

# **THE BIG 5 FALSE BAY MUNICIPALITY BUDGET POLICY 2012/2013**

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## **1. INTRODUCTION**

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operational of the budget must be located within the national government's policy framework.

## **2. OBJECTIVE**

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to The Big 5 False Bay Municipality's IDP review and budget processes.

## **3. BUDGETING PRINCIPLES**

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- The Big 5 False Bay Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

## **4. BUDGET PREPARATION PROCESS**

### **4.1. Formulation of the budget**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and the Director responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- b) The Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- d) The Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The Mayor shall table the IDP priorities with the draft budget to Council.
- e) The Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- g) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- i) The expenses reflected in the budget must be divided into items.
- j) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

## **4.2. Public participation process**

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

## **4.3. Approval of the budget**

(a) Council must at least 30 days before the start of the budget year consider the approval of annual budget (as per section 24(1) of the MFMA)>

(b) The budget tabled to Council for approval shall be compiled and include the supporting documents as per the requirements of Municipal Budget and Reporting Regulations

## **4.4. Publication of the budget**

(a) Within 14 days after the draft annual budget has been tabled, budget and other budget-related documentation must be posted onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury and District Municipality.

(b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

## **4.5. Service Delivery and Budget Implementation Plan (SDBIP)**

a) The Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.

b) The SDBIP shall include the following components:

- i. Monthly projections of revenue to be collected for each source
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
- iii. Quarterly projections of service delivery targets and performance indicators for each vote
- iv. Ward information for expenditure and service delivery
- v. Detailed capital works plan broken down by ward over three years

## **5. BUDGET COMPILATION**

Be compiled as per the requirements of the Budget and Reporting Regulations.

## **6. BUDGET IMPLEMENTATION**

### **6.1 Monitoring**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
  - funds are spent in accordance with the budget;
  - expenses are reduced if expected revenues are less than projected; and
  - revenues and expenses are properly monitored.
- b) The Accounting Officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.
- c) The Accounting Officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

### **6.2 Reporting**

#### **6.1.1 Monthly budget statements**

The Accounting Officer with the assistance of the Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

#### **6.1.2 Quarterly Reports**

The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

#### **6.2.3 Mid-year budget and performance assessment**

- a) The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b) The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

- c) The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

## **7. CONCLUSION**

The Chief Financial Officer must place on the municipality's official website the following: the annual and adjustments budgets and all budget-related documents;