



**MOLEMOLE**

**LOCAL MUNICIPALITY**

**BUDGET POLICY**

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# 1.INTRODUCTION

It is a requirement of the Municipal Finance Management Act that every municipality must adopt or revise its budget related policies on annual basis. It is from this premise that the attached document containing budget related policies and annexed extracts from MFMA is presented to the Council for consideration. The budget policy is attached to this report as annexure D.

# 2.OBJECTIVE

To set out the budgeting principles which the Council will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget.

# 3.BUDGETING PRINCIPLES TO BE FOLLOWED

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.

The capital budget component of the annual or adjustment budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget.

The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

- Inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investment of the asset financing reserve,  
Appropriate in terms of the investment policy;
- Further amounts appropriated as contributions in each annual or Adjustments budget; and
- net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

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

Any inappropriate surplus from previous financial years, even if fully cash – backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for the operational purposes, to the municipality asset financing reserve.

An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any inappropriate surplus carried forward from preceding financial years.

The Municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

The municipality shall establish and maintain a provision for bad debts, and shall budget appropriately for contributions to such provision in each annual and adjustment budget.

All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external

borrowings shall be transferred to the investments created to redeem such borrowings

Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

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

The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed assets management and accounting policy. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, skills development levies payable).

Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 33 1/3% of the aggregate operating budget component of the annual or adjustment budget. For purposes of applying this principle, the remuneration of political office bearers and other councilors shall be excluded from this limit.

The head of the department, services or the function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the

various line-items within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

## 4. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

Without derogating in any way from the legal responsibilities of the municipal manager as accounting, the chief financial officer shall be responsible for preparing the draft annual and operating budgets (including the budget components required for the ensuing financial year), 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 investment policy), and shall be accountable to the municipal manager in regard to the performance of these function.

The municipal manager shall ensure that all heads of departments provide the inputs required by the chief financial officer into these budget processes.

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.

Except where the chief financial officer, with the consent of the municipal manager, 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:

- depreciation charges
- repairs and maintenance expenses

- interest payable on external borrowings
- other operating expenses

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 the municipality, and further in so doing shall comply – in so far as the organizational structure permits – also with the prescribed budget format of National Treasury.

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, and accrued leave entitlements.

The chief financial officer shall further, with the approval of the executive mayor and the municipal manager, determine the contribution to the asset financing reserve and special contributions to the self-insurance reserve.

The chief financial officer shall also, again with the approval of the municipal manager, and having regard to the Councils current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

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 finance committee and executive and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

The chief financial officer shall provide technical and administrative support 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.

The chief financial officer shall ensure that the annual and adjustments budget comply with the requirements of the National Treasury, reflect the budget priorities determined, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations on the revision of the IDP and the budget-related policies where these are indicated.

The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating, and specifically commencing on the relative financial merits of internal and external financing options.

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.

The chief financial officer shall ensure that the cost of indecency relief is separately reflected in the appropriate votes.

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.

## 5. ANNEXURE TO BUDGET POLICY

<p><b>PARAPHRASE OF PRESCRIPTIONS IN REGARD TO PREPARATION OF MUNICIPAL BUDGET AS SET OUT IN THE MUNICIPAL FINANCE MANAGEMENT ACT 2003</b></p>
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### 5.1 SECTION 15 APPROPRIATION OF FUNDS FOR EXPENDITURE

Expenses may only be incurred in terms of the approval budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.

### 5.2 SECTION 16 ANNUAL BUDGETS

The Council must approve the annual budget before the start of such 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.

### 5.3 SECTION 17 CONTENTS OF ANNUAL BUDGET AND SUPPORTING DOCUMENT

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

The budget reflects 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 council's IDP.
  
- the projected cash flow 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 council of the salaries, allowances and other benefits of its political officer bearers and other councilors, the municipal manager , the chief financial officer , and other senior manager;
- 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 organizations such as NGOs, welfare institutions and so on;
- particulars of the council's investments; and
- Various information in regard to municipal entities under the shared or sole control of the council.

## 5.4 SECTION 18 FUNDING OF EXPENDITURES

a) 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.

## 5.5 SECTION 19 CAPITAL PROJECTS

A 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 council.

The envisaged source 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 project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rate and services tariffs.

## 5.6 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 matter, including the inflation projections which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in to the setting of tariffs where a municipality entity or other external mechanisms is used to perform

a municipal services; 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.

## 5.7 SECTION 21 BUDGET PREPARATION PROCESS

a) 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 month 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 years 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 is a local municipality) and all other local municipalities in the district, and all other 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 Nation Treasury, other national provincial organs of state, and any other municipality affected by the budget.

## 5.8 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 document 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 formats to prescribed national and provincial organs of state and other municipalities affected by the budget.

## 5.9 SECTION 23 CONSULTATIONS ON TABLED BUDGETS

After considering these views, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or nation 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 submission received, and – if necessary- revise the budget and table the relevant amendments for consideration for 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 guideline shall be binding only if they adopted by the Council.

## 5.10 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.

#### 5.11 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.

#### 5.12 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 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.

#### 5.13 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.

## 5.14 SECTION 28 MUNICIPAL ADJUSTMENT BUDGETS

A municipality may revise its annual budget by means of an adjustment budget.

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

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

A municipality may in such adjustment budgets, and within the prescribed framework, authorize unforeseen and unavoidable expenses on the recommendation of the Mayor.

Municipalities may also authorize 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 increase 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.

## 5.15 SECTION 29 UNFORESEEN AND UNAVOIDABLE EXPENDITURE

- in regard to unforeseen and unavoidable expenses in an emergency or other exceptional circumstances;
- the Mayor may authorize 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 appropriate in an adjustments budget; and
- the adjustment budget must be passed within sixty days after the expenses were incurred.

## 5.16 SECTION 30 UNSPENT FUNDS

The appropriation of funds in an annual or adjustment 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

## 5.17 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 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 years appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenue, and that enough funds will be available to finance such

- increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives written approval for such increased appropriation;
- and
- all the documentation is provided to the Auditor-General.

#### 5.18 SECTION 32 UNAUTHORIZED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

Unauthorized expenditure may be authorized in an adjustment budget.

#### 5.19 SECTION 33 CONTRACTS FUTURE BUDGETARY IMPLICATIONS

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends 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 summarizing 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 derives a significant financial or economic benefit from the contract, and approves the entire contract exactly as 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 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.

#### 5.20 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 prior to the above submission the National treasury and organized local government must be invite 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 motivation and certain other prescribed explanatory document.

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 from 1 July of the following year.

## 5.21 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 into by a municipality.

## 5.22 SECTION 53 BUDGET PROCESSES AND RELATED MATTERS

The Mayor of the municipality must:

- Provide general political guidance over the annual process and the priorities that guide the preparation of each such budget
- Co-ordinate the annual revision of the IDP, 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 the 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 deliver 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 Municipality Manager and other senior officials are similarly made public not later that fourteen days after their approval.

#### 5.23 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

#### 5.24 SECTION 68 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 adjustment 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 submit drafts of the annual performance agreements o the Mayor.

#### 5.25 SECTION 70 IMPENDING SHORTFALLS, OVERSPENDING AND OVERDRAFT.

The Municipal Manager must report in writing to the Council any impending shortfalls in the steps taken to prevent or rectify these problems.

## 5.26 SECTION 71 MONTHLY BUDGET STATEMENT

The Municipal Manager must 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 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;
- explanation of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses as indicated 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 projection 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.

## 5.27 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 the quarter a report on the implementation of the budget and 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 adjustment budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

5.28 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.

5.29 SECTION 72 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

The Municipal Manager must assess the budgetary performance of the municipality for the 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 years annual report and the progress made in resolving problems identified 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.

5.30 SECTION 73 REPORT ON FAILURE TO ADOPT OR IMPLANT BUDGET-RELATED AND OTHER POLICIES

The Municipal Manager must inform the Provincial treasury, in writing, of any failure by the Council to adopt or implementation 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.

### 5.31 SECTION 75 INFORMATION TO BE PLACED ON WEBSITES OF MUNICIPALITIES

The Municipal Manager must place on the municipality's official website (interlaid) the following:

- the annual and adjustments budget 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.

### 5.32 SECTION 80 ESTABLISHMENT (OF MUNICIPAL BUDGET AND TREASURY)

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed and contracted staff.

### 5.33 SECTION 81 ROLE OF CHIEF FINANCIAL OFFICER

The Chief financial Officer is administrative in charge of the budget 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 responsibility.

### 5.34 SECTION 83 COMPETENCY LEVEL OF PROFESSION FINANCE 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.

<b>SUMMARISED TIMETABLE</b>	
<b>FINAL DATE</b>	<b>ACTION BY MUNICIPALITY</b>
<b>31 August</b>	<b>Table in council timetable for preparation of coming year's annual budget</b>
<b>20 January</b>	<b>-</b>
<b>25 January</b>	<b>Assess current years budget performance</b>
<b>31 January</b>	<b>Table assessment report in council</b>
<b>31 January or earlier</b>	<b>-</b>
<b>(Between 31 January and 31 March)</b>	<b>Table adjustments budget for current year and changes to service delivery targets and KPIs</b>
<b>(Between 31 January and 31 March)</b>	<b>Make public (adjustment budget and) revisions to service delivery and budget implementation plan for current year</b>
<b>31 March</b>	<b>Table draft budget for coming year</b>
<b>Immediately after 31 March</b>	<b>Make public draft budget for coming year and invite submissions from community, provincial treasury and others</b>
<b>Before 31 May</b>	<b>Respond to submissions and revise draft budget for coming year</b>

<b>Early June immediately after budget approved</b>	<b>Submit budget to national treasury and provincial treasury</b>
<b>Early June immediately after approval dates</b>	<b>Place on website annual budgets and budget-related documents</b>
<b>Mid June 14 days after</b>	<b>Finalize draft service delivery and budget</b>
<b>Budget approved</b>	<b>Implementation plan and draft performance agreements</b>
<b>Late June: 28 days after budget approved</b>	<b>Approve service delivery and budget implementation plan</b>
<b>Late June: 28 days after budget approved</b>	<b>Conclude performance agreements</b>
<b>Mid June: 28 days after service delivery and budget implementation plan approved</b>	<b>Make public projection of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements</b>

72(1), 92) AND (3)	25 January	Accounting officer 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 (immediately).	Accounting officer	
Section Of Municipal Finance Management Act No.56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
54(1)(f)	31 January	Mayor must submit accounting officer's report to council	Mayor	Special council meeting may have to be scheduled.
54(1) and (2)	(Between 31 January and 31 March)	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).	Mayor	Adjustments budget may be prepared by the accounting, and tabled in council by the Mayor "when necessary". They must be as 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

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			<b>budgets should preferably be tabled by or as soon as possible after 31 January, and certain not later than 31 March</b>
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				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 92).
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.
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 offer must (1) make public budget and documents referred to in section 17(3), and invite local community to submit representations in connection with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either to prescribed national 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	Mayor and council	-

		<b>budget, if necessary, and table amendments for consideration by council.</b>		
<b>24(1) and 92)</b>	31 May	Council must consider approval of annual budget, together with resolutions imposing 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	<b>Although council has until 30 June to approved budget, best practice will be to approve budget not later than 31 May.</b>
<b>24(3)</b>	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting Officer	<b>No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified.</b>  <b>An electronic copy and a and a hard copy of the adopted budget is to be sent to National Treasury.</b>
<b>25(1) and (2)</b>	Within 7 day 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	<b>As province will intervene if budget not approved by 30 June, mayor, councilors and accounting officer must co-operate to ensure</b>

				<b>obstacles to approval timeously removed.</b>
<b>69(3) and 9b)</b>	14 days after approval of annual budget (mid June)	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	
<b>53(1)(c)(ii)</b>	Within 28 days after date annual budget approved (late June)	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 approval of an adjustment budget. See Section 54(1)(c).	Mayor	
<b>53(1)(c)(iii)(aa) &amp; (bb)</b>	Within 28 days after date annual budget approved (late June)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal 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)	Mayor	<b>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 service delivery and budget implementation plan must be approved. See Section 53(3)(b)</b>
<b>16(1)</b>	30 June	Annual budget Must be approved by council	Council	-
<b>53(3)(a) and (b)</b>	<b>14 days after approval of service delivery and budget implementation plan (mid July)</b>	<b>Projection of revenues and expenses for each month and service delivery targets for each quarter (as set out in approval service delivery and budget implementation plan), and performance agreements of</b>	<b>Mayor</b>	<b>Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation</b>

**,depending on  
date plan**

**municipal manager and senior  
manager must be made public,  
copies of performance agreements  
must be submitted to council and  
MEC for local government.**

**plan should also be  
submitted to council and**

## 6. APPROVAL OF THE POLICY

a) Date of Approval by Council 31 May 2009