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MATATIELE local MUNICIPALITY

**BUDGET POLICY**

**IMPLEMENTATION GUIDE**

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## 1. INTRODUCTION

This implementation guide sets out a workable basis for implementing the draft budgeting policy.

The guide sets out the responsibilities to be administratively assigned in terms of the policy, as well as the relevant sections of the policy in which these responsibilities are outlined, and indicates which official or body is responsible for attending to these responsibilities.

For the sake of verbal economy, the following abbreviations are used throughout the guide:

MM	=	Municipal Manager
CFO	=	Chief Financial Officer
BTO	=	Budget And Treasury Office
HoD	=	Head of Department
CRR	=	Capital Replacement Reserve
MFMA	=	Municipal Finance Management Act 2003
SDBIP	=	Service Delivery And Budget Implementation Plan
IDP	=	Integrated Development Plan

Cross-references are provided in each instance to the relevant sections of the policy. Users of the guide are accordingly expected to refer to these sections to determine the context of each assignment of responsibilities, as well as the full details of what is being assigned.

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
2.1	CFO	Prepare annual capital budget where possible from zero base.	BTO, HoDs
2.1	CFO	Ensure capital component of annual budget properly balanced before submission to council.	BTO, HoDs, council
2.1	Council	Approve capital budget only after considering impact on future operating budgets and rates and tariffs.	CFO, BTO
2.1	Council	Establish CRR in terms of 2.1.	CFO, BTO
2.2	Council	Each annual budget must reflect realistic excess of revenues over expenses.	CFO, BTO
2.2	Council	Recommend appropriation of part of unappropriated surplus to CRR.	CFO
2.2	Council	Ensure impending operating deficit made good.	CFO, BTO
2.3	Council	Establish and maintain provisions for accrued leave entitlements and bad debts, and budget appropriately for annual contributions.	CFO, BTO
2.4	Council	All expenses cash funded. Cash in respect of depreciation of assets finance loan redemption.	CFO, BTO
2.4	CFO	Apportion finance charges in accordance with 2.4.	BTO

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
2.4	Council	Ensure depreciation expenses and finance charges do not exceed 20% of each annual operating budget.	CFO, BTO
2.4	CFO	Budget for interest earned in terms of banking and investment policy.	BTO
2.5	Council	Maintenance provision to be equal to at least 5% of total annual operating budget.	CFO, BTO, HoDs
2.5	CFO	Determine allowable budgetary increment for each vote.	CFO in consultation with MM
2.5	HoDs	Allocate allowed provision to line items, except where CFO determines allocation to specific line items in terms of policies or statutory increases.	HoD, CFO
2.5	Council	Provision for salaries and related benefits to officials not to exceed 30% of total annual operating budget.	CFO, BTO, HoDs
2.5	HoDs	Justify departmental allocations to council in each draft budget, and provide appropriate quarterly performance indicators and service delivery targets as approved by MM and Mayor.	HoD (with CFO where applicable), MM, Mayor

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
2.5	CFO	Ensure provision for rates income not less than 25% of total annual operating revenues.	CFO
2.5	Council	Consider impact of budget on random selection of municipal accounts. Ensure increases not more than increase in CPIX.	CFO, Accountant (revenue), BTO
3	CFO	Draft annual capital and operating budgets as required by MFMA with all supporting documents.	CFO, BTO, HoD
3	CFO	Draft annual capital and operating adjustments budgets as required by MFMA with all supporting documents.	CFO, BTO, HoDs
3	CFO	Prepare projections of revenues and expenses for SDBIP.	CFO, BTO, HoDs
3	CFO	Align projections of revenues and expenses with cash management programme.	CFO, BTO
3	MM	Ensure all HoDs provide budget inputs as required.	HoDs
3	CFO	Draft annual budget timetable for mayor's approval with all required target dates.	CFO, BTO, Mayor (approves)

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
3	CFO	Prepare budget in sequence indicated in policy.	CFO, BTO, HoDs
3	CFO	Determine number and type of votes and line items under each vote.	CFO, BTO
3	BTO	Determine estimated depreciation expenses for each vote, estimated contributions and withdrawals from self-insurance reserve, estimated contributions to provisions.	BTO
3	CFO	Determine budgeted contribution to CRR.	CFO, BTO, MM and Mayor (both to approve)
3	CFO	Determine recommended growth factors.	CFO, MM and Mayor (both to approve)
3	CFO	Prepare monthly budget reports as required by MFMA with comments and explanations from HoDs.	BTO, HoDs
3	CFO	Submit reports to MM, Mayor and other prescribed parties.	BTO
	CFO	Provide technical and administrative support to Mayor in preparing budgets	CFO, BTO

APPLICABLE SECTION OF POLICY	PRIMARILY RESPONSIBLE OFFICIAL OR BODY	RESPONSIBILITY	SUPPORT TO BE PROVIDED BY
3  3	CFO	and in consulting with stakeholders.  Ensure annual and adjustment budgets comply with requirements of National Treasury, reflect budget priorities determined by Mayor, are aligned with IDP, and comply with policies. Recommend to Mayor revision of IDP and policies when required.	CFO, BTO
3  3  3  3	CFO  CFO  CFO  CFO	Recommend financing scenarios for capital budget.  Determine basis for allocating overheads.  Reflect cost of indigency relief separately under votes concerned.  Reflect allocations from other organs of state separately in budgets and ensure estimated expenses against such allocations appropriately recorded.	CFO  CFO  BTO  BTO