

THABO MOFUTSANYANE DISTRICT MUNICIPALITY



BUDGET POLICY

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DEFINITIONS

"Accounting Officer"-

(a) means the Municipal Manager;

"Allocation", means-

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

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

"Approved budget," means an annual budget-

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

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

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

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

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

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

"Chief Financial Officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"Councillor" means a member of a municipal council;

"Creditor", means a person to whom money is owed by the municipality;

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

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

"Financial Recovery Plan" means a plan prepared in terms of section 141 of the MFMA

"Financial Statements", means statements consisting of at least-

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

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

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

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

"Irregular expenditure", means-

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;

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

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

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

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

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

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

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

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

"The Executive Mayor" means the councillor elected as The Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act;

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

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

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

"Municipality"-

- (a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- (b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"Accounting Officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

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

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

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

"Official", means-

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

"Overspending"-

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

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

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

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

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

- (a) projections for each month of-
 - (i) revenue to be collected, by source; and
 - (ii) operational and capital expenditure, by vote;
- (b) service delivery targets and performance indicators for each quarter; and
- (c) any other matters that may be prescribed, and includes any revisions of such plan by the Executive Mayor in terms of section 54(l) (c) of the MFMA;

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

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

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

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

"Virement" means transfer of funds between functions / votes

"Vote" means-

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

1. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), The Executive Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the Executive Mayor, the accounting officer, the Chief Financial Officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to Thabo Mofutsanyane District Municipality IDP review and budget processes.

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- Thabo Mofutsanyane District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.
- 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 adjustments 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. In addition, the council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

4. BUDGET PREPARATION PROCESS

4.1 Formulation of the budget

- (a) The Accounting Officer with the assistance of the Chief Financial Officer and the manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- (b) The Executive Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- (c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the Medium Term Revenue and Expenditure Framework (MTREF) budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- (d) The Executive Mayor shall convene a strategic workshop in September/October with the other councillors and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The Executive Mayor shall table the IDP priorities with the draft budget to Council.
- (e) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- (f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

- (g) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (i) The expenses reflected in the budget must be divided into items.
- (j) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.
- (k) 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.
- (l) Consult all other local municipalities in the district.
- (m) Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.

4.2 Consultations on tabled budgets

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

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

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a

committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

4.3 Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and performance measures be adopted.
- (c) The budget tabled to Council for approval shall include the following supporting documents:
 - i. Draft resolution approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. Measurable performance objectives for each budget vote, taking into account the municipality's IDP;
 - iii. The projected cash flows for the financial year by revenue sources and expenditure votes;
 - iv. Any proposed amendments to the IDP;
 - v. Any proposed amendments to the budget-related policies;
 - vi. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the Chief Financial Officer, and other senior managers;
 - vii. Particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
 - viii. Particulars of the municipality's investments; and

- ix. Various information in regard to municipal entities under the shared or sole control of the municipality

4.4. Publication of the budget

- (a) Within 14 days after the draft annual budget has been tabled, the Director Corporate Services must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury.
- (b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

4.5 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 Executive 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.

4.6 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality, which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a

temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

4.7 Service Delivery and Budget Implementation Plan (SDBIP)

- (a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
 - i. Monthly projections of revenue to be collected for each source,
 - ii. Monthly projections of expenditure (operating and capital) and revenue for each vote,
 - iii. Quarterly projections of service delivery targets and performance indicators for each vote,
 - iv. Ward information for expenditure and service delivery,
 - v. Detailed capital works plan broken down by ward over three years.

5. CAPITAL BUDGET

- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and its value exceeds R10,000 and has a useful life in excess of one year.
- (b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- (c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (d) The envisaged sources of funding for the capital budget must be properly

considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

- (e) Before approving a capital project, the Council must consider:
 - i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- (f) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- (g) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- (h) The capital expenditure shall be funded from the following sources:

Revenue or Surplus

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

External loans

- External loans can be raised only if it is linked to the financing of an asset;

- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life expectancy of the asset. If that happen the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Capital Replacement Reserve (CRR)

- Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:
 - unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - interest on the investments of the CRR, appropriated in terms of the investments policy;
 - additional amounts appropriated as contributions in each annual or adjustments budget; and
 - Sale of land and profit or loss on the sale of assets.
- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- Transfers to the CRR must be budgeted for in the cash budget;

Grant Funding

- Non capital expenditure funded from grants
 - Must be budgeted for as part of the revenue budget;
 - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- Capital expenditure must be budgeted for in the capital budget;
- Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

6. OPERATING BUDGET

- a) The municipality shall budget in each annual and adjustments budget for the contribution to:
 - i. provision for accrued leave entitlements equal to 100% of the accrued leave.
 - ii. entitlement of officials as at 30 June of each financial year,
 - iii. provision for bad debts in accordance with its rates and tariffs policies
 - iv. provision for the obsolescence and deterioration of stock in accordance with its stores management policy.
 - v. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
 - vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

- b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- d) The operating budget shall reflect the impact of the capital component on:
 - i. Depreciation charges,
 - ii. Repairs and maintenance expenses,
 - iii. Interest payable on external borrowings
 - iv. Other operating expenses.
- e) The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

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

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year.
- c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds.

- d) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by Council in May.
- e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- f) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- g) No unspent operating budget shall be rolled over to the next budget year

9. BUDGET TRANSFERS AND VIREMENTS

- a) Budget transfers within the same vote shall be recommended by the respective Directorate and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Department.
- b) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Municipal Manager.
- c) In cases of emergency situations virements shall be submitted by the Accounting Officer to The Executive Mayor for authorization and be reported by The Executive Mayor to Council at its next meeting.
- d) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- e) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of Council.
- f) Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses, Repairs & Maintenance, etc.) within a vote which is under their control towards the

defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer or such senior delegated official in the Budget and Treasury Department.

- g) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category.
- h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- i) Virements between votes shall be included in the adjustment budget.

10. ADJUSTMENT BUDGET

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

- a) The Chief Financial Officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Executive Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to The Executive Mayor on the revision of the IDP and the budget-related policies where these are indicated.
- b) Council may revise its annual budget by means of an adjustments budget at most twice a year or as regulated.
- c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item (b) of Section 10.

- e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of The Executive Mayor.
- f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- g) Only The Executive Mayor shall table an adjustments budget. Adjustments budget shall be done at most twice a year after the end of 2nd and 3rd quarter and be submitted to Council in the following months:
 - i. January – If, there is material under / over collection or overspending on existing vote to expedite the existing project / programme, or
 - ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget, or
 - iii. May – final budget adjustment to adjust current year's budget in cases where there is a indication that there will be rolling over of funding to the next financial year
- h) An adjustments budget must contain all of the following:
 - i. an explanation of how the adjustments affect the approved annual budget;
 - ii. appropriate motivations for material adjustments; and
 - iii. an explanation of the impact of any increased spending on the current and future annual budgets.
- i) Any unappropriated surplus from previous financial years, even if fully cash backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.
- j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- k) Unauthorised expenses may be authorised in an adjustment budget.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

- a) The accounting officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
 - 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.
- b) The Accounting officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to The Executive Mayor for consideration and tabling to Council.
- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

- a) The accounting officer with the assistance of the Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to The Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

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

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

11.2.2 Quarterly Reports

- a) The Executive Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

11.2.3 Mid-year budget and performance assessment

- b) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- c) The Accounting officer must then submit a report on such assessment to The Executive Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- d) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. CONCLUSION

The Budget and Treasury office must place on the municipality's official website the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;
- all performance agreements;
- all service delivery agreements;

13. SHORT TITLE

This Policy is the Budget Related Policy of the Thabo Mofutsanyane District Municipality.

14. IMPLEMENTATION

This Policy has been approved by Thabo Mofutsanyane District Municipality in terms of resolution.....dated.....and comes into effect from..... and this policy shall be reviewed on

15 . SUMMARISED TIMETABLE

FINAL DATE	ACTION BY MUNICIPALITY
31 August	Table in council timetable for preparation of coming year's annual budget
25 January	Assess current year's budget performance
31 January	Table assessment report in council
(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
31 March	Table municipality's draft budget for coming year
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others
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
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	Submit budget to national treasury and provincial treasury

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

16. DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
21(1)(b)	31 August	Executive 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"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing 	Executive Mayor
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	Accounting officer

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
		necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the Executive Mayor, national treasury and the provincial treasury.	
54(1)(f)	31 January	Executive Mayor must submit accounting officer's report to council.	Executive Mayor
54(1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" Executive Mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Executive Mayor must also consider revisions to service delivery and budget implementation plan.	Executive Mayor
54(3)	(Between 31 January and 31 March)	Executive Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public.	Executive Mayor
16(2)	31 March	Executive Mayor must table (draft) annual budget of municipality at	Executive

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
		council meeting at least 90 days before start of budget year.	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 Executive 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.	Executive 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	Council

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
		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.	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer
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
69(3)(a) and (b)	14 days after approval of	Accounting officer must submit to Executive Mayor draft service delivery and budget implementation plan, and drafts of annual	Accounting officer

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
	annual budget (mid June to mid July)	performance agreements for municipal manager and all senior managers.	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by Executive Mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter.	Executive Mayor
53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Executive 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	Executive Mayor

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party
	July)	Section 57(2) of the Municipal Systems Act.	
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 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.	Executive Mayor