is calculated from the assumption that the municipality should prepare its 2017/18 budget during October/ November 2016 as required by the Municipal Budget and Reporting Regulations.

12.3 Municipality ultimately accountable

Even when mSCOA is implemented, the municipality remains ultimately responsible and accountable for the capturing and submission of all the legislated information and reports to the National Treasury Local Government Database (the push of information) as was the status before mSCOA.

Additionally mSCOA will enable the National Treasury and other user departments to pull information directly from the municipality's system(s). This means that the National Treasury and any other national or provincial user departments will have one central point of access to the detailed municipal financial information used for monitoring and oversight. This will limit user requests for information in other formats or of different detail levels to municipalities.

The municipality is currently implementing mSCOA since 1st July 2017. The budget for 2024-2025 is on version 6.8 as per the mSCOA requirements.

N. PAKADE
MUNICIPAL MANAGER

Resolution Number: **SVCM 786/05/24**