

STRATEGIC BUDGET POLICY



POLICY, PROCESSES AND PROCEDURES

RECOMMENDED

THAT the **Strategic Budget Policy** and the contents thereof be tabled for approval at the Mayoral Committee.

Version Version 2

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Document Name **Strategic Budget Policy and Procedures**

Reviewed By

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INTERNAL AUDITOR

Supported By

_____ **Date:** _____
CHIEF FINANCIAL OFFICER

Signature

_____ **Date:** _____
MUNICIPAL MANAGER

Adopted by the Mayoral Committee

_____ **Date:** _____
CHAIRPERSON

Approved by the Council

_____ **Date:** _____
RESOLUTION

Effective date

Next revision date

LIST OF ABBREVIATIONS

AFR	Asset Finance Reserve
CFO	Chief Financial Officer
IDP	Integrated Development Plan
MEC	Member of the Executive Council
MFMA	Municipal finance management Act 56 of 2003
ZBB	Zero Based Budgeting

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1. POLICY

1.1 Overview

Sedibeng District Municipality has developed its strategic budget policy to include activities at all departments at which municipality business is conducted. This in recognising its:

- i. community orientation; and
- ii. the need for good governance.

The strategic budget policy is a transparent and codified internal control system aimed at promoting its core District Objectives to ensure that the limited resources at the disposal of Sedibeng District Municipality will be focused towards serving the various stakeholders in the pursuit of their interactions with Sedibeng District Municipality both efficiently and congruent to approved budgets and broader financial policies of Sedibeng District Municipality, whilst minimizing the temptation of misuse of municipality funds.

The policy is applicable to all Sedibeng District Municipality staff charged with discharging municipality related activities. It seeks to institutes the necessary control measures to facilitate the daily activity of the municipality by providing:

- i. A guideline for all stakeholders both internal and external;
- ii. An internal dynamic document detailing the processes required for the efficient discharge of duties to ensure the efficient administration of the Sedibeng District Municipality budgets

The policy is intended to provide a framework for Municipality's strategic budget policies, processes and procedures and implement effective processes to sustain cash flow in a manner prescribed in the Municipal Finance Management Act, 2003 and National Treasury Regulations.

1.2 Purpose

To set out the budgeting principles which the municipality will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget

1.3 Objectives

To ensure procedures and internal controls are in place to drive capital projects and infrastructure developments by:

- i. Infusing business processes into internal control which complies with all legislation and statutory requirements;
- ii. Driving a culture of accountability over Sedibeng District Municipality by skilling staff and stakeholders alike as the budgetary processes;
- iii. Ensuring the budgetary process is not compromised;
- iv. Ensure that all staff assigned to budgetary processes should be appropriately trained and be aware of relevant policies and procedures.
- v. Communicate to all staff that any monetary loss as a result of non-compliance with this policy is deemed to be gross negligence and could be cause for disciplinary action.

1.4 Business Process Framework

1.4.1 Legislative Framework

The *Municipal Systems Act (No. 32 of 2000) (MSA)*, *Municipal Finance Management Act (MFMA) (No. 56 of 2003)*, the *National Heritage Resources Act (No. 25 of 1999)*, *Municipal Budget and Reporting Regulations (MBRR)*, *National Treasury MFMA Circulars* and other applicable legislation, policies and rules informs and seeks to regulate the budget process and procedures.

In particular, we are guided by **Government Notice 32141, re (MBRR)** which prescribes that the following headings be addressed in prescribed tabular format relative to the following sub categories :

- a. 3 Years audited outcomes;

- b.** The current years original and adjusted budgets with a full year forecast; and
 - c.** A medium term revenue and expenditure framework covering the budgeted year and the budgets for the ensuing two years;
- and in addition a host of supporting documentation be produced – (see legal process framework)

1.4.2 Accounting Framework

The responsibility of budget preparation, presentation and management lies with the Accounting Officer and Chief Financial Officer, or delegated official, who has to ensure that reasonable controls exist to support the implementation of policies. In delegating this function to subordinates, it does not alleviate the responsibility of the Chief Financial Officer. The HOD has to ensure all policies and procedures are communicated to and implemented by the responsible individual(s).

1.5 Recommendations

- i.** This policy, processes and procedures document supersedes all previously issued references to the strategic budget process;
- ii.** This policy, processes and procedures document be recognised as providing the framework of operation and internal control mechanisms for all staff members of the municipality charged with the strategic budget process;
- iii.** This policy document be adopted by the Executive Management and the broader Council of Sedibeng District Municipality as the framework for strategic budgeting.

2.1 Legal Process Framework

Chapter 4 of the Municipal Finance Management Act, 2003, is the part of the act that specifies the budgeting methodology that must be followed by the municipality.

For the purpose of this policy a synopsis/summary of the relevant sections pertained in Chapter 4 is included for uncomplicated reference and scrutiny

Section 15: Appropriation of funds for expenditure

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

Section 16: Annual budgets

- *The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.*
- *The Mayor must table the annual budget at least ninety days before the start of such financial year.*
- *The capital budget may extend over three years, provided that it is separated into annual appropriations for that period*

Section 17: Contents of annual budgets and supporting documents

- *The budget must be in the prescribed format, and must be divided into a capital and an operating budget.*
 - *The budget must reflect the realistically expected revenues by major source for the budget year concerned.*
 - *The expenses reflected in the budget must be divided into votes.*
 - *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*
 - *The budget must be accompanied by all the following documents:*
 - a) *draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial 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 municipality's IDP*
 - d) *any proposed amendments to the IDP;*
 - e) *any proposed amendments to the budget-related policies*
 - f) *the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers*
 - g) *particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on*
 - h) *various information in regard to municipal entities [if such entities exist] under the shared or sole control of the municipality*
- *As per Government Notice 32141, re Municipal Budget and Reporting Regulations (MBRR) The following headings have to be addressed in prescribed tabular format relative to the*

following sub categories :

- d.** 3 years audited outcomes;
- e.** the current years original and adjusted budgets with a full year forecast; and
- f.** a medium term revenue and expenditure framework covering the budgeted year and the budgets for the ensuing two years :

Schedule A First Attachment:

- i. Budget Summary*
- ii. Budgeted Financial Performance*
 - *Revenue & Expenditure by Standard Classification*
 - *Revenue & expenditure by Municipal Vote*
 - *Revenue & Expenditure*
- iii. Budgeted Capital Expenditure By Vote, Standard Classification And Funding*
- iv. Budgeted Financial position*
- v. Budgeted Cash Flows*
- vi. Cash Backed Reserves / Accumulated Surplus Reconciliation*
- vii. Asset Management*
- viii. Basic service Delivery Management*

Schedule A Second Attachment:

- ix. Consolidated Budget Summary*
- x. Consolidated Budgeted Financial Performance*
 - *Revenue & Expenditure by Standard Classification*
 - *Revenue & expenditure by Municipal Vote*
 - *Revenue & Expenditure*
- xi. Consolidated Budgeted Capital Expenditure By Vote, Standard Classification And Funding*
- xii. Consolidated Budgeted Financial position*
- xiii. Consolidated Budgeted Cash Flows*
- xiv. Consolidated Cash Backed Reserves / Accumulated Surplus Reconciliation*
- xv. Consolidated Asset Management*
- xvi.** *Consolidated Basic Service Delivery Management*

Section 18: Funding of expenditures

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

Section 19: Capital projects

- *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*
- *The total cost of the project must also be approved by the Council*
- *The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes*
- *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 property rates and service tariffs*

Section 20: Matters to be prescribed

- *The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.*
- *The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is 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 unreasonably 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*

Section 21: Budget preparation process

- The Mayor of the municipality must:
 - *Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible*
 - *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, and the consultative processes required in the approval of the budget*
 - *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*
 - *Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.*
 - *Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.*
 - *Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.*
 - *Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.*

Section 22: Publication of Annual Budgets

- *Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.*
- *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 organs of state and other municipalities affected by the budget*

Section 23: Consultations on tabled budgets

- *After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget*
- *After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council*
- *The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council*

Section 24: Approval of annual budgets

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

Section 25: Failure to approve budget before start of budget year

- *This Section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention*

Section 26: Consequences of failure to approve budget before start of budget year

- *The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such*

intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget

Section 27: Non-compliance with provisions of this chapter

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

Section 28 Municipal adjustments budgets

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

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

- *A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.*
- *A municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor.*
- *A municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.*
- *Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.*
- *Only the 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.*
- *An adjustments budget must contain all of the following:*
 - *an explanation of how the adjustments affect the approved annual*

budget;

- *appropriate motivations for material adjustments; and an explanation of the impact of any increased spending on the current and future annual budgets*

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

Section 29: Unforeseen and unavoidable expenditure

- *In regard to unforeseen and unavoidable expenses, the following apply:*
 - *the Mayor may authorise such expenses in an emergency or other exceptional circumstances;*
 - *the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;*
 - *these expenses must be reported by the Mayor to the next Council meeting;*
 - *the expenses must be appropriated in an adjustments budget; and*
 - *the adjustments budget must be passed within sixty days after the expenses were incurred.*

Section 30: Unspent funds

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

Section 31: Shifting of funds between multi-year appropriations

- *If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:*
 - *the increase is not more than 20% of that financial year's allocation;*

- *the increase is funded in the next financial year's appropriations;*
- *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;*
- *the Mayor gives prior written approval for such increased appropriation; and all the above documentation is provided to the Auditor-General*

Section 32: Unauthorised, irregular or fruitless and wasteful expenditure

- *Unauthorised expenses may be authorised in an adjustments budget – see policy*

Section 33: Contracts having future budgetary implications

- *Contracts 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:*
 - *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 summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.*
 - *The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to 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.*
 - *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.*
 - *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.*
 - *A contract for purposes of this Section shall exclude any contract relating to the*
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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 contract is less than a prescribed value or a prescribed percentage of the annual budget

Section 42: Price increases of bulk resources for provision of municipal services

- *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:*
 - *The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.*
 - *At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.*
 - *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*

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 only take effect from 1 July of the following year

Section 43: Applicability of tax and tariff capping on municipalities

- *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 determination promulgated on or before 15 March shall not take effect before 1 July of the same year.*
 - *A determination promulgated after 15 March shall not take effect before 1 July of the following year.*

- *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.*

Section 53: Budget processes and related matters

- *The Mayor of the municipality must:*
 - *Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.*
 - *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.*

- *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 service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.*
- *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.*
- *The 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.*
- *The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses 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 officials are similarly made public not later than fourteen days after their approval.*

Section 68 Budget preparation

- *Municipal Manager must assist the Mayor in performing the assigned budgetary*

functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions

Section 69: Budget implementation

- *The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:*
 - *funds are spent in accordance with the budget;*
 - *expenses are reduced if expected revenues are less than projected; and*
 - *revenues and expenses are properly monitored*

- *The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council*

- *The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.*

Section 70: Impending shortfalls, overspending and overdrafts

- *The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems*

Section 71: Monthly budget statements

- *The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the 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 must reflect the following:*
 - *actual revenues per source, compared with budgeted revenues;*
 - *actual expenses per vote, compared with budgeted expenses;*
 - *actual capital expenditure per vote, compared with budgeted expenses;*

- *actual borrowings, compared with the borrowings envisaged to fund the capital budget;*
 - *the amount of allocations received, compared with the budgeted amount;*
 - *actual expenses against allocations, but excluding expenses in respect of the equitable share;*
 - *explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;*
 - *the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and*
 - *projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.*
- *The report to the National Treasury must be both in electronic format and in a signed written document*

Section 54: Budgetary control and early identification of financial problems

- *On receipt of the report from the Municipal Manager, the Mayor must:*
 - *consider the report;*
 - *check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;*
 - *issue 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;*
 - *identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and*
 - *submit to 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*

- ***If the municipality faces any serious financial problems, the Mayor must:***
 - *promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and;*

- *alert the MEC for Local Government and the Council of the municipality to the problems concerned*
- *The 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 adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.*

Section 55: Report to provincial executive if conditions for provincial intervention exist

- *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 Mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention*

Section 72: Mid-year budget and performance assessment

- *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 months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.*
- *The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.*
- *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.*
- *In terms of Section 54(1) (f) the Mayor must promptly submit this assessment report*

to the Council of the municipality.

Section 73: Reports on failure to adopt or implement budget-related and other policies

- *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*

Section 75: Information to be placed on websites of municipalities

- *The Municipal Manager must place on the municipality's official website (inter alia) the following:*
 - *the annual and adjustments budgets and all budget-related documents;
=all budget-related policies;*
 - *the annual report;*
 - *all performance agreements;*
 - *all service delivery agreements;*
 - *all long-term borrowing contracts;*
 - *all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.*

Section 80: Establishment (of municipal budget and treasury office)

- *Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff*

Section 81: Role of chief financial officer [CFO]

- *The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,*
 - *assist the Municipal Manager in preparing and implementing the budget;*
 - *perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;*
 - *account to the Municipal Manager for the performance of all the foregoing*

responsibilities

Section 83: Competency levels of professional financial officials

- *The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.*

2.2 Role-players

2.2.1 Functionary Role

- i. Performed by the Various Business Units*
- ii. Collate documents, gather assumptions*
- iii. Draft initial departmental budgets for onward transmission to Finance*

2.2.2 Financial Management Role

- i. Finance Department collates documentation*
- ii. Prepares a comprehensive first draft of proposed budget*
- iii. Prepares supporting documentation and Annexures*

2.2.3 Internal Strategic and Oversight Role

i. Office of the CFO

Section 81 of the **MFMA** holds that the CFO must assist the accounting officer in the administration of the municipality's bank accounts and the preparation and implementation of the municipality's budget. Section 79 of the **MFMA** furthermore holds that the CFO also has to perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, financial management, review and other duties as delegated by the accounting officer

1	preparation of draft annual budgets and adjustments budgets
2	preparation of a multi-year budget
3	preparation of projected revenues and expenses for service delivery and budget implementation plan
4	accountable to municipal manager for above
5	all staff must provide CFO with required inputs
6	preparation of budget timetable for mayor's approval
7	the capital and operating budgets will be prepared concurrently and the operating budget must reflect the full costs of the capital budget
8	determination of votes and line-items to be used, in line with SDM IDP Framework and Process Plan 2010/2011 including the budget panel sittings, S80 Committee sittings. Council sittings, the Adjustment Budget process with its S80 Committee sittings and Council sittings
9	determination of votes and line-items to be used, in line with National Treasury requirements
10	determination of contributions to provisions
11	determination of contribution to AFR and special contributions to self insurance reserve (if legally permissible)
12	determination aggregate growth factors for various votes (on own or in consultation with executive mayor and/or municipal manager)
13	preparation of monthly budget reports
14	provision of technical and administrative support to mayor

15	ensuring budgets comply with all legal requirements and policies and are aligned with IDP
16	making any recommendations on financing draft capital budgets, both present and future
17	determination of basis for allocating overheads
18	ensuring cost of indigence relief properly reflected and ensuring allocations from other organs of state properly reflected

ii. Accounting Officer / Municipal Manager

The Municipal Manager as accounting officer is the administrative authority of the municipality. In this regard he is accountable to the mayor for agreed to outputs, and the council for overall administration. As accounting officer the Municipal Manager needs to endorse the monthly budgets, draft and approve final annual budget and adjustment budgets. The accounting officer also needs to implement the approved budget, ensure that revenue and expenses are properly monitored, table the budget and adjustment budget to the mayor and in turn to council, report on variances to budget and shortfalls, overspending etc.

iii. Executive Mayor

The Executive Mayor will monitor and oversee the responsibilities of the CFO and accounting officer in terms of the MFMA but not interfere in the exercise of the duties. Has to ensure statutory compliance for the municipality, submit a report to council on the state of the municipality and the budget implementation, monitor the implementation of the budget, take all reasonable steps to ensure that the municipality approves the budget before the advent of the financial year and approve the implementation plan within 28 days after approval of the budget

– also report to the MEC promptly if any delays occur in tabling the budget.

iv. **Budget Steering Committee (BSC)**

Section 53 of the **MFMA** holds that such committee as duly constituted needs to assist the Executive Mayor in exercising their responsibility and in providing general political guidance over the budget process.

v. **Finance Portfolio Committee**

Identifies the needs of the municipality and prioritize them so as to align programmes to address them. Meet on a monthly basis to evaluate the municipality performance to budget and report back to the general council.

vi. **Council**

Needs to approve the annual budget for the municipality, before the advent of the financial year. The budget needs to be tabled by the Executive mayor at least 90 days before the start of the budget year.

2.2.4 External Oversight Role

i. **Provincial Government of Gauteng**

It is incumbent on the Provincial treasury to monitor the preparation of the municipal budget and the monthly performance to budget.

ii. **National Government**

National treasury will monitor the municipal budget for consistency with national government's fiscal plans and macro-economic policy, and for compliance with chapter 4 of the **MFMA**. Implementation is also monitored via monthly reports in prescribed tabular format.

2.3 **Service delivery and Budget Implementation Plan (SDBIP)**

Section 1 of the **MFMA** defines the SDBIP as:

“a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(i) for implementing the municipality’s delivery of services and the execution of its annual budget and which must include (as part of the top layer) the following:

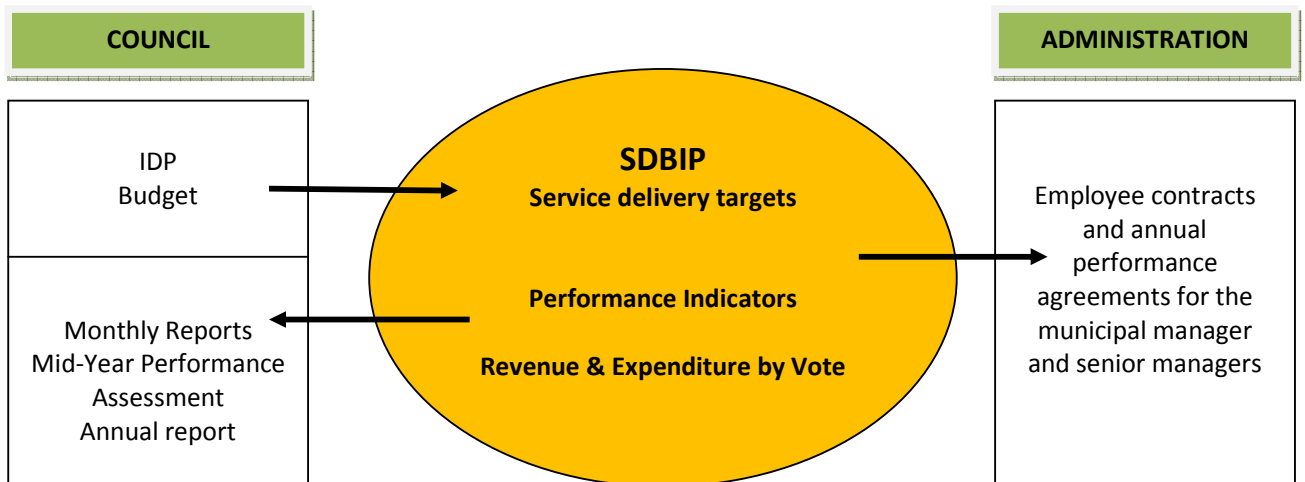
- (a) Projections for each month of
 - i. Revenue to be collected, by source, and
 - ii. Operational and capital expenditure , by vote
- (b) Service delivery targets and performance indicators for each quarter”.

The **MFMA** requires municipalities to prepare a SDBIP so as to give effect to the Integrated Development Plan (IDP) and the Budget.

National Treasury **MFMA Circular No.13** defines SDBIP as:

“the “contract” between the administration, council and the community expressing the goals and objectives set by council as quantifiable outcomes that can be implemented by the administration over the next twelve months.”

Circular No.13 schematically depicts the SDBIP contract as follows:



SDBIP serves as a management, implementation and monitoring tool to assist the political office bearers on the one side with the officials on the other side so as to balance interests for improved service delivery. If properly formulated it serves to monitor the execution of the budget, performance of senior management and achievement of strategic targets as set by council. It also serves as a performance barometer for the officials and senior managers alike.

SDBIP seeks to supplement and make reporting in terms of section 71 – monthly reporting and section 72 – mid-year report and end of year financial reports easier as it is a start of financial year planning and target tool. As a management and implementation tool it utilizes in-year information such as quarterly service delivery and monthly budget targets, and links each service delivery output to the the budget of the municipality. This allows credible management information to be developed with a detailed plan as to how the municipality will provide services and the financial resources and inputs necessary to fulfill this.

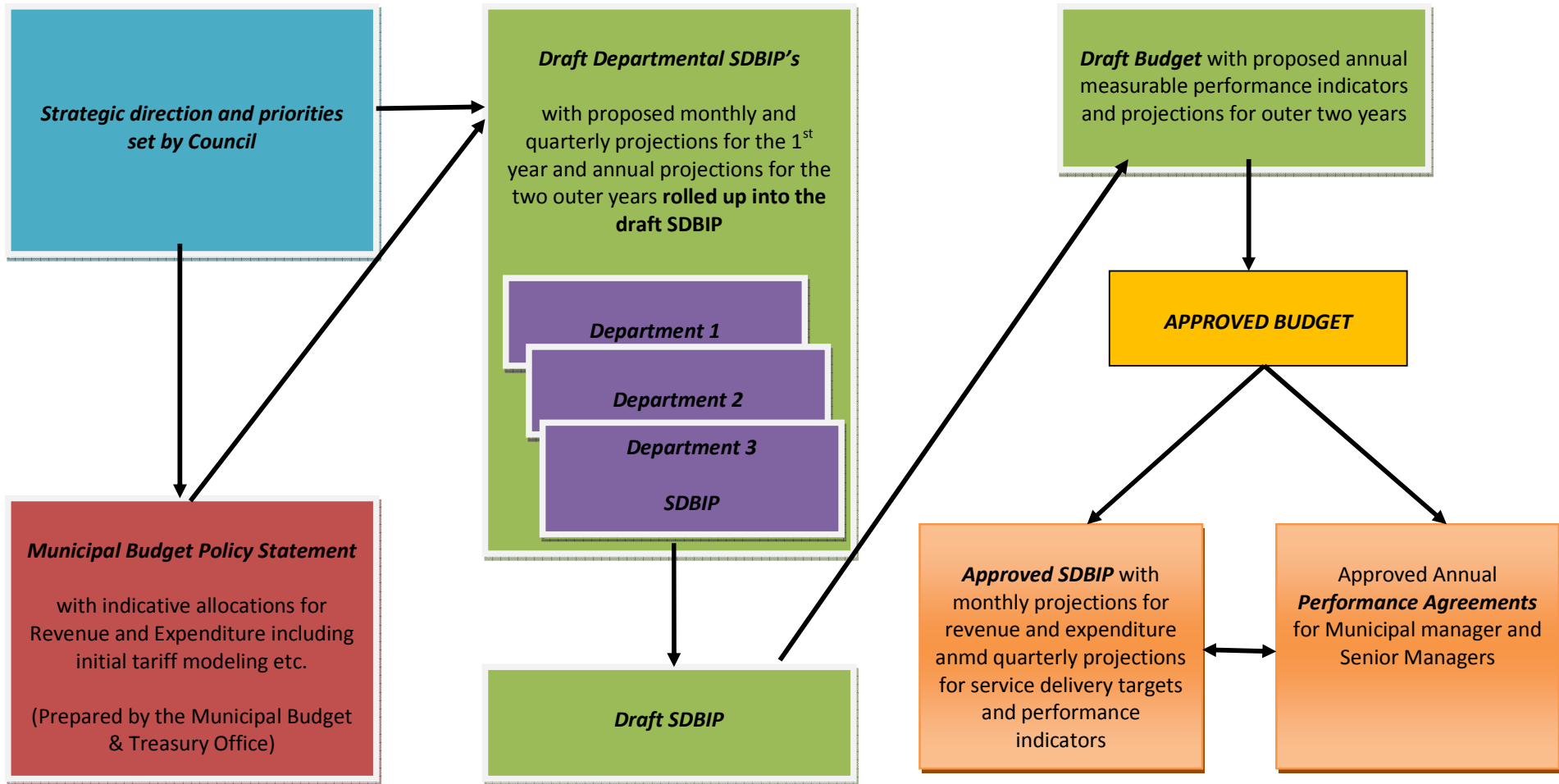
SDBIP is a layered plan whereby the top layer of the plan deals with the consolidated service delivery targets and in year deadlines and linking such deadlines senior management. Once the top layer is set, the senior management is expected to develop the next layer of detail of SDBIP by providing more detail on each output for which they are responsible fo , and breaking up such outputs into smaller outputs and linking each to their staff complement. The top layer is published for public consumption and tabled in council. Councilors would thus be able to monitor and ensure their wards receive the necessary service delivery and special projects as agreed to. The bottom layer is the management tool for senior management to ensure accountability.

SDBIP as a management and implementation tool does not have to be passed by council, but once the targets and performance areas have been set in the top layer, any changes thereto needs council approval via an

adjustment budget – as per section 54(1)(c) of the **MFMA**. The Municipal Manager is responsible for the preparation of the SDBIP which has to be submitted to the Executive Mayor once the budget has been approved by council usually end May or early June. The proposed SDBIP thus needs to be tabled by 1 May. Once the budget is approved, the municipal manager has 14 days to align and the revised SDBIP for final approval. The executive Mayor then has to approve the SDBIP within 28 days and thereafter has 14 days within which to publish the top layer of the SDBIP. This public publication will be the quarterly measurement of service delivery in the public domain during the financial year.

COMPONENTS OF THE SDBIP	
<i>Top Layer</i>	<i>Bottom Layer</i>
<ul style="list-style-type: none"> • Revenue to be collected per source <i>Monthly projections</i> • Operational & capital expenditure <i>Monthly projections for each vote</i> • Service delivery targets (per ward) <i>Quarterly projections for each vote</i> • Performance indicators <i>Detailed work plans per ward</i> • Quality of service <i>Ward information</i> 	<ul style="list-style-type: none"> • Project & monitor inputs, outputs and outcomes by vote • Discretionary and non-discretionary expenditure • Staffing • Revenue dependancies

PROCESS FOR PREPARING AND APPROVING THE SDBIP – MFMA Circular No.13



3. PROCEDURES

3.1 Budget Principles to be followed

Checklist

3.1.1 *Zero Based Budgeting (ZBB):*

- whether ZBB or comparable budgeting approach to be used for capital budget (and possibly components of operating budget);

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

3.1.2 *Capital Budget:*

need to consider capital budget first in order to assess impact on operating budget (present and future);

- i. 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.
- ii. Clear evidence of funding must be provided. Such evidence includes gazette allocations and clear letters of commitment from Provincial Government or other bodies. No scheme will be included in the capital programme until the Chief Finance Officer is satisfied with the evidence provided.
- iii. A business plan must be submitted with every capital project and every project must be accompanied by a cash flow budget as prescribed in the budget reforms.
- iv. Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and

any other ordinary operational expenses associated with any item on such capital budget.

- v. In addition, the council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs

3.1.3 Asset Finance Reserve

- whether AFR to be or is established, and what sources of revenue available to AFR (if AFR legally permissible);

The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

- i. Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- ii. Interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
- iii. Further amounts appropriated as contributions in each annual or adjustments budget;
- iv. Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy

3.1.4 Budget to Balance

- need to ensure that the budget balances;

Each annual and adjustments budget shall, if not balanced, at least reflect realistic excess, however nominal, of current revenues over expenses.

3.1.5 Unappropriated Surpluses

- use of unappropriated surpluses brought forward;

Any unappropriated surplus from previous financial years, even if fully cash backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.

3.1.6 Operating Deficits

- treatment of operating deficits (impending and brought forward);

An impending operating deficit shall be addressed in an adjustments budget in accordance with Section 28 of the MFMA, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial year.

3.1.7 Provisions

- need to maintain proper provisions for:

- i. **Accrued leave entitlement** - The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget
- ii. **Doubtful debts** - The municipality shall establish and maintain a provision for doubtful debts in accordance with its accounting policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget

- iii. **Obsolescence of stock** - The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock in accordance with its stores management policy, and shall budget appropriately for contributions to such provision in each annual and adjustments budget

3.1.8 Apportionment of finance charges;

- i. All expenses, excluding provision for doubtful debts and including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.
- ii. 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.

3.1.9 Limit to be placed on asset-related expenses

(depreciation, finance charges);

Depreciation and finance charges together shall not exceed 12% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget. The allocation

of interest earned on the municipality's investments shall be realistically budgeted for in terms of the investment policy

3.1.10 Minimum amounts to be budgeted for maintenance of fixed assets;

The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance

3.1.11 Limits to be placed on budgets for personnel-related expenses;

- i. In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the director, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments (for example, depreciation charges, finance charges, insurance costs, skills development levies payable).
- ii. Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 30% of the aggregate operating budget component of the annual or adjustments budget.

- iii. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

3.1.12 Who decides on recommended allocations to individual line-items;

- i. The director, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the portfolio committee responsible for the department, service or function concerned.
- ii. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget.
- iii. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor

3.1.13 Targeted structure of revenue budget;

- i. In preparing its revenue budget, the municipality shall strive to maintain aggregate revenues.
- ii. When considering the draft annual budget, the council shall consider the impact, which the proposed increases will have on its business partners and stakeholders alike in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- iii. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the

increases concerned, the council will aim to ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index

3.2 *Preparation of Draft Annual and Adjustment Budgets*

Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking and investments policy), and shall be accountable to the municipal manager in regard to the performance of these functions

The budget will be prepared on the basis of firm allocations for the budget year and indicative allocations for future years. These indicative allocations will be for a minimum of 2 years.

3.2.1 *Directorates of the municipality must provide the CFO with required inputs*

The municipal manager shall ensure that all directorates provide the inputs required by the chief financial officer into these budget processes

3.2.2 *Preparation of the budget time table*

The chief financial officer shall draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the

submission of all the budget-related documentation to the mayor, finance committee, executive committee and council

3.2.3 *Sequence of preparing budgets*

The annual capital and operating budgets shall be prepared concurrently but the capital budget must be finalised before the operating budget so as to ensure that the full operating costs of the capital programme are reflected in the operating budget. The operating budget must reflect the full costs arising from the capital budget for:

- depreciation charges;
- repairs and maintenance expenses;
- interest payable on external borrowings; and
- other operating expenses

Any proposed new capital scheme must be supported by a full justification statement to include an options appraisal and cost benefit analysis. The justification statement must fully take into account the strategic objectives as contained in the IDP. The format of the justification statement will be as specified by the Chief Finance Officer

3.2.4 *Determination of votes and line items to be utilised*

In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury

Determination of depreciation expenses and finance charges, withdrawals from contributions to self insurance reserves and other contributions

The chief financial officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the

appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for doubtful debts, accrued leave entitlements and obsolescence of stocks

3.2.5 *Determination of contributions to asset financing reserve and self insurance reserve*

The chief financial officer shall further, with the approval of the mayor and the municipal manager review on an annual basis and determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve based on an analysis of future commitments and an assessment of risk

3.2.6 *Determination aggregate growth factors for various votes*

The chief financial officer shall also, again with the approval of the mayor and the municipal manager, and having regard to the municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted

3.3 *Preparation of Monthly Budget Reports*

The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and shall timeously and adequately furnish the accounting officer with all explanations required for deviations from the budget.

The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act, 2003

3.4 *Provision of technical and administrative support to the Mayor*

The chief financial officer shall provide technical and administrative support to the mayor in the preparation and approval of the annual and

adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets

3.5 *Ensuring budgets comply with all legal requirements and policies are aligned with the IDP*

The chief financial officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated

3.6 *Making any recommendations on financing draft capital budgets, both present and future*

The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options

3.7 *Determination of basis for allocating overheads*

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

3.8 *Ensuring that the cost for indigence relief are appropriately allocated*

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

3.9 *Ensuring that allocations from other organs of state are appropriately reflected*

The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments

budget, and that the estimated expenses against such allocations (other than the equitable share) are accurately recorded

3.10 *Amendment and Review of the Policy*

The Strategic Budget Policy shall be reviewed annually and/or at the discretion of the CFO due to changing circumstances as a result of the legislation or otherwise.

Appendix One

Detailed Budget Timetable

Section of the MFMA	Due Date	Action required	Parties Responsible	Practical considerations
21(1)(b)	31 August	<p>Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for</p> <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing 	Mayor	Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled.
Section 88 <i>[If a Municipal Entity is in existence]</i>	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury	Accounting officer	

		(presumably immediately)		
54(1)(f)	31 January	Mayor must submit accounting officer's report to council.	Mayor	Special council meeting may have to be scheduled.
87 <i>[If a Municipal Entity is in existence]</i>	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.
87 <i>[If a Municipal Entity is in existence]</i>	(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.	Board of directors of entity	It is not clear what person or structure in the parent municipality must perform this action, but the council seems the logical party. It would also make sense for the council to consider this budget by 31 January.

<p>87</p> <p>[If a Municipal Entity is in existence]</p>	<p>(Tabled in council by 31 January)</p>	<p>Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public.</p>	<p>Board of directors and mayor of parent municipality</p>	<p>Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget for the new financial year is considered. Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered.</p>
<p>54(1) and (2)</p>	<p>(Between 31 January and 31 March)</p>	<p>If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only council may approve changes to service delivery targets and KPIs –</p>	<p>Mayor</p>	<p>Adjustments budgets may be prepared by the accounting officer, and tabled in council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits</p>

		these changes must therefore be tabled with the adjustments budget).		as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when “serious financial problems” are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are “promptly” made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the mayor’s approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2).

87 <i>[If a Municipal Entity is in existence]</i>	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87 <i>[If a Municipal Entity is in existence]</i>	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer	
23(2)	Before 31 May	Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration	Mayor and council	

		by council.		
24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4) <i>[If a Municipal Entity is in existence]</i>	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, mayor, councillors and accounting officer must co-

				operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council may change them and then only following the approval of an adjustments budget. See Section 54(1) (c)).	Mayor	
53(1)(c)(iii) (aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)

				(b).
16(1)	30 June	Annual budget must be approved by council	Council	
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC.

Appendix Two

Summarized Timetable

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY [If a Municipal Entity is in existence]
31 August	Table in council timetable for preparation of coming year's annual budget	
20 January		Assess current year's budget performance and submit report to board of directors and municipality
25 January	Assess current year's budget performance	
31 January	Table assessment report in council	
31 January or earlier		Submit proposed budget for coming year to municipality
(31 January)	Consider municipal entity's	

	proposed budget for coming year and make recommendations	
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	
Mid-March		Submit revised budget for coming year to municipality

31 March	Table municipality's draft budget for coming year	
31 March	Table municipal entity's revised budget for coming year	
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	
Before 31 May	Respond to submissions and revise draft budget for coming year	

31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled	
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury	
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	
Late June to late July: 28 days after budget approved	Conclude performance agreements	
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	

APPENDIX THREE

STRATEGIC BUDGET PROCESS PLAN

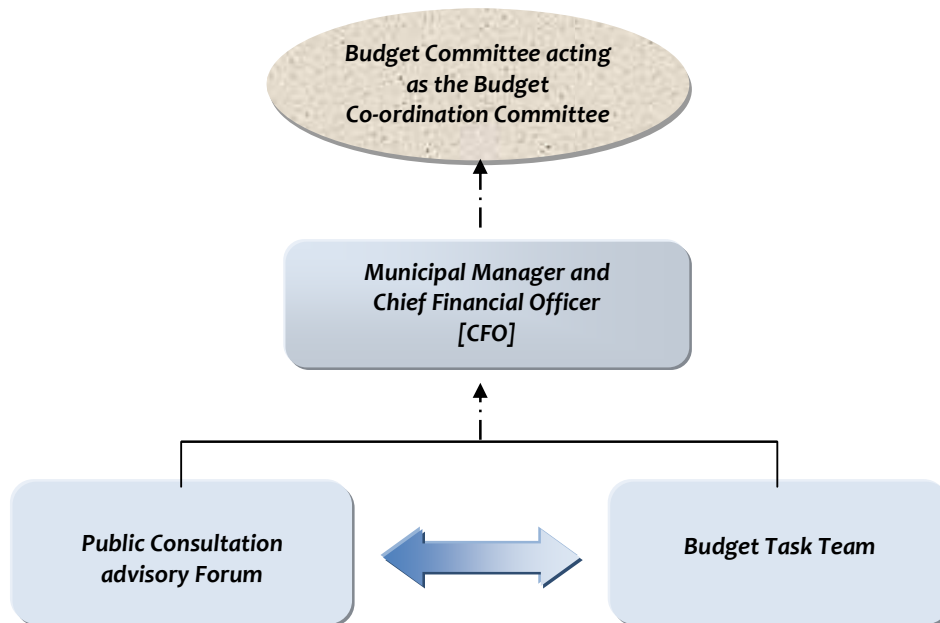


1] INTRODUCTION

This guidance note sets out the process and timetable for the Budget Process and, it will cover the following:

- The corporate project management arrangements for the for the **2010/11** Strategic Budget process
- Time schedule and Key deadlines
- An explanation of the Strategic Budget Process
- Instructions for the Strategic Budget Workshops that should **[will]** be scheduled throughout the process
- Details of what Departments need to do for the different phases of the Strategic Budget Process.

2] PROCESS MANAGEMENT ARRANGEMENTS



- Under the MFMA (section 53) the Executive Mayor is responsible for co-ordinating the annual revision of the annual budget. The Municipal Manager

must assist the Executive Mayor and provide him with administrative support, resources, and information

- The Executive Mayor has **[should]** delegate/d his responsibilities for co-ordination of the process of the MFMA Project to the MMC for Finance who is the Chairperson of the Budget Committee. The roles of the Budget Committee (in its capacity as Budget Co-ordination Committee) are to:
 - To recommend to Council the approval of the process and timescales to be followed
 - To monitor progress and take remedial action if things are not going according to the process plan
 - Agree to the format of the Strategic Budget Report, **(taking into account the requirements of the MFMA).**
 - Agree to the public consultation process to be followed for the budget proposals
 - Provide political and senior management oversight on the Budget Process Plan implementation and proposals emerging from the process
- The Budget Committee should comprise the following:

1	MMC Finance [Chairperson], MMC Housing, MMC Health, MMC Sports, Arts, Culture & Recreation and MMC Environmental Management
2	MMC Economic Development
3	MMC Social Services
4	Municipal Manager, <i>Executive Manager: Infrastructure, Executive Manager: Environmental service Executive Manager: Corporate Support Services, Executive Manager: Economic Services,</i>
5	Chief Financial Officer, <i>Manager: IDP, Manager: Budget & Treasury and Budget Specialist.</i>

[Please Note: The Table Above is only an example, to be adapted by the Municipality]

- A Public Consultation Advisory Forum should be established to drive forward the consultation exercises required on the Strategic Budget Proposals.

This Forum is chaired by the Speaker and comprise of officials from the Budget offices as well as from Marketing & Communication

- In addition to the above process management arrangements, an Budget Task Team can be established to manage all the operational and administrative aspects of the Budget Process Plan, including scrutinizing the capital project proposals from Departments in order to assess whether:
 - The proposal is actually capital expenditure rather than operational expenditure
 - The capital estimate is robust/accurate
 - There are operational budget implications of including the project in the capital budget
 - There are implications for other Departments/services of including the project in the capital budget
 - The capital project proposal is in line with IDP priorities
 - The proposed project plan to be included in the *SDBIP* is deliverable
 - The cash flow forecast is robust
- The Budget Task Team should comprised the following:

1	The Chief Financial Officer [<i>Chairperson</i>], IDP Manager, Manager: Budget & Treasury
2	Manager: Marketing and Communication, [<i>Executive Manager: Political Support Services</i>]
3	representative from the Speaker's Office, representative from the Asset Management Unit,
4	Manager: Economic Development, and representatives from other relevant Departments

[Please Note: The Table Above is only an example, to be adapted by the Municipality]