ANNEXURE

Final Budget Implementation and Management Policy

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DEFINITIONS

"Accounting Officer" means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, No. 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, No 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

“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 in terms of section 24 of the MFMA; 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 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 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 an official designated by the Accounting Officer as the Chief Financial Officer 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;
"**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 "unauthorised 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;

"**Executive Mayor**" means the councillor elected as the executive 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 intended to be used in trade;

"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)
;**"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 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(l) (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;

"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;

"Virement" means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote or across a vote during a municipal financial year due to changed circumstances from which prevailed at the time of the previous budget adoption.

"**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), state 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 realise 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 operationalisation 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 executive mayor, the accounting officer, the chief financial officer and the directors in compiling the budget; and
c) To establish and maintain procedures to ensure adherence to Kouga Municipality's Integrated Development Plan (IDP) review and budget processes.

3. BUDGETING PRINCIPLES

c) Kouga Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) that will be reviewed annually and approved by Council and;
d) The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.
e) The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
f) The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
g) The need to enhance the municipality's revenue base.
h) In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.
a) 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;
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;

4 BUDGET PREPARATION PROCESS

4.1 FORMULATION OF THE BUDGET

a) The Accounting Officer with the assistance of the Chief Financial Officer and Manager responsible for IDP shall draft the process plan as well as the budget timetable for the municipality for the ensuing financial year.
b) The Executive Mayor shall table the IDP process plan as well as the budget timetable to Council not later than 31 August of 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 Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March of each year (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, investments and cash management, borrowings, etc.)
e) The Municipal Manager, Chief Financial Officer and directors undertake the technical preparation of the budget.
f) The budget must be in the prescribed format by National Treasury and must be divided into capital and operating budget.
g) The budget must reflect the realistically anticipated revenues by major source for the budget year concerned.
h) The budget must be prepared based on the seven segments as prescribed by the mSCOA Regulations (i.e Project, Item, Function, Funding, Costing, Region and Municipal Standard Classification Segments).
i) The budget must be project based for both Operating and Capital Budgets, meaning that the budget will have to be at a Project Level as opposed to historically being at Item or Vote Level.
j) Each project must be aligned to the Integrated Development Plan (IDP), state which National KPA and municipal KPA it is addressing; and reflect which ward the project relates to.
k) The Operating and Capital Budgets must be prepared in terms of the National Treasury requirements of multi-year (three-year) budgeting.

4.2 PUBLIC PARTICIPATION PROCESS

(1) When the annual budget has been tabled, the municipal council must consider any views of—
(a) the local community; and
(b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
(2) After considering all budget submissions, the council must give the mayor an opportunity—
(a) to respond to the submissions; and
(b) if necessary, to revise the budget and table amendments for consideration by the council.

(3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.
(4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

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 resolutions must include:

(i) Setting of municipal tariffs for the budget year;

(ii) Measurable performance objectives for revenue from each source and for each vote in the budget;

(iii) Changes to the municipality's budget-related policies.

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

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

(i) Draft resolutions approving the budget; and levying property rates, other taxes and tariffs for the financial year concerned;

(ii) Measurable performance objectives for each budget vote, taking into account the municipality's IDP;

(iii) The projected cash flows for the financial year by revenue sources and expenditure votes;

(iv) Any proposed amendments to the IDP;

(v) Any proposed amendments to the budget-related policies;

(vi) The cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the Chief Financial Officer, and other senior managers;

(vii) Particulars of any proposed allocations or grants to other municipalities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on; and

(viii) Particulars of the municipality's investments

4.4 PUBLICATION OF THE BUDGET

The Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as place it on the municipal website, so that it is accessible to the public.

4.5 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

a) The Executive 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) Service delivery targets and performance indicators for each quarter;

5 CAPITAL BUDGET

5.1 BASIS OF CALCULATION

a) The zero-based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
b) The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
c) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.

5.2 BUDGET PRINCIPLES

a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.
b) A municipality may spend money on a capital project only if the money for the project has

been appropriated in the capital budget.
c) 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.
d) 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, 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).
e) 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.
f) Council shall approve the annual or adjustment capital budget only if it has been properly cash funded.
g) Capital projects will not be considered for inclusion in the Budget, unless the Directorates clearly indicate in their budget submissions, accurate Ward Numbers in which the projects will be implemented.
h) New Capital Projects will not be considered for inclusion in the Capital Budget, without a proper procurement plan.
i) Where funds of new Capital Projects or/and Operational Projects exceed a value of R 200,000, the Project Budget Request Form must be filled and be submitted in line with the requirement of the budget process.
j) Directorates are required to submit documentary evidence for contractually committed Capital Projects for inclusion in the Capital Budget. This relates to Capital Projects, which are anticipated to be contractually committed prior to 30 June of each financial year, with completion dates continuing into the next financial year and later financial years.

5.3 FUNDING OF CAPITAL BUDGET

The main sources of funding for capital expenditure are: -

- Capital Replacement Reserves;
- Borrowings;
- Government grants and subsidies;
- Public donations and contributions; and
- Operating revenue.

Capital Projects will only be considered for inclusion in the Capital Budget based upon written confirmation that the relevant grant, subsidy, public contribution and donation has been secured. The relevant Director will be required to provide written confirmation that the grant and subsidy funding has been allocated by the relevant government agency/donor.

6. OPERATING BUDGET

6.1 BASIS OF CALCULATION

a) The zero-based approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
b) The annual operating budget shall be based on realistically anticipated revenue, which should be equal to the anticipated operating expenditure in order to result in a balanced budget.

c) An income-based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a balanced budget.

6.2 BUDGET PRINCIPLES

a) The municipality shall with each annual and adjustments budget, budget for the contribution to:

(i) Provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial;

(ii) Provision for bad debts in accordance with its rates and tariffs policies, collection levels and GRAP accounting standards;

(iii) Depreciation, costing segmentation implementation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;

(iv) At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance, subject to affordability

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 in rates 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:

(i) Depreciation charges

(ii) Repairs and maintenance expenses

(iii) Interest payable on external borrowings.

(iv) Other operating expenses.

e) The employee related costs must be prepared, based on the staff in service, including positions advertised, but not yet filled and critical vacancies. the employee related costs forecast must be in line with the South African Local Government Bargaining Council agreement.

f) The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

The budget may be financed only from:

a) Realistically anticipated revenues, based on current and previous collection levels;

b) Cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

c) Borrowed funds in respect of the capital budget only.

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 committed capital expenditure;

b) Only committed 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) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year in August after taking into account expenditure the previous financial year;
and

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

9. ADJUSTMENT BUDGET

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 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.

(i) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23;

(ii) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under- collection of revenues arises or is apparent;

(iii) 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 of the Municipal Budget and Reporting Regulations;

(iv) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor;

(v) 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; and

(vi) Only the Executive Mayor shall table an adjustments budget which shall be done at least once a year and be submitted to Council.

b) An adjustments budget must contain all of the following:
An explanation of how the adjustments affect the approved annual budget;
Appropriate motivations for material adjustments;
An explanation of the impact of any increased spending on the current and future annual budgets;
Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan;
Unauthorised expenses may be authorised in an adjustments budget; and
In regard to unforeseen and unavoidable expenditure, the following apply:

- The Executive Mayor may authorise such expenses in an emergency or other exceptional circumstance;
- The Municipality may not exceed 3% of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- These expenses must be reported by the Executive Mayor at the next Council meeting;
- The expenses must be appropriated in an adjustments budget; and
- Council must pass the adjustments budget within sixty days after the expenses were incurred.

10. BUDGET IMPLEMENTATION

10.1 <u>MONITORING</u>

a) The Accounting Officer with the assistance of the Chief Financial Officer and other directors is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

(i) Funds are spent in accordance with the budget;

(ii) Expenses are reduced if expected revenues are less than projected; and

(iii) 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 Executive Mayor for consideration and tabling to Council.

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

10.2 REPORTING

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

10.2.2 Quarterly Reports

The Executive 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.

10.2.3 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 and the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
b) The Accounting Officer must submit a report on such assessment to the Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury.
c) After considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service

delivery and budget implementation plan, the Accounting Officer may in such report make recommendations as to whether an adjustments budget is necessary.

11. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

11.1 Without deviating in any way from the legal responsibilities of the Municipal Manager as Accounting Officer, the Chief Financial Officer shall be responsible for preparing the 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 investments policy), and shall be accountable to the Municipal Manager in regard to the performance of these functions. The Municipal Manager shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer into these budget processes.

11.2 In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the Chief Financial Officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply – in so far as the organisational structure permits – with the prescribed budget format of National Treasury.

a) The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, and accrued leave entitlements.

b) 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.

c) The Chief Financial Officer shall submit these monthly reports to the Executive Mayor, Finance Committee and Mayoral Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

d) The Chief Financial Officer shall provide technical and administrative support to the accounting officer and Executive 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.

e) 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 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.

f) The Chief Financial Officer shall make recommendations on the financing of the 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.

g) The Chief Financial Officer shall determine the basis for allocating overhead expenses not directly chargeable to votes.

h) 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.

Budget Assumptions

The following assumptions forms part of compiling the Budget of Kouga Municipality to determine the cashflows of the Municipality:

Employee related costs – 1 month payment of pension and medical aid contributions will be paid in the next financial year
All creditors unpaid at the end of the previous financial year will be paid in the 1st month of the next year
Contracted services will be deferred for 1 month to the next financial period
Bulk Electricity will be deferred by 1 month to the next financial period
Water inventory will also be deferred by 1 month.
The main source of funding will be allocated as follows:
Trading services to fund itself
EQS to fund the following expenditures in terms of priority
Equitable share allocations to indigent households
Councillor remuneration
Employee related costs
Property rates to fund the balance of operational expenditure