



**CAPRICORN DISTRICT MUNICIPALITY
BUDGET AND IMPLEMENTATION POLICY 2026-27**

Notwithstanding the date of approval, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

Table of Contents

| | |
|--|----|
| 1. DEFINITIONS..... | 3 |
| 2.INTRODUCTION..... | 8 |
| 3.OBJECTIVE | 8 |
| 4. LEGAL FRAMEWORK | 9 |
| 5. KEY BUDGETING PRINCIPLES | 10 |
| 6. BUGET PREPARATION PROCESS..... | 10 |
| 6.1.1 Budget Steering Committee | 10 |
| 6.1.2 Formulation of the Budget | 11 |
| 6.1.3 Public Participation Process | 12 |
| 6.1.4 Approval of the Budget..... | 14 |
| 6.1.5 Publication of the Budget | 15 |
| 6.1.6 Service Delivery and Budget Implementation Plan (SDBIP) | 15 |
| 7.CAPITAL BUGET | 15 |
| 7.1.1Basis of Calculation | 15 |
| 7.1.2 Budgeting Principles | 16 |
| 7.1.3 Funding for Capital Budget..... | 16 |
| 8. OPERATING BUGET | 18 |
| 8.1 Basis of Calculation..... | 18 |
| 9.UNSPENT FUNDS / ROLL OVER OF BUDGET | 18 |
| 10. ADJUSTMENT BUDGET | 19 |
| 11. Format of the Adjustment Budgets | 20 |
| 11.2 Funding Adjustment Budgets..... | 20 |
| 11.3 Timeframes for Tabling of the Adjustment Budgets | 21 |
| 12.BUDGET IMPLEMENTATION | 22 |
| 12.1 Monitoring | 22 |
| 12.2 Reporting | 22 |
| 13 MSCOA BUDGETING..... | 23 |
| 13.1 The municipal budgets must be compiled and presented in line with municipal standard chart of accounts (mscoa) classification framework. | 23 |
| 13.2 The municipal budgets must be generated from the mscoa compliant financial systems and produce all Schedule A1, B and C directly from the financial system..... | 24 |
| 14.PUBLICATION | 24 |

1. DEFINITIONS

1.1 Accounting Officer: means the Accounting Officer appointed as such by the municipal Council in terms of section 82 of the Municipal Structures Act and as contemplated in Chapter 8 of the MFMA;

1.2 “Allocation”, means-

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

1.3 Approved budget, means an annual budget-

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

1.4 Audit Committee: means an independent advisory body which is appointed by the municipal Council in terms of section 166 of the MFMA to –

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

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

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

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

1.8 CFO: means the Chief Financial Officer designated to the budget and treasury office of the municipality and who is accountable to the Accounting Officer of the municipality as contemplated in chapter 9 of the MFMA;

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

1.10 Councilor means a member of a municipal council.

1.11 “Current year” means the financial year, which has already commenced, but not yet ended;

1.12 “Delegation”, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty.

1.13 Division of Revenue Act (DORA): means the Act of Parliament which must be enacted in terms of section 214(1) of the Constitution.

1.14 Mayor: means the person elected as the Mayor of the municipality in terms of section 55 read with Schedule 3 of the Municipal Structures Act;

1.15 “Financial statements”, means statements consisting of at least-

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

1.16 “Financial year” means a twelve-month period commencing on 1 July and ending on 30 June each year

1.17 “Financing agreement” includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time.

1.18 “Fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

1.19 IDP: means the Integrated Development Plan of Capricorn District Municipality which sets out the strategic and budget priorities adopted by the Council of the Capricorn Municipality in terms of section 25(1) of the Municipal Systems Act;

1.20 “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, and which has not been condoned in terms of section 170 of the MFMA;
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorized expenditure”;

1.21 “Investment”, in relation to funds of a municipality, means-

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

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

1.23 “Long-term debt” means debt repayable over a period exceeding one year;

1.24 MBRR means the Municipal Budget and Reporting Regulations made in terms of section 168 of the MFMA (Act No. 56 of 2003);

1.25 MFMA: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

1.26 Municipal Council: means the municipal council of the Capricorn Municipality as contemplated in section 18 of the Municipal Structures Act;

1.27 “Municipality”-

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

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

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

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

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

1.32 National Treasury (NT): means the National Treasury established by section 5 of the Public Finance Management Act, 1999 (Act No.1 of 1999).

1.33 “Official”, means-

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

1.34 “Overspending”-

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

1.35 “Past financial year” means the financial year preceding the current year.

1.36 “Quarter” means any of the following periods in a financial year:

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

1.37 “Service Delivery and Budget Implementation Plan” means a detailed plan approved by the Mayor of a municipality in terms of section 53(l)(ii) of the

MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

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

1.38 “Standards of generally recognized accounting practice,” means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

1.39“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 the total amount appropriate 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.

BUDGET MANAGEMENT POLICY PRINCIPLES

2.INTRODUCTION

In terms of the Municipal Finance Management Act, No.56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for Each financial year approves an annual budget for the municipality before commencement of that financial year.

According to subsection (2) of the Act concerned, to comply with subsection (1), the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

This policy must be read, analyzed, interpreted, implemented, and understood against this legislative background. The budget plays a critical role in realizing diverse community needs. Central to this, the formulation of a municipality budget must be considered the government's macro- economic and fiscal policy fundamentals.

In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

3.OBJECTIVE

3.1 The objective of the budget management and oversight policy is to address the following: -

3.1.1 The Policy aims to:

- Establish and maintain a Policy framework by which managers can compile, control, and review departmental budgets to ensure efficient and effective financial management.
- Ensure that funds are managed carefully and transparently.
- Ensure compliance with the provisions of the MFMA and the MBRR.

3.1.2 The Policy provides guidelines and procedures with regards to:

- To ensure effective budget management and oversight.
- To outline the principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget,

- To detail the roles and responsibilities of the Mayor, Accounting Officer, Chief Financial Officer, and other senior officials
- The compilation of both the operating and capital budget
- Budget monitoring and reporting
- Adjustment's budget
- Unavoidable and unforeseen expenditure
- Unauthorized, irregular, or fruitless and wasteful expenditure
- To establish and maintain procedures to ensure adherence to Capricorn District Municipality's IDP review and budget processes.

4. LEGAL FRAMEWORK

4.1 The budget preparation process is guided by enabling legislative imperatives that are derived from The **Municipal Finance Management Act (MFMA) 56 of 2003**, the **Municipal Systems Act (MSA) 32 of 2000**, **Municipal Budget and Reporting Regulations (MBRR)** and all other applicable legislation, policies and circulars that refer to the budget process.

4.2 Section 21 of the **MFMA** requires the Mayor to table before council 10 months before the start of the budget year a time schedule outlining key deadlines inclusive of the annual budget process, the Integrated Development Plan as prescribed by section 34 of the **MSA**, the budget related policies, any amendments to the IDP or budget related policies, and the necessary consultative process which need to give effect to the above.

4.3 Furthermore, Section 7 of the MBRR requires that the Accounting Officer of a municipality must prepare or take all reasonable steps to ensure the preparation of the budget-related policies of the municipality in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the Mayor in terms of section 21(1) (b) of the Act. Also, Section 7 (1) (m) specifies that this must include a policy related to budget implementation and monitoring specifically dealing with management and oversight.

4.4 In accordance with regulation 7(1) of the MBRR, the responsibility of preparing and amending budget related policies rests with the Accounting Officer and can be sub-delegated to the Chief Financial Officer in accordance with the municipality's systems of delegation. The performance of this function may be delegated to subordinates; however, this does not alleviate the responsibility of the Accounting Officer and Chief Financial Officer.

5. KEY BUDGETING PRINCIPLES

5.1 The budget must be in the format prescribed by the regulations as contemplated by the MFMA and MBRR.

5.2 The budget must reflect the realistically expected revenues by major source for the budget year concerning considering actual collection levels.

5.3 The expenses reflected in the budget must be divided into different votes of the municipality.

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

5.5 Capricorn District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council:

- 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 forecasted revenues and expenses for the current year.
- the actual revenues and expenses for the previous financial year, and
- the estimated revenues and expenses for the current year.

5.6 The budget must be accompanied by all the documents referred to in Section 17(3) of the MFMA.

5.7 For the purposes of Section 17(3) (k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

5.8 The MTREF budget must always be within the framework of the Municipal Integrated Development Plan.

6. BUDGET PREPARATION PROCESS

6.1.1 Budget Steering Committee

6.1.1.1 The mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

6.1.1.2 The steering committee must consist of at least the following people:

- i) the Councilor responsible for 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.

6.1.2 Formulation of the Budget

6.1.2.1 The Accounting Officer with the assistance of the Chief Financial Officer and the Director responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

6.1.2.2 Such budget timetable (IDP/Budget Process Plan) shall indicate the target dates for the draft revision of the IDP 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 Treasury guidelines, for the submission of all the budget-related documentation to the Mayor, Executive Committee and Council.

6.1.2.3 The Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).

6.1.2.4 The Mayor shall table the draft IDP / MTREF budget to council by 31 March (each year before the start of the new budget year) together with the budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, assets, etc).

6.1.2.5 The Chief Financial Officer and Executive Managers undertake technical preparation of the budget.

6.1.2.6 The budget must be in the prescribed format and must be divided into capital and operating budget as prescribed by National Treasury.

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

6.1.2.8 The expenses reflected in the budget must be divided into items.

6.1.2.9 The budget must also contain 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 forecasted revenues and expenses for the current year.

6.1.3 Public Participation Process

6.1.3.1 In accordance with section 22(a) and (b) of the MFMA states that immediately after the draft resolutions of the annual budget is tabled in a municipal council, the Accounting Officer of the municipality must— in accordance with Chapter 4 of the Municipal Systems Act / the Accordance with Chapter 4 of the Municipal Systems Act —

a) make public the annual budget and the documents referred to in section 17(3); and

b) invite the local community to submit presentations in connection with the budget; and

c) submit the tabled annual budget in electronic formats to the National Treasury and the relevant provincial treasury as prescribed by National Treasury; and

d) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

6.1.3.2 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.

6.1.3.3 The Accounting Officer must also make public any information that the municipal council considers appropriate to facilitate the budget consultation 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-regulation (c) must cover:
- iv) The relevant financial and service delivery implications of the annual budget; and
- v) At least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.

6.1.3.4 When submitting the annual budget to the National Treasury and the relevant provincial treasury, the Accounting Officer must also submit to National Treasury and the relevant provincial treasury in 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 may be required by National Treasury.

6.1.3.5 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.

6.1.3.6 Within consideration of the approval of the Annual Budget and thirty (30) days before the start of the budget year the Mayor must table the following documents in the Council in consideration of the annual budget approval.

- i) A report summarizing the local community's views on the annual budget.
- ii) Any comments 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 other stakeholders.

6.1.3.7 The Accounting Officer must assist the Mayor in the preparation of the documents referred to in sub-regulation (g) and 23 (2) of the Act.

6.1.4 Approval of the Budget

a) Council shall 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 council resolution must contain budget policies and the performance measures to be adopted.

c) The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.

d) Should the municipality fail to approve the budget before the start of the budget year, the Mayor must inform the MEC for Local Government in the province that the budget has not been approved.

e) The budget tabled by the Council for approval shall include the following supporting documents:

i) measurable performance objectives for each budget vote, considering the municipality's IDP

ii) the projected cash flows for the financial year by revenue sources and expenditure votes

iii) any proposed amendments to the IDP

iv) any proposed amendments to the budget-related policies

v) 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 organizations such as non-governmental organizations, welfare institutions and so on

vi) particulars of the municipality's investments

vii) the cost to the municipality of the salaries, allowances and other benefits of its political office-bearers and other councilors, the accounting officer, the chief financial officer, and other senior managers

6.1.5 Publication of the Budget

- a) Within 14 days after the draft annual budget has been tabled to Council: -
- i) the **municipality** must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.
 - ii) The Chief Financial Officer must send electronic copies to National and Provincial Treasury.
- b) The Chief Financial Officer must within 10 working days after the approval of the budget by Council submit the approved budget on electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

6.1.6 Service Delivery and Budget Implementation Plan (SDBIP)

- a) The 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 Mayor has approved the Plan it has to be made public.
- b) The SDBIP shall include the following components:
- i) Service delivery targets and performance indicators for each quarter.
 - ii) Monthly projections of revenue to be collected for each source
 - iii) Monthly projections of expenditure (operating and capital) and revenue for each vote
 - iv) Quarterly projections of service delivery targets and performance indicators for each vote
 - v) Ward information for expenditure and delivery; and
 - vi) Detailed capital works plan

7. CAPITAL BUDGET

7.1.1 Basis of Calculation

7.1.1.1 The zero-based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span more than one financial year.

7.1.1.2 The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure to result in a balanced budget.

7.1.1.3 The impact of the capital budget on the current and future operating budget in terms of finance charges to be incurred on depreciation of fixed assets, maintenance of fixed and any other operating expenditure to be incurred directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.

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

7.1.2 Budgeting Principles

7.1.2.1 Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and it has a useful life more than one year.

7.1.2.2 A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

7.1.2.3 The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

7.1.2.4 Before approving a capital project, the Council must consider:

- i) the projected cost of the project over all the ensuing financial years until the project becomes operational,
- ii) future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. service charges and operational revenue).

7.1.2.5 Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

7.1.3 Funding for Capital Budget

The capital expenditure shall be funded from the following sources: -

7.1.3.1 Revenue of Surplus

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

7.1.3.2 Accumulated Surpluses

- Council shall establish an Accumulated Surplus for the purpose of financing capital projects
- And the acquired of assets. Such reserve shall be established from the following sources of revenue:
 - Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes
 - Interest on the investments of the Accumulated Surplus, appropriated in terms of the investments policy.
 - Additional amounts appropriated as contributions in each annual or adjustments budget; and
- Before any asset can be financed from the Accumulated Surplus the financing must be available within the reserve and available as cash as this fund must be cash backed,
- If there is insufficient cash available to fund the Accumulated Surplus, this reserve fund must then be adjusted to equal the available cash,
- Transfers to the Accumulated Surplus must be budgeted for in the cash budget.

7.1.3.3 Grant Funding

i) Non- capital expenditure funded from grants

- Must be budgeted for as part of the revenue budget,
- Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

ii) Capital expenditure must be budgeted for in the capital budget,

- Interest earned on investments in Conditional Grant Funding shall be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but should be secured before spending can take place.

8. OPERATING BUDGET

8.1 Basis of Calculation

8.1.1 The incremental approach will be a preferred method to be used in preparing the annual operating budget and the other budgeting methods where it is allowed by the municipality, except in cases except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances, the zero-based method will be followed.

8.1.2 The annual operating budget shall be based on realistically anticipated revenue, and the anticipated operating expenditure that can be equal or less than the anticipated revenue, which can result in a balanced or surplus budget.

8.1.3 An income-based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would equal or less than the determined income, thus resulting in a balanced or surplus budget.

8.1.4 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.

8.1.5 The impact of such increases in rates shall be assessed on the basis of a fair sample of randomly selected accounts.

8.1.6 The operating budget shall reflect the impact of the capital component on:

- Repairs and maintenance expenses
- Depreciation charges
- Other operation expenses

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

9. UNSPENT FUNDS / ROLL OVER OF BUDGET

9.1 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, except for relating to capital expenditure.

9.2 Only unspent grant (if the conditions for such grant funding allows that), Capital replacement reserve funded capital budget may be rolled over to the next budget year.

9.3 Conditions of the grant fund shall be considered in applying for the rollover of funds.

9.4 The roll-over of all unspent conditional grants will be subjected to approval by National Treasury.

9.5 Adjustments to the rolled over budget shall be made during the 1st budget adjustment in the new financial year after considering expenditure up to the previous financial year.

9.6 Unspent Operating projects shall be rolled over to the next Budget Year

10. ADJUSTMENT BUDGET

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

10.2 The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the 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.

10.3 Council may revise its annual budget by means of an adjustments budget if it is recommended by the Accounting Officer.

10.4 The Accounting Officer shall promptly adjust budget revenues and expenses if a material under-collection of revenues arises or is apparent.

10.5 The Accounting Officer shall appropriate additional revenue, which have become available but only to revise or accelerate spending programmes already budgeted for, or any areas of critical importance identified by Council.

10.6 The Council shall in such adjustments budget, and within the prescribed framework, confirm, unforeseen and unavoidable expenses on the recommendation of the Mayor.

10.7 Only the Mayor shall table an adjustments budget.

10.7.1 An adjustments budget must contain the following:

10.7.1.1 An explanation of how the adjustments affect the approved annual budget,

10.7.1.2 Appropriate motivations for material adjustments; and

10.7.1.3 An explanation of the impact of any increased spending on the current and future annual budgets.

10.7.1.4 Any unappropriated surplus from previous financial years, even if fully cash-backed, should not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.

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

10.7.1.6 Unauthorized expenses may be authorized in an adjustments budget.

10.7.1.7 Regarding unforeseen and unavoidable expenditure, the following apply:

- The Mayor may authorize such expenses in an emergency or other exceptional circumstances.
- The municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses.
- These expenses must be appropriate by the mayor to the next Council meeting.
- The expenses must be appropriate in an adjustments budget; and
- Council must pass the adjustments budget within sixty days after the expenses are incurred.

11. Format of the Adjustment Budgets

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

11.2 Funding Adjustment Budgets

- a) An adjustments budget for a municipality must be appropriately funded.
- 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.

11.3 Timeframes for Tabling of the Adjustment Budgets

- a) An 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 the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.
- b) Only four adjustments budget referred to in sub-regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations 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 adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.
- d) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the
unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.
- e) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.
- f) An adjustments 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 –
- g) dealt with as part of the adjustments budget contemplated in sub-regulation (1); and
- h) a special adjustments 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.BUDGET IMPLEMENTATION

12.1 Monitoring

12.1.1 The Accounting Officer, with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget,
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

12.1.2 The Accounting officer must report in writing to the Council about 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.

12.1.3 Executive Managers are responsible for monitoring the levels of spending against budgeted amounts within their directorates and reasons for significant overspending/underspending promptly reported to the Accounting Officer.

12.1.4 The Accounting officer with the assistance of the chief financial officer must prepare any adjustments in budget in terms Section 11 of this policy and submit it to the Mayor for consideration and tabling to Council.

12.2 Reporting

12.2.1 Monthly Budget Statements

12.2.1.1 The Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date, as required by section 71 of MFMA.

12.2.1.2 These reports 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,
- 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 Treasury must be on electronic format and in the form of mSCOA Data Strings

12.2.2 Quarterly Reports

12.2.2.1 The 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, as per section 52 of MFMA.

12.2.3 Mid –Year Budget and Performance Assessment

12.2.3.1 The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, as per section 72 of MFMA.

12.2.3.2 The Accounting officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

12.2.3.3 The Accounting officer may make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

13 MSCOA BUDGETING

13.1 The municipal budgets must be compiled and presented in line with municipal standard chart of accounts (mscoa) classification framework.

13.2 The municipal budgets must be generated from the mscoa compliant financial systems and produce all Schedule A1, B and C directly from the financial system.

14.PUBLICATION

14.1The municipality must place the following on the municipality's official website:

14.1.1the annual and adjustments budgets and all budget related documents,

14.1.2 all budget-related policies,

14.1.3 integrated development plan,

14.1.4 the annual report,

14.1.5 all performance agreements,

14.1.6 all service delivery agreements,

14.1.7 all long-term borrowings contracts,

14.1.8 all quarterly and mid-year reports submitted to Council on the implementation of the budget and the financial affairs of the municipality.

15.IMPLEMENTATION AND REVIEW OF POLICY

This policy shall be implemented on 1st July 2026 and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives and with legislation