
MALUTI-A-PHOFUNG LOCAL MUNICIPALITY



BUDGET & REPORTING POLICY- FINAL 2016/17



TABLE OF CONTENTS

DESCRIPTION	PAGE
1. Definitions	2-7
2. Introduction	8
3. Objective	8
4. Budgeting principles to be followed	8-13
5. Responsibilities of the chief financial officer	14-17
6. Budget steering committee	17
7. Annual budget	18
8. Annual budget preparation process	19-22
9. Adjustments budget	22-23
10. Quality certification	24
11. Budget implementation and monitoring	24-26
12. Management of the budget	27
13. Oversight	27-28
14. Reporting	28-30
15. Summarised timetable	31-33



1. DEFINITIONS

"Accounting Officer" - means the Municipal Manager of the Municipality

"Allocation", means-

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

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

"Approved budget," means an annual budget-

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

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

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

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

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



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

"Chief financial officer" 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;

"Executive mayor" means the councilor 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);

"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;

" Replacement Reserves" are funds set aside that provide for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building's economic life (short lived items).

"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.



2. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. The mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. The Budget policy aims to secure sound and sustainable management of budgeting and reporting practices of the municipality in line with the appropriate norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibilities in the budgeting and reporting processes.

3. 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 Council, the 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 the IDP review and budget processes.



4. BUDGETING PRINCIPLES TO BE FOLLOWED

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 The council shall establish a **Capital Replacement Reserve** for the purpose of financing capital **assets** and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue
- 1) unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - 2) interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
 - 3) further amounts appropriated as contributions in each annual or adjustments budget; and
 - 4) net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.
- 4.5 Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.



- 4.6 Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.
- 4.7 An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.
- 4.8 The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- 4.9 The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- 4.10 The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.
- 4.11 All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets



- financed from external borrowings shall be transferred to the investments created to redeem such borrowings.
- 4.12 Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.
- 4.13 Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.
- 4.14 The allocation of interest earned on the municipality's investments shall be budgeted for in terms of the **funding and reserves policy**
- 4.15 The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.
- 4.16 In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and



- contractual and statutory commitments **(for example, depreciation charges, finance charges, insurance costs, contribution to the COID, skills development levies payable).**
- 4.17 Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 30% of the aggregate operating budget component of the annual or adjustments budget.
- For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.
- 4.18 The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the **Budget Steering Committee constituted in terms of Municipal Budget and Reporting Regulations.** In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide **Budget Steering Committee** with appropriate quarterly performance indicators, service delivery targets **and any other relevant information pertaining to the budget as may be required by the committee.**
- 4.19 To be dealt with in the reserves and funding policy. (it is improbable to fix a percentage benchmark for revenue to be collected from property rates as a number of constantly changing circumstances needs to be taken into account (e.g. people becoming indigents, thresholds of excluded property values in terms of Property Rates Act, etc), therefore this approach would require almost frequent review of the policy in one financial year, and that may render the policy inappropriate).
- 4.20 When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a



fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the council shall ensure that the average additional impact of such increases is **not more than the prevailing consumer price index and shall be in line with the guidelines provided by the National Treasury for the preparation of the budget for the financial year in question.**

- 4.21 An annual budget must generally be divided into a capital and an operating budget.
- 4.22 The municipality shall not budget for a deficit in its annual and adjustment budgets.
- 4.23 An item of expenditure shall be included in the capital budget if it results in an asset being acquired or created and its value exceeds R 5,000. (Excluding VAT) and has a useful life in excess of one year

documentation to the 4.24 The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for in respect of vehicles acquisition.



5. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER (ASSUMING REQUIRED DELEGATIONS BY ACCOUNTING OFFICER IN PLACE)

- 5.1 Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking and investments policy), and shall be accountable to the municipal manager in regard to the performance of these functions.
- 5.2 The municipal manager shall ensure that all heads of departments provide the inputs required by the chief financial officer into these budget processes.
- 5.3 The chief financial officer shall draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related mayor, finance committee, executive committee and council
- 5.4 Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:



- Depreciation charges
 - Repairs and maintenance expenses
 - Interest payable on external borrowings
 - Other operating expenses.
- 5.5 In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the Organizational structure of the municipality, and further in so doing shall comply – in so far as the Organizational structure permits – also with the prescribed budget format of National Treasury.
- 5.6 The chief financial officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, **the apportionment of insurance premiums**, and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence of stocks.
- 5.7 The chief financial officer shall further, with the approval of the mayor and the municipal manager, **establish a Capital Replacement Reserve to set aside funds for the financing of property, plant and equipment.**
- 5.8 The chief financial officer shall also, again with the approval of the mayor and the municipal manager, and having regard to the municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.
- 5.9 The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections,



and the heads of departments shall timeously and adequately furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

- 5.10 The chief financial officer shall provide **administrative support** to the mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.
- 5.11 The chief financial officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 5.12 The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
- 5.13 The chief financial officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.



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

5.15 The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

6. BUDGET STEERING COMMITTEE

6.1 The Mayor shall establish a budget steering committee to provide technical assistance to the mayor in discharging his responsibilities as set out in section 53 of Municipal Finance Management Act.

6.2 The budget steering committee shall **consist of the following persons:**

- the Councillor responsible for financial matters;
- the Accounting Officer (Municipal Manager);
- the Chief Financial Officer;
- the manager responsible for budgeting;
- the manager responsible for planning;
- any technical expert on infrastructure; and
- heads of the Departments of the municipality / Senior Managers.



7. ANNUAL BUDGET

7.1 Format

7.1.1 The annual budget and the supporting documentation shall be prepared in a format specified in Municipal Budget and Reporting Regulations, 2008.

7.2 Funding of the annual budget

7.2.1 The funding of annual budget expenditure shall be estimated in accordance with the assumptions and methodologies set out in the funding reserves policy of the municipality and shall be consistent with the trends, current and past, of actual funding collected or received; and

7.2.2 Realistically anticipated revenues to be received from the National or Provincial government, National or Provincial entities, District Municipality, donors or any other source for which an acceptable documentation which guarantees the funds is available.

7.2.3 Estimated provisions for revenues from rates and taxes, levies or other charges that will not be collected shall be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.

7.2.4 The annual budget shall show total capital expenditure and different sources of funding. All different sources of funding shown in the capital expenditure must be available and not committed for other purposes.



8. ANNUAL BUDGET PREPARATION PROCESS

8.1 Formulation of the budget

8.1.1 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 for the ensuing financial year for tabling by the Mayor by **31 August** each year for approval.

8.1.2 Both the Budget timetable and the IDP process plan shall indicate the key deadlines for the preparation and approval of the annual budget and review of the IDP. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and Reporting Regulations as well as any guidelines set by the National Treasury.

8.2 Tabling of the annual budget

8.2.1 An annual budget and supporting documentation tabled in council shall be in a prescribed format in terms of Municipal Budgeting and Reporting Regulations, 2008 and be credible and realistic such that it is capable of being approved and implemented as tabled.

8.2.2 The Mayor shall table the draft 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.

8.3 Public participation and submission of draft budget for consultation

8.3.1 Immediately after the draft annual budget has been tabled to council, the municipality must convene hearings on the draft budget and invite the public, and stakeholder organizations to make representation at the council hearings and to submit comments in response to the draft budget.



8.3.2 The Municipal Manager or his/ her delegate shall publicize, in terms of section 21A of Municipal Systems Act, summaries of the annual budget and supporting documentation in alternate languages dominant in the community information relevant to each ward of the municipality.

8.3.3 The Municipal Manager or his/ her delegate shall submit to the National Treasury and the Provincial Treasury the tabled budget together with other supporting documents in both print and electronic versions.

8.3.4 After considering all budget submissions, the council shall give the mayor an opportunity to respond to the submissions.

8.4 Consideration and Approval of the Annual Budget

8.4.1 At least 30 days before the start of the new budget year (*i.e* end of May), the Mayor shall table to council the following documents in relation to the annual budget:

- A report summarizing community's views on the budget;
- Any comments on the annual budget received from the National Treasury and the Provincial Treasury;
- Any comments on the annual budget received from any other organ of state including any affected municipality;
- Any comments of the annual budget received from any other stakeholder.

8.4.2 The council shall consider the medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

8.4.3 Before approving the tabled annual budget and supporting documentations, the council shall consider full implications, financial and otherwise, of such budget and supporting documents.



8.4.4 Within 10 working days after the council has approved the annual budget, the Municipal Manager or his delegate shall, in accordance with section 21A of Municipal Systems Act, publicize the approved annual budget and supporting documentation and the resolutions passed by the council in relation to the annual budget.

8.5 Service Delivery and Budget Implementation Plan

8.5.1 The Mayor shall approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the annual budget by Council.

8.5.2 The SDBIP shall include the following particulars as a minimum:

- Monthly projections of revenue to be collected for each source;
- Monthly projections of expenditure (operating and capital) and revenue for each vote;
- Quarterly projections of service delivery targets and performance indicators for each vote;
- Ward information for expenditure and service delivery; and
- Detailed capital works plan broken down by ward over three years.

8.5.3 The Municipal Manager or his/ her delegate shall make the SDBIP public in terms of section 21A of Municipal Systems Act within 10 days after approval by the Mayor

8.6 Submission of Approved Annual Budget and Other Documentation

8.6.1 The Municipal Manager or his/ her delegate shall submit to the National Treasury and Provincial Treasury in both printed and electronic form the following:

- The supporting documentation within 10 days after the council has approved the annual budget;
- The approved SDBIP within 10 days after being approved by the mayor; and



- Any other information as may be required by the National and / or Provincial Treasury.

8.6.2 The Municipal Manager or his/ her delegate shall also submit copies of the approved budget and documentation in both printed and electronic form to:

- Thabo Mofutsanyane District Municipality within 10 days after the council has approved the annual budget; and
- Any other organ of state on receipt of a request from that organ of state.

9. ADJUSTMENTS BUDGET

9.1 An adjustments budget shall be tabled to council anytime after mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the financial year in question.

9.2 Only one (1) adjustments budget shall be tabled to council during a financial year, except when additional revenues are made available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.

9.2 The Chief Financial Officer, in consultation with the Municipal Manager, shall promptly adjust budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

9.3 If the national or provincial adjustments allocate additional revenues to the municipality, the mayor shall, at the next available council meeting, but within 60 days of the approval of the relevant provincial or national adjustments budget, table in council an adjustment budget to appropriate these additional revenues.



- 9.4 The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendations of the Mayor. The Council shall also authorize the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.
- 9.5 The Municipal Manager or his delegate shall ensure that the adjustments budget and supporting documentation are in a format prescribed by Municipal Budget and Reporting Regulations, 2008 reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 9.6 An adjustments budget must contain all of the following:
- a) an explanation of how the adjustments affect the approved annual budget;
 - b) appropriate motivations for material adjustments; and
 - c) an explanation of the impact of any increased spending on the current and future annual budgets.
 - d) how the adjustments budget is funded
- 9.7 Unless if necessitated by financial recovery plan, an adjustments budget will not be considered solely to increase municipal taxes and tariffs during a financial year.
- 9.8 The policy guidelines on tabling, consideration and approval, publication and submission of the annual budget shall also apply to adjustment budgets.



10. QUALITY CERTIFICATION

10.1 Whenever an annual budget and supporting documentation, adjustments budget and supporting documentation or an in-year report is submitted to the mayor, tabled in council, made public or submitted to another organ of state, it shall be accompanied by a **QUALITY CERTIFICATE** complying with Schedule A, B or C of Municipal Budget and Reporting Regulations, 2008 and signed by the Municipal Manager.

10.2 In signing the quality certificate, the Municipal Manager certifies that all ratepayers and consumers are accounted for in the annual budget calculations and that billing systems including property records and metering information are up to date and consistent with revenue projections in the annual budget.

11. BUDGET IMPLEMENTATION AND MONITORING

11.1 The Municipal Manager with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and shall 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.

11.2 Shifting of Funds

11.2.1 When funds for a capital programme are appropriated in terms of section 16(3) of the MFMA 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:

- the increase does not exceed 20% of that year's appropriation for the programme;



- the increase is funded within the following year's appropriation for that programme;
- the municipal manager certifies that actual revenue for the financial year is expected to exceed budgeted revenue; and
- that sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit.

11.2.2 Prior to shifting of funds, the Municipal Manager must obtain written approval from the mayor for the increase; and he must submit to the Provincial Treasury and the Auditor-General the certification that actual revenue will exceed budgeted revenue and that sufficient funds are available for increase without incurring further borrowing beyond the annual budget limit.

11.3 Unforeseen and unavoidable expenditure

11.3.2 Unforeseen and unavoidable expenditure are expenditure that will be identified as the type of expenditure that could not be foreseen at the time the annual budget of the municipality was prepared and approved, despite all due care having been exercised, and the delay that will be caused by a pending adjustment budget may:

- Result in significant financial loss for the municipality;
- Cause a disruption or suspension or serious threat to the continuation of municipal services; and
- Lead to loss of life or serious injury or significant damage to property.

11.3.3 A head of the department or senior manager upon becoming aware of impending unforeseen or unavoidable expenditure, must immediately inform the Municipal Manager or his/ her delegate, providing full details on the unforeseen expenditure, and detailing the consequences of not incurring the expenditure as well as an indication of the expected cost



implication (both for the current year as well as any recurring cost resulting from the initial cost).

11.3.4 The mayor may, in circumstances as detailed above, authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

11.3.5 The amount of expenditure that the mayor may authorize of unforeseen and unavoidable expenditure shall be limited as follows:

- 5% of the municipality's own revenue if the approved total revenue in the current budget does not exceed R 250 million
- The greater of R 5 million or 4% of the municipality's own revenue if the approved total revenue in the current budget exceeds R 250 million but is less than R 500 million
- R 15 million if the municipality's approved total revenue in the current budget exceeds R 500 million

11.3.6 The Municipal Manager or his/ her delegate shall keep a register of all unforeseen and unavoidable expenditure for reporting purposes.

11.3.7 The Mayor shall report to all the approved unforeseen and unavoidable expenditure to the next ordinary council meeting following the incurrence of such expenditure.

11.3.8 The Municipal Manager or his/ her delegate shall appropriate the unforeseen and unavoidable expenditure an adjustments budget.



12. MANAGEMENT OF THE BUDGET

- 12.1 The Municipal Manager shall be responsible for implementing the municipality's approved budget, and shall ensure that unauthorised, irregular or fruitless and wasteful expenditure and prevented.
- 12.2 The Chief Financial Officer and other senior managers shall assist the Municipal Manager in ensuring 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.
- 12.3 The Municipal Manager or his/ her delegate shall also ensure that revenue and expenditure are properly monitored, and where necessary must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.
- 12.4 The Municipal Manager is responsible to ensure that no municipal funds are transferred or paid into funds established in terms of section 12 of MFMA.

13. OVERSIGHT

- 13.1 The mayor shall ensure that the municipality approves its annual budget before the start of the budget year.
- 13.2 The mayor shall provide general political guidance over the fiscal and financial affairs of the municipality by monitoring the implementation of the budget.
- 13.3 Within the ambits of the MFMA, the mayor shall oversee the exercise of responsibilities assigned to the Municipal Manager and the Chief Financial Officer, but may not interfere in the exercise of those responsibilities.



13.4 The mayor must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget.

13.5 Within 30 days of the end of each quarter, the mayor must submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

14. REPORTING

14.1 Monthly Reporting

14.1.1 The Municipal Manager or his/ her delegate shall, not later than 10 working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury monthly budget statements in terms of section 71 of MFMA 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.

14.1.2 The monthly budget statement shall be in a format specified in Schedule C of Municipal Budget and Reporting Regulations, 2008, taking into account any guidelines issued by the National Treasury.

14.1.3 The Mayor shall table to the next council meeting monthly budget statement(s), accompanied by his report in a format set out in Schedule C of Municipal Budget and Reporting Regulations, 2008.

14.1.4 The Municipal Manager or his/ her delegate must place the monthly budget reports on the municipality's website.



14.2 Quarterly Reporting

14.2.1 The Mayor shall submit to Council within 30 days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

14.2.2 The quarterly report shall be in a format specified in Schedule C of Municipal Budget and Reporting Regulations, 2008, taking into account any guidelines issued by the National Treasury.

14.2.3 The quarterly reports shall be consistent with the monthly budget statements for each quarter and the Municipal Manager or his/ her delegate shall submit these reports to the National Treasury and Provincial Treasury within 5 days of tabling of the reports to council.

14.2.4 The Municipal Manager or his/ her delegate must place the tabled quarterly reports on the municipality's website.

14.3 Mid-year Reporting

14.3.1 The Chief Financial Officer, in consultation with the Municipal Manager, shall 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.

14.3.2 The Municipal Manager or his/ her delegate shall then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.



- 14.3.4 Such report shall make recommendations as to whether an adjustments budget is necessary and recommend revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.
- 14.3.5 The quarterly report shall be in a format specified in Schedule C of Municipal Budget and Reporting Regulations, 2008, taking into account any guidelines issued by the National Treasury.
- 14.3.6 Within 5 working days of 25 January each year, the Municipal Manager or his/ her delegate shall make mid-year budget and performance assessment report public by placing it on the municipality's website.
- 14.3.7 The Municipal Manager or his/ her delegate shall submit to the National Treasury and Provincial Treasury in both printed and electronic form the mid-year budget and performance assessment report by 25 January each year and any other information relating to the mid-year budget and performance assessment report as may be required by the National Treasury.



Maluti-a-Phofung Local Municipality Budget & Reporting Policy **2016/17**

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in council timetable for preparation of coming year's annual budget	-
20 January	-	Assess current year's budget performance and submit report to board of directors 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



Maluti-a-Phofung Local Municipality Budget & Reporting Policy **2016/17**

31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	-
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	-
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury	-
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	-
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-
Late June to late July:	Conclude performance agreements	-



Maluti-a-Phofung Local Municipality Budget & Reporting Policy 2016/17

28 days after budget 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	-



Maluti-a-Phofung Local Municipality Budget & Reporting Policy