



SALDANHA BAAI
BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

BUDGET AND FUNDS AND RESERVES POLICY

For implementation from 1 July 2020

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1. Objective

The objective of this policy is to set out the assumptions and methodology for budgeting, with reference to the following:

- 1.1. Budget principles to be followed;
- 1.2. Projected billings, collections and all direct revenues;
- 1.3. The provision for revenues that will not be collected;
- 1.4. The funds the municipality can expect to receive from Investments;
- 1.5. The municipality's borrowing requirements;
- 1.6. The funds to be set aside in reserves; and
- 1.7. Budget procedures and responsibilities different role-players.

2. Definitions

- 2.1. "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.
- 2.2. "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.
- 2.3. "Capital" where used alone shall mean the same as asset, for example capital expenditure shall refer to expenses incurred to create an asset or assets.
- 2.4. "Capital Asset" means tangible and intangible assets that is held by the municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes and is expected to have a useful life extending for more than one financial year.
- 2.5. "Capital Budget" means an estimation of the expenses that meets the definition of capital assets, which will be incurred during a specific financial year from which future benefits economic benefits or service delivery will flow linked to the sources of finance from which these expenses will be funded.
- 2.6. "Capital Project" means capital project as per mSCOA project segment.

- 2.7. "Capital Project section 19 of the MFMA and MBRR 13 (2) (c)" means a capital project with the total costs of R 50 million and above. The cost should include all capital costs until the project is operational.
- 2.8. "Chief Financial Officer" shall mean the head of the Financial Services Department as contemplated in sec 80 of the MFMA.
- 2.9. "CRR" shall mean Capital Replacement Reserve.
- 2.10. "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.
- 2.11. "Councillor" shall mean a member of the municipal Council of the Saldanha Bay Municipality.
- 2.12. "Cost Element" distinguish between primary and secondary cost elements. Primary cost elements are expenditure items mainly generated outside the organisation. Secondary cost elements are utilised to reallocate cost by means of assessments, internal billing etc.
- 2.13. "Expenditure by type" shall mean the following main expenditure classifications level 2 as per mSCOA chart version 6.4.1.
- 2.14. "Financial year" shall mean the period from 1 July until 30 June of the next year.
- 2.15. "Fixed operating expenditure" means total operating expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets).
- 2.16. "Function" in terms of mSCOA is the municipal function as per section 153 of the Constitution and incurring of expenses on municipal function as unpacked, is as follows:
- (a) The function is listed in Schedule 4B and 5B of the Constitution;
 - (b) The function is assigned to the municipality in terms of national and/ or provincial legislation;
 - (c) The municipality has prioritised the provision of basic services;
 - (d) It does not jeopardise the financial viability of the municipality; and
 - (e) The municipal strategic goals as included in the municipal integrated development plan (IDP) must be linked to the function / sub-functions,

which to ensure alignment with the municipality's budget and plans Revenue and expenditure is aligned to the municipal strategic objectives at the cost centre level.

- 2.17. "Line item" shall mean the total string including all 7 segments.
- 2.18. "mSCOA" refers to the Municipal Standard Chart of Accounts.
- 2.19. "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.
- 2.20. "Official" shall mean all persons in the full-time employment of the Saldanha Bay Municipality.
- 2.21. "Operational" shall mean revenue or expenditure included in or to be incurred on the operating budget.
- 2.22. "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.
- 2.23. Senior manager refers to the officials directly reporting to the Municipal Manager, except if specifically referred to a specific position.
- 2.24. "SDBIPS" means Service delivery and budget implementation plans.
- 2.25. "Surplus" for the four major services, electricity, water, waste management, and waste water management is calculated by using the total revenue (gross revenue less development charges, less capital grants) minus total expenditure, plus gains or losses. The percentage surplus/ or deficit is calculated by dividing the surplus or deficit through the total expenditure.
- 2.26. "Typical Work stream 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.
- 2.27. "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.

- 2.28. “Virement” shall mean shifting of funds between line items within a Vote. Webster’s New millennium™ Dictionary of English defines “Virement” as “a regulated transfer or re-allocation of money from one account holder, especially public funds”.
- 2.29. “Vote” shall mean a directorate and the municipality’s votes will consist of the following votes:
- (a) Vote 1 – Finance
 - (b) Vote 2 - Community Services and Operations
 - (c) Vote 3 - Engineering and Planning service
 - (d) Vote 4 - Corporate and Protection service
 - (e) Vote 5 - Municipal Manager
 - (f) Vote 6 - Council
 - (g) Vote 7 - Economic Development and Strategic Services

3. Budget principles to be followed

- 3.1. Except insofar as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the MTREF capital budget shall be prepared on a zero-base principle for three years.
- 3.2. 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 are realistically anticipated actual revenue envisaged to fund the budget equal the proposed capital expenses.
- 3.3. External loan(s) may only be considered as a funding source for revenue generating capital projects/items only and of which the lifespan is not less than the redemption term of the envisaged external loan.
- 3.4. 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.

- 3.5. The Council shall ensure that an amount of the budgeted depreciation for each financial year is cash backed which will be set aside for the following purposes:
- (a) To redeem the short-term portion of external loans which will form part of the cash backed accumulated surplus.
 - (b) To replace capital assets, which will form part of the cash backed accumulated surplus; and
 - (c) To acquire new capital assets, which will form part of the cash backed accumulated surplus.
- 3.6. The depreciation amount to be set aside will be calculated by the CFO on an annual basis. This calculation should be performed by 30 September each year and form part of the annual budget principles report. The cash backed amount of annual depreciation should not be less than 40% of the audited actual depreciation of the previous financial year.
- 3.7. Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- 3.8. The following funds, reserves, liabilities and provisions must be cash-backed always:
- (a) Unspent conditional grants;
 - (b) Housing development fund;
 - (c) Unspent loans;
 - (d) Loan repayments due; within one year;
 - (e) Provision for environmental rehabilitation (#):
 - (f) Employee benefit obligation;
 - (g) Consumer deposits;
 - (h) Capital replacement reserve; and
 - (i) Working capital (to be equal to budgeted fixed operating expenditure divided by 12).
- # Percentage as determined further in this policy and or latest council resolution
- 3.9. 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 by utilising available accumulated surplus, excluding any reserves set aside for specific purposes. Should the accumulated surplus, excluding reserves set aside for specific purposes be insufficient to cover the operating deficit it will be made good in the next adjustments budget or annual budget.

- 3.10. The municipality shall establish and maintain 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.
- 3.11. The municipality shall establish and maintain 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. The revenue department will provide budgeted estimates for these contributions after calculations for budget purposes have been performed.
- 3.12. The municipality shall establish and maintain a 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.
- 3.13. 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.
- 3.14. All expenses, except for depreciation expenses calculated not to be cash backed, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be set aside to redeem such borrowings.
- 3.15. Finance charges payable by the municipality shall be apportioned between departments or votes based on outstanding external loans relating to the department or service.
- 3.16. In the operating budget component of each annual or adjustments budget depreciation and finance charges together shall not exceed the attached guideline percentage.
- 3.17. The allocation of interest earned the municipality's investments shall be budgeted for in terms of the cash and investment policy.
- 3.18. 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 sufficient for repair and maintenance in the operating budget component of each annual and adjustments budget shall be set aside for such maintenance but strive to reach the target of 8% of total operating expenditure.

- 3.19. 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. The allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department (director), service or function concerned shall have the right to allocate the total budgeted amount to the projects, strings or 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, salaries and related contributions, vehicle cost items, entertainment, departmental levies, grants-in-aid, special events or projects, contribution to provisions, skills development levies payable, rebates, etc.
- 3.20. Notwithstanding the preceding principle, the budget for employee related expenditure shall be separately prepared and shall not to exceed 35% of operating expenditure.
- 3.21. 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, strings or projects within the vote to the director 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 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.
- 3.22. In preparing its revenue budget, the municipality shall strive to maintain the aggregate revenues from property rates at not less than 20% of the aggregate own revenues budgeted for. The affordability by the community and regulating of tariffs such as electricity will however dictate the increases in tariffs and subsequently the ratios.
- 3.23. When considering the draft annual budget, the Council shall consider the impact, which the proposed increases in rates and 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 endeavour to ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index, where the municipality has control over the increase in tariffs.

- 3.24. Increases needs to be cost reflective as far as different functions such as water, sewerage, electricity and refuse removal etc. are concerned.
- 3.25. Appointment of officials will only be made if such positions are included in the approved organisational structure and budgeted (financed) for and such position has become vacant. Before any vacancy is advertised or staff appointment is done, the relevant head of department must complete the prescribed request for approval to advertise and fill a vacancy form, attached as Annexure A, which must be properly recommended by the relevant director and approved by the Accounting Officer. No vacancy may be advertised or filled unless it has been fully budgeted (financed) for. Evidence of sufficient budgeting for the vacancy must be indicated on the approval to advertise form and signed by the delegated official in finance or delegated official in the budget office. Any appointment or advertisement not approved as outlined above will be regarded as unauthorized and the relevant sections of the MFMA will be implemented. The funding for permanent vacancies budgeted may not be utilised for temporary personnel appointments, or any other expense, without the approval of the Accounting Officer or delegated official, but the vacancy must be filled as soon as possible after becoming vacant.
- 3.26. The operating budget will be compiled in such a way that the following services break even or generate a surplus as indicated below:
- (a) Electricity service (excludes streetlighting)– surplus of maximum of 15% of total electricity operating expenditure. The tariffs will be calculated to be cost reflective and the rendering of the service may result in a surplus of not more than 15% of total operating expenditure for the service;
 - b) Water service – maximum surplus of 25% of total water operating expenditure. The tariffs will be calculated to be cost reflective and the rendering of the service should result in a surplus of not more than 25% of total operating expenditure for the service;
 - (c) Refuse removal service – at least a break-even position. The ideal is that the refuse removal service will break even as it is an economical service. The tariffs must be calculated in such a way that the rendering of the service will result in a breakeven point or generate a surplus not more than 10%;
 - (d) Sewerage service – at least a break-even position. The ideal is that the sewerage service will break even as it is an economical service. The tariffs must be calculated in such a way that the rendering of the service will result that the service breaks even or generate a surplus of not more than 10%;
 - (e) Housing Operating account – The Housing operating account should break even. However, any deficit or surplus will be transferred to the Housing

development fund in terms of the Housing act of 1997, if sufficient funds are available in the Housing development fund. Any surplus or actual deficit will be transferred to the rates and general account or service.

- 3.27. The following tariffs increases will be adjusted on a yearly basis per financial year and will be determine based on the principles as expressed above:
- (a) Property rates;
 - (b) Electricity charges;
 - (c) Sewerage charges;
 - (d) Refuse removal fees;
 - (e) Water sales; and
 - (f) All other sundry tariffs.
- 3.28. To ensure that the financial year end is not delayed, that the creditors can be closed in time to ultimately comply with the completion of financial statements by 31 August as prescribed by the MFMA, all normal interdepartmental orders, orders and direct purchases will finally close on 31 of May of each year or earlier date as determined by the CFO or a delegated official. Only emergency orders may be issued after this date, which must be authorised by the Chief Financial Officer after considering the motivation by the relevant director for the emergency. Lack of planning will not constitute an emergency.
- 3.29. With the compilation of the budget the budget office shall consider all relevant National and or Provincial Budget circulars that may be issued from time to time.
- 3.30. No budget will be allocated for external or grant-funded projects unless it is gazetted, or the request is supported by written confirmation from the external source of the specific grant.
- 3.31. Expenditure of a project shall be included in the capital budget if it meets the definition of a capital asset.

The capital budget shall distinguish between the replacement, renewal, upgrading and new capital assets.

4. Projected billings, collections and all direct revenues

- 4.1. The billing of consumers for services will be according to actual consumption at the approved tariffs for each category by service in respect of electricity and water where no prepaid meters exist on the property of the consumers. In respect of refuse removal, no consumption is applicable, but billings will be according to fixed amounts. In respect of sewerage billings will be according

to flow fees, and fixed amounts where relevant. The billing of property rates is in terms of the property rates act based on property valuation and multiplied by the rate approved in the tariff schedule. In respect of these billings consumer accounts will be issued monthly payable and collected as defined in the debt collection policy.

- 4.2. Where prepayment meters are installed on the properties, the sales will be per unit kWh in respect of electricity and kilolitres in respect of water where applicable and will be regarded as direct revenue.
- 4.3. Various other direct revenues are collected and have been budgeted by projecting utilising trends of prior financial years.
- 4.4. Grants are distinguished and treated as follows:
 - (a) Unconditional grants - such as equitable share that is recognised as revenue when received. The budgeted amounts are based on the DORA allocation as published;
 - (b) Conditional grants – for example EPWP, MIG, MSIG, FMG, Housing, INEP, CDW grant, Library services, Proclaimed roads, etc. The budgeted amounts are based on the DORA allocation as published or communicated by the relevant source;
 - (c) In respect of any grant allocation received through negotiation or agreement, the relevant head of department that negotiated or concluded an agreement for the additional grant / or agency agreement on behalf of the municipality must complete the prescribed form available at the budget office and attached the signed agreement for request to include the additional budget of grant funding received or to be received, and obtain the necessary approval from the relevant director, the Accounting Officer, the Mayor and the Chief Financial Officer for the spending of the grant in accordance with the conditions stipulated in the agreement or DORA. In the prescribed form available from the budget office there must be distinguished between operating and capital expenses as per the classifications and m SCOA requirements to be incurred to enable the budget office to correctly allocated and open the relevant budget strings and include these in the annual and or adjustments budget. Any grant and / or donated funded expenditure will be budgeted for in terms of the mSCOA funding sources as per the latest version of the chart;
 - (d) The department that manage the project funded by the grant must clearly indicate the six regulated segments and under which cost centre the grant must be included which will be checked for correctness by the budget

office and corrected if necessary. Where capital expenditure is envisaged to be incurred from grants the specific capital items must be recorded on the form to ensure the correct treatment in terms of GRAP, any other accounting standards applicable and m SCOA requirements. No expenses may be incurred in respect of grants and or donations not yet actually received;

- (e) The AFS, Assets and returns department will keep a register of all grants received and spent as well as rolled over, the register will be monthly reconciled with the main ledger and operating account. Any grants allocated after the approval of the annual budget may only be spent after the approval of an Adjustments budget in accordance with regulation 23(3) of the Budget and Reporting regulations.

- 4.5. Donated assets - Directors of departments shall ensure that all Managers of all departments inform the Budget office when the information of the annual budget and adjustments budget is due as per the budget time schedule of any projects to be completed during the year and provide written confirmation of the envisaged date the project or asset will be handed over to the municipality in order to enable the budget office to include these amounts as donated assets in the capital budget to avoid any unauthorized expenditure. The prescribed documents must be completed that contains all required information to be captured on the financial systems to comply with all m SCOA and budgetary requirements and must be signed off by the relevant director.
- 4.6. Roll-over Adjustments budget: Departments will provide information of projects that must be rolled over from one year to another under signature of the relevant director as per the budget timetable to ensure that the budget office is enabled to prepare the roll-over budget in time as per the budget process plan.
- 4.7. Only capital projects committed at year-end, through contracts / orders issues, that could not have been reasonably foreseen during the completion of the annual budget may be included in the roll-over budget to be considered by council by latest 25 August each year. Unspent grant funding must be applied for and motivated to the relevant Provincial or National government by the relevant implementing functional department not later than the deadline set, normally 31 July of each year. The budget office must be informed formally on the prescribed documents to roll-over unspent grant funding to include in the roll-over budget. No spending may be incurred until the roll-over application has been approved by the National or Provincial department or relevant treasury.

5. Provisions for revenue that will not be collected

- 5.1. The municipality shall budget on a yearly basis per financial year for revenue that will not be collected from debtors.

6. Revenue the municipality can expect from investments

- 6.1. The revenue on investments are calculated on the interest to be earned on the current account and investments of surplus funds.

7. The municipality borrowing requirements

- 7.1. Long terms debt will only be incurred for capital expenditure for the following revenue generating services:
 - (a) Water;
 - (b) Sewerage;
 - (c) Refuse removal;
 - (d) Electricity; and
 - (e) Roads.
- 7.2. New long-term debt will only be incurred if the financial ratios, norms and credit rating of the municipality is positive and the indicators are of such nature that it will not put undue pressure on the tariffs and affordability levels of the community External loans should not exceed 25% of own revenue (total revenue less total grants).

8. Reconciliation: mSCOA, budget and Annual Financial Statements

- 8.1. The Budget Office will budget in terms of the mSCOA chart. Any material budgeted differences between the mSCOA chart and GRAP requirements, if relevant, will be reconciled in the notes to the Annual Financial Statements.

9. Functions of National and Provincial Government

- 9.1. The municipality will sign service level agreements (SLA's) and recover costs where unfunded / underfunded mandates are performed on behalf of other spheres of government. It will not constitute an unfunded / underfunded mandate if the municipality provides non-core services beyond what is stipulated in the service level agreement (SLA). The Municipal Manager and

Directors must ensure that effective controls and measures are put in place to ensure that the expenditure incurred is in accordance with the mandated functions.

- 9.2. Where any other policy approved by council is in contradiction with this policy insofar as the incurring of expenses on mandated functions is concerned, this policy will prevail.
- 9.3. An approved budget does not constitute approved expenditure. The official incurring and or approving the expenditure has to ensure that any expenditure to be incurred is in accordance with relevant legislation, regulations and policies. Where any policy or strategy may be in contradiction with any legislation, legislation will prevail and must be complied with. Cash to be set aside and ringfenced.
- 9.4. The Council shall maintain a cash backed reserve (CRR) that will be part of the accumulated surplus for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:
 - (a) The cash backed depreciation amount as calculated in in terms of this policy;
 - (b) Un-appropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - (c) Further amounts appropriated as contributions in each annual or adjustments budget as and when it can be afforded by the municipality; and
 - (d) Revenue amounts equal to public contributions for bulk services contributions for funding of bulk services.
- 9.5. Although the above revenue will be part of the un-appropriated surplus for financial statement purposes, separate ledger account will be kept of this ring-fenced reserve.
- 9.6. If external loans were or are to be incurred to fund bulk services due to insufficient reserves available, the specific revenue for the specific service can be utilised to fund the financing in the operating budget, cost for the loan/ s incurred.
- 9.7. The surplus of cash and cash equivalents plus investments less cash-backed reserves and provisions required in this policy less working capital as determined in terms of this policy included in the final audited AFS as at 30 June is transferred to the Capital Replacement Reserve to fund capital expenditure.

- 9.8. The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100%, 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.
- 9.9. The municipality shall establish and maintain a cash backed provision for rehabilitation of landfill sites in accordance with its accounting policies and shall budget for contributions to such provision in each annual and adjustments budget.
- 9.10. The municipality shall establish and maintain a cash backed provision for Employment Benefits that is equal to the value as per GRAP 25 and in accordance with the following council resolutions:

(a) Council resolution R-84- /10/17 (xxi)

That the municipality only preserve 44% of the total post-retirement medical benefit in cash and that the budget implementation and management, funds and reserves and virement policy be amended to this effect. This proposal is made so that 56% of the liability (R52 million as at 30 June 2017) can be transferred to the CRR for the part funding of the 2018/19 MTREF capital budget.

That the municipality replenish a minimum of 5% annually of the total post-retirement medical benefit in cash, until fully cash-backed again, and that the budget implementation and management, funds and reserves and virement policy be amended to this effect.

(b) Council resolution R 95-/10-18 (xix)

That the municipality preserve 65% of the total post-retirement medical benefit liability in cash at 30 June 2018.

- 9.11. The Housing development fund is administered in terms of and in accordance with the Housing Act of 1997, Act 107 of 1997.
- 9.12. Where this section of the policy may affect comparative information in the AFS, the policy is applicable to the comparative period as well.

10. Budget procedures and responsibilities of the budget office and others

10.1. Mayors Budget responsibilities

Refer to the MFMA sections 15 – 33 and 52 - 55 and the Municipal Budget and reporting regulations.

10.2. Accounting Officers responsibilities

Refer to the MFMA sections 15 – 33 and 60 – 75 and the Municipal Budget and reporting regulations.

10.3. CFO Responsibilities

Refer to the MFMA sections 15 – 33 and 80 -82 and the Municipal Budget and reporting regulations.

10.4. Senior Managers (Directors) and other senior officials (Head of Departments) responsibilities

- (a) Refer to the MFMA Chapter 4 sections 15 to 33 and 77 – 78 and the Municipal Budget and reporting regulations.
- (b) Compliance with section 19 of MFMA and MBRR 13:
- (c) To ensure compliance with section 19 of the MFMA as well as Regulation 13 of the MBRR, council will consider and approve an individual capital project with the estimated total cost at the time of approval of the budget that exceeds R 50 million, only if included in a separate resolution and annexure fully completed and signed off by the relevant director, and included in the budget documents in the annual and adjustments budget which annexure must include the following:
 - (i) The project description;
 - (ii) Total estimated capital cost of the project;
 - (iii) The total estimated cost of the project per financial year until the project is operational;
 - (iv) The date Environmental impact studies had started or will start;
 - (v) The date Environmental impact studies will be finalised;
 - (vi) The estimated starting and completion date of the project;
 - (vii) The planned date when the project will be operational;
 - (viii) The future estimated operational costs of the project for a period of 3 years after the project is operational that includes estimated additional employment costs; estimated interest in the case of funding or partial funding from an external loan, depreciation

- charges, estimated maintenance costs and any other operational expenditure, as well as possible savings envisaged that will be realised with the implementation of the project;
- (ix) The sources of funding of the project. Funding must be available (secured) and may not be committed for any other purposes;
 - (x) The implications of the operational costs on municipal property rates and other tariffs, if relevant. The operational expenditure for a full financial year will be translated as a percentage increase in property rates or service charge whichever is relevant to the specific project after taking into account the direct revenue the project will generate or whether it will be absorbed by tariffs;
 - (xi) The future estimated revenue the project will generate covering a period of 3 financial years after the project is operational;
 - (xii) Whether section 33 of the MFMA is applicable and that it has been complied with or to be complied with and the extent to which it will be applicable – (The relevant Director responsible for implementation of the project must indicate this information on the prescribed form.
 - (xiii) The Municipal manager and Directors (Senior managers) must advise the budget office and Budget steering committee during the budget process should the total cost of any project be estimated to be more than R 50 million.
- (d) Each 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.
- (e) The departments 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.
- (f) 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. All these must be balanced with affordability of the community and within the financial and administrative capacity of the municipality.
- (g) Section 78(1)(b) of the MFMA states inter alia 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”.

- (h) All heads of departments must promptly provide the inputs required by the budget office for the budget processes as stipulated in the budget time table and must ensure before the budget is approved by council that their inputs / needs have been included.
- (i) It is required that each budget line item must be linked with the 7 segments on the financial system and submitted to NT through a budget string which includes the following:
 - (i) National KPA's;
 - (ii) Provincial KPA's;
 - (iii) Municipal Strategic objectives;
 - (iv) Municipal priorities – Focus areas;
 - (v) IDP reference;
 - (vi) Project – m SCOA segment 1 – as per chart;
 - (vii) Municipal Function as per Schedule 4 B and 5 B of the Constitution of SA – m SCOA segment 2;
 - (viii) Cost centre (own classification) m SCOA segment 3;
 - (ix) Municipal Vote – Set at directorate level (There are seven votes at SBM) as per MFMA section 1 and council budgeting policy);
 - (x) Funding - m SCOA segment 4;
 - (xi) Region – ward for capital and operational projects (rest are whole of municipality or Admin head office) - m SCOA segment 5;
 - (xii) Item – description as per m SCOA chart - m SCOA segment 6;
 - (xiii) Project Long description;
 - (xiv) Segment description – Short Project description that will be in the this filed on system;
 - (xv) Costing - m SCOA segment 7;
 - (xvi) Project KPI – Each project must have a KPI;
 - (xvii) Service delivery outcome;
 - (xviii) GPS X Longitude in decimal degrees;
 - (xix) GPS Y Latitude in decimal degrees; and
 - (xx) Amount per year – to complete the project.
- (j) For each project a document provided by the budget office must be completed by departments containing all the above information. Directorates must start already in August to ensure that the required information is available from the outset.

10.5. The responsibilities of the Director / Senior manager / Manager responsible for IDP

- (a) The IDP Manager, or person responsible for the IDP shall ensure that the IDP is reviewed and updated as required by the relevant legislation after the prescribed public and all other relevant stakeholder participation process has been followed. The IDP Manager shall further ensure that

the draft and final IDP is submitted for adoption and final approval council by the stipulated dated required in legislation.

- (b) Also Refer to the MFMA sections 15 – 33 and 77 – 78 and the Municipal Budget and reporting regulations.

10.6. Council's responsibilities

Refer to the MFMA sections 15 – 33 and the Municipal Budget and reporting regulations.

10.7. Budget Steering Committee responsibilities

The budget steering is established to provide technical assistance to the mayor in discharging the responsibilities of the mayor set out in section 53 of the MFMA and MBRR 4.

10.8. Budget Office and other Finance Department's Responsibilities

- (a) The budget office 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 (including the alignment of such projections with the cash management programme prepared in terms of the cash and investments policy) and shall be accountable to the Accounting Officer in regard to the performance of these functions.
- (b) Except where the budget office, with the consent of the Accounting Officer, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital budget, secondly the personnel budget, and thirdly the operating budget. The operating budget shall duly reflect the impact of the capital and personnel budgets on:
 - (i) Employee related costs;
 - (ii) Depreciation charges;
 - (iii) Repairs and maintenance expenses;
 - (iv) Interest payable on external borrowings; and
 - (v) Other operating expenses.

- 10.9. In preparing the operating budget, the budget office shall determine the number and type of cost centre to be used and the line-items to be shown under each vote, provided that in so doing the budget office 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 –

also with the prescribed budget format of National Treasury, such as the Standard Chart of Accounts (SCOA).

- 10.10. The budget office shall calculate the personnel budget in terms of the approved organogram. Any review of the organizational structure shall be in terms of the approved budget process plan to enable the budget office to complete the personnel budget in time as per the approved budget process plan.
- 10.11. The AFS, Assets and Reporting department shall determine the depreciation expenses to be charged to each vote, calculate the interest and redemption on borrowings on existing and all new planned external loans and operating and finance leases, the apportionment of interest payable to the appropriate cost centres, the estimates of withdrawals from (claims) and contributions to (premiums), and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence and slow moving of Inventory for the annual and adjustments budgets and provide these to the budget office in accordance with the budget process plan and time table.
- 10.12. The budget office shall further determine the recommended contribution to the capital replacement reserve and any s to comply with this policy.
- 10.13. The budget office shall also consider 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.
- 10.14. The AFS, Assets and Reporting department in Finance shall compile monthly section 71 reports for submission to the Mayor, with recommendations, comparing actual results with projections, and the heads of departments shall timeously and adequately furnish the AFS, Assets and Reporting with all explanations required for deviations from the budget.
- 10.15. The budget office shall submit monthly reports in the form of an email of information extracted from the financial system to the Directors, Top Management and Head of departments in accordance with the prescriptions of the Municipal Finance Management Act.
- 10.16. The budget office shall provide technical and administrative support to the mayor in the preparation and approval of the annual and adjustment budgets, which must precede the approval of such budgets.
- 10.17. The budget office 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.

- 10.18. The budget office shall determine the basis for allocating overhead and administrative expenses not directly chargeable to votes.
- 10.19. The budget office shall include that the cost of indigent relief and free basic services separately in the in the appropriate votes. The revenue department shall calculate these costs of free basic services for the MTREF and provide it to the budget office.
- 10.20. The budget office 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 after receiving this information from the AFS, assets and reporting department. The AFS assets and reporting department will provide complete budget information as per DORA, Provincial allocations and or any other MOA' where grants and or donated funds are received.
- 10.21. Confirmation in the prescribed format shall be obtained from the budget office before any advert for an appointment is made if the position is budgeted and the funding is available.
- 10.22. The budget office shall ensure that any virements by the head of the department, service or function concerned comply with all budget-related policies.
- 10.23. Other financial departments shall provide relevant information to the budget office to include in the budget together with calculations as required on request or in terms of the program by the budget office.
- 10.24. The budget office shall proceed with budget compilation in terms of the approved budget process plan to ensure that the budget is completed on time and the legislative deadlines are met.

11. In-year Monitoring

- 11.1. Reporting as required in terms of the MFMA and Municipal Budget and reporting regulation or any other applicable legislation will be done by the stipulated dates

12. Publication on Website

- 12.1. In terms of section 75 of the MFMA the annual and adjustments budgets and all budget related documents; budget related policies, the annual report; all performance agreements required in terms of section 57 (1)(b) of the MSA; all service delivery agreements; all long-term borrowing contracts; all supply chain management contracts above a prescribed value; an information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during the previous quarter; contracts to which subsection 33 apply, subject to subsection (3) of that section; public private partnership agreements referred to in section 120; all quarterly reports tabled in the council in terms of section 52(d); and any other documents that must be placed on the website in terms of the MFMA or any other applicable legislation, or as may be prescribed. The above documents must be placed on the website not later than five days after tabling in the council or at the date on which it must be made public, whichever occurs first.

13. Budget Timetable

- 13.1. The budget timetable for the applicable financial year is based on target dates as prescribed by the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, budget steering committee, and council and must be adhered to by all stakeholders as the budget process is a sequential process.

14. Non-compliance with this policy

- 14.1. Failure to comply with this policy will be viewed as a serious disciplinary transgression of the Code of Conduct of the Employees.

15. ANNEXURE "A"

ANNEXURE A TO BUDGETING FUNDS AND RESERVES POLICY						
SALDANHA BAY MUNICIPALITY						
REQUEST TO ADVERTISE AND FILL VACANT POSITION:						
Directorate	:					
Department	:					
Section	:					
Post title	:					
Position approved on structure	Yes:		No:			
Approved structure must be attached						
Post ID	:					
Post level	:					
Salary scale	:					
Benefits	:					
Cost centre	:					
Motivation / Reason :						
Vacancy Budgeted for :	Yes:		No:			
Date from which position is required to be filled:						
If there is not indicated how the position will be funded, the position may not be advertised and filled as it will result in unauthorised expenditure						
Signature requesting Manager				Date:		
Signature requesting Director:				Date:		
Confirmation of budget / funding by Budget Office:						
Position Budgeted:	Yes:		No:			
Total Cost budgeted:	R					
Fringe benefits budgeted for financial year:	R					
Total amount budgeted for financial year:	R					
Total Cost of position requested:	R					
Difference budgeted versus requested:	R					
Sufficient budget to advertise position:	Yes:		No:			
MANAGER RESPONSIBLE FOR PERSONNEL BUDGET				DATE		
CONFIRMATION						
The above-mentioned post is on the approved organisational structure and vacant.						
Sufficient budgetary provision is made and the information provided is correct.						
RECOMMENDED: SENIOR MANAGER HUMAN RESOURCE				DATE		
The filling of the above vacancy is hereby Approved						
APPROVED MUNICIPAL MANAGER				DATE		

