

**LEJWELEPUTSWA  
DISTRICT MUNICIPALITY**



**BUDGET POLICY**

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## **1. OBJECTIVE**

- 1.1** The objective of the is policy is to ensure sound sustainable management of the budgetary approval process according to norms and standards of which also forms the basis of this policy and is required in terms of 160(6) of the Constitution and section 11(3)(h) and (m) of the MSA.
- 1.2** The municipality derives its legislative and executive authority to prepare, approve and implement its budget in terms of s.11(3)(h) and (i) of the MSA which includes the imposing and recovery of rates,taxes,levies,duties,service fees and surcharges on fees.

## **2. MANAGEMENT RESPONSIBILITIES**

### **2.1 The role of the executive Mayor**

The Council must maintain oversight over the implementation of the Budget policy, for the purpose of such oversight, the executive mayor of the District municipality must-

- a) Monitor, oversee the exercise of the responsibilities assigned in terms of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities
- b) Take all reasonable steps to ensure that the municipality performs its constitutional statutory functions within the limits of the municipality's approved budget;
- c) The executive mayor must, within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial state of affairs of the municipality;
- d) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- e) Instruct the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan and that spending of funds and revenue received proceeds in accordance with the budget.

## 2.2

### **The role of the Accounting officer (Municipal Manager)**

The municipal manager is the accounting officer and administrative authority for the municipality. The municipal manager is accountable to the executive mayor in the first instance for the implementation of specific outputs.

In the second instance the Municipal Manager is accountable to the council for the overall administration of the municipality. The Municipal Manager must be fully aware of the reforms required in order to provide the Executive Mayor, Councilors, senior officials and municipal entities with the appropriate guidance and advice on financial and budget issues. Whilst the Municipal manager may delegate many tasks to the Chief Financial Officer or other senior officials, this must be done carefully to ensure that all tasks are completed appropriately.

Accounting Officer (Municipal Manager) should:-

Implement the municipality's approved budget including taking all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget. Ensure that revenue and expenditure are properly monitored.

- a. When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.
- b. Report to the municipal council any shortfalls in the budget revenue, overspending and necessary steps taken to prevent shortfalls and overspending.
- c. Submit to the mayor actual revenue, borrowings, expenditure and where necessary report the variance on revenue, projected revenue and the budget.

## 2.3

### **The role of Chief Financial Officer (CFO)**

The Chief Financial Officer is the administrative head of the budget and treasury office. The Chief Financial Officer has an essential function in assisting the Municipal Manager to carry out his or her financial management responsibilities, in areas ranging from budget preparation to financial reporting and the development and maintenance of internal control procedures. The Chief Financial Officer plays a central role in implementing the financial reforms at the direction of the Municipal Manager with assistance of appropriate skilled staff.

## 2.4 The role of Senior Managers and other officials

According to the MFMA, the following are the roles to be carried by the senior managers and other officials:

- a) That the system of financial management and internal control system established for municipality is carried out diligently;
- b) Ensure that resources of the municipality are utilized effectively, efficiently, economically and transparently;
- c) Prevent unauthorized, irregular, fruitless or wasteful expenditure and other losses
- d) Collection of revenue.
- e) Safeguarding, maintenance and management of assets.
- f) Submission of information to the accounting officer for compliance with the Act.

## 3. DEFINITIONS

**Accounting:** The essential process of keeping track of money, both of the income or revenues received, and the expenditure going out.

**Audit:** The inspection of accounting records and testing of systems of internal control. The two main types of audits are external and internal.

**Budget:** The local authority's financial plan of action for a multi financial cycle. The two types of budgets are operating and capital. Capital budget: Is the budget that deals with tangible assets or capital assets whilst Operating Budget deals with recurrent and short-term expenditure; like salaries, phone bills fuels, and rentals.

**Business Plans:** Narrative reports containing information on the objectives of the organization or programme, how objectives intend to be achieved through action plans, target dates for implementation, resources required, people responsible for implementing plans, and hoe success in implementing action plans will be measured.

**Capital Assets:** Assets that are expected to be of continued use over a number of years like bridges or buildings. The future economic benefit or potential services provision embodied in as asset is the potential to contribute, directly or indirectly to the cash and cash equivalent of the municipality as well as to the delivery of services.

**Deficit:** A deficit (shortfall or loss) occurs when more money is spent (expenditure) than the amount that was raised/levied (income).

**Expenditure:** Money spent on the operating and capital expenditure.

**Financial Management:** A series of processes including budgeting funds; safeguarding income, capital and assets; monitoring performance; and financial reporting.

**Financial Statements:** A summary of annual financial records of the local authority that provides a picture of the funding of the local authority in monetary terms.

**Financial Year:** The financial year of the local authority runs from 1 July to 30 June of the following year.

**Fruitless and wasteful expenditure:** This is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**Grants:** Grants are amounts of money including subsidies given to local authorities by the central or provincial government to fund certain functions such as roads, and storm water, sanitation, health care or emergency services etc. grants can also be received from members of the public or other institutions. In contrast to loans, however there are conditional (where conditions are set against expenditure) and non-conditional grants.

**Income:** The money raised by local authorities.

**Incremental Budgeting:** One method of preparing the budgets in local authorities. The budget for the next financial year is based on the actual income and expenditure of the previous year adjusted for expected price increase.

**Inflation:** A persistent increase in the level of prices and wages throughout a country's economy thereby decreasing the value of the country's currency. If the inflation rate increases from one year to another, it means that consumers get less value for the same amount of money compared to previous years.

**Integrated Development Plan:** This is a plan that every local authority is required to prepare in terms of legislation. The plan should set out the economic and social development that is required in a local authority to develop and integrate communities. The plan should be based on community needs.

**Interest:** In the financial world, whenever someone borrows money, that person will have to repay more than they actually borrowed. This additional amount is called interest and is the profit that the lender makes from lending money to someone else.

**Interest Rate:** This is the amount of the interest that is charged on a loan (or received on a deposit) over a year, and it is expressed as a percentage.

**Internal Controls:** These are laid down internal rules, which set out the procedures which employees must comply with when doing their duties.

**Loan:** A loan is sum of money that is lent to a borrower on conditions that is repaid, either in installment or all at once at a future date. The borrower usually has to pay the lender an agreed rate of interest.

**Official:** Any of the following:

- An employee of the municipality
- A person contracted by the municipality to work as a member of staff otherwise than as an employee
- A person seconded to a municipality to work as a member of staff. (MFMA)

**Overspending:** Causing the operating 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;

In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote.

**Program budgeting:** Used by National and Provincial Government as well as local authorities. Activities performed by departments are classified as programmes that describe what the departments going to achieve. Budgets are prepared for each programme rather than each department.

**Rates:** Taxes raised based on property values (land and buildings)

**Rates Assessment:** Is the invoice setting out the rates payable by each ratepayer.

**Rates Base:** All the individual property owners and businesses that are legally required to pay rates to the local authority.

**Rates Rebate:** The reduction in rates that is given to categories of ratepayers.

**Service Charges:** Charges made by local authorities to consumers for the provision and consumption of services such as electricity, water, refuse and sewerage.

**Surplus:** A surplus occurs when the amount of income exceeds the amount of expenditure.

**Unauthorized expenditure:** Any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11 (3) of the MFMA, and includes overspending as defined in the term overspending.

**Valuation Roll:** The valuator rolls record the value of the land and buildings of every property within the municipal area. These property values are used to determine the rates for each ratepayer.

**Virement:** Virement is a process whereby the unused budget of a specific line item of expenditure is used to finance a different line item of expenditure which is unbudgeted.

**Vote:** A vote is one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or function areas of the municipality and which specifies the total amount that is

appropriated for the purpose of the department or functional area concerned.  
(MFMA)

Working Capital debtors, creditors inventory and cash in the bank available to use for payment of employees and suppliers and financing of municipal activities.

**Zero Based:** As opposed to incremental budget, zero-based budgeting means that each year's budget is drawn up independently from that of the previous year. This means that items are included simply because they were in the previous budget. Each item has to be justified and motivated for and the purpose of each item is considered. All items in the capital budget are treated on a zero-based".

#### **4. APPROPRIATION OF FUNDS FOR EXPENDITURE**

- 4.1 The municipality may, except where otherwise provided for in the Act and its regulations, incur expenditure only in terms of an approved budget; and within the limits of the amounts appropriated for the different votes in an approved budget.
- 4.2 All the departments of the municipality must adhere strictly to the stipulations in Para 2.1.

#### **5. ANNUAL BUDGET**

- 5.1 The Council must consider and approve an annual budget for the municipality for each financial year at least 30 days before the start of that year as required by s.16(1) of the Act, namely before 31 May of each year. The mayor must table the draft annual before 01 April of each year as required by s.16(2) of the Act.
- 5.2 An annual budget-
  - 5.2.1 is approved by the adoption by the council of a resolution referred to in Para. 5.3.1.1; and
  - 5.2.2 must be approved together with the adoption of resolutions as may be necessary-
    - 5.2.2.1 imposing any municipal tax for the budget year;
    - 5.2.2.2 setting any municipal tariffs for the budget year;
    - 5.2.2.3 approving measurable performance objectives for revenue from each source and for each vote in the budget;
    - 5.2.2.4 approving any changes to the municipality's integrated development plan; and
    - 5.2.2.5 approving any changes to the municipality's budget related policies.



5.3 The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the Provincial Treasury.

**6. CONTENTS OF ANNUAL BUDGET AND SUPPORTING DOCUMENTS**

6.1 The draft annual budget must be scheduled in the following format to comply with s.17 of the Act, setting out –

6.1.1 realistic anticipated revenue for the budget year from each revenue source;

6.1.2 appropriate expenditure for the budget year under the different votes of the municipality;

6.1.3 indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;

6.1.4 estimated revenue and expenditure by vote for the current year;

6.1.5 actual revenue and expenditure by vote for the financial year preceding the current year; and

6.1.5 a statement containing any other information required by s.215(3) of the Constitution or as may be prescribed.

6.2 Requirements set out in s.215(3) of the Constitution that a budget must contain are –

6.2.1 estimates of revenue and expenditure, differentiating between capital and current expenditure;

6.2.2 proposals for financing any anticipated deficit for the period to which they apply; and an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.

6.3 The draft annual budget must be accompanied by the following documents:

6.3.1 Draft resolutions-

6.3.1.1 approving the budget of the municipality;

6.3.1.2 imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and

6.3.1.3 approving any other matter that may be prescribed;

- 6.3.2 measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;
- 6.3.3 a projection of cash flow for the budget year by revenue source, broken down per month;
- 6.3.4 any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act;
- 6.3.5 any proposed amendments to the budget-related policies of the municipality;
- 6.3.6 particulars of the municipality's investments;
- 6.3.7 any prescribed budget information on municipal entities under the sole or shared control of the municipality;
- 6.3.8 particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;
- 6.3.9 particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
- 6.3.10 particulars of any proposed allocations or grants by the municipality to-
  - 6.3.10.1 other municipalities;
  - 6.3.10.2 any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
  - 6.3.10.3 any other organs of state;
  - 6.3.10.4 any organisations or bodies referred to in s.67(1) of the Act;
- 6.3.11 the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
  - 6.3.11.1 each political office-bearer of the municipality;
  - 6.3.11.2 councilors of the municipality; and
  - 6.3.11.3 the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;
- 6.3.1.2 any other supporting documentation as may be prescribed.

## **7. HOW EXPENDITURE MAY BE FUNDED**

- 7.1 In terms of the Act, an annual budget may only be funded from –
  - 7.1.1 realistically anticipated revenues to be collected;
  - 7.1.2 cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  - 7.1.3 borrowed funds, but only for the capital budget not the operational budget.
  - 7.1.4 Revenue projection in the budget must be realistic, taking the following factors into account –
    - 7.1.4.1 Projected revenue for the current year based on collection levels to date; and
    - 7.1.4.2 Actual revenue collected in previous financial years.

## **8. CAPITAL PROJECTS**

- 8.1 In terms of s.19 of the Act, a municipality may spend money on a capital project only if-
  - 8.1.1 the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget;
  - 8.1.2 the project, including the total cost, has been approved by the Mayoral Committee;
  - 8.1.3 section 33 of the Act has been complied with, to the extent that that section may be applicable to the project; and
  - 8.1.4 the sources of funding have been considered, are available and have not been committed for any other purposes.
- 8.2 Before approving a capital project in terms of Para. **7.2**, the council of a municipality must consider-
  - 8.2.1 the projected cost covering all financial years until the project is operational; and
  - 8.2.2 the future operational costs and revenue on the project, including municipal tax and tariff implications.
- 8.3 A municipal council may in terms of Para. **7.2** approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

## **9. BUDGET PREPARATION PROCESS**

On behalf of the Mayor, the Accounting Officer must in terms of s.21 of the Act -

- 9.1 co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;
- 9.2 At least 10 months before the start of the budget year, namely before 01 September, table in the municipal council a time schedule outlining key deadlines for-
  - 9.2.1 The preparation, tabling and approval of the annual budget;
  - 9.2.2 The annual review of-
    - 9.2.2.1 the integrated development plan in terms of section 34 of the MSA; and
    - 9.2.2.2 the budget-related policies;
  - 9.2.3 The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and
  - 9.2.4 Any consultative processes forming part of the processes referred to in paragraphs (10.2.1), (10.2.2) and (10.2.3).
- 9.3 When preparing the annual budget, the Mayor, in consultation with the Accounting Officer and Chief Financial Officer must-
  - 9.3.1 Take into account the municipalities integrated development plan;
  - 9.3.2 Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the MSA, taking into account realistic revenue and expenditure projections for future years;
  - 9.3.3 take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;
  - 9.3.4 consult-
    - 9.3.4.1 The relevant local municipalities and all other relevant stake holders within the area of the district municipality.
  - 9.4.2 The relevant provincial treasury, and when requested, the National Treasury; and

- 9.4.3 Any national or provincial organs of state, as may be prescribed; and
- 9.5 provide, on request, any information relating to the budget-
- 9.5.1 to the National Treasury; and
- 9.5.2 Subject to any limitations that may be prescribed, to-
- 9.5.2.1 The national departments responsible for water, sanitation, e electricity and any other service as may be prescribed;
- 9.5.2.2 Any other national and provincial organs of state, as may be prescribed; and
- 9.5.2.3 Another municipality affected by the budget.

**10. STRATEGIES TO BE TAKEN INTO ACCOUNT FOR THE COMPILATION OF THE BUDGET**

- 10.1 Strategies that must also be taken into account when the Annual Budget is compiled are –
- 10.2 The needs and requirements of the municipality’s IDP;
- 10.3 The absolute minimum operational requirements of the various municipal departments to render an efficient, economical yet sustainable service to the community;
- 10.4 The concept of developmental local government to comply with the State’s requirements in this regard;

**11. PUBLICATION OF ANNUAL BUDGETS**

- 11.1 Immediately after an annual budget has been tabled in a municipal council, the accounting officer of the municipality must-
- 11.1.1 in accordance with the MSA-
- 11.1.1.1 Make public the annual budget and the documents referred to in Para. 5.3.1; and
- 11.1.1.2 Invite the local community to submit representations inconnection with the budget; and
- 11.2 submit the annual budget-
- 11.2.1 In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and

11.2.2 In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

## **12. CONSULTATIONS ON BUDGET**

12.1 When the annual budget has been tabled, the municipal council must consider any views of-

12.1.1 The local community; and

12.1.2 The National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

12.1.3 After considering all budget submissions, the council must give the mayor an opportunity-

12.1.3.1 To respond to the submissions; and

12.1.3.2 If necessary, to revise the budget and table amendments for consideration by the council.

12.2 Adherence to any guidelines that National Treasury may issue on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.

12.3 No guidelines issued in terms of 14.3 are binding on a municipal council unless adopted by the council.

12.4 In term of s.20 of MSA the council must allow the general public to attend the meeting at which the draft budget is to be adopted and give any member of the local community the opportunity to address the Council on issues concerning the budget, should such a request be forthcoming.

## **13. ADJUSTMENT BUDGET**

13.1 The municipality may revise an approved annual budget through an adjustments budget.

13.2 An adjustments budget-

13.2.1 Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;

13.2.2 may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;

- 13.2.3 May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- 13.2.4 May authorise the utilisation of projected savings in one vote towards spending under another vote;
- 13.2.5 May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- 13.2.6 May correct any errors in the annual budget; and
- 13.2.7 May provide for any other expenditure within a prescribed framework.
- 13.3 An adjustments budget must be in a similar format to the original budget.
- 13.4 Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of s.28(2)(b) to (g) of the Act may only be tabled within certain prescribed limitations as to timing or frequency.
- 13.5 When an adjustments budget is tabled, it must be accompanied by-
  - 13.5.1 An explanation how the adjustments budget affects the annual budget;
  - 13.5.2 A motivation of any material changes to the annual budget;
  - 13.5.3 An explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
  - 13.5.4 Any other supporting documentation that may be prescribed.
- 13.7 Paras. 13.1, 13.2 and 14.3 apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

## **14. UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

- 14.1 The mayor may in an emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- 14.2 Any such expenditure-
- 14.2.1 Must be in accordance with any framework that may be prescribed;
- 14.2.2 May not exceed a prescribed percentage of the approved annual budget;
- 14.2.3 Must be reported by the mayor to the municipal council at its next meeting; and
- 14.2.4 Must be appropriated in an adjustments budget.
- 14.3 If such adjustments budget is not passed within 60 days after the expenditure was incurred, the expenditure is unauthorised and will be regarded as unauthorized, irregular or fruitless and wasteful expenditure.

## **15. UNSPENT FUNDS**

The appropriation of funds in an annual or adjustments budget lapses to the extent that those funds are unspent at the end of the financial year to which the budget relates, except in the case of an appropriation for expenditure made for a period longer than that financial year in terms of section 16(3) of the Act.

## **16. SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS**

- 16.1 When funds for a capital programme are appropriated in terms of section 16(3) of the Act for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme, provided that-
- 16.2 The increase does not exceed 20 per cent of that year's appropriation for the programme;
- 16.3 The increase is funded within the following year's appropriation for that programme;
- 16.4 The municipal manager certifies that-



- 16.3.1 Actual revenue for the financial year is expected to exceed the budgeted revenue; and
- 16.3.2 Sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit;
- 16.3 prior written approval is obtained from the mayor for the increase; and
- 16.4 The documents referred to in paragraphs 18.3 and 18.4 are submitted to the relevant provincial treasury and the Auditor-General.

**17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

- 17.1 A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if-
  - 17.1.1 The municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved has, in accordance with section 21A of the MSA-
    - 17.1.1.1. made public the draft contract and an information statement summarizing the municipality's obligations in terms of the proposed contract; and
    - 17.1.1.2. invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and
    - 17.1.1.3. has solicited the views and recommendations of-
      - 17.1.1.3.1 the National Treasury and the relevant provincial treasury;
      - 17.1.1.3.2 the national department responsible for local government; and
      - 17.1.1.3.3. if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;
- 17.2 The municipal council has taken into account-
  - 17.2.1 The municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;
  - 17.2.2 The impact of those financial obligations on the municipality's future municipal tariffs and revenue;

- 17.2.3 Any comments or representations on the proposed contract received from the local community and other interested persons;
- 17.2.4 Any written views and recommendations on the proposed Contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph 19.1;
- 17.3 The municipal council has adopted a resolution in which-
  - 17.3.1 It determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;
  - 17.3.2 It approves the entire contract exactly as it is to be executed; and
  - 17.3.3 It authorises the municipal manager to sign the contract on behalf of the municipality.
- 17.4 The process set out in Para. 19 does not apply to-
  - 17.4.1 Contracts for long-term debt regulated in terms of section 46(3) of the Act;
  - 17.4.2 Employment contracts; or
  - 17.4.3 contracts-
    - 17.4.3.1 for categories of goods as may be prescribed; or
    - 17.4.3.2 In terms of which the financial obligation on the municipality is below a prescribed value; or a prescribed percentage of the municipality's approved budget for the year in which the contract is concluded.
- 17.5 All contracts referred to in Para. 19 and all other contracts that impose a financial obligation on a municipality-
  - 17.5.1 Must be made available in their entirety to the municipal council; and
  - 17.5.2 may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).
  - 17.5.3 This paragraph does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

## **18. FAILURE TO APPROVE BUDGET**

- 18.1 If the council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the council meeting that failed to approve the budget.
- 18.2 The process provided for in Para. 22.1 must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.
- 18.3 If the council has not approved an annual budget, including Revenue-raising measures necessary to give effect to the budget, by the first day of the budget year, the mayor must immediately comply with section 55 of the Act.

## **19. CONSEQUENCES OF FAILURE TO APPROVE BUDGET**

- 19.1 If by the start of the budget year a municipal council has not approved an annual budget or any revenue-raising measures necessary to give effect to the budget, the provincial executive of the relevant province must intervene in the municipality in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved, including dissolving the council and-
- 19.1.1 appointing an administrator until a newly elected council has been declared elected; and
- 19.1.2 approving a temporary budget or revenue-raising measures to provide for the continued functioning of the municipality.

## **20. NON-COMPLIANCE OF THE ACT RELATING TO BUDGETARY PROCEDURE**

- 20.1 The mayor will, upon becoming aware of any impending non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for finance in the province, in writing, of such impending non-compliance in terms of s.27 of the Act.
- 20.2 If the impending non-compliance pertains to a time provision, except sect. 16(1) of the Act, the MEC for finance may, on application by the mayor and on good cause shown, extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with sect. 16(1) of the Act. An MEC for finance must-

- 20.2.1 exercise the power contained in the Act in accordance with a prescribed framework; and
- 20.2.2 promptly notify the National Treasury, in writing, of any extensions given in terms of this subsection, together with the name of the municipality and the reasons.
- 20.3 The mayor must, upon becoming aware of any actual non-compliance by the municipality of the provisions of this Act relating to budget procedure, inform the council, the MEC for finance and the National Treasury, in writing, of-
  - 20.3.1 such non-compliance; and
  - 20.3.2 any remedial or corrective measures the municipality intends to implement to avoid a recurrence.
- 20.4 Non-compliance by the municipality with a provision of this Act relating to the budget process or a provision in any legislation relating to the approval of a budget-related policy, does not affect the validity of an annual or adjustments budget.
- 20.5 The provincial executive may intervene in terms of the appropriate provision of section 139 of the Constitution if a municipality cannot or does not comply with a provision of this Act, including a provision relating to process in terms of s.27 of the Act.

## **21. SALARIES AND ALLOWANCES**

- 21.1 The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and within the budget limitations it shall be strived to comply with the NT guidelines of the aggregate operating budget component of the annual or adjustments budget.
- 21.2 As a guiding principle the salary budget should not constitute more than 35% of annual operating expenditure.

## **22. VOTES, CATEGORIES OF EXPENDITURE AND LINE ITEMS**

- 22.1 Votes are the basic divisions of the budget. In accordance with the definition of “vote” in the MFMA, votes shall be at the departmental or functional level. Votes must be related to an international classification system, such as the Government Finance Statistics (GFS) system.
- 22.2 Each vote in the operating expenditure budget shall be subdivided into the following expenditure categories –

- a) Salaries and allowances
- b) General expenses
- c) Repairs and maintenance
- d) Depreciation
- e) Finance charges
- f) Printing and stationery
- g) Any other relevant vote for the expenditure

22.3

Each expenditure category shall be divided into such line items as the Chief Financial Officer may determine. No line item may be created if the amount that will be appropriated under it will be less than R 1 000.

**23. NOTE: DATES IN BRACKETS ARE PUTATIVE**

<b>FINAL DATE</b>	<b>ACTION BY MUNICIPALITY</b>	<b>ACTION BY MUNICIPAL ENTITY</b>
31 August	Table in council timetable for preparation of coming year's annual budget	-
20 January	-	Assess current year's budget performance and submit report to council and municipality
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)	Consider municipal entity's proposed budget for coming year and make recommendations	-
(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	-
<b>FINAL DATE</b>	<b>ACTION BY MUNICIPALITY</b>	<b>ACTION BY MUNICIPAL ENTITY</b>
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	Conclude performance agreements	-

approved		
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	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for <ul style="list-style-type: none"> <li>- preparation, tabling and approval of annual budget</li> <li>- annual review of IDP</li> <li>- annual review of budget-related policies</li> <li>- tabling and adoption of any amendments to IDP and budget-related policies</li> <li>- any consultative processes forming part of foregoing</li> </ul>	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 (presumably immediately).	Accounting officer	
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	<p>It is not clear to what person or structure in the parent municipality this budget must be submitted.</p> <p>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.</p>

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 entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public.	Board of directors and mayor of parent municipality	Evidently such an adjustments budget may be prepared at any stage. It would make 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.  Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered.
54(1) and (2)	(Between 31 January and 31)	If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by	Mayor	Adjustments budgets may be prepared by the

	March)	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).		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 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 municipality first tabled.	Mayor	-
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 which the budget is to be submitted specified.  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.
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	Service delivery and budget implementation plan must be	Mayor	-

	after date annual budget approved (late June to late July)	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 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.