

MAGARENG LOCAL MUNICIPALITY

MAGARENG



MUNICIPALITY

BUDGET POLICY 2023/24

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1. DEFINITION

"Accounting Officer" means the municipal manager appointed in terms of section 54 of the Municipal System Act, and being the head of administration and accounting officer in terms of Section 60 of the Municipal System Act, 2000.

"Allocation" means a municipality's share of the local government's equitable share referred to in section 214(I) (a) of the Constitution; an allocation of money to a municipality in terms of provincial budget; or 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 annual budget as revised by an adjustment budget in terms of Section 28 of the MFMA.

"Assets" means a tangible or intangible resource capable of ownership;

"Capital Assets" means –

- a) Any immovable asset such as land , property or buildings ;or
- b) Any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods and services , for rental to others or for administration purpose , and from which future economic or social benefit can be derived , such as plant , machinery and equipment.

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

"Budget Related Policy" means a municipality affecting or affected by annual budget of the municipality, including –

- a) The tariffs policy , which the municipality must adapt in terms of Section 74 of the Municipal System Act;
- b) The rates policy which the municipality must adapt 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 System 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(I) of the MFMA;

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

“Creditors” means a person to whom money is owed by the municipality;

“Circular” means communiqué as supplied by National Treasury;

“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 statement that may be prescribed; and
- e) Any note to these statement

“Financial Year” means a twelve months period commencing on the 1st July and ending on the 30th June each year;

“Financial Agreement” includes any loan agreement, lease, and installment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debts 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 System 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 law 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 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 or preserving those funds;

“Lender” means a person who provides debts finance to a municipality;

“Local Community” has the meaning assigned to it in section 1 of the Municipality System Act;

“Municipal Structure Act” means the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998);

“Municipal System Act” means Local Government: Municipal System Act 2000 (Act No. 32 of 2000)

“Long – Term Debt ” means debt repayable over 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 ”** is the council of a municipality referred to in section 18 of the Municipal Structure Act;

“ Municipal Debt Instrument” means any note , bond, debenture or other evidence of indebtedness issued by a municipality , including dematerialized 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 System 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 Service” has the meaning assigned to it in Section 1 of the Municipal System Act (refer to the MSA for definition)

“Municipal Tariff ” means a tariff for services which a municipality may set for 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 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 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 and 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 limit allowed in subsection (5) of this section;

“Past Financial Year” refers to the financial year proceeding the current year;

“Quarter” means any of the following periods in the 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;

“Senior Manager” is a manager (director / HOD appointed in terms of section 56 of the Local Government Municipal System Act and directly accountable to the accounting officer

“Service Delivery and Budget Implementation Plan” means a detailed plan approved by the executive mayor of a municipality in terms of section 53 (I) (c) (ii) of the MFMA for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate-

- a) Projection 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 (I) (c) of the MFMA ;

“Short – Term Debts” means debt repayable over a period not exceeding one year;

“Standards of Generally Recognized Accounting Practice” means an accounting practice complying with standards application to municipalities or municipal entities as determined by the Accounting Standards Board

“The Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

“Unauthorized 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;

“Votes” means –

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different 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

Subsection (16) of the Act, states that the council must for each financial year approves an annual budget for the municipality before the commencement of that financial year. The Act requires the executive mayor to table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro – economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalisation of the budget must be located within the national government's policy framework.

3. OBJECTIVE

The objective of the budget policy is to set out:

- a) The principles which the municipality must follow in preparing each medium-term revenue and expenditure framework budget;
- b) The responsibilities of the executive mayor , the accounting officer, the chief financial officer and other senior managers in compiling the budget ; and
- c) The establishment and maintenance procedures to ensure adherence to the Integrated Development Plan (IDP) review and budget processes.

4. BUDGETING PRINCIPLES

- a) The municipality must take into account the guideline principles as contemplated in the budget circulars as supplied by National Treasury from time to time;
- b) The municipality may not compile unfunded budget and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels;
- c) Expenses may only be incurred in terms of the approved annual budget (or adjustment budget) and within the limits of the amounts appropriated for each vote in the approved budget'
- d) Salary budget must be based on the municipality's approved organizational structure;
- e) The municipality must prepare a three year budget medium term revenue and expenditure framework (MTREF) and this must be reviewed annually and approved by council ; and
- f) The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan (IDP).

5. BUDGET PREPARATION PROCESS

Budget Steering Committee

- a) The executive mayor must establish a budget steering committee to provide technical assistance to him/her in discharging his/her responsibilities set out in Section 53 of the Act;
- b) The steering committee must consist of at least the following persons:
 - i. The councilor responsible for the financial matters;
 - ii. The accounting officer;
 - iii. The chief financial officer;
 - iv. The senior managers responsible for at least the three largest votes in the municipality;
 - v. The manager responsible for budgeting;
 - vi. The manager responsible for planning; and
 - vii. Any technical experts on infrastructure.

Formulation of the Budget

- a) The accounting officer with the assistance of the chief financial officer and the senior managers responsible for the IDP must draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.
- b) The executive mayor must table the IDP process plan as well as the budget timetable to the Council by 31 August each year for approval (10 months before the start of the next financial year);
- c) IDP process plan as well as the budget timetable must indicate the key deadlines for the review of the revision of the annual budget. Such target dates shall follow the prescriptions of the Act as well as the guidelines as by National Treasury;
- d) The executive mayor must convene a strategic workshop before end of October with the mayoral committees and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality;
- e) The executive mayor must convene the stakeholders consultative meetings on the draft budget before tabling it in council;
- f) The executive mayor must table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting , credit control , debt collection , indigent, investment, and cash management, borrowings, etc.);
- g) The chief financial officer and senior managers undertake the technical preparation of the budget;
- h) The budget must be in the format prescribed by National Treasury , and must be divided into capital and operating budget;
- i) The budget must reflect the realistically expected revenue by major source for the budget year concerned;

- j) The expenses reflected in the budget must be divided into items ; and
- k) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

Public Participation Process

- a) Immediately after draft annual resolution of the annual is tabled in a municipal council, the accounting officer of the municipality must - in accordance with Chapter 4 of the Municipal Systems Act-
 - i. make public the annual budget and the documents referred to in section 17(3);
 - ii. invite the local community to submit representations in connection with the budget; and
 - iii. Submit the annual budget (draft budget) –
 - a. in both printed and electronic formats to the National treasury and the relevant provincial treasury; and
 - b. in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.
- b) When the annual budget has been tabled, the municipal council must consider any views of-
 - i. the local community; and
 - ii. the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- c) The accounting officer must also make public any information that the council considers appropriate to facilitate the budget consulting process including :
 - i. summaries of the annual budget and supporting documents in alternate languages predominant in the community ;and
 - ii. information relevant to each ward in the municipality
 - iii. all the information contemplated in sub – regulations (c) must cover :
 - a. the relevant financial and service delivery implications of the annual budget; and
 - b. at least the previous year’s actual outcome, the current year’s forecast outcomes, the budget year, and the following two years.
- d) When submitting the annual budget to the National Treasury and relevant provincial treasury , the accounting officer must also submit , both printed and electronic form-
 - i. the supporting budget documentation as tabled in the municipal council;
 - ii. the draft Service Delivery and Budget Implementation Plan (SDBIP); and
 - iii. any other information as may be required by National Treasury.
- e) The accounting officer must send copies of annual budget and supporting documentation as tabled in the municipal council , in both printed and electronic form to:

- i. any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
 - ii. any organ of state on receipt of request from the organ of state
- f) After considering all budget submissions, the council must give the mayor an opportunity –
 - i. to respond to the submissions; and
 - ii. If necessary, to revise the budget and table amendments for consideration by the council.
- g) Within consideration of the approval of the annual budget and thirty (30) days before the start of the budget year the executive mayor must table the following documents in the Council in consideration of the annual budget approval:
 - i. a report summarizing the local community's view on the annual budget;
 - ii. any comment on the annual budget received from National Treasury and Provincial Treasury ;
 - iii. any comments on the annual budget received from any organ of state , including any affected municipality; and
 - iv. any comments on the annual budget received from any stakeholders.
- h) The accounting officer must assist the executive mayor in the preparation of the documents referred to in the sub- regulations (g) and 23 (2) of the Act.

Approval of the Budget

- a) The municipality must consider the medium – term revenue and expenditure framework budget (MTREF) for approval not later than 31 May (30 days before the start of the budget year);
- b) The municipality's resolution must contain budget policies and the performance measures to be adopted;
- c) The municipality must consider the full implications, financial or otherwise , of the annual budget and supporting documentation before approving the annual budget ;
- d) When approving the annual budget , the council must consider and adopt separate resolution dealing with each of the matters contemplated;
- e) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved ; and
- f) The budget tabled to council for approval shall include the following supporting documents:
 - i. draft resolution approving the budget and levying property rates , other taxes and tariffs for the financial year concerned;
 - ii. measurable performance objectives for each budget votes , taking into account the municipality 's IDP
 - iii. the projected cash flows for the financial year by revenue sources and expenditure votes;
 - iv. any proposed amendments to the IDP;
 - v. any proposed amendments to the budget related policies;
 - vi. particulars of any proposed allocations or external mechanism assisting the municipality in service delivery , other organs of the state , and external mechanism assisting the municipality in service delivery , other

- organs of state and organization such as Non- Governmental Organizations , welfare institutions etc.;
- vii. particulars of the municipality's investments;
 - viii. particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
 - ix. particulars of any proposed allocations or grants by the municipality to –
 - a. any other organs state;
 - b. any organization or bodies referred to in section 67 (I) of the Act
 - x. The proposed cost to the municipality for the budget year of the salary, allowance and benefits of -
 - a. each political office – bearer of the municipality
 - b. councilors of the municipalities; and
 - c. The municipal manager, the chief financial officer , each senior manager of the municipality and any other official of the municipality having remuneration package greater than or equal to that of that of a senior manager

Service delivery and budget implementation plan

- a) The executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the budget by council, and within ten days (10) after the executive mayor has approved the plan it has also made public; and
- b) The SDBIP shall include the following components:
 - 1. Projections for each month of-
 - i. Revenue to be allocated, by source , and
 - ii. Operational and capital expenditure, by vote;
 - 2. Service delivery targets and performance indicators for each quarter;
 - 3. Monthly projections of revenue to be collected for each source ;
 - 4. Monthly projections of expenditure (operational and capital) and revenue for each vote;
 - 5. Quarterly projections of service delivery targets and performance indicators for each vote ;
 - 6. Information for expenditure and delivery; and
 - 7. Detailed capital works plan.

6. CAPITAL BUDGET

- a) All expenditure of a project shall be included in the capital budget if its meets the asset definition as per Magareng Local Municipality Asset Management Policy;
- b) Vehicle replacement shall be done in terms of municipality's management policy. The budget for vehicle shall distinguish between replacement and new vehicles. No rounded amounts must be budgeted for vehicle acquisition.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

6.1 Funding of Capital Expenditure

- a) The envisaged sources of funding for the capital budget must be properly considered and council must be satisfied that this funding available and has not been committed for other purposes;
- b) An annual budget must show the total capital expenditure and the different sources of funding;
- c) The total budgeted capital funding by source must equal the total budgeted capital expenditure;
- d) Funds created in terms of section 12 of the Act must be fully cash backed;
- e) The municipality may make expenditure in support of the objectives for which funds created in terms of section 12 of the act were established, if approved in annual budget or adjustment budget;
- f) No municipal funds may be paid into funds created in terms of section 12 of the Act ; and
- g) The capital expenditure shall be funded from the following sources:
 - a) Revenue or Surplus
 - i. If any projects is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure ; and
 - ii. If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.
 - b) External loans
 - i. External loans can be raised only if it is linked to the financing of an assets;
 - ii. A capital project to be financed from external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
 - iii. The loan redemption period should not exceed the estimated life expectancy of the asset;
 - iv. Interest payable on external loans shall be included as a cost in the revenue budget; and
 - v. Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
 - c) Capital Replacement Reserve (CRR)

The municipality may establish a CRR for the purpose of financing capital projects and the acquisition of asset. Such reserves may be established from the following revenue:

- i. unappropriated cash backed surpluses to the extent that such surplus are not required for operational purposes;
- ii. Interest on the investment of the CRR, appropriated in terms of the

- investments policy;
- iii. Additional amount appropriated as contributions in each annual or adjustments budget; and
- iv. Sales of land and profit or loss on the sales of assets:
 - 1. Before any asset can be financed from the CRR the funding must be available within the reserves and available as cash as this fund must be cash backed;
 - 2. If there is insufficient cash available to fund CRR this reserve fund must then be adjusted to equal the available cash with approval of Council; and
 - 3. Transfer to the CRR must be budgeted for in the cash budget;
- d) Grant Funding
 - i. Non capital expenditure funded from grant must be budgeted for as part of the revenue budget;
 - ii. Expenditure must be reimbursed from the unspent grant and transferred to the operating and must be budgeted for as such;
 - iii. Capital expenditure must be budgeted for in the capital budget;
 - iv. Interest earned on investments of Conditional Grants Funding shall be capitalized if the conditions state that interest should accumulate in the fund. If there is no condition stated, the interest can be allocated directly to the revenue accounts; and
 - v. Grants funding does not need to be cash backed but cash should be secured before spending can take place.

6.2 Approval of Capital Projects

- a) Before approving a capital project, the municipality must consider:
 - i. the projected cost of the project overall the ensuring all financial years until the project becomes operational; and
 - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operational budget (i.e. on property rates and service tariff).
- b) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans;
 - ii. depreciation of fixed assets;
 - iii. maintenance of fixed assets; and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- c) The municipality must approve the annual or adjustment budget only if it has been properly balanced and fully funded;
- d) The municipality must within ten (10) working days after the council has given the individual approval for capital projects in terms of section 19(1)(b) of the Act, make the following public:
 - i. The municipal council resolution approving the capital projects; and
 - ii. Details of the nature, location and total project cost of the approved capital projects

- e) The following capital projects may be approved by council either individually or as part of the consolidated capital program:
 - i. Capital projects of which the total projected cost is below 5% of the municipality's revenue in case of a municipality with approved total revenue in its current annual budget not exceeding 250 million.
- f) Sub- regulation (d) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in sub-regulations (e); and
- g) Expenditure needed for capital project below the values set out in sub- regulations (e) may be included in the annual budget before the project is approved in terms of section 19 (3) of the Act.

7. OPERATING BUDGET

- a) The municipality must be budget in each annual and adjustments budget for the contribution to:
 - i. provision for officials as at 30 June of each financial year;
 - ii. provision for bad debts in accordance with its rates and tariffs policies;
 - iii. provision for obsolescence and deterioration of stock in accordance with its asset management policy ;
 - iv. depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relates;
 - v. If realistic at least 5% of the operating budget component of each annual and adjustments budget must be aside for maintenance.
- b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households;
- c) The impact of such increases shall be assessed on the basis of fair sample of randomly selected accounts;
- d) The operating budget must reflect the impact of the capital components on:
 - i. depreciation charges;
 - ii. repairs and maintenance expenses;
 - iii. interest payable on external borrowings; and
 - iv. other operating expenses.

8. FUNDING OF CAPITAL AND OPERATING BUDGET

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

9. UNSPENT FUNDS /ROLL OVER OF BUDGET

- a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent at the end of the relevant budget year, but except for funds relating to capital expenditure ;
- b) Only unspent grant (if the conditions for such grant funding allows that subject to approval of National Treasury) or loan funded capital budget may be rolled over to the next budget year;
- c) Application for roll-over of funds shall be forwarded to the budget office by no later than the end of April each year to be included in the next year's budget for adoption by council May ;
- d) Adjustment to the rolled over budget must be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year;
- e) No funding for projects funded from the Capital Replacement Reserve must be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year; and
- f) No unspent portion from operating budget shall be rolled over to the next budget year.

10. BUDGET TRANSFERS AND VIREMENTS

Budget transfers and virements must be executed in terms of the virement policy.

11. FRAMEWORK FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE

- a) The mayor of the municipality may authorize expenditure in terms of section 29 of the Act only if –
 - i. the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
 - ii. the delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28 (2) (c) of the Act to authorize the expenditure may-
 - a. result in significant financial loss for the municipality;
 - b. cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
 - c. leads to loss of life or serious injury or significant damage to property; or
 - d. obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
- b) The mayor of a municipality may not authorize expenditure in terms of section 29 of the Act if the expenditure-
 - i. was considered by the council, but not approved in the annual budget or an adjustment budget;
 - ii. is required for –
 - a. price increase of goods and services during financial year;
 - b. new municipal services or functions during the financial

- year;
- c. the extension of existing municipal services or functions during the financial year ;
- d. the appointment of personnel during the financial year of posts that are not in the organisational structure ; or
- e. allocating discretionary appropriations to any vote during the financial the financial year; or
- c) Would contravene any existing council policy; or
- d) Is intended to ratify irregular or fruitless and wasteful expenditure.

Monetary Limits on Unforeseen and Unavoidable Expenditure

- a) The amount of expenditure that a mayor of a municipality may authorize in terms of section 29 of the Act is limited to –
 - i. 5 % of the municipality’s own revenue in the case of a municipality with approved total revenue in its current budget not exceeding R250 million;
 - ii. The greater of R 5 million or 4% of the municipality ’s own revenue in the case of a greater than R250 million but exceeding R500 million ; and
 - iii. R25 million in case of a municipality with an approved total revenue in its current annual budget greater than R500 million.

12.ADJUSTMENT BUDGET

- a) Each adjustment budget must reflected realistic excess, however nominal , of current revenues over expenses
- b) The chief financial officer must ensure that the adjustment budgets comply with the requirements of the National Treasury, reflects the budget priorities determined by the executive mayor, are aligned with the IDP , and comply with all budget – related policies , and must make recommendation to the executive mayor on the revision of the IDP and the budget related policies where these are indicated;
- c) Council may revise its annual budget by means of an adjustments budget as regulated;
- d) The accounting officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent;
- e) The accounting officer must appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10 of the Act;
- f) The Council must in such adjustments budget, and within the prescribed framework , confirm unforeseen and unavoidable expenses on the recommendation of the executive mayor;
- g) Only the executive mayor must in such adjustment budget. Adjustment budget shall be done once as part of the mid- year budget performance assessment;
- h) An adjustment has contain all of the following:
 - i. an explanation of how the adjustment affect the approved annual budget;
 - ii. appropriate motivations for materials adjustments; and

- iii. an explanation of the impact of any increased spending on the current and future annual budget;
- i) Any unappropriated surplus from previous financial years, even if fully cash-backed, may not be used to balance any adjustments budget, but may be appropriated to the municipality's capital replacement reserve;
- j) The municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan and per National Treasury Regulations; and
- k) Unauthorized expenses may be authorized in an adjustment budget.

12.1 *Formats of Adjustments Budgets*

An adjustment budget and supporting documentation of a municipality must be in the format specified by National Treasury and includes all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of the section 168 (1) of the Act.

12.2 *Funding of the Adjustment budgets*

- a. An adjustments budget of a municipality must be appropriately funded; and
- b. The supporting documentation to accompany an adjustments budget in terms of section 28 (5) of the Act must contain an explanation of how the adjustments budget is funded.

12.3 *Time frames for Tabling Adjustment budget*

- a. Adjustments budget referred to in section 28 (2) (b), (d) and (f) of the Act may be tabled in the municipal council at any time during mid-year budget and performance assessment has been tabled in council, but not later than 28 February of the current year;
- b. Only one adjustments budget referred to in sub regulation (1) may be tabled in the municipal council during financial year, except when the addition revenue contemplated in section 28(2)(b) of the Act are allocation to a municipality in a national or provincial adjustments budget, in which case sub-regulation (3) applies;
- c. If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustment budget referred to in section (28) (2) (b) of the Act in the municipal council to appropriate these additional revenues;
- d. An adjustment budget referred to in section 28 (2) (c) of the Act must be tabled in the municipal council at the first available opportunity after unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29 (3) of the Act;
- e. An adjustment budget referred to in section 28(2) (e) of the Act may be tabled after the end of the financial year to which the roll-over relates, and must be

- approved by the municipal council by 25 August of the financial year following the financial year which the roll-over relates
- f. An adjustment budget contemplated in section 28 (2) (g) of the Act may only authorize unauthorized expenditure as anticipated by section 32(2)(a)(i) of the Act , and must be-
 - i. dealt with as part of the adjustments budget contemplated in sub-regulation (1); and
 - ii. a special adjustment budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a) (i) of the act.

12.4 Submission of the tabled adjustment budget

- a. The accounting officer must comply with section 28(7) of the Act, read together with the section 22(b)(i) of the Act, within ten(10) working days after the mayor has tabled an adjustment budget in the municipal council;
- b. When submitting the tabled adjustment budget to the National Treasury and the relevant provincial Treasury in items of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the accounting officer must submit in both printed and electronic form-
 - i. The supporting documentation referred to in section 28(5) of the Act within ten working days of the adjusts budget being tabled in the municipal council; and the
 - ii. Any other information as may be required by the National Treasury.
- c. The accounting officer must send copies of the adjustments budget and supporting documentation, in both printed and electronic form to -
 - i. any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
 - ii. any other information as may be required by the National Treasury.

12.5 Approval of the adjustment budget

- a. A council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to the section (i)(a) before approving the adjustment budget; and
- b. When approving the adjustment budget, a municipal council must consider and adopt separate resolutions dealing with each dealing with each of the matters listed in item 4 of schedule B

12.6 Publications of the approved adjustment budget

- a) Within the ten 10 working days after the municipal council has approved an adjustment budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolution referred in section 5(a) ;
- b) When making public an adjustment budget and supporting documentation, the municipal manager must make the public awareness of the adjustment budget, including:
 - i. Summaries of the adjustment budget and supporting documentation, in alternate language predominant in the community
 - ii. Information is relevant to each ward in the community, if that ward is affected by the adjustment budget; and
 - iii. Any consequential amendment of the service delivery and the budget implementation plan that is necessary by the adjustment budget

12.7 *submissions of approved adjustments budget and other documents*

- a) The accounting officer must comply with section 28(7) of the act read with section 24(3) of the Act within ten working days after the municipal council has approved and adjust budget;
- b) When submitting an adjustments budget to the National Treasury and other relevant provincial treasury in terms of the section 28(7) read together with section 24(3) of the Act, the accounting officer must also submit to National Treasury and the Relevant provincial Treasury both printed and electronic form-
 - i. The supporting documentation within ten working days after the municipal council has approved the adjustment budget;
 - ii. The amended service delivery and budget implementation plan , within ten working days after the council has approved the amended plan in terms of the section 54(1) (c) of the Act; and
 - iii. Any other information as may be required by the National Treasury.
- c) The accounting officer must send copies of adjustment budget and supporting documentation, in both electronic and printed form to-
 - i. any other municipality affected by the adjustment budget within 10 working days of the adjustment budget being tabled in the municipal council; and
 - ii. any other organ of state on receipt of a request from that organ of state.

13. BUDGET IMPLEMENTATION

13.1 *Monitoring*

- a. The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to insure that-
 - i. funds are spent in accordance with the budget;
 - ii. expenses are reduced if expected revenue are less than projected; and
 - iii. revenue and expenses are properly monitored.
- b. The accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to council.
- c. The accounting officer must report in writing to the council any pending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

13.2 *Reporting*

Monthly budget statement

- a. The accounting officer with the assistance of the chief financial officer must, in not later than 10 working days after the end of each calendar month, submit to the executive mayor and Provincial and National Treasury a report in 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;
- b. This report must reflect the following:
 - i. actual revenue per source , compared with budgeted revenues;
 - ii. actual expenses per vote, compared with budgeted expenses
 - iii. actual capital expenses per vote, compared with budgeted expenses;
 - iv. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - v. the amount of allocations received, compared with the budgeted amount;
 - vi. actual expenses against allocation, but excluding expenses in respect of equitable share.
 - vii. explanation of any material variance between the actual revenue and expenses as indicated above and the projected

- revenues by source and expense by vote as set out in the service delivery implementation plan;
- viii. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - ix. projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- c. The report to the National Treasury must be both in electronic format and in a signed written document;
 - d. The executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality;
 - e. The accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the for the first 6 months , the service delivery performance of the municipality as against the service delivery target and performance indicators which were set in the SDBIP;
 - f. The accounting officer must submit a report on such assessment to the Executive mayor by 25 January each year and to council , Provincial and National Treasury by 31 January each year ;
 - g. The accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the services delivery and budget implementation plan.

14.IMPLEMENTATION

The policy will be implemented upon approval of the amendments by Council.

DATE OF ADOPTION: 30 MAY 2023

DATE OF IMPLEMENTATION: 01 JULY 2023

SIGNATURE OF ACTING MUNICIPAL MANAGER:.....

DATE: 30 MAY 2023

