MOPANI DISTRICT MUNICIPALITY

2026/27

BUDGET POLICY

Introduction

In terms of chapter 4,section 16 of the Municipal Finance Act,2003(Act No.56 of 2003)a municipal council must for each financial year, by way of annual budgets, appropriate money from its Revenue fund for the requirements of the Municipality. The annual budget of a Municipality is both a legislative requirement in terms of the Municipal Finance Management Act, 2003, as well as a tool for planning and control. The financial year of local authorities covers the period 01 July of each year to 30 June of the following year.

A Municipality must, in terms of chapter 5, section 25(1)of the Local Government Municipal system Act,2000 (Act no.32 of 2000), undertake developmentally oriented planning. It must adopt a single, inclusive and strategic plan in the form of an Integrated Development Plan (IDP).This must form the policy framework and general basis on which annual budgets must be based.

1. PURPOSE

1.1. To set out the budgeting principles which the council will follow in preparing each annual budget, as well as the responsibilities of the Chief Financial Officer in compiling such budget.

1.2. To ensure that the Mopani District Municipality only incurs expenditure in accordance with its approved budget.

1.3. To assist the Mopani District Municipality in the management of its income and expenditure so as to achieve its goals as set out in its policy documents.

2. PRINCIPLES

2.1. The council shall adopt three –year budget statements for the next financial year's budget. The budgets statements shall be the focal point of the budget, and shall be linked to the IDP. The Budget and IDP review process are to run concurrently.

2.2. Except in so far as capital projects represents a contractual commitment to the Municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

2.3. The Capital budget will focus mainly on Water services, Disaster and Fire services.

2.4. 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.

2.5. Before approving the capital budget component of the annual or adjustment budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to :

a) Finance charges to be incurred on external loans;

b) Depreciation of fixed asset;
c) Maintenance of fixed asset; and
d) Any other ordinary operation expenses associated with any items on such capital budget.

2.6. 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 service tariffs.

2.7. The council recognizes the paramount importance of sustainable asset financing and strategic asset management in achieving the municipality's developmental goals. To this end, an Asset Financing Reserve will be established, specifically earmarked for financing capital projects and the acquisition of capital assets that are critical to the municipality's strategic objectives as outlined in the IDP.

The Asset Financing Reserve shall be meticulously curated from the following sources of revenue, ensuring a balanced approach that prioritizes strategic investment over operational exigencies:

a) Surpluses that are not earmarked for immediate operational needs, ensuring that funds are directed towards long-term capital projects that align with IDP priorities.
b) Interest earned on investments made from the Asset Financing Reserve, managed in accordance with the municipality's Banking and Investments Policy, to grow the reserve responsibly and sustainably.
c) Deliberate allocations made within the annual or adjustment budgets, reflecting a commitment to funding strategic asset acquisition and capital projects that drive municipal development goals.
d) Net gains realized from the strategic disposal of fixed assets, as guided by the Fixed Assets Management and Accounting Policy, ensuring that asset lifecycle management contributes to the reserve.

2.8. To underscore our commitment to fiscal prudence and strategic financial management, any surplus from the previous financial year will not be utilized to offset annual or adjustment budgets. Instead, such surplus will be allocated to the Asset Financing Reserve, provided it is surplus to operational creditor requirements and is cash-backed. This ensures a forward-looking approach to financial management, where surplus funds are seen as an opportunity to invest in the municipality's future.

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

2.10. The municipality shall establish and maintain a provision for bad debts in accordance with its Rates and Tariffs policy, and shall budget appropriately for the contribution to such provision in each annual and adjustment budget.(such contribution shall not be less than the actual contribution made on the previous financial year.)

2.11. When considering the draft annual budget, the council shall consider the impact that the proposed increases in rates and services 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.

2.12. 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.

2.13. Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustment budget and shall be charged or apportioned only between the departments or vote to which the proper relate.

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

2.15. Recognizing the critical importance of maintaining our fixed assets not only to preserve their value but also to ensure the continuous delivery of services to our community, the municipality commits to a strategic and proactive asset maintenance regime. This approach is central to our broader strategy of sustainable asset management, aiming to reduce long-term operational costs and extend the lifespan of our assets.

To this end, the municipality will:

a) Ensure Comprehensive Budgeting for Asset Maintenance: Each annual and adjustment budget will include a dedicated provision for the maintenance of fixed assets. This provision will be based on a thorough assessment of maintenance needs, informed by the Fixed Assets Management and Accounting Policy and the strategic priorities outlined in the Integrated Development Plan (IDP).

b) Dynamic Allocation for Maintenance Budgeting: Rather than setting a rigid percentage of the operating budget for maintenance, the municipality will adopt a dynamic allocation strategy. This strategy will be based on the actual maintenance needs of the assets, their lifecycle stages, and the criticality of the assets to service

delivery. This approach allows for more flexible, need-based allocation of resources, ensuring that maintenance funding is directed where it is most needed.
c) Long-term Cost Reduction and Asset Preservation: By investing adequately and wisely in the maintenance of our assets, the municipality aims to reduce long-term operational and replacement costs. Proactive maintenance is recognized as a key strategy in extending asset lifespans, preventing costly emergency repairs, and ensuring the reliability of service delivery infrastructure.
d) Annual Review and Adjustment: The maintenance budget allocation will be reviewed annually, in conjunction with the review of the IDP and the budgeting process. This ensures that maintenance funding remains aligned with strategic priorities, asset conditions, and service delivery needs, adapting to changes in the municipality's asset portfolio and operational requirements.

2.16. Acknowledging the critical role of our workforce in delivering essential services to the community, the municipality commits to a strategic and sustainable approach to budgeting for salaries, allowances, and salary-related benefits. This approach is designed to ensure that personnel costs are managed effectively while enabling the recruitment and retention of a skilled workforce necessary for high-quality service delivery.

a) Flexible Salary Budgeting Framework: Instead of adhering to a strict cap on salary expenditure, the municipality will adopt a more flexible framework that considers the specific needs and strategic objectives of each department. This framework will ensure that personnel costs are aligned with service delivery priorities and the overall fiscal health of the municipality.

b) Performance-based Compensation: The municipality will explore and, where feasible, implement performance-based compensation models. These models aim to reward efficiency, innovation, and effectiveness, thereby fostering a culture of excellence and accountability within the municipality's workforce. Performance metrics will be clearly defined and aligned with the municipality's strategic goals and service delivery targets.

c) Exclusion of Political Office Bearers' Remuneration: Consistent with the principle of ensuring that operational budget allocations are focused on service delivery, the remuneration of political office bearers and other councilors will continue to be excluded from the salary budget cap. This exclusion recognizes the distinct governance role of elected officials and ensures that the operational budget is primarily directed towards staffing needs essential for municipal operations.

e) Annual Review and Adjustments: The municipality will conduct an annual review of its salary and benefits budget, considering changes in service delivery requirements, workforce skills needs, and fiscal constraints. This review will allow for adjustments that reflect current priorities, regulatory changes, and best practices in public sector compensation.

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

2.18. Each Director shall submit his/her business plan for the ensuing year to the Municipal Manager and finance department (Budget & Reporting section) before February of each year accompanied by general expenditure projections with total budget not exceeding the limits set by the Chief Financial Officer.

2.19. In approving the budget the council shall approve the allocations made per function as prescribed by the National Treasury. The council may however require more detailed supporting documentation in regard to the functional allocations. In addition the resolution shall include any other matter prescribed by this policy.

2.20. The Head of the Department (Directors) of the service or function to which budget vote relates shall justify the allocation of the aggregate for such vote to the various line items within the vote to the portfolio committee responsible for the department, service or function concerned and shall provide the relevant portfolio committee with quarterly performance indicators and service targets pertaining to the budget.

3. PREPARATION OF THE BUDGET

3.1 In accordance with the overarching responsibilities vested in the Municipal Manager as the accounting officer, the Chief Financial Officer (CFO) is tasked with orchestrating the comprehensive preparation of the annual capital and operating budgets. This includes not only the budgets for the upcoming financial year but also the projection components that span the medium-term expenditure framework. The CFO is also charged with formulating any necessary adjustments to these budgets as circumstances dictate.

Critical to this mandate is the development of detailed revenue and expenditure projections that underpin the Service Delivery and Budget Implementation Plan (SDBIP). These projections must be meticulously aligned with the municipality's cash management strategies as delineated in the Investment Policy, ensuring that financial planning is both prudent and conducive to the municipality's liquidity requirements.

Further, the CFO's accountability extends to ensuring that these fiscal plans and projections are not only aligned with, but actively support, the strategic objectives outlined in the Integrated Development Plan (IDP). This necessitates a collaborative planning process wherein the CFO, in concert with other senior management and relevant departments, ensures that the budget serves as a dynamic tool for achieving the municipality's developmental agenda.

The CFO shall also engage in continuous dialogue with the Municipal Manager, providing regular updates and adjustments to the budget in response to both internal and external factors impacting the municipality's financial landscape. This includes the incorporation of feedback from community engagement processes, ensuring that the budget remains responsive to the needs and aspirations of the municipality's residents.

To support this enhanced role, the CFO shall spearhead the development of a comprehensive framework for budget preparation. This framework will detail the procedures, timelines, and responsibilities for integrating IDP priorities into the budgeting process, thereby ensuring a strategic, aligned, and transparent approach to municipal financial management.

3.2 The Executive Mayor shall convene a strategic workshop in September or October with Members of Mayoral Committee and managers to determine the IDP priorities to form the basis for the preparation of MTREF budget in consideration of financial and political pressures facing the municipality.

3.3 The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the Executive 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 targets dates shall follow the prescription of the municipal finance management act, and target dates for the submission of all the budget related documentation to the Executive Mayor, budget committee members, mayoral committee and council.

3.4 Except where the Chief Financial Officer, with the consent of the Executive Mayor and Municipal Manager, decides otherwise, the sequence in which each annual budget and adjustment 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:

a) Depreciation charges
b) Repairs and maintenance expenses
c) Interest payable on external borrowings
d) Other operating expenses

3.5 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.

3.6 The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the appointment of interest payable to the appropriate votes, the estimates of withdrawal from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, and accrued leave entitlements.

3.7 In determining the optimal contribution to the Asset Financing Reserve and any special contributions to the self-insurance reserve, the Chief Financial Officer, with the endorsement of the Executive Mayor and Municipal Manager, will consider the strategic priorities outlined in the IDP. This alignment ensures that financial planning and asset management are not only sustainable but also directly support the municipality's long-term developmental goals.

3.8 The Chief Financial Officer shall also, again with the approval of the Executive Mayor and the Municipal Manager; having regard to the council's current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

3.9 The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the head of departments shall timorously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget.

3.10 The Chief Financial Officer shall submit these monthly reports to the Executive Mayor ,finance committee and the executive committee in accordance with the prescriptions of the Municipal Finance Management Act,2003(Act 56 of 2003.

3.11 The Chief Financial Officer shall provide technical and administrative support to the accounting officer and the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative process which must precede the approval of such budgets.

3.12 The Chief Financial Officer shall the annual and adjustment 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.

3.13 The Chief Financial Officer shall make recommendations on the financing of the 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.

3.14 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.

3.15 The Chief Financial Officer shall ensure that the cost of indigent support programme is separately reflected in the appropriate votes.

3.16 The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustment budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

4. MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO.56 OF 2003) REQUIREMENTS FOR MUNICIPAL BUDGETS

4.1. SECTION 15: APPROPRIATION OF FUNDS FOR EXPENDITURE.

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

4.2. SECTION 16 : ANNUAL BUDGET

ii. The council must approve the annual budget before the start of the financial year to which it relates.
iii. The Executive Mayor must table the annual budget at least ninety days before the start of such financial year.

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

4.3. SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS.

v. The budget must be as prescribed in the municipal budget and reporting regulation and must be divided into a capital and an operating budget.

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

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

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

ix. The budget must be accompanied by all the following documents:

a) Draft resolutions approving the budget and levying other taxes and tariffs for the year concerned;

b) Draft resolutions(where applicable) amending the IDP and the budget related policies;

c) Measurable performance objectives for each budget vote, taking into account the council's IDP;

d) The projected cash flows for the financial year by revenue sources and expenditure votes;

e) Any proposed amendments to the IDP;

f) Any proposed amendment to the budget-related policies; which include amongst others Budget policy, Rates policy, Investment policy, Borrowing policy, Credit control and debt collection policy, Tariff policy, Supply chain management policy etc.

g) The cost to the council of the salaries, allowances and other benefits of its political office bears and other councilor, the Municipal Manager, the Chief Financial Officer and other senior managers;

h) Particulars of any proposed allocations or grants to other municipalities, municipal entitles, external mechanism assisting the municipality in service delivery, other organs of state, and organizations such as NGOs, welfare institution;
i) Particulars of the council investments; and

j) Various information in regard to municipal entities under shared or sole control of the council.

4.4. SECTION 18: FUNDING OF EXPENDITURES

x. The budget may be financed only from:

a) realistically expected revenues, based on current and previous collection levels;

b) cash-backed funds available from previous surpluses where such funds are not required for other purpose;

c) Borrowed funds in respect of the capital budget only; and

d) Grants and subsidies.

4.5. SECTION 19 : CAPITAL PROJECT

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

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

4.5.3. 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 purpose.

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

4.6. SECTION 20 :MATTERS TO BE PRESCRIBED

4.6.1. The Minister of Finance must prescribe the inflation projection which the municipality must use in compiling its budget.

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

4.7. SECTION 21 : BUDGET PREPARATION PROCESS

4.7.1. The Executive Mayor of the Municipality must :

a) Co-ordinates the processes for preparing the annual budget, and for reviewing the municipality 's IDP and budget related policies to ensure that the budget, IDP and the policies are mutually consistent and credible;

b) Appoint budget committee to assist with the preparation of the budget.

c) At least ten months before the start of the ensuing financial year ,table in the council the time schedule with key deadlines for the preparation, tabling and approval of the following year 's annual budget, the review of the IDP and budget-related policies, the consultative processes required in the approval of the budget;

d) 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;

e) Take all reasonable steps to ensure the Municipality revises its IDP in line with realistic revenue and expenditure projections for future years;

f) Consult the district municipality(if it is a Local Municipality)and all other local municipalities in the district;

g) Consult the national treasury when requested, the provincial treasury ,and such other provincial and national organs of state as may be prescribed;

h) Provide, on request, any budget-related information to the National Treasury, other National and Provincial or National organs of state and other Municipality affected by the budget.

4.8. SECTION **22: PUBLICATION OF ANNUAL BUDGETS**

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

4.8.2 The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial or national organs of state and other municipalities affected by the budget.

4.9 CONSULTATIONS ON TABLED BUDGETS

4.9.1 Proactive Stakeholder Consultation: Recognizing the vital role of community input and the insights from various governmental bodies in shaping a budget that reflects the true needs and priorities of our constituents, the municipality commits to actively seeking and considering the views of the local community, the National Treasury, the Provincial Treasury, and other relevant organs of state or municipalities during the budget formulation process. This approach will involve not only the passive receipt of submissions but also proactive engagement strategies, such as public forums, workshops, and surveys, to gather comprehensive and diverse perspectives on the budget.

4.9.2 Responsive Budget Revisions: Following the consultation phase, the Council will provide the Executive Mayor with a structured platform to address the feedback received. This step will include a formal review process whereby the Executive Mayor, together with budgetary staff and relevant departments, will evaluate the submissions in detail and propose necessary amendments to the budget. These amendments will then be tabled for Council consideration, ensuring that the budget is responsive to stakeholder feedback and adaptable to changing community needs and priorities.

4.9.3 Strengthened Guidance and Compliance: While acknowledging the role of the National Treasury in issuing guidelines for budget processing, the municipality will take additional steps to ensure these guidelines are not only adopted but fully integrated into our budgetary practices. This includes the establishment of a dedicated Budget Oversight Committee within the Council, tasked with overseeing the budgeting process, ensuring adherence to National Treasury guidelines, and facilitating public hearings. The committee will work to make the budget process more transparent, inclusive, and aligned with both regulatory requirements and community expectations.

4.10 SECTION 24: APPROVAL OF ANNUAL BUDGETS

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

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

4.11 SECTION 25: FAILURE TO APPROVE BUDGET BEFORE THE START OF THE

BUDGET YEAR

4.11.1 If a municipal council fails to approve an annual budget, including revenue raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget or on an amended version thereof within seven days of the council meeting that failed to approve the budget.

4.11.2 This process must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.

4.11.3 If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day of the budget year the Executive Mayor must immediately request intervention by the Provincial MEC for local government.

4.12 SECTION 26: CONSEQUENCES OF FAILURE TO APPROVE BUDGET BEFORE THE START OF THE BUDGET YEAR

4.12.1 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.

4.12.2 The section also imposes restrictions on what may be spent in terms of such temporary budget.

4.13. SECTION 27: DUTIES OF THE EXECUTIVE MAYOR IN THE EVENT HE BECOMES AWARE OF NON-COMPLIANCE WITH BUDGETING REQUIREMENTS.

4.13.1 This Section sets out the duties of the Executive Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

(a) The Executive Mayor of a Municipality must, upon becoming aware of any impending non-compliance by the Municipality of any provisions of this Act or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes, inform the MEC for Finance in the province, in writing, of such impending non-compliance.

(b) If the impending non-compliance pertains to the time provision, except section 16(1), the MEC for Finance may, on application by the Executive Mayor and on good cause shown extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with section 16 (1). An MEC for Finance must in exercising the powers contained in this subsection promptly notify the National Treasury, in writing, of any extensions given in terms of this subsection, together with the name of the Municipality and the reasons.

(c) The Executive Mayor of a municipality must, upon becoming aware of any actual non-compliance by the Municipality of a provision of this Chapter inform the Council, the MEC for Finance and the National Treasury, in writing of such non-compliance; and any remedial or corrective measures the Municipality intends to implement.

(d) Non-compliance by a municipality with a provision of this Chapter relating to the budget process or a provision in any legislation relating to the approval of a budget-related policy, does not affect the validity of an annual or adjustments budget.

(e) The Provincial executive may intervene in terms of the appropriate provision of section 139 of the constitution, 1996, if a municipality cannot or does not comply with the provision of this Chapter, including a provision relating to process.

4.14 SECTION 28: MUNICIPAL ADJUSTMENT BUDGETS

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

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

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

4.14.4 A municipality may in such adjustments budget, and within the prescribed framework, authorized unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.

4.14.5 A municipality may authorize the utilization of projected savings on any vote towards spending under another vote.

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

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

4.14.8 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.

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

4.15 SECTION 29: UNFORESEEN AND UNAVOIDABLE EXPENDITURE

4.15.3 With regard to unforeseen and unavoidable expenses, the following apply:

(a) the Executive Mayor may authorize such expenses in an emergency or other exceptional circumstances;
(b) the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
(c) these expenses must be reported by the Executive Mayor to the next council meeting;
(d) the expenses must be appropriated in an adjustments budget; and

(e) the adjustments budget must be passed within sixty days after the expenses were incurred.

4.16 SECTION 30: UNSPENT FUNDS

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

4.17 SECTION 31:SHIFTING OF FUNDS BETWEEN MULTI-YEAR APPROPRIATIONS

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

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

4.18. SECTION 32: UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFULL EXPENDITURE

4.18.1 The Municipality may authorize previously unauthorized expenses in an adjustments budget thus approving such expenditure.

4.19. SECTION 33: CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

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

(a) The Municipal Manager, at least sixty days before the council meeting at which the contract is to be approved, has made the contract public, with an information statement summarizing the Municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.

(b) The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect of such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.

(c) The council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.

(d) The Council adopts a resolution determining that the Municipality will secure a significant capital investment or derives a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

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

4.20 SECTION 42: PRICE INCREASES OF BULK RESOURCES FOR PROVISION OF MUNICIPAL SERVICES

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

(a) The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.

(b) At least forty days prior to the above submission the National Treasury and Organized local government must be invited to submit written comments on the proposed increased.

(c) The executive authority, after taking into account the comments received, must table the price increase in Parliament or the Provincial Legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

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

4.21 SECTION 43: APPLICABILITY OF TAX AND TARIFF CAPPING ON MUNICIPALITIES

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

(a) A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.

(b) A determination promulgated after 15 March shall not take effect before 1 July of the following year.

(c) A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a Municipality.

4.21 SECTION 53: BUDGET PROCESSES AND RELATED MATTERS

4.21.1 The Executive Mayor of the Municipality must:

(a) Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget. In order to perform this function, the Executive Mayor must establish a budget steering committee which must consist of at least the following persons:

- The councilors responsible for financial matters;
- The Municipal Manager
- The Chief Financial Officer
- Senior managers responsible for at least the three largest votes in the municipality;
- Manager responsible for budgeting;
- Manager responsible for planning and
- Manager responsible for infrastructure

(b) Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.

(c) Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the

Municipality's Services Delivery and Budget Implementation Plan is approved within twenty-eight days after the approval of the budget.

(d) Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the Service Delivery and Budget Implementation Plan.

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

4.21.3 The Executive Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expense in the Service Delivery and Budget Implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior official are similarly made public not later than fourteen days after their approval.

4.22 SECTION 68: BUDGET PREPARATION

4.22.1 The Municipal Manager must assist the Executive Mayor in performing the assigned budgetary functions and;

4.22.2 must provide the Executive Mayor with administration support, operational resources and the information necessary to perform these functions.

4.23 SECTION 69: BUDGET IMPLEMENTATION

4.23.1 The Municipal Manager is responsible for implementing the budget, and must
take reasonable steps to ensure that:

(a) funds are spent in accordance with the budget

(b) expense are reduced if expected revenues are less than projected; and

(c) revenues and expenses are properly monitored

4.23.2 The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Executive Mayor for consideration and tabling in council.

4.23.3 The Municipal Manager must submit a draft Service Delivery and Budget
Implementation plan to the Executive Mayor fourteen days after the annual budget has been approved, and must also within the same period submit draft of the annual performance agreements to the Executive Mayor.

4.24 Section 70: Impending Shortfall, Overspending and Overdrafts

4.24.1 The Municipal Manager must report in writing to the Council any impending Shortfall in the annual revenue budget , as well as any impending overspending, together with the steps taken to prevent or rectify these problem.

4.24 Section 71: MONTHLY BUDGET STATEMENTS

4.24.1 The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial Treasury a report in the prescribed format on the state of the Municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report reflects the following:

a) actual revenues per source, compared with budgeted revenues;

b) actual expenses per vote, compared with budgeted expenses;

c) actual capital expenditure per vote, compared with budgeted expenses;

d) actual borrowings, compared with the borrowings envisaged to the capital budget.

e) the amount of allocations received, compared with the budgeted amount;

f) actual expense against allocations, but excluding expenses in respect of the equitable share;

g) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and

h) expenses by vote as set out in the Service Delivery and Budget Implementation Plan;

i) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

j) 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 based.

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

4.25 SECTION 54: BUDGETARY CONTROL AND EARLY IDENTIFICATION OF FINANCIAL PROBLEMS.

4.25.1 On receipt of the report from the Municipal Manager, the Executive Mayor must:

a) consider the report

b) check whether the budget has been implemented in accordance with the Service Delivery and Budget Implementation Plan;

c) issue an appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this Plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;

d) identify any financial problem facing the municipality, as well as any emerging or impending financial problems; and

e) submit the council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the Municipality

4.25.2 if the Municipality faces any serious financial problems, the Executive Mayor must:

a) promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and

b) Alert the MEC for Local Government and the council of the Municipality to the problem concerned.

4.25.3 The Executive Mayor may revise the details of the Service Delivery and Budget Implementation Plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustment. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

4.26 SECTION 55: REPORT TO PROVINCIAL EXECUTIVE IF CONDITIONS FOR PROVINCIAL INTERVENTIONS EXIST.

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

4.27 SECTION 72: MID YEAR BUDGET AND PERFORMANCE ASSESSMENT

4.27.1 The Municipal Manager must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six month, the service delivery performance of the Municipality as against the service delivery targets and performance indicators which were set in the Service Delivery and Budget Implementation Plan, and the past financial year's annual report and the progress made in resolving problems identified in such a report.

4.27.2 The Municipal Manager must then submit a report on such assessment to the Executive Mayor, the National and Provincial Treasury

4.27.3 The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.

4.27.4 In terms of Section 54(1)(f) the Executive Mayor must promptly submit this assessment report to the Council of the Municipality.

4.27.5 The report in terms of section 72 must be submitted to National Treasury and the relevant provincial treasury in both printed and electronic by 25 January of each.

4.28 SECTION 73: REPORTS ON FAILURE TO ADOPT OR IMPLEMENT BUDGET-RELATED AND OTHER POLICIES

4.28.1 The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

4.29 SECTION 75: INFORMATION TO BE PLACED ON WEBSITES OF MUNICIPALITIES

4.29.1 The Municipal Manager must place on the Municipality's official website (*inter alia)* the following:

a) The annual and adjusted budget and all budget-related documents;

b) all budget-related policies;

c) all performance agreements;

d) all service delivery agreements;

e) all long-term borrowing contracts;

f) all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the Municipality

4.30 SECTION 80: ESTABLISHMENT (OF MUNICIPAL BUDGET AND TREASURY OFFICE)

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

4.31 SECTION 81: ROLE OF CHIEF FINANCIAL OFFICER

4.31.1 The Chief Financial Officer is administratively in charge of the Budget and Treasury office and must, inter alia

a) assist the Municipal Manager in Preparing and implementing the Budget;

b) Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager.
c) Account to the Municipal Manager for the performance of all the foregoing responsibilities.

4. RESPONSIBILITIES IN PREPARING THE BUDGET

4.1 Whilst the Municipal Manager is accountable and responsible overall, the Chief Financial Officer is responsible for compiling the municipality's consolidated draft annual budget.

4.2 This matter also receives the attention of the municipality's finance committee and ultimately the council.

4.3 According to section 81 of the MFMA the Chief Financial Officer is administratively in charge of the Budget and Treasury Office and must, inter alia,

a) Assist the Municipal Manager in preparing and implementing the budget;

b) Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;

c) Account to the Municipal Manager for the performance of all the foregoing responsibilities.

5. POLICY APPROVAL

This policy was formulated by Budget and treasury Management in consultation with the Treasury.

6. COMMENCEMENTS

This policy shall come into effect on the date of adoption by council.

7. REVIEW OF THE POLICY

The policy shall be reviewed annually or when a need arises.

8. REPEAL

The policy shall repeal all previous policies formulated before its approval.

9. STAKE HOLDER 'S CONSULTATION

9.1 All stakeholders were consulted on the

10. ADOPTION BY THE COUNCIL

Resolution NO:	Approved date:
Effective Date 01 July	Review date: Annually

11.AUTHORITY

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MUNICIPAL MANAGER
MR TJ MOGANO

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COUNCIL SPEAKER
CLLR NM MASWANGANYI