

MANDENI MUNICIPALITY



BUDGET POLICY

2023-24

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1. DEFINITIONS

- 1.1 “Accounting Officer” means the person appointed by the Municipal Council as the Accounting Officer for the municipality in terms of section 82 of the Local Government Municipal Structures Act, 1998 (Act No. 117 of 1998) and includes any person to whom the Accounting Officer has delegated a power, function or duty in respect of such a delegated power, function or duty.
- 1.2 “Allocation” means a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution; an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution; an allocation of money to a municipality in terms of a provincial budget; or 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.
- 1.3 “Annual Division of Revenue Act” means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution.
- 1.4 “Approved budget” means an annual budget approved by a municipal council; or approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28.
- 1.5 “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.
- 1.6 “Budget Steering Committee” means the committee that is established in terms of Budget and Reporting Regulation 4(1) to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA.
- 1.7 “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; or the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act.
- 1.8 “Budget year” means the financial year for which an annual budget is to be approved in terms of section 16(1).
- 1.9 “Capital expenditure” where used alone shall mean the same as asset, for example capital expenditure shall refer to expenses incurred to create an asset or assets in

terms of Generally Recognised Accounting Practice.

- 1.10 "Capital Project" means capital project as defined in terms of the mSCOA project segment.
- 1.11 "Chief Financial Officer" shall mean the head of the Financial Services Department as contemplated in sec 80 of the MFMA.
- 1.12 "CRR" shall mean Capital Replacement Reserve.
- 1.13 "Council" shall mean the Council of the municipality, any committee or person to which or to whom an instruction has been given or any power has been delegated or sub-delegated in terms of, or as contemplated in, section 59 of the Local Government: Municipal Systems Act, 2000 or a service provider in respect of any power, function or duty of the Council.
- 1.14 "Data string" shall mean the total budget line which includes all seven segments as prescribed in terms the Municipal Regulation on Standard Chart of Accounts.
- 1.15 "Financial year" shall mean the period from 1 July until 30 June of the next year
- 1.16 "Fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.
- 1.17 "Function" in terms of mSCOA is the municipal function as per Schedule 4B and 5B of the Constitution.
- 1.18 "Funding Segment" refers to the segment that identifies the various sources of funding available to municipalities and municipal entities for financing expenditure relating to the operation of the municipality and provides for both capital and operational spending. The appropriate classification of a transaction in this segment will be determined according to the source of funding against which a payment is allocated and the source of revenue against which income is received. **(The fund segment shall be applied only to cash transactions)**
- 1.19 "GRAP" means the Standards on Generally Accepted Accounting Practice, as issued by the Accounting Standards Board
- 1.20 "Housing Development Fund" means the fund that was established in terms of the Housing Act, 1997 (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

- 1.21 “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 this Act, and which has not been condoned in terms of section 170;
 - (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, and shall
 - (e) excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”
- 1.22 “MBRR” means the Municipal Budget and Reporting Regulations, as issued by National Treasury.
- 1.23 “MFMA” means the Municipal Financial Management Act, 2003 (Act No 56 of 2003)
- 1.24 “mSCOA” refers to the latest version of the Municipal Standard Chart of Accounts issued in terms of the Municipal Regulation on Standard Chart of Accounts.
- 1.25 “Municipal Running Cost” in terms of mSCOA refer to any other expenditure not relating to a specific project for example general expenses relating to the daily running and operation of the municipality.
- 1.26 “Municipality” means xxxx Local Municipality
- 1.27 “Municipal entity” has the meaning assigned to it in section 1 of the Municipal Systems Act;
- 1.28 “Municipal tax” means property rates or other taxes, levies or duties that a municipality may impose;
- 1.29 “Operational” shall mean revenue or expenditure included in or to be incurred on the operating budget.
- 1.30 “Operational projects” shall mean the same as per the project segment in the

mSCOA chart and project summary definition and refer to current and short-term projects for which the cost is immediately recognised as an expense and funded from the municipalities' operational budget.

- 1.31 “Overspending” in relation to the budget of a municipality, means:
- a. 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 in relation to expenditure under section 26, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section
- 1.32 “Provincial Treasury” means a treasury established in terms of section 17 of the Public Finance Management Act
- 1.33 “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) for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate projections for each month of revenue to be collected, by source; and operational and capital expenditure, by vote; service delivery targets and performance indicators for each quarter; and any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(1)(c).
- 1.34 “Standard chart of accounts” means a multi-dimensional classification framework providing the method and format for recording and classifying financial transaction information in the general ledger forming part of the books of account containing a standard list of all available accounts.
- 1.35 “Typical Workstream Projects” in terms of mSCOA refer to projects are created under this group for “operational projects” for example agricultural projects, capacity building, training and development, spatial planning, etc. Typically, these “projects” consist of various expense-items contributing to the outcome or objective of an initiative.
- 1.36 “Unfunded / underfunded mandate” is defined as “when the municipality perform the functions of other spheres of government and bear significant cost out of their own revenue sources”. These unfunded / underfunded mandates pose an institutional and financial risk to the municipality as substantial amounts of municipal own funding is being allocated to non-core functions at the expense of basic service delivery which is the core mandate of the municipality.
- 1.37 “Unauthorised expenditure” means any expenditure incurred by a municipality

otherwise than in accordance with section 15 or 11(3), and includes overspending 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 that specific purpose; spending of an allocation referred to the above of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or a grant by the municipality otherwise than in accordance with this Act.

1.38 "Virement" shall mean shifting of funds between line items within a Vote.

1.39 "Vote" shall mean a directorate within the organisational structure of the municipality.

2. LEGISLATIVE FRAMEWORKS AND REGULATIONS

2.1 The legislative frameworks and regulations considered in determining the budget and virements policy are:

- (a) Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- (b) Local Government: Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009
- (c) Local Government: Municipal Finance Management Act: Municipal Regulations on Standard Chart of Accounts, Regulation 10178, published under Government Gazette 37577, 22 April 2014
- (d) Generally Recognised Accounting Practice, as issued by the Accounting Standards Board

3. LEGISLATIVE OBLIGATIONS FOR THE POLICY

3.1 Section 153 of the Constitution of the Republic of South Africa requires that 'a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community'.

3.2 The MFMA, together with the Municipal Systems Act (2000), aims to facilitate compliance with this constitutional duty by ensuring that municipalities' priorities, plans, budgets, implementation actions and reports are properly aligned.

3.3 Section 215 of the Constitution of the Republic of South Africa requires 'National, provincial, and municipal budgets and budgetary processes must promote

transparency, accountability and effective financial management of the economy, debt and the public sector.

- 3.4 Budgets in each sphere of government must therefore contain estimated of revenue and expenditure, differentiating between capital and current expenditure, proposals for financing any anticipated deficit for the period to which they apply, and an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.
- 3.5 Section 15 of MFMA 56 of 2003 requires 'a municipality may, except where otherwise provided in this Act, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget.'
- 3.6 Section 16(a) of MFMA 56 of 2003 requires 'the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.'
- 3.7 For a municipality to comply with subsection (a), 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.

4. PURPOSE AND OBJECTIVES OF THE POLICY

- 4.1 The objective of the Budget Policy is to set out:
 - i) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget;
 - ii) The responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget;
 - iii) To ensure that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.
 - iv) To ensure compliance with the MFMA, MBRR, mSCOA and GRAP requirements

5. PRINCIPLES IN PREPARATION OF THE BUDGET

- 5.1 The Municipality shall prepare a three-year medium term revenue and expenditure framework (MTREF) capital and operating budget, which shall be reviewed annually and approved by Council.
- 5.2 The Integrated Development Plan (IDP) shall drive the budgeting process of the

municipality, and therefore the MTREF Budget must at all times be within the framework of the Municipal Integrated Development Plan.

- 5.3 The Project Segment on the budget shall measure the alignment between the IDP and Budget.
- 5.4 The revenue to be accrued and realised (anticipated to be collected) shall be estimated at the commencement of the budget process, which shall then drive the budgetary allocation limits for the respective votes.
- 5.5 The MTREF capital budget shall be prepared on a zero-base principle for three years, except where capital projects represent a contractual commitment to the municipality extending over more than one financial year.
- 5.6 Before approving the capital budget component of the annual or adjustments budget, the Council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget.
- 5.7 In addition, the Council shall consider the likely impact of such operation expenses, net of any revenues expected to be generated by such items on future property rates and service tariffs.
- 5.8 In the preparation of the draft operating budget component of the annual budget, the principle used will be a combination of zero-based and incremental based budgeting.
- 5.9 Day to day expenditure shall be budgeted for using incremental based approach, with the typical work stream projects in the operational budget shall further be prepared on zero-base principle for three years, driven by the IDP of the municipality.
- 5.10 Employee related costs shall be determined based on the existing positions on the organogram, and takes into account vacant posts only in instances where approval has been obtained from the Accounting Officer.
- 5.11 The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line- items, data strings or projects within the vote to the director responsible for the department, service or function concerned.
- 5.12 In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant director with appropriate

quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the Accounting Officer and the Mayor.

5.13 The budget shall be prepared in accordance with the Standard Chart of Accounts, with the following key segments:

5.13.1 PROJECT SEGMENT - All budgeted expenditure shall be disclosed as capital or operational projects and shall be aligned to a project indicated in the municipality's Integrated Development Plan (IDP). Budgeted transactions related to revenue, assets (excluding capitalised expenditure), liabilities and net assets are required to be allocated to the project segment as Default Transactions.

5.13.2 FUNCTION SEGMENT – The budgeted transactions shall be disclosed in accordance with the relevant service delivery outcome as per the standardised “vote” structure throughout municipalities, as issued by National Treasury. The budget transactions shall further distinguish between “core-” and “non-core functions” of the municipality in terms of the Constitution.

5.13.3 ITEM SEGMENT – All anticipated Revenue, Expenditure, Gains and Losses, Assets, Liabilities and Net Assets shall be budgeted for under this segment, and in accordance with the GRAP accounting framework. The nature of the transaction will drive the classification and classes of transactions in terms of this segment.

5.13.4 FUNDING SEGMENT – The budget shall reflect the various sources of funding available to municipalities for financing expenditure relating to the operation of the municipality for both capital and operational spending. The budget shall be distinguished between “Non-funding Transactions, Operational, Capital and Cash backed reserves”.

5.13.5 COSTING SEGMENT – This segment shall be utilised to reallocate costs to their respective functions, therefore enabling improved financial data for tariff modelling. This segment shall be applied to the budget in accordance with the Costing Methodology adopted by the municipality.

5.13.6 REGIONAL INDICATOR SEGMENT - Aligns the budget to regional areas and/or wards for reporting in terms of the MFMA in the SDBIP. It therefore facilitates the planning and recording of budgeted and actual municipal expenditure, revenue, assets, liabilities and net assets at the lowest relevant geographical level (ward).

- 5.13.7 MUNICIPAL STANDARD CLASSIFICATION – Aligns the budget to the organisational structure of the municipality and is based on the “vote” set-up of the municipality.
- 5.14 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.
- 5.15 Expenses shall only be incurred in terms of the approved Annual Budget, and a subsequent Adjustment Budget, and within the limits of the amounts appropriated for each vote in the approved Budget.
- 5.16 The budget shall be prepared on an accrual basis in accordance with the MBRR, mSCOA and GRAP frameworks. Fundamentally, the budget shall be prepared on the same basis as the annual financial statements, and therefore on the same basis as the transactions shall occur in the financial system.
- 5.17 The accounting policies, methodologies and principles applied in determining budgetary information need to be consistent to those applied in preparing annual financial statements.
- 5.18 Notwithstanding the requirement to prepare the budget in accordance with GRAP principles, the below mentioned shall be applied:
- a. The municipality shall provide for a staff leave accrual equal to 100% of the entitlement of staff leave, with a maximum of 48 days per person, of the accrued leave entitlement of officials as at 30 June of each financial year as required by the relevant accounting standard and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
 - b. The municipality shall provide for a provision for debt impairment in accordance with its accounting policies and shall budget appropriately for debt impairment and bad debts to be written-off in each annual and adjustments budget.
 - c. The municipality shall provide for provision for rehabilitation of landfill sites in accordance with its accounting policies and shall budget appropriately for adjustments to such provision in each annual and adjustments budget.
 - d. The municipality shall establish and maintain employee benefits obligation provision in accordance with its accounting policies and shall budget appropriately for adjustments to such provision in each annual and adjustments budget.

- e. The allocation of interest earned the municipality's investments shall be budgeted for in terms of the cash and investment policy.
 - f. The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its asset management and accounting policy. The municipality shall endeavour to provide sufficiently for repair and maintenance in the operating budget component of each annual and adjustments budget, in accordance with the maintenance plan of the municipality, but shall strive for at least 8% of total operating expenditure being allocated for maintenance.
- 5.19 Budgeting shall be performed for revenue, expenditure, gains and losses, current and non-current assets, and liabilities, including net assets. The concept of current assets and liabilities realisable or expended within 12 months should be applied when determining whether a transaction is current. This includes budgeting for movement between current and non-current assets/liabilities as required.
- 5.20 When preparation of a municipal budget, the budget shall to be undertaken at the lowest data string level in accordance with the required classification in terms of mSCOA and GRAP.
- 5.21 The budget shall include budgeted opening balances and the anticipated movement within Statement of Financial Position transactions. Hence estimations shall further be made for collection of receivables and payments to be made on trade payables.
- 5.22 The budgeted opening balance must be considered when determining/calculating cash collectable/payable for all accounts and is not limited to the budgeted movements for the year.
- 5.23 The budget shall be funded in terms of the Municipality's Funding and Reserves Policy.
- 5.24 Where the municipality is required to reduce the initial budget estimations, consideration shall be given to reducing at a project level, as opposed to an item level.

6. THE BUDGETING PROCESS

- 6.1 The Accounting Officer with the assistance of the Chief Financial Officer and the Executive Director responsible for IDP shall draft the IDP process plan as well as the budget timetable for the Municipality for the ensuing financial year.
- 6.2 The Executive Director responsible for IDP shall compile the necessary reports in order for the Mayor to table the IDP process plan as well as the IDP/OPMS/Budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- 6.3 The 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 (MTREF) 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.
- 6.4 The budget time table shall consider the following activities and key timelines:
 - a. Planning - The municipality will schedule the key dates, establish consultation forums, and review previous processes.
 - b. Strategising - The municipality shall review the IDP, set service delivery and objectives for MTREF period, consider the anticipated tariffs, indigent, credit control, free basic services, etc and consider local, provincial and national issues, previous year's performance and current economic and demographic trends, etc.
 - c. Preparing - The municipality and municipal entities shall prepare the budget, revenue and expenditure projections, draft budget policies, consult and consider local, provincial, and national priorities.
 - d. Tabling - The municipality and municipal entities shall table the draft budget, IDP and budget related policies before council, consult and consider formal local, provincial, and national inputs or responses
 - e. Approving - The Council shall consider the budget for approval, including the related policies
 - f. Finalising - The municipality shall publish and approve the SDBIP and annual performance agreements and indicators

7. RESPONSIBILITIES OF THE BUDGET STEERING COMMITTEE

- 7.1 In terms of the MFMA Budget and Reporting Regulations, the Mayor must

establish a budget steering committee to provide technical assistance to him / her in discharging his / her responsibilities set out in section 53 of the MFMA.

- 7.2 The minimum membership requirements of a budget steering committee as per MFMA are the following:
- a. Councillor responsible for financial matters
 - b. Municipal Manager
 - c. Chief Financial Officer
 - d. Senior Managers responsible for at least the three largest votes in the municipality
 - e. The Manager responsible for Budgeting
 - f. The Manager responsible for Planning
 - g. Any Technical Experts on Infrastructure

8. RESPONSIBILITIES OF THE MAYOR

- 8.1 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).
- 8.2 The mayor shall convene a strategic workshop with the 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.

9. RESPONSIBILITIES OF THE ACCOUNTING OFFICER

- 9.1 The Accounting Officer shall be responsible for the following functions in terms of Section 68 of the MFMA:
- (a) Assisting the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapter 4 and 7 of the MFMA; and
 - (b) Providing the Mayor with the administrative support, resources and information necessary for the performance of those functions.
- 9.2 The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure:
- a. that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and
 - b. that revenue and expenditure are properly monitored.

- 9.3 When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.
- 9.4 The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor a draft service delivery and budget implementation plan for the budget year.

10. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

- 10.1 Without derogating in any way from the legal responsibilities of the Accounting Officer, the Chief Financial Officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking, cash management and investments policy) and reconciliations between the various reporting formats utilised for both the budget and actual information, and shall be accountable to the Accounting Officer in regard to the performance of these functions.
- 10.2 The Accounting Officer shall ensure that all heads of business units provide the inputs required by the Chief Financial Officer into these budget processes.
- 10.3 The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the Mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation.
- 10.4 The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget. The Chief Financial Officer shall submit these monthly reports to all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.
- 10.5 The Chief Financial Officer shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.

- 10.6 The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 10.7 The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
- 10.8 The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.
- 10.9 The Chief Financial Officer is responsible for preparation of the budget in accordance with mSCOA and GRAP, and the tabling of the budget schedules in accordance with the MBRR.

11. RESPONSIBILITIES OF THE DIRECTORS AND SENIOR MANAGERS

- 11.1 Section 78(1)(b) of the MFMA states that “Each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure-...(b) that the financial and other resources of the municipality are utilised effectively, efficiently economically and transparently.”
- 11.2 Every Director and Senior Manager has the responsibility to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilised effectively and efficiently.
- 11.3 It remains the responsibility of Directors, departmental heads and Top Management to ensure that their budgets are compiled in a responsible manner and contain funding to provide sustainable municipal services, training, maintenance of municipal assets and funding for the payment of all relevant legislative and or contractual obligations. The budget must be further balanced with affordability of the community and within the financial and administrative capacity of the municipality.
- 11.4 All heads of departments shall promptly provide the inputs required by the budget office for**

the budget processes as stipulated in the budget time table.

12. UNSPENT FUNDS/ROLL OVER OF THE BUDGET

- 12.1** 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.
- 12.2** 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.
- 12.3** Conditions of the grant funding shall be taken into account in applying for such roll over of funds.
- 12.4** In order to apply for a rollover of unspent conditional grants the following must be submitted to National Treasury:
- a.** Municipalities must submit their June conditional grant expenditure reports according to section 71 of MFMA reflecting all accrued expenditure on conditional grants;
 - b.** Submit the pre-audited AFS indicating the portion of each national conditional allocation it received which remained unspent as at 30 June;
 - c.** Formal letter addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the of DoRA
 - d.** Motivation of commitment:
 - i.** Documented evidence that work on each of the projects has commenced, namely either of the following:
 - Evidence that the project tender was published and the period for tender submissions closed before 30 June; or
 - Evidence that a contract for delivery of the project was signed before 30 June.
 - ii.** A progress report on the state of implementation of each of the projects;
 - iii.** The amount of funds committed to each project, and the conditional allocation from which the funds were distributed;
 - iv.** An indication of the time-period within which the funds are to be spent.
- 12.5** Adjustments to the rolled over budget shall be done during the 1st Adjustments budget in the new financial year after taking into account expenditure up to the end of the previous financial year.
- 12.6** 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.
- 12.7** No unspent operating budget shall be rolled over to the next budget year.
- 12.8** The spending of the roll-over of grant funded projects shall not be included in the budget until

approval for the roll-over has been obtained from the relevant transferring authority/National Treasury.

13. UNFORESEEN, UNAVOIDABLE EXPENDITURE AND ADJUSTMENT BUDGET

- 13.1 In the case of an emergency or any other exceptional circumstances virements shall be submitted by the Accounting officer to the Mayor to authorize any possible unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.**
- 13.2 The Mayor must report such expenditure to the Council at its next meeting which should not be departed more than 60 (sixty) days from approval of expenditure.**
- 13.3 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 Mayor on the revision of the IDP and the budget-related policies where these are indicated.**
- 13.4 Council may revise its Annual Budget by means of an Adjustment Budget at most three times a year.**
- 13.5 The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.**
- 13.6 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.**
- 13.7 The Council shall in such Adjustment Budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.**
- 13.8 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.**

14. POLICY REVIEW

13.1 This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

15. POLICY ADOPTION

14.1 This policy has been considered and approved by the COUNCIL OF MANDENI LOCAL MUNICIPALITY as follows:

Resolution No:.....

Approval Date:.....