

**BLUE CRANE  
ROUTE  
MUNICIPALITY  
(EC102)**



**DRAFT  
BUDGET  
POLICY**

Financial Year 2026/2027

**No. 2**

**CONSIDERED BY COUNCIL 31 MARCH 2026**

  
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**MZWANDILE PATRICK NINI  
MUNICIPAL MANAGER**

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## 1. Statutory framework

- 1.1 In terms of section 215 of the Constitution municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. National legislation must prescribe the form of municipal budgets and that budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation. Budgets in each sphere of government must contain estimates of revenue and expenditure, differentiating between capital and current expenditure, proposals for financing any anticipated deficit for the period to which they apply and an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.
- 1.2 Section 16(1) of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) demands that the Council must before the start of each financial year approve an annual budget for the municipality for that financial year. In order for the Council to approve an annual budget before the start of a financial year the Mayor must table the annual budget at a Council meeting at least 90 days before the start of the budget year.
- 1.3 The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice. The budget must be a schedule in the prescribed format –
  - 1.3.1 setting out realistically anticipated revenue for the budget year from each revenue source;
  - 1.3.2 appropriating expenditure for the budget year under the different votes;
  - 1.3.3 setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
  - 1.3.4 setting out estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the financial year preceding the current year.

- 1.4 When an annual budget is tabled at a Council meeting, it must be accompanied by the following documents:
    - 1.4.1 draft resolutions approving the budget, imposing property rates and setting tariffs for the budget year and approving any other matter that may be prescribed;
    - 1.4.2 measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the Municipality's integrated development plan (IDP);
    - 1.4.3 a projection of cash flow for the budget year by revenue source, broken down per month;
    - 1.4.4 any proposed amendments to the IDP following its annual review;
    - 1.4.5 any proposed amendments to the budget-related policies of the municipality;
    - 1.4.6 particulars of the municipality's investments;
    - 1.4.7 any prescribed budget information on municipal entities under the sole or shared control of the Municipality;
    - 1.4.8 particulars of all proposed new municipal entities which the Municipality intends to establish or in which the municipality intends to participate;
    - 1.4.9 particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
    - 1.4.10 particulars of any proposed allocations or grants by the Municipality to other municipalities, any municipal entities and other external mechanisms assisting the Municipality in the exercise of its functions or powers, any other organs of state and any organisations or bodies outside any sphere of government otherwise than in compliance with a commercial or other business transaction;
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1.4.11 the proposed cost to the Municipality for the budget year of the salary, allowances and benefits of each political office-bearer, councillors and the Municipal Manager, the Chief Financial Officer, each senior manager of the Municipality and any other official having a remuneration package greater than or equal to that of a senior manager;

1.4.12 the proposed cost for the budget year to a municipal entity under the sole or shared control of the Municipality of the salary, allowances and benefits of each member of the entity's board of directors and the chief executive officer and each senior manager of the entity; and

1.4.13 any other supporting documentation as may be prescribed.

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1.5 In terms of section 18 of the MFMA an annual budget may only be funded from realistically anticipated revenues to be collected, cash-backed accumulated funds from previous years' surpluses not committed for other purposes and borrowed funds, but only for the capital budget. Revenue projections in the budget must be realistic, taking into account projected revenue for the current year based on collection levels to date and actual revenue collected in previous financial years.

1.6 The Mayor must-

1.6.1 co-ordinate the processes for preparing the annual budget and for reviewing the IDP and budget-related policies to ensure that the tabled budget and any revisions of the IDP and budget-related policies are mutually consistent and credible;

1.6.2 at least 10 months before the start of the budget year, table at a Council meeting a time schedule outlining key deadlines for-

(a) the preparation, tabling and approval of the annual budget;

(b) the annual review of the IDP and the budget-related policies;

- (c) the tabling and adoption of any amendments to the IDP and the budget-related policies; and
- (d) any consultative processes forming part of the processes.

1.7 When preparing the annual budget, the Mayor must-

1.7.1 take into account the IDP;

1.7.2 take all reasonable steps to ensure that the Municipality revises the IDP, taking into account realistic revenue and expenditure projections for future years;

1.7.3 take into account the national budget, the provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

1.7.4 consult Ukhahlamba District Municipality and the other local municipalities within the area of Ukhahlamba, the Provincial Treasury and when requested, the National Treasury and any national or provincial organs of state, as may be prescribed; and

1.7.5 provide, on request, any information relating to the budget to the National Treasury and to the national departments responsible for water, sanitation, electricity and any other service as may be prescribed, any other national and provincial organ of states, as may be prescribed and any other municipality that may be affected by the budget.

1.8 Section 22 of the MFMA requires that, immediately after an annual budget is tabled at a Council meeting, the Municipal Manager must-

1.8.1 in accordance with Chapter 4 of the Municipal Systems Act make public the annual budget and the supporting documents tabled with the budget and invite the local community to submit representations in connection with the budget; and

- 1.8.2 submit the annual budget to the National Treasury and the Provincial Treasury and to any prescribed national or provincial organs of state and to other municipalities affected by the budget.
- 1.9 When the annual budget has been tabled, the Council must consider the views, comment and representations, if any, of the local community and the National and Provincial Treasuries and other organs of state, including municipalities, which made submissions on the budget. After considering all the submissions, the Council must give the Mayor the opportunity to respond thereto and, if necessary, to revise the budget and table amendments for consideration by the Council.
- 1.10 In terms of section 24 of the MFMA the Council must at least 30 days before the start of the budget year consider approval of the annual budget, which must be approved before 1 July. An annual budget must be approved together with the adoption of resolutions as may be necessary-
- 1.10.1 imposing property rates for the budget year;
- 1.10.2 setting any municipal tariffs for the budget year;
- 1.10.3 approving measurable performance objectives for revenue from each source and for each vote in the budget;
- 1.10.4 approving any changes to the IDP; and
- 1.10.5 approving any changes to the Municipality's budget-related policies.
- 1.11 The Municipal Manager must submit the approved budget to the National and Provincial Treasuries.
- 1.12 The Municipality may revise an approved annual budget through an adjustments budget. An adjustments budget-

- 1.12.1 must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
  - 1.12.2 may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
  - 1.12.3 may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the Mayor;
  - 1.12.4 may authorise the utilisation of projected savings in one vote towards spending under another vote;
  - 1.12.5 may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council;
  - 1.12.6 may correct any errors in the annual budget; and
  - 1.12.7 may provide for any other expenditure within a prescribed framework.
- 1.13 When the Mayor tables an adjustments budget, it must be accompanied by-
- 1.13.1 an explanation how the adjustments budget affects the annual budget;
  - 1.13.2 a motivation of any material changes to the annual budget;
  - 1.13.3 an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - 1.13.4 any other supporting documentation that may be prescribed.

- 1.14 Property rates and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- 1.15 The appropriation of funds in an annual or adjustments budget lapses to the extent that it is unspent at the end of the financial year to which the budget relates, except in the case of an appropriation of money for capital expenditure made for a period longer than that financial year.
- 1.16 The Mayor must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget, co-ordinate the annual revision of the IDP and the preparation of the annual budget, determine how the IDP is to be taken into account or revised for the purposes of the budget and take all reasonable steps to ensure that the Municipality approves its annual budget before the start of the budget year. She/he must promptly report to the Council and the MEC for finance any delay in the tabling of an annual budget. The Mayor must further ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan (SDBIP), are made public no later than 14 days after the approval of the SDBIP and that the annual performance agreements of the Municipal Manager and senior managers are made public no later than 14 days after the approval of the SDBIP.
- 1.17 The Municipal Manager is responsible for implementing the approved budget. She/he must take all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the SDBIP and that revenue and expenditure are properly monitored. When necessary, the Municipal Manager must prepare an adjustments budget and submit it to the Mayor for consideration and tabling at a Council meeting. The Municipal Manager must no later than 14 days after the approval of an annual budget submit to the Mayor a draft SDBIP for the budget year and drafts of the annual performance agreements for the Municipal Manager and all senior managers.

## 2. Policy objectives

The objectives of budgeting and this policy are –

- 2.1 to assist the planning of the Municipality's operations for a budget year;
- 2.2 to coordinate the activities of the various organisational components of the Municipality;
- 2.3 to control the planned activities;
- 2.4 to provide high-level strategic objectives for both councillors and the community; and
- 2.5 to shift the focus from inputs towards outputs and outcomes.

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### **3. Votes, categories of expenditure and line items**

- 3.1 Votes are the basic divisions of the budget. In accordance with the definition of "vote" in the MFMA, votes shall be at the departmental or functional level. Votes must be related to an international classification system, such as the Government Finance Statistics (GFS) system.
- 3.2 Each vote in the operating expenditure budget shall be sub-divided into the following expenditure categories –
  - 3.2.1 Salaries and allowances
  - 3.2.2 General expenses
  - 3.2.3 Repairs and maintenance
  - 3.2.4 Depreciation
  - 3.2.5 Finance charges
  - 3.2.6 Contributions

3.2.7 Appropriation of revenues to capital and operating reserves.

- 3.3 Each expenditure category shall be divided into such line items as the Chief Financial Officer may determine. No line item may be created if the amount that will be appropriated under it will be less than R500.

#### **4. Capital budget methodology**

Except in so far as capital projects represent a contractual commitment to the Municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

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#### **5. Approval of the budget**

5. i Before approving a capital budget, the Council shall consider the impact of each proposed capital project/item on –
- 5.1.1 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 project/item on such capital budget; and
  - 5.1.2 the likely impact of such operational expenses on future property rates and service tariffs.
- 5.2 When considering the draft annual budget, the Council shall consider and assess the impact which any 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 on the basis of 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, as set out in the tariff policy.

## **6. Budgeting for a surplus**

Each annual and adjustments budget shall reflect a realistic surplus, however nominal, of current revenues over expenses.

## **7. Appropriation of unappropriated surpluses**

Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any annual or an 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.

## **8. Operating deficits**

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 any precautionary measures adopted by the Council, it shall immediately be made good in the annual budget for the ensuing financial year and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

## **9. Provisions and reserves**

9.1 Subject to the provisions of the relevant collective agreement, 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 preceding a

budget year and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

9.2 The Municipality shall establish and maintain a provision for bad debts in accordance with the rates and tariffs policies and shall budget appropriately for contributions to such provision in each annual and adjustments budget. The target for collection shall initially be 94% of budgeted revenue.

9.4 The Municipality shall establish an asset financing reserve (AFR) for the purpose of financing capital projects and the acquisition of capital assets. The AFR shall be established from the following sources of revenue:

9.4.1 unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;

9.4.2 interest on the investments of the AFR, appropriated in terms of the investment policy;

9.4.3 further amounts appropriated as contributions in each annual or adjustments budget; and

9.4.4 net gains on the sale of fixed assets.

## **10. Cash funded expenses**

No expenditure may be incurred against any fund unless provision has been made for such expenditure in the annual or an adjustments budget.

## **11. Apportionment of finance charges**

- 11.1 Finance charges payable by the Municipality shall be apportioned between votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such vote to the aggregate carrying value of all fixed assets in the Municipality.
- 11.2 External loans shall be raised only for the financing of fixed assets in specified services. Finance charges in respect of external loans shall be charged to or apportioned only between the votes relating to such services.
- 11.3 Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget of each annual or adjustments budget.

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## **12. Allocation of interest earned**

The allocation of interest earned on the Municipality's investments shall be budgeted for in terms of the investment policy.

## **13. Provision for maintenance of fixed assets**

Adequate provision shall be made in each annual and adjustments budget for the maintenance of the Municipality's fixed assets in accordance with the asset management policy.

## **14. Allowed budget increase**

The Mayor must annually, not later than the date on which the budget timetable is tabled at a Council meeting, determine the maximum increases in revenue and expenditure allowed during the budget to which such time table relates. In the preparation of the draft operating budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote and the guidelines issued by National Treasury in this regard.

## **15. Allocation to line-items**

- 15.1 The departmental head responsible for the service or function concerned shall have the right to allocate the total budgeted amount to the line-items within the relevant 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 commitments.
- 15.2 The departmental head, 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 departmental head, service or function concerned shall provide the portfolio committee concerned 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.
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## **16. Preparation of salary budget.**

The budget for salaries, allowances and salary-related benefits shall be separately prepared, and shall not exceed 37% of the aggregate operating expenses in the annual or adjustments budget. For purposes of applying this norm, the remuneration of political office-bearers and other councillors shall be excluded from this limit.

## **17. Revenue from property rates**

In preparing its revenue budget, the Municipality shall strive to maintain the aggregate revenues from property rates at not less than 25% of the revenues budgeted for non-trading services.

## **18. Capital budgeting**

- 18.1 The Mayor must approve the inclusion of the capital budget, as determined in the IDP, in the annual budget for the budget year not later than 28 February of every year.
- 18.2 No provision shall be made for capital expenditure unless the Mayor has approved the inclusion of such expenditure in the capital budget. The Mayor shall during the consideration of any proposal regarding capital expenditure have due regard for the Municipality's approved capital programme contained in the IDP.
- 18.3 No capital project for which provision had been made in a current budget may be continued in an ensuing financial year unless adequate provision has been made in respect thereof in the capital budget for that year. When such a project is submitted for inclusion in an ensuing budget, the departmental head concerned must expressly identify the project as such, indicate the percentage of completion already achieved and state the reasons why it has not commenced or was not completed in the current year.
- 18.4 Every departmental head must submit the draft capital budget for her/his department to the Chief Financial Officer -
- 18.4.1 not later than the date stipulated in the budget timetable;
  - 18.4.2 in the format prescribed by the Chief Financial Officer;
  - 18.4.3 with due regard for the approved capital programme and the IDP.
- 18.5 The Chief Financial Officer must consolidate the capital budget proposals received from departmental heads, calculate the effect of the capital budget proposals on property rates and service charges and determine the increase in proposed capital expenditure against the current year. As soon as the Chief Financial Officer has done so, she/he must submit the consolidated draft capital budget to the Municipal Manager.
- 18.6 A departmental head must in writing and within the period determined by the Chief Financial Officer explain any material difference between her/his capital budget proposals and the capital programme.

- 18.7 The Municipal Manager, together with the Chief Financial Officer and the departmental heads must review the consolidated draft budget with a view to comply with the capital programme, the Mayor's determination with regard to the increase in expenditure and revenue and any instructions of the National Treasury regarding the allowed or anticipated allowed growth in capital expenditure and submit the reviewed consolidated draft capital budget to the Council.

## 19. Operating budget

- 19.1 As soon as the Council has approved the capital budget, the Chief Financial Officer must, after consultation with the Municipal Manager and departmental heads, prepare the salary budget for the ensuing year.
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- 19.2 Every departmental head must –
- 19.2.1 indicate to the Chief Financial Officer her/his intentions with regard to increases and decreases in the staff establishment of her/his department during the next year;
  - 19.2.2 prepare and submit to the Chief Financial Officer, not later than the date contained in the budget timetable, a draft operating budget for the ensuing financial year, excluding a salary budget, in respect of her/his department and the votes assigned to her/him.
- 19.3 As soon as the Chief Financial Officer has completed the draft salary budget and received the draft departmental operating budgets, she/he must prepare the draft operating budget for the budget year having due regard for any instruction issued by Mayor and the National Treasury regarding the allowed or anticipated allowed growth in operating expenditure.
- 19.4 The Chief Financial Officer must, as soon as she/he is reasonably sure that all operating expenditure for the ensuing year had been included and calculated in the proposed operating budget, determine proposed increases in property rates and service charges during the next financial year.

- 19.5 As soon as the Chief Financial Officer has calculated the proposed increases in property rates and service charges, she/he must, together with the Municipal Manager and the departmental heads, review the proposed operating budget with a view to comply with and any instructions issued by the National Treasury and/or the Mayor regarding the allowed or anticipated allowed growth in operating expenditure.

## 20. Public participation

### 20.1 Public hearings

20.1.1 The Municipal Manager shall publish the budget as tabled in terms of section 22 of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003) and determine the date, time and venue for conducting one or more public hearings regarding the budget, provided that at least one such public hearing shall be held in Pearston and Cooxhouse.

20.1.2 The Municipal Manager shall notify the local community of the date, time and venue of the hearings in an appropriate manner.

20.1.3 On the scheduled date and time, the Mayor shall, assisted by such officials as she/he may determine, conduct a public hearing. The Municipal Manager shall make such arrangements as may be necessary to ensure that the proceedings of each public hearing is recorded and that a report thereon is submitted to the Council.

### 20.2 Ward committee meetings

20.2.1 The chairperson of each ward committee shall, during the period in which the budget is open for inspection as indicated in the budget timetable, convene at least one meeting of her/his ward committee to discuss the budget. The chairperson concerned may –

(a) request the Mayor to attend and address such meeting;

(b) require the Municipal Manager to ensure that one or more officials shall attend such meeting(s) in order to assist the councillor concerned.

20.2.2 The chairperson concerned shall ensure that the proceedings at each ward committee meeting in terms of this paragraph are recorded and that a report thereon is submitted to the Municipal Manager for consideration by the Council.

### 20.3 Meeting if the IDP representative forum

20.3.1 The Mayor shall, as soon as the Municipal Manager has published the budget as tabled in terms of section 22 of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003), determine the date, time and venue for conducting a meeting of the IDP representative forum regarding the budget.

20.3.2 The Municipal Manager shall notify the members of the Forum of the date, time and venue of the meeting in an appropriate manner.

20.3.3 On the scheduled date and time, the Mayor shall, assisted by such officials as she/he may determine, conduct a meeting of the forum. The Municipal Manager shall make such arrangements as may be necessary to ensure that the proceedings of such meeting is recorded and that a report thereon is submitted to the Council.

## **21. Consideration and approval of the budget**

21.1 The Council must consider the budget not later than 31 May of every year.

21.2 The Council shall approve the budget not later than 30 June of every year.

## 22. General principles of budget management

- 22.1 Every departmental head is responsible for the **prudent management** of the budget votes assigned to her/him.
- 22.2 The Chief Financial Officer shall provide such management and accounting support and advice to departmental heads as may be necessary to ensure proper financial management.
- 22.3 No report that may contain recommendations regarding proposed expenditure or which may result in expenditure may be submitted to any political structure or political office-bearer of the Municipality or the Municipal Manager unless the Chief Financial Officer has reported thereon. If any expenditure is envisaged in a report to a political structure or office-bearer, the departmental head concerned must indicate the relevant provision in the capital or operating budget and the budget allocation to which the expenditure will be charged.
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## 23. Excess expenditure

- 23.1 Whenever –
- 23.1.1 actual expenditure on the revenue account exceeds or is likely to exceed an amount appropriated in the approved budget; or
  - 23.1.2 actual revenue amounts to less than the estimated revenue or the estimated revenue is unlikely to be collected in the opinion of the Chief Financial Officer
- the departmental head concerned shall, at the request of the Chief Financial Officer, submit to her/him a written report giving the reasons for the shortfall, likely shortfall, excess or likely excess, as the case may be.
- 23.2 The Municipal Manager shall consider a report of the departmental head together with a written report from the Chief Financial Officer and shall make appropriate

recommendations to the Mayor. The Mayor may, after she/he considered the report and recommendations of the Municipal Manager, order any further payments from any vote in the budget to stop until the Council has made a decision on the matter.

## 24. Incurring capital expenditure

### 24.1 No capital expenditure may be incurred, unless (funding secured)

- (a) provision has been made for it in the approved capital budget;
- (b) any approval legally required had been obtained; and

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- the project, including the total cost, has been approved by the Council and,
  - the funding source has been adequately secured.

24.2 A departmental head wishing to incur capital expenditure provided for in the budget, shall submit a written report to the Municipal Manager in order to obtain the Council's approval to incur the expense. A report seeking to obtain the Council's approval to incur capital expenditure shall contain the following information –

24.2.1 the estimated total capital costs of the project;

24.2.2 the projected cost covering all financial years until the project is operational; and

24.2.3 the future operational costs and revenue on the project, including municipal tax and tariff implications.

## 25. Role of the Chief Financial Officer

- 25.1 Without derogating in any way from the duties of the Municipal Manager as accounting officer, the Chief Financial Officer shall be responsible and accountable to the Municipal Manager for –
- 25.1.1 collating the draft annual capital and operating budgets, including the budget projections required for the ensuing financial years;
  - 25.1.2 preparing any required adjustments budgets;
  - 25.1.3 preparing the projections of revenues and expenses for the SDBIP, including the alignment of such projections with the cash management programme prepared in terms of the Municipality's investments policy;
  - 25.1.4 drafting the budget timetable for the ensuing financial year for the Mayor's approval in terms of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003);
  - 25.1.5 subject to any classification system that may be prescribed, determining the number and type of votes to be used and the line-items to be shown under each vote, provided that the vote structure shall properly and adequately reflect the organisational structure of the Municipality and shall comply, in so far as the organisational structure permits, also with the budget format prescribed by the National Treasury;
  - 25.1.6 determining the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence of stocks;
  - 25.1.7 determining the recommended contribution to the AFR and any special contributions to the self-insurance reserve, subject to the approval of the councillor responsible for financial matters and the Municipal Manager;

- 25.1.8 determining the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted, subject to the approval of the Mayor and the Municipal Manager, and having regard to the Municipality's current financial performance;
- 25.1.9 compiling monthly budget reports, with appropriate recommendations, comparing actual results with budgeted projections and submitting such reports and explanations to the Municipal Manager for consideration by the Mayor and any other parties which may be prescribed in terms of the Local Government: Municipal Finance Management Act 2003 (Act No 56 of 2003);
- 25.1.10 ensuring 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 the budget-related policies;
- 25.1.11 making recommendations to the Mayor for the revision of the IDP and the budget-related policies where these are indicated;
- 25.1.12 making recommendations regarding 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;
- 25.1.13 determining the basis for allocating overhead expenses not directly chargeable to votes provided that expenses associated with democratic governance shall be allocated to a separate vote, and shall not be charged out as overhead;
- 25.1.14 ensuring that the cost of indigent relief is separately reflected in the appropriate votes; and

- 25.1.15 ensuring that 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.
- 25.2 The Municipal Manager shall ensure that all departmental heads provide the inputs required by the Chief Financial Officer into the budget processes.
- 25.3 Departmental heads shall timely furnish the Chief Financial Officer with adequate explanations for deviations from the budget.
- 25.4 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 -

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25.4.1 first, the capital budget; and

25.4.2 second, the operating budget

provided that the operating budget shall reflect the impact of the capital budget on –

- (a) depreciation charges;
  - (b) repairs and maintenance expenses;
  - (c) interest payable on external borrowings; and
  - (d) other operating expenses.
- 25.4 The Chief Financial Officer shall provide technical and administrative support in the preparation and approval process of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.

## **26. Council Resolution**

**The Budget Policy to be reviewed.**

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