



BUDGET POLICY

TABLE OF CONTENTS**Page No.**

1. DEFINITIONS
2. INTRODUCTION
3. OBJECTIVE OF THE POLICY
4. COMPLAINTS AND LEGAL REQUIREMENTS
5. BUDGETING PRINCIPLES
6. RESPONSIBILITIES OF THE ACCOUNTING OFFICER
7. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER
8. BUDGET PREPARATION PROCESS
9. CAPITAL BUDGET
10. OPERATING BUDGET
11. FUNDING OF CAPITAL AND OPERATING BUDGET
12. UNSPENT FUNDS / ROLL OVERS
13. BUDGET TRANSFERS / VIREMENTS
14. ADJUSTMENT BUDGET
15. BUDGET IMPLEMENTATION
16. COMPLIANCE AND ENFORCEMENT
17. CONCLUSION
18. EFFECTIVE DATE
19. POLICY ADOPTION

ANNEXURE: LEGAL REQUIREMENTS

1. DEFINITIONS

"Accounting Officer"-

(a) means the Municipal Manager of Amajuba District Municipality;

"Allocation", means-

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

"Approved budget," means an annual budget-

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function / vote.

"Budget Year" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

"chief financial officer"

(a) means the Chief Financial Officer of Amajuba District Municipality

"councillor" means a member of a municipal council;

"creditor", means a person to whom money is owed by the Municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA

"financial statements", means statements consisting of at least-

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) a cash-flow statement;
- (d) any other statements that may be prescribed; and
- (e) any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"investment", in relation to funds of a municipality, means-

- (a) the placing on deposit of funds of a municipality with a financial institution; or
- (b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000
(Act No. 32 of 2000);

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the councillor elected as the ~~executive~~ mayor of the
Municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or "council" means the council of a municipality referred to in
section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of
indebtedness issued by a municipality, including dematerialised or
electronic evidence of indebtedness intended to be used in trade;

"municipal entity" has the meaning assigned to it in section 1 of the Municipal Systems
Act(refer to the MSA for definition);

"municipality"-

(a) refers to Amajuba District Municipality

"municipal service"

**(a) means the services provided by the municipality, namely (water and
sanitation)**

"municipal tariff" means a tariff for services which the Municipality may set for the
provision of a service to the local community, and includes a
surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality
may impose;

"National Treasury" means the National Treasury established by section 5 of the
Public Finance Management Act;

"official", means-

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (a) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

- (a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- (b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- (c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the ~~executive~~-mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- (a) projections for each month of-
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such

plan by the mayor in terms of section 54(l) (c) of the MFMA;

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"vote" means-

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2. 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 MFMA, in order to comply with subsection (1) of the MFMA, the ~~executive~~ 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, analysed, 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 operationalisation of the budget must be located within the national government's policy framework.

3. OBJECTIVE

The objective of the budget policy is to set out:

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

4. COMPLIANCE AND LEGAL REQUIREMENT

In the process of preparing the budget, the Municipality, its Mayor, political office bearers, Municipal Manager, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including in particular:

- 4.1. the provisions of Chapter 4 (Sections 15 to 33) of the Local Government: Municipal Finance Management Act, 2003 ("the MFMA"), as well as Sections 42, 43, 52, 53, 54,55, 68, 69, 70, 71, 72, 75, 80, 81 and 83 thereof; and
- 4.2. the Municipal Budget and Reporting Regulations ("the Regulations") published in terms of Section 168 of the MFMA under General Notice 393 of 2009; and
- 4.3. all relevant budget-related circulars and notices issued by the National Treasury.

5. BUDGETING PRINCIPLES

- 5.1. 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.
- 5.2. 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.
- 5.3. Amajuba District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- 5.4. The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan

6. RESPONSIBILITIES OF THE ACCOUNTING OFFICER

6.1 The Accounting Officer shall be responsible for the following functions in terms of Section 68 of the MFMA:

6.1.1 Assisting the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapter 4 and 7 of the MFMA; and

6.1.2 Providing the Mayor with the administrative support, resources and information necessary for the performance of those functions.

6.2 The Accounting Officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget, and to that end, each Process Manager shall prepare and submit to the Chief Financial Officer by the 15th January a draft budget for his/her department; provided that nothing contained in this section shall derogate from the responsibility of the Chief Financial Officer of preparing the municipal budget as provided for in subsection 7.5 below.

6.3 The Accounting Officer shall comply with all requirements of the Sections 69, 70, 71, 72, 73, 74, 75 and 76 of the MFMA and ensuring that the operations of the municipal council are achieved within the approved budget and financial targets; and allocation of funds within the departments.

7. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

- 7.1. Without derogating in any way from the legal responsibilities of the Accounting Officer as Accounting Officer, the Chief Financial Officer 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 for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking, cash management and investments policy), and shall be accountable to the Accounting Officer in regard to the performance of these functions.
- 7.2. The Accounting Officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer into these budget processes.
- 7.3. The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the Mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the Mayor, Finance Committee, Executive Committee and Council.
- 7.4. Except where the Chief Financial Officer, with the consent of the Mayor and Accounting Officer, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:
- 7.4.1 depreciation charges.
 - 7.4.2 repairs and maintenance expenses
 - 7.4.3 interest payable on external borrowings
 - 7.4.4 other operating expenses.

- 7.5. In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the Chief Financial Officer 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.
- 7.6. The Chief Financial Officer shall determine 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.
- 7.7. The Chief Financial Officer shall further, with the approval of the Mayor and the Accounting Officer, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.
- 7.8. The Chief Financial Officer shall also, again with the approval of the Mayor and the Accounting Officer, and having regard to 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.
- 7.9. The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget. The Chief Financial Officer shall submit these monthly reports to the Mayor, Finance Committee and Executive Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

- 7.10. The Chief Financial Officer shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.
- 7.11. The Chief Financial Officer 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, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 7.12. The Chief Financial Officer 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.
- 7.13. The Chief Financial Officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.
- 7.14. The Chief Financial Officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.
- 7.15. The Chief Financial Officer 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.

8. BUDGET PREPARATION PROCESS

8.1. 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. 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).
- (b) 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.
- (c) 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.
- (d) 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).
- (e) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (f) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (g) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (h) The expenses reflected in the budget must be divided into items.
- (i) 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.

8.2. 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.

8.3. Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The Council resolution, must contain budget policies and performance measures to be adopted
- (c) Should the Municipality fail to approve the budget before the start of the budget year, the Mayor must inform the MEC for Finance that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
- i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. draft resolutions;
 - iii. measurable performance objectives for each budget vote, taking into account the Municipality's IDP;
 - iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
 - v. any proposed amendments to the IDP;
 - vi. any proposed amendments to the budget-related policies;
 - vii. the cost to the Municipality of the salaries, allowances and other benefits of its political office bearers and other councilors, the accounting officer, the chief financial officer, and other senior managers;
 - viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the Municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
 - ix. particulars of the Municipality's investments; and
 - x. various information in regard to Municipal entities under the shared or sole control of the Municipality
- (e) Furthermore, a report detailing all comments received from the public, National Treasury, Provincial Treasury, and all organs of state and municipalities affected by the

budget, as well as the action taken by the Municipality in addressing these comments, shall be tabled to Council with the budget for approval.

8.4. Publication of the budget

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

8.5. Service Delivery and Budget Implementation Plan (SDBIP)

- (a) The ~~Executive~~ 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

9. CAPITAL BUDGET

- (a) 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
- (b) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and its value exceeds the value stipulated in the approved Asset Management Policy of the Municipality and has a useful life in excess of one year.
- (c) The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.

- (d) The Municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (e) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
- (f) Before approving a capital project, the Council must consider:
 - I. the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - II. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- (g) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the Municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- (h) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- (i) The capital expenditure shall be funded from the following sources:

9.1 Revenue or Surplus

- (a) If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.
- (b) If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

9.2 External loans

- (a) External loans can be raised only if it is linked to the financing of an asset;
- (b) A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if it can be reasonably assumed as being secured;

- (c) The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- (d) Interest payable on external loans shall be included as a cost in the revenue budget;
- (e) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

9.3 Grant Funding

- (a) Non capital expenditure funded from grants
- (b) must be budgeted for as part of the revenue budget;
- (c) Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- (d) Capital expenditure must be budgeted for in the capital budget;
- (e) Interest earned on investments of Conditional Grant Funding shall be allocated directly to the revenue accounts.
- (f) Grant funding does not need to be cash backed but cash should be secured before spending can take place.

10. OPERATING BUDGET

- (a) The Municipality shall budget in each annual and adjustments budget for the contribution to:
 - i. provision for accrued leave entitlements equal to 100% of the accrued leave
 - ii. entitlement of officials as at 30 June of each financial year,
 - iii. provision for bad debts in accordance with its rates and tariffs policies
 - iv. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
 - v. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- (b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- (d) The operating budget shall reflect the impact of the capital component on:

- i. depreciation charges
- ii. repairs and maintenance expenses
- iii. interest payable on external borrowings
- iv. other operating expenses.

11. FUNDING OF CAPITAL AND OPERATING BUDGET

- (a) The budget may be financed only from:
- vi. realistically expected revenues, based on current and previous collection levels;
 - vii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
 - viii. borrowed funds in respect of the capital budget only.

12. UNSPENT FUNDS / ROLL OVER OF BUDGET

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- (d) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.
- (e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (f) No funding for projects funded from Accumulated Surpluses shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- (g) No unspent operating budget shall be rolled over to the next budget year

13. BUDGET TRANSFERS AND VIREMENTS

Any matter relating to the budget transfers and virements shall be dealt with in terms of the applicable Virement Policy.

14. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- (a) The Chief Financial Officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the ~~executive~~ Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.
- (b) Council may revise its annual budget by means of an adjustments budget at most three times a year or a regulated.
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10 of the MFMA
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- (f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- (g) Only the Mayor shall table an adjustments budget. Adjustments budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months:
 - i. In October – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
 - ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget
 - iii. May – final budget adjustment to adjust current year's budget in cases where there is a indication that there will be rolling over of funding to the next financial year
- (h) An adjustments budget must contain all of the following:
 - i. an explanation of how the adjustments affect the approved annual budget;
 - ii. appropriate motivations for material adjustments; and

- iii. an explanation of the impact of any increased spending on the current and future annual budgets.
- (i) Any unappropriated surplus from previous financial years, even if fully cashbacked, shall not be used to balance any adjustments budget, but shall be appropriated to the Municipality's Accumulated Surplus Account.
- (j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (k) Unauthorised expenses may be authorised in an adjustments budget.
- (l) In regard to unforeseen and unavoidable expenditure, the following apply:
 - i. The Mayor may authorise such expenses in an emergency or other exceptional circumstances;
 - ii. The Municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;
 - iii. These expenses must be reported by the Mayor to the next Council meeting;
 - iv. The expenses must be appropriated in an adjustments budget; and
 - v. Council must pass the adjustments budget within sixty days after the expenses were incurred.

15. BUDGET IMPLEMENTATION

15.1 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:
 - I. funds are spent in accordance with the budget;
 - II. expenses are reduced if expected revenues are less than projected; and
 - III. 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 variations.

15.2 Reporting

15.2.1 Monthly budget statements

- a) 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.
- b) The Accounting Officer is to further table a report on the state of the Municipality's budget for a particular month, and cumulatively for the financial year to date at the next Council meeting subsequent to the end of that particular month.

15.2.2 This report must reflect the following:

- i) Actual revenues per source, compared with budgeted revenues;
- ii) Actual expenses per vote, compared with budgeted expenses;
- iii) Actual capital expenditure per vote, compared with budget expenses;
- iv) Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v) The amount of allocations received, compared with the budgeted amount;
- vi) Actual expenses against allocations, but excluding expenses in respect of the equitable share;
- vii) Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- viii) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- ix) Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- x) The report to the National Treasury must be both in electronic format and in a signed written document.

15.2.3 Quarterly Reports

- a) 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.

15.2.4 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) To comply with Section 72 of the MFMA 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.

16. COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b. It will be the responsibility of Accounting Officer to enforce compliance with this policy.

17. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

18. POLICY ADOPTION

This Policy has been considered and approved by **COUNCIL OF AMAJUBA DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

ANNEXURE: LEGAL REQUIREMENTS

Municipal Finance Management Act

Section 15 Appropriation of funds for expenditure

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 budget vote.

Section 16 Annual budgets

The council of the municipality must approve the annual budget before the start of the financial year to which it relates.

The mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget-related policies;

- measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- the projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- particulars of the municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the municipality.

Section 18 Funding of expenditures

The budget may be financed only from:

- realistically expected revenues, based on current and previous collection levels;
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- borrowed funds in respect of the capital budget only.

Section 19 Capital projects

The municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.

The total cost of the project must also be approved by the council.

The envisaged sources of funding for the capital budget must be properly considered and the council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

Section 20 Matters to be prescribed

The minister of finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.

The minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

Section 21 Budget preparation process

The mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the national government's fiscal and macro-economic policies, and the annual Division of Revenue Act.

- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the national treasury when requested, the provincial treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the national treasury, other national and provincial organs of state, and any other municipality affected by the budget.

Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the municipal manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The municipal manager must also immediately submit the tabled budget in both printed and electronic formats to the national treasury, the provincial treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

Section 23 Consultations on tabled budgets

After the budget has been tabled, the council of the municipality must consider the views of the local community, the national treasury, the provincial treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget.

After considering these views, the council must give the mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the council.

The national treasury may issue guidelines on the manner in which the council must process the annual budget, including guidelines on the formation of a committee of the council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the council.

Section 24 Approval of annual budgets

The council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

Section 25 Failure to approve budget before start of budget year

This section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new council can be elected, and approving a temporary budget until such new council can adopt a permanent budget for the municipality. The section also imposes restrictions on what may be spent in terms of such temporary budget.

Section 27 Non-compliance with provisions of this chapter

This section sets out the duties of the mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

Section 28 Municipal adjustments budgets

The municipality may revise its annual budget by means of an adjustments budget.

However, the municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

The municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

The municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the mayor.

The municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the council.

Only the mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- the mayor may authorise such expenses in an emergency or other exceptional circumstances;
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- these expenses must be reported by the Mayor to the next council meeting;
- the expenses must be appropriated in an adjustments budget; and
- the adjustments budget must be passed within sixty days after the expenses were incurred.

Section 30 Unspent funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year's allocation;
- the increase is funded in the next financial year's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget.

Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the Municipality may enter into such contract only if:

- The municipal manager, at least sixty days before the council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The municipal manager solicits the views and recommendations of the national treasury and provincial treasury in respect to such contract, as well as those of the national department of provincial and local government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.

- The council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

Section 42 Price increases of bulk resources for provision of municipal services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.
- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

Section 53 Budget processes and related matters

The mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the municipal manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The mayor must promptly report to the council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the municipal manager and other senior officials are similarly made public not later than fourteen days after their approval.

Section 68 Budget preparation

The municipal manager must assist the mayor in performing the assigned budgetary functions and must provide the mayor with administrative support, operational resources and the information necessary to perform these functions.

Section 69 Budget implementation

The municipal manager is responsible for implementing 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.

The municipal manager must prepare any adjustments budget when such budget is necessary and submit it to the mayor for consideration and tabling in council.

The municipal manager must submit a draft service delivery and budget implementation plan to the mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

Section 70 Impending shortfalls, overspending and overdrafts

The municipal manager 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.

Section 71 Monthly budget statements

The municipal manager must, not later than ten working days after the end of each calendar month, submit to the mayor and provincial 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.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

The report to the national treasury must be both in electronic format and in a signed written document.

Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the municipal manager, the mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;

- issue appropriate instructions to the municipal manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- identify any financial problems facing the Municipality, as well as any emerging or impending financial problems; and
- submit to the 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.

If the Municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

Section 55 Report to provincial executive if conditions for provincial intervention exist

If the council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

Section 72 Mid-year budget and performance assessment

The municipal manager 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, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The municipal manager must then submit a report on such assessment to the mayor, the national treasury and the provincial treasury.

The municipal manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1)(f) the mayor must promptly submit this assessment report to the council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other policies

The municipal manager must inform the provincial treasury, in writing, of any failure by the council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

Section 75 Information to be placed on websites of municipalities

The municipal manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly reports submitted to the council on the implementation of the budget and the financial state of affairs of the municipality.

Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a chief financial officer supported by appointed officials and contracted staff.

Section 81 role of chief financial officer

The chief financial officer is administratively in charge of the budget and treasury office and must, inter alia,

-
- assist the municipal manager in preparing and implementing the budget;
 - perform such budgeting, financial reporting and financial management and review duties as are delegated by the municipal manager;
 - account to the municipal manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The municipal manager, senior managers, the chief financial officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in Council timetable for preparation of coming year's annual budget	-
25 January	Assess current year's budget performance	-
31 January	Table assessment report in Council	-
31 January or earlier	-	Submit proposed budget for coming year to municipality
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	-
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	-
Mid-March	-	Submit revised budget for coming year to municipality
31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	-
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity	-

	must be tabled.	
Early June to early July: immediately after budget approved	Submit budget to National Treasury and Provincial Treasury	-
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	-
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-
Late June to late July: 28 days after budget approved	Conclude performance agreements	-
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	-

DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
21(1)(b)	31 August	<p>Mayor must at least 10 months before start of budget year table in Council time schedule outlining key deadlines for</p> <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing 	Mayor	Time schedule must either fit in with already scheduled Council meetings or must indicate when special Council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the Mayor, national treasury and the provincial treasury	Accounting officer	

		(presumably immediately).		
54(1)(f)	31 January	Mayor must submit accounting officer's report to Council.	Mayor	Special Council meeting may have to be scheduled.
87	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the Council of the Municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.
87	(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must perform this action, but the Council seems the logical party. It would also make sense for the Council to consider this budget by 31 January.
87	(Tabled in Council by 31 January)	Board of directors of entity may, with approval of Mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of	Board of directors and Mayor of parent	Evidently such an adjustments budget may be prepared at any stage. It would make

		<p>entity must be tabled by Mayor at next meeting of Council of parent municipality. Adjustments budget must be made public.</p>	<p>municipality</p>	<p>good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the Mayor at the same time that or before the entity's proposed budget for the new financial year is considered.</p> <p>Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the Mayors considered.</p>
<p>54(1) and (2)</p>	<p>(Between 31 January and 31 March)</p>	<p>If municipality faces "serious financial problems" Mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only Council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).</p>	<p>Mayor</p>	<p>Adjustments budgets may be prepared by the accounting officer, and tabled in Council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets</p>

				should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the Mayor's approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at Council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of	Mayor	-

		municipality first tabled.		
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in Council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer	
23(2)	Before 31 May	Council must give Mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by Council.	Mayor and Council	-
24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although Council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4)	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of Council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in

				<p>which the budget is to be submitted specified.</p> <p>Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.</p>
25(1) and (2)	Within 7 days of date of Council meeting which failed to approve annual budget	If Council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, Mayor, Councillors and accounting officer must co-operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to Mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for Municipal Manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by Mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the Mayor approves these targets and KPIs, only the Council may change them and then only following the	Mayor	-

		approval of an adjustments budget. See Section 54(1)(c)).		
53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for Municipal Managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).
16(1)	30 June	Annual budget must be approved by Council	Council	-
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of Municipal Manager and senior manager must be made public, and copies of performance agreements must be submitted to Council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to Council and the MEC.

POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF AMAJUBA DISTRICT MUNICIPALITY** as follows:

Resolution No:C124:30/05/2017

Approval Date: 30/05/2017