

Budget Policy

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by the Council of Lesedi Local Municipality.

Introduction

The intention of this policy document is to establish effective and equitable financial systems to assist staff in Lesedi Local Municipality (hereunder referred to as the Municipality) to properly administer the budget process. This policy framework shall be read in line with other administrative policies of the Department and implemented in the context of the provisions of the following Acts, Regulations and Administrative Guidelines:

- MFMA Circulars;
- MFMA, Act 56 of 2003

1 Policy Overview

Employees of the Municipality, involved directly in the handling of the budget, must possess an acute awareness of and show a strong commitment to the enforcement and maintenance of adequate internal controls to govern the process.

2 Purpose of the Budget

A budget is a plan that identifies how the available money is going to be spent. It allows us to plan spending in such a manner that we are able to achieve the goals set in terms of the political policies and priorities.

The key attributes of such a methodology should be its ability to focus on the major activities (cost drivers) required ensuring the objectives of government are achieved. In so doing, also determines the costs involved.

The process that can best achieve this milestone, is the implementation of the **zero-based** or **activity based costing (ABC)** methodology and performance budgeting.

The budget should be driven by developmental strategies that address political goals, rather than by administrative imperatives.

The Municipality must strengthen and evaluate the alignment between medium and long-term plans and funding proposals;

Revise its policy priorities, macro-economic framework and resource envelope;

Evaluate departmental plans and allocate available resources in line with policy priorities;

Develop programmes that will be linked to the set priorities;

Obtain the required authority from Parliament and provincial legislatures to spend.

The purpose of the budget process is to complete a medium-term expenditure framework that apportions resources in line with Government's policy priorities for the next five years.

Political oversight of the budget process is essential to ensure that:

- The political executive is responsible for policy and prioritization
- Policy priorities are linked to departmental spending plans and the delivery of quality services
- Formulating five –year strategic plans that will guide the policy prioritisation and budgeting process for the following year's MTEF.

- Matching policy priorities and resources by deciding and agreeing on the best allocation of scarce resources to fund Government's many social, economic and political goals.
- Reprioritising within the base line, presenting fiscal implications of new policy proposals, linking these to the strategic priorities of the Department and
- Providing the necessary motivation for proposed changes to the baseline (if any changes).
- Increasing the priority status of a particular objective that cannot be accommodated within the baseline allocation, such as a higher than anticipated acceleration in the delivery of an existing service
- New policies that the department plans to implement within the new MTEF period

The Accounting Officer is ultimately responsible for establishing and enforcing policies and procedures governing the budget process.

Personnel appointed must adopt, implement and adequately maintain appropriate processes and procedures to ensure the rigid enforcement of all stipulated policy directives.

3 Departmental Responsibilities

4.1 Administration of budget process

The Government Finance Statistics (GFS) budget formats must be used in Gauteng. The GFS budget format classifies expenditure according to economic type.

Process:

- Departmental heads to initiate information gathering about needs in their respective departments. Needs to be decided from a zero-base (as opposed to standard increases using previous year as base-year) and must be necessary for effective and efficient execution of duties.
- Decision packages prepared with needs prioritised and ranked in order of importance. Must be signed by Executive managers, MMC and must show evidence of having been served before section 80 committee.
- Exec. Managers to analyse with and justify to CFO their needs. Any rejected items must be taken back to beginning of process.

- CFO and responsible Exec. Manager must sign off accepted decision packages. Signature is evidence of consensus and agreement.
- Budget population and preparation. Draft budget to be subjected to community consultation, section 80 Com approval, Mayoral Com approval and Council approval.
- MMC Finance to ensure that community participation process is followed according to chapter 4 Municipal Systems Act.

4.2 Personnel Estimates

In determining personnel budgets for the medium-term period, departments should take the following elements into account:

- Numbers of staff and possible changes over the medium-term period. Departments should use actual numbers of personnel employed, rather than funded posts, for budgeting purposes. This means that the department should only budget for vacant posts that it plans to fill in the current financial year and over the medium-term period.
- Grades and level of each person employed or to be employed
- Rank and leg promotions and possible backlog payment required in this regard
- Increased take-up of benefits such as medical aid and the homeowners allowance
- Contract employees
- Payment for overtime
- Merit bonuses
- Basic salary costs, which should accommodate an annual increase equivalent to inflation from 1 July each year
- Pension fund contributions, thirteenth cheque and overtime linked to the basic salary cost and annual increases
- Medical aid contributions and their annual increase, linked to the medical inflation index (MPI)
- Increased take up of the homeowners allowance
- Other allowances such as entertainment allowances, computer allowances, newspaper and journal allowances and clothing allowances.

4.3 Capital Budget

The Municipality must provide information with regard to capital expenditure as follows:

- The number of capital projects to be undertaken
- Location of capital projects
- Description of such projects
- Employment to be generated by the project (distinguish between temporary and permanent employment)

- Indicate the total project cost over full construction
- Details of operating costs for the projects and how these costs will be integrated into the operating budget.

4.4 Monitoring of budget

The budget must be monitored on a daily basis by the person who approves expenditure. A monthly detail report must be drawn to ensure the amount spent on the budget. Projections must be made until year end to ensure that no over-expenditure occurs.

5. Purpose of policy

To facilitate the implementation and maintenance of a Budget policy in the Municipality of Lesedi to assist in formalising and standardising processes and procedures to ensure the following:

- Proper and adequate guidelines are instituted to regulate budgeting;
- Validity of budget transactions;
- Communication of employee obligations with regard to the preparation of the policy.

6. Policy application

This policy affects all the sections.

7. Policy audit

A periodic policy audit process shall be conducted either by the Finance section, or Municipal Manager, when deemed necessary. The Provincial Government and or Auditor-General may also audit and formally request amendment of the policy, as may required from time to time, to ensure appropriate application and compliance the relevant Treasury and MFMA regulations and other legislation.

8. Policy amendment

No amendment(s) may be made to any section of this policy without such amendment(s) first being:

- Consulted upon with the Chief Financial Officer and the Municipal Manager.
- Duly approved and signed by the Council.