



uMGUNGUNDLOVU
U M A S I P A L A W E S I F U N D A
D I S T R I C T M U N I C I P A L I T Y
D I S T R I K M U N I S I P A L I T E I T

BUDGET AND VIREMENT POLICY

**uMGUNGUNDLOVU DISTRICT MUNICIPALITY
BUDGET AND VIREMENT POLICY**

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PART 1. OBJECTIVE

To set out the budgeting principles and business processes which the uMgungundlovu District Municipality will follow in preparing the annual budget, guidelines in the implementation of the said budget, guidelines on virement processes as well as the responsibilities of the Accounting officer and the Chief Financial Officer when compiling the budget in line with the Municipal Finance Management Act, Act 56 of 2003, Act 56 of 2003 and other related guidelines issues by the National and Provincial Treasuries.

PART 2 LEGISLATIVE REQUIREMENTS

2.1 MFMA Section 15 Appropriation of funds for expenditure

- 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 budget.

2.2 MFMA Section 16 Annual budgets

- The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.
- The Mayor must table the annual budget at least ninety days before the start of such financial year.
- The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

2.3 MFMA Section 17 Contents of annual budgets and supporting documents

- The budget must be in the prescribed format, and must be divided into a capital and an operating.
- The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- The expenses reflected in the budget must be divided into vote.
- The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.
- The budget must be accompanied by all the following documents:
 - a) draft resolutions approving the budget and levying property rates, other taxes, and tariffs for the financial year concerned;
 - b) draft resolutions (where applicable) amending the IDP and the budget related policies;
 - c) measurable performance objectives for each budget vote, taking into account the municipality's IDP;
 - d) the projected cash flows for the financial year by revenue sources and expenditure votes;

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- e) any proposed amendments to the IDP
- f) any proposed amendments to the budget-related
- g) the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the Chief Financial Officer, and other senior managers
- h) 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 NGOs, welfare institutions and so on
- i) particulars of the municipality's investments; and
- j) various information regarding municipal entities under the shared or sole control of the municipality

2.4 MFMA Section 18 Funding of expenditures

The budget may be financed only from:

- realistically expected revenues, based on current and previous collection levels;
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- borrowed funds in respect of the capital budget only

2.5 MFMA Section 19 Capital projects

- A municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget
- The total cost of the project must also be approved by the Council
- 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.
- Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariff

2.5 MFMA Section 20 Matters to be prescribed

- The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.
- The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and

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unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labor.

2.6 MFMA Section 21 Budget preparation process

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, consider the municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget

2.7 MFMA Section 22 Publication of annual budgets

- Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations regarding such budget.
- The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

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2.8 MFMA Section 23 Consultations on tabled budgets

- After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget
- After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and if necessary revise the budget and table the relevant amendments for consideration by the Council
- The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council

2.9 MFMA Section 24 Approval of annual budgets

- The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.
- The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted

2.10 MFMA Section 25 Failure to approve budget before start of budget

- This Section sets out the process which must be followed if the budget is not approved in the normal course of events.
- Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved.
- The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention

2.11 MFMA Section 26 Consequences of failure to approve budget before start of budget year

- The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year.
- Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality.
- The Section also imposes restrictions on what may be spent in terms of such temporary budget

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2.12 MFMA Section 27 Non-compliance with provisions of this chapter

- This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

2.13 MFMA Section 28 Municipal adjustments budget

A municipality may revise its annual budget by means of an adjustments budget:

- A municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for
- A municipality may in such adjustments budget, and within the prescribed framework, authorize unforeseen and unavoidable expenses on the recommendation of the Mayor
- A municipality may authorize the utilization of projected savings on any vote towards spending under another vote
- Municipalities may 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.
- Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all the following

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets

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

2.13 MFMA Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarizing the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.

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- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation, or electricity, if the contract relates to any of these services.
- The Council has considered the projected financial obligations regarding such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

2.14 MFMA Section 53 Budget processes and related matters

Section 53 Budget processes and related matters

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be considered or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan
- The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan, or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

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2.15 MFMA Section 68 Budget preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources, and the information necessary to perform these functions.

PART 3.

BUDGETING PRINCIPLES TO BE FOLLOWED

- Except in so far as capital projects represent a contractual commitment to the municipality that can be extending over more than one financial year, the annual capital budget shall be prepared from a zero base.
- The capital budget component of the annual or adjustments budget shall only be approved by the Council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.
- 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. In addition, the Council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

3.1 Operating Deficits and Surpluses

- Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- Any unappropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.
- An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the Council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

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3.2 Provisions

- The municipality shall establish and maintain a provision for accrued leave entitlements equal to no less than 50% of the accrued leave entitlement of officials as at 30 June of each financial year and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- The municipality shall establish and maintain a provision for the post-retirement health care benefits of its current staff, as well as a provision for the long service allowances entitled by its current staff, properly calculated and assessed by qualified actuaries.

3.3 Finance Charges, Depreciation Charges and Interest Earned

- All expenses, including depreciation expenses, shall be cash-funded unless approved by Council. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.
- Finance charges payable by the municipality shall be apportioned between departments or votes based on the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the Council's policy to raise external loans only for the financing of fixed assets in specified Council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.
- The allocation of interest earned on the municipality's investments shall be budgeted for in terms of the banking and investment policy.

3.4 Other Principles Relevant to Operating Component of Annual Budget

- The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 8% of the value of Property plant and equipment excluding intangible assets and work in progress component of each annual and adjustments budget shall be set aside for such maintenance where practically possible.

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- In the preparation of the draft operating budget as a component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote and be activity based, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the Chief Financial Officer in terms of the municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, skills development levies payable).
- Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared and shall not exceed 40% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other Councilors shall be included from this limit. In the event the prescribed percentage is exceeded the account officer and the CFO shall table the motivation for the amount in excess.
- 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 within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee 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 Municipal Manager and the Mayor.
- In preparing its revenue budget, the municipality shall strive to maintain the aggregate revenues from service tariffs at not less than 15% 20% of the aggregate revenues budgeted for (excluding conditional grants) budgeted for.
- When considering the draft annual budget, the Council shall consider the impact, which the proposed increases in service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed based on a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the Council shall ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index plus 5 or alternatively enough to recoup the cost of providing the service.

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PART 4.

RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

- Without derogating in any way from the legal responsibilities of the Municipal Manager as 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 and investments policy), and shall be accountable to the Municipal Manager in regard to the performance of these functions.
- The Municipal Manager as the accounting officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer into the budget processes and in compliance to National and Provincial Treasury prescribes (MFMA budget circulars) and regulations as issued from time to time.
- The Chief Financial Officer together with IDP and Budget Office shall draft the IDP and budget timetable for the ensuing financial year for the Council 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, No. 56 of 2003 and its related regulations, and target dates for the submission of all the budget-related documentation to the Mayor, finance committee, executive committee and Council.
- Except where the Chief Financial Officer, with the consent of the Mayor and Municipal Manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:
 - a) depreciation charges
 - b) repairs and maintenance expenses
 - c) interest payable on external borrowings
 - d) other operating expenses
- In preparing the budget, the Municipal Manager through the Chief Financial Officer shall share the requirements of Municipal Standard Chart of Account (MSCOA) as prescribed by National Treasury with all departments to ensure the correct chart of account is used in the budget preparation.
- The Chief Financial Officer shall, with the approval of the Mayor as the Chair of the Budget Steering Committee and the Municipal Manager, having taken into regard to the municipality's current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted and determine budget assumptions.

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- The Chief Financial Officer shall compile monthly budget reports, as prescribed by Section 71 of the Municipal Finance Management Act, No 56 of 2003 and Municipal Budget & Reporting Regulations, 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 the Mayor, finance committee and executive committee, (Full Council if this function is not delegated to the Executive Committee) and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act, No. 56 of 2003 and its relevant regulations and circulars.
- 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.
- 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 SDBIP and the budget-related policies where these are indicated.
- 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.
- The Chief Financial Officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
- 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.

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PART 5.

VIREMENT PRINCIPLES TO BE FOLLOWED

The following authorized principles apply in dealing with virements of budgeted funds:

- a) Virements are not permitted in relation to revenue;
 - b) Virements from the capital budget to the operating budget are not permitted;
 - c) Virements towards personnel expenditure are not permitted;
 - d) Virements to or from the following items are not permitted:
 - e) bulk purchases;
 - f) debt impairment,
 - g) interest charges;
 - h) depreciation,
 - i) revenue foregone,
 - j) insurance,
 - k) Value Added Tax (VAT),
 - l) Ring-fenced allocations, and
 - m) Statutory Funds
- Virements must not result in adding 'new' projects to the Capital Budget.
 - Virements of conditional grant funds for purposes outside of that specified in the relevant conditional grant framework are not permitted (DORA).
 - Virements must not be made where it would result in over expenditure; and 4.8 Virement amounts shall not be rolled over to subsequent years or create expectations on the subsequent budgets.
 - Virement from and between capital assets already approved by council is not allowed.

5.1 Management of Transfers and Virement Processes

- Virements between votes shall be permitted where the proposed shifts in funding facilitate sound risk and financial management; Permissible budget transfers and virements shall be requested by the Senior Manager (Head / Director of Department), by completing the appropriate documentation and forward to the Chief Financial Officer for recommendation and lastly to the Accounting Officer for approval.
- All the necessary documentation for virements requests must be signed for by the relevant Head / Director of the Department within which the vote is allocated.
- Heads / Directors of departments are not allowed to utilize a saving in the amount appropriated under a main expenditure category (e.g., Repairs & Maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote.

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- The amount of a saving under an expenditure category of a vote that may be transferred to another expenditure line item shall not exceed the amount appropriated under that expenditure category and shall be limited to R2 500 000.00 (0.5%) where the budget of the municipality exceeds R500 million.
- No virements recommendations or proposals shall be considered unless there a motivation is submitted to the Budget and Treasury Office signed off by the relevant Head of Department and Accounting Officer within the prescripts of the Municipal Budget and Reporting Regulations.
- Virements resulting in adjustments to the approved Service Delivery and Budget Implementation Plan (SDBIP) must first be submitted to the Budget Steering Committee for consideration and then be submitted with an adjustments budget to the Council with altered outputs and measurements, and must indicate changes to the (SDBIP), and the impact that this will have on the performance objectives as set out in the municipality's Integrated Development Plan (IDP).
- Where virement is likely to impact on the planned Asset Management output as set by the Asset Management Steering Committee, it must be submitted to the Asset Management Steering Committee.
- In cases of emergency situations virements shall be submitted by the Accounting Officer to the Executive Mayor for authorization and be reported by the Executive Mayor to Council at its next council meeting following the occurrence of emergency
- All expenditure resulting from approved virements must still be subject to the prescribed procurement processes as contained in the municipality' approved supply chain management policy.
- Transfers or adjustments falling outside the ambit of this policy must be dealt with within the budget adjustment process in terms of section 28 of the Municipal Finance Management Act (MFMA).

PART 5.2 SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

When funds for a capital programme are appropriated in terms of section 16(3) of MFMA for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that:

- The increase does not exceed 20 per cent of that year's appropriation for the programme;
- The increase is funded within the following year's appropriation for that programme;
- The municipal manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue;
- and sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- Prior written approval is obtained from the mayor for the increase;
- The documents referred to in paragraphs to bullet points three and four are submitted to the relevant provincial treasury and the Auditor-General. Where a capital asset has been budgeted for over multiple years in terms of MFMA, the municipality shall plan for the funding needed for every financial year of the project to ensure its financial sustainability.

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- The Chief Financial Officer shall report to the Accounting Officer on all the virements, and the Accounting Officer shall, within ten working days of the end of each quarter, report to the Executive Mayor on those virements that have taken place during that quarter for the financial year concerned.

PART 6

MAINTENANCE OF THE BUDGET AND LIMITED POWERS OF THE ACCOUNTING OFFICER, THE MAYOR AND EXECUTIVE COMMITTEE.

The Council delegates limited authority to the Municipal Manager for the following movements pertaining to the maintenance of the budget:

- The Municipal Manager may authorize fast tracked spending on a Vote / Function, funding or Account number limited to the approved budget for the year and considering the cash flow projections for the Municipality.
- The Municipal Manager may authorize the virement of funds within the Project, Function, Funding, and Item numbers limited to R 500 000 or the approved budget for the year whichever is lesser and report on monthly bases on such movements and in compliance with National Treasury Regulations and Municipal Budget and Reporting Regulations as may be prescribed.
- The user department may not utilize more than the allocated funds for the Project, Vote/ Function or Funding without prior authorization by the Municipal Manager which in turn must reflect a detailed plan as to how the overspending will be justified.
- The movements of funds between Votes, Funding, Projects, and Functions will be approved by Council through an adjustments budget.

6.1 Unforeseen and Unavoidable expenditure

- The Mayor of the uMgungundlovu District Municipality may in emergencies or exceptional circumstances ratify unforeseeable or unavoidable expenditure for which the no provision was made in an approved budget and report to Council within 60 days or at the next meeting whichever is earlier and such expenditure must be appropriated in an adjustment budget.
- The implementation of 4.4 above will be subject to compliance to section 29 of the Municipal Management Act and the municipal budget and reporting regulations requirements with reference to regulation 71 and 72.
- The expenditure in relation to 4.4 above may not exceed 5% of the budget and limited to R15 million of the budget in the event the municipal budget exceeds R500 million.

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6.2 Budget Steering Committee

- In line with Section 4 of the Municipal Budget and Reporting Regulations the Mayor appoints the Executive Committee, Municipal Manager, CFO, Senior Managers, Divisional Manager Budgeting and Reporting, Manager: IDP as the Budget Steering Committee for the Municipality to
- Provide technical assistance to the Mayor in discharging his or her responsibilities set out in section 53 of the MFMA.
- Provide political leadership to the development and or review of the Integrated Development Plan, adherence to the budget processes, identification and alignment of priorities that must guide the preparation of the budget,
- Proposing policies, guiding the development of budgets and performance targets, and
- Overseeing the implementation of the budget by monitoring performance through the in-year monitoring reports.

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PART 6: BUDGET TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in Council timetable for preparation of coming year's annual budget	-
20 January	-	Assess current year's budget performance board of directors and municipality
25 January	Assess current year's budget performance and table report to council	-
5 working days after tabling of the mid-year budget and performance report	Publicize the mid-year budget and performance report on the website	-
31 January or earlier	-	Submit proposed budget for coming year
(31 January)	Consider municipal entity's proposed budget for coming year and make recommendations	-
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for coming year and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	-
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	-
Mid-March	-	Submit revised budget for coming year
31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury, and others	-
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	-
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury	-
Early June to early July:	Place on website annual budgets and all budget-related documents	-

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immediately after approval dates		
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-
Late June to late July: 28 days after budget approved	Conclude performance agreements	-
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	-

DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act, Act 56 of 2003 No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in Council time schedule outlining key deadlines for - preparation, tabling, and approval of annual budget	Mayor	Time schedule must either fit in with already scheduled Council meetings or must

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		<ul style="list-style-type: none"> - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing 		indicate when special Council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year and submit assessment report to board of directors and parent municipality.		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the Mayor, national treasury and the provincial treasury (presumably immediately).	Accounting officer	
54(1)(f)	31 January	Mayor must submit accounting officer's report to Council.	Mayor	Special Council meeting may have to be scheduled.
87	31 January or earlier if so, requested by	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must

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	parent municipality			<p>be submitted.</p> <p>However, it makes good sense for the Council of the municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.</p>
87	(31 January to mid-March)	Parent municipality must consider proposed budget and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must perform this action, but the Council seems the logical party. It would also make sense for the Council to consider this budget by 31 January.
87	(Tabled in Council	Board of directors of entity may, with approval of Mayor of parent	Board of	Evidently such an adjustments

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	by 31 January)	municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by Mayor at next meeting of Council of parent municipality. Adjustments budget must be made public.	directors and Mayor of parent municipality	budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the Mayor at the same time that or before the entity's proposed budget for the new financial year is considered. Again, the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the Mayors considered.
54(1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" Mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only Council may approve changes to service	Mayor	Adjustments budgets may be prepared by the accounting officer, and tabled in Council by the Mayor "when necessary". They must be so prepared and tabled (within

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		delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).		prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when “serious financial problems” are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are “promptly” made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the Mayor’s approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31

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				January, but certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary, submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at Council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	-
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in Council, accounting officer must (1) make public budget and documents referred to in Section 17(3) and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other	Accounting officer	

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		municipalities affected by the budget.		
23(2)	Before 31 May	Council must give Mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by Council.	Mayor and Council	-
24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although Council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4)	31 May	Board of directors of municipal entity must approve budget for coming year, having considered recommendations of Council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at

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				least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of Council meeting which failed to approve annual budget	If Council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province would intervene if budget not approved by 30 June, Mayor, Councillors, and accounting officer must co-operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to Mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for Municipal Manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by Mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the Mayor approves these targets and KPIs, only the Council may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)).	Mayor	-

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53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for Municipal Managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).
16(1)	30 June	Annual budget must be approved by Council	Council	-
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid-July to mid-August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of Municipal Manager and senior manager must be made public, and copies of performance agreements must be submitted to Council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to Council and the MEC.