CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

BUDGET IMPLEMENTATION AND MONITORING

POLICY

Adopted in an Ordinary Council meeting held on 27 May 2026.

Table of Contents

1. DEFINITIONS 7
2. INTRODUCTION 12
3. OBJECTIVES OF POLICY 12
4. LEGISLATIVE FRAMEWORK 13
5. KEY BUDGETING PRINCIPLES 13
6. BUDGET PREPARATION PROCESS 14
7. PUBLIC PARTICIPATION PROCESS 15
8. Approval of the budget 16
9 Publication of the budget 17
10. Service Delivery and Budget Implementation Plan (SDBIP) 17
11. CAPITAL BUDGET 18
12. OPERATING BUDGET 20
13. FUNDING OF CAPITAL AND OPERATING BUDGET 21
14. UNSPENT FUNDS / ROLL OVER OF BUDGET 21
15. BUDGET TRANSFERS AND VIREMENTS 22
16. ADJUSTMENT BUDGET 22
17. BUDGET IMPLEMENTATION 24
18. Reporting 25
19. NON-COMPLIANCE 26
20. CO-ORDINATION AND CONSOLIDATION 26
21. IMPLEMENTATION AND REVIEW 26
22. PUBLICATION 27

1. DEFINITIONS

"accounting Officer"-

(a) means the Municipal Manager
- the municipal official referred to in Section 60; or;
- in relation to a municipality entity, means the official of the entity referred to in section 93;
- and includes a person acting as accounting officer;

*"**allocation"**,* means-

(a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution which stipulates that;

- "**all revenue raised nationally be divided equitably between the three spheres (National, Provincial and Local Government)**. In addition to their equitable share, provincial and local governments also receive conditional or unconditional allocations from the national share."

(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution which states that;

- "an Act of Parliament must provide for any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made."

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

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

"**approved budget,**" means an annual budget-

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

"basic Municipal Service" means a municipal service that is necessary to ensure an

acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

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

(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act; or

(c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

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

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

"chief financial officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"councillor" means a member of a municipal council;

"creditor", means a person to whom money is owed by the municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA

"annual 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;
(f) appendices

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

(a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;

(b) expenditure incurred by a municipality 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 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 "unauthorised expenditure";

"Investment" – means -

(a) the placing on deposit of funds with a financial institution: or

(b) the acquisition of monetary assets with funds not immediately required,

(c) with the primary aim of preserving those funds.

"lender", means a person who provides debt finance to a municipality;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

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

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

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

MAYCO: Mayoral Committee established in terms of Part 1 of Chapter 4 of the Municipal Structures Act;

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

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

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipality"-

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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

"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;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

(a) an employee of a municipality.

(b) a person seconded to a municipality to work as a member of the staff of the municipality or

(c) a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee;

"overspending"-

(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) in relation to a vote, means causing expenditure under the vote to exceed the budgeted amount for that vote; or

(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

(a) 1 July to 30 September;

(b) 1 October to 31 December;

(c) 1 January to 31 March; or

(d) 1 April to 30 June;

2. INTRODUCTION

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

According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive 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, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals.

In brief, the conceptualisation and the operationalisation of the budget must be located within the Integrated Development Plan and the national government's policy framework.

APPLICATION AND SCOPE

The Budget Implementation and Monitoring Policy is applicable to the Chis Hani District Municipality as well as to the municipal entity (CHDA).

3. OBJECTIVES OF POLICY

3.1 The objective of the budget implementation and Monitoring policy seek to address the following: -

3.1.1 Establish and maintain a policy framework by which managers can use to compile, control and review departmental and municipal entities' (MEs) budgets to ensure efficient and effective financial management.

3.1.2 Ensure that funds are managed carefully and transparently.

3.1.3 To ensure effective budget implementation and monitoring;

3.1.4 Ensure compliance with the provisions of the MFMA and the MBRR.

3.2 The Policy provides guidelines and procedures with regard to:

3.2.1 Ensure effective budget management framework and oversight;

3.2.2 Outlining the principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget;

3.2.3 Detail the roles and responsibilities of the Executive Mayor, Municipal Manager, Chief Financial Officer and other senior officials;
3.2.4 The compilation of both the operating and capital budget;
3.2.5 Budget monitoring and reporting;
3.2.6 Adjustment budget; (this aspect is covered in detail in the Virement Policy);
3.2.7 Unforeseen and unavoidable expenditure;
3.2.8 Unauthorised expenditure approved by the Executive Mayor; and;
3.2.9 Ensure adherence to CHDM's IDP review and budget processes.

4. LEGISLATIVE FRAMEWORK

1. The budget preparation process is guided by the 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
2. Reporting Regulations (MBRR) and all other applicable legislation, policies and circulars that make reference to the budget process.

3 Section 21 of the MFMA requires the Executive 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.

3. Furthermore, Section 7 of the MBRR requires that the municipal manager 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 Executive 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. In accordance with the regulation 7(1) of the MBRR, the responsibility of preparing and amending budget related policies rests with the Municipal Manager 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 however does not alleviate the responsibility of the Municipal Manager and Chief Financial Officer.

5. KEY BUDGETING PRINCIPLES

1. The budget must be in the format prescribed by the regulations as contemplated by the MFMA and MBRR;
2. The budget must reflect the realistically expected revenues by major source for the budget year concerned taking into account actual collection levels;

3. The expenses reflected in the budget must be divided into the different votes of the municipality;
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. Chris Hani District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council :
    5.1 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.
    5.2 the actual revenues and expenses for the previous financial year, and
    5.3 the estimated revenues and expenses for the current year.
6. The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.
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.
8. The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan

6. BUDGET PREPARATION PROCESS

6.1 Formulation of the budget

6.1.1 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 The executive 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).

6.1.3 IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

6.1.4 The Executive mayor shall convene a strategic workshop in February/March with the mayoral committee and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The executive mayor shall table the IDP priorities with the draft budget to Council.

6.1.5 The Executive Mayor shall table the draft IDP and MTREF budget to council by31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control,debt collection, investment and cash management, borrowings, etc).

6.1.6. The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

6.1.7 The budget must be in the prescribed format, and must be divided into capital and operating budget.

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

6.1.9 The expenses reflected in the budget must be divided into operating and capital expenditure items.

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

7. PUBLIC PARTICIPATION PROCESS

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 —

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

    1.2 invite the local community to submit representations in connection with the budget; and

    1.3 submit the annual budget — (draft / tabled budget)

        1.3.1 in both printed and electronic formats to the National Treasury and

        1.3.2 the relevant provincial treasury as prescribed by National Treasury and;

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

2. When the annual budget has been tabled, the municipal council must consider any views of—.

   2.1 the local community; and
   2.2 the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which were made.

3. The Municipal Manager must also make public any information that the municipal council considers appropriate to facilitate the budget consultation process, including:
4. Summaries of the annual budget and supporting documents in alternate languages predominant in the community; and
5. Information relevant to each ward in the municipality
6. All the information contemplated in sub-regulation (c) must cover:
   The relevant financial and service delivery implications of the annual budget; and
7. At least the previous year's actual outcome, the current years forecast outcome, the budget year, and the following two years.
9. When submitting the annual budget to the National Treasury and the relevant provincial treasury, the municipal manager must also submit to National Treasury and the relevant provincial treasury, both in printed and electronic form, whatever the format that is required for such submissions–
10. The supporting budget documentation as tabled in the municipal council;
11. The draft Service Delivery and Budget Implementation Plan (SDBIP); and
12. Any other information as may be required by National Treasury.
13. After considering all budget submissions, the council must give the **Executive Mayor an opportunity—**

    13.1 to respond to the submissions; and
    13.2 if necessary, to revise the budget and table amendments for consideration by the council.
    13.3 Within consideration of the approval of the Annual Budget and thirty (30) days before the start of the budget year the Executive Mayor must table the following documents in the Council in consideration of the annual budget approval.
        13.3.1 A report summarizing the local community's views on the annual budget;
        13.3.2 Any comments on the annual budget received from National Treasury and Provincial Treasury
        13.3.3 Any comments on the annual budget received from any organ of state, including any affected municipality; and
        13.3.4 Any comments on the annual budget received from any other stakeholders.
        13.3.5 The Municipal Manager must assist the Executive Mayor in the preparation of the documents referred to in sub-regulation (g) and 23 (2) of the Act.

8. Approval of the budget

Adopted in an Ordinary Council meeting held on 27 May 2026.

1. Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
2. The council resolution must contain budget policies and performance measures to be adopted.
3. The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.
4. Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.

5. The budget tabled to Council for approval shall include the following supporting documents:

5.1 draft resolutions approving the budget, other taxes and tariffs for the financial year concerned;

5.2 measurable performance objectives for each budget vote, taking into account the municipality's IDP;

5.3 the projected cash flows for the financial year by revenue sources and expenditure votes;

5.4 any proposed amendments to the IDP;

5.5 any proposed amendments to the budget-related policies;

5.6 the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;

5.7 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 Non-Governmental Organisations, welfare institutions and so on; and

5.8 particulars of the municipality's investments.

9 Publication of the budget

9.1 The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

10. Service Delivery and Budget Implementation Plan (SDBIP)

1. The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council and within ten days (10) after the Executive Mayor has approved the Plan it has to be made public.

Adopted in an Ordinary Council meeting held on 27 May 2026.

2. The SDBIP shall include the following components:

2.1 Monthly projections of revenue to be collected for each source

2.2 Monthly projections of expenditure (operating and capital) and revenue for each vote

2.3 Quarterly projections of service delivery targets and performance indicators for each vote

11. CAPITAL BUDGET

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 its value exceeds R10,000 and has a useful life in excess of one year.

2. Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.

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

4 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.

5. Before approving a capital project, the Council must consider:

5.1 the projected cost of the project over all the ensuing financial years until the project becomes operational,

5.2 future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on service tariffs).

6. Before approving the operating budget, the council shall consider:

6.1 the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

6.2 depreciation of fixed assets,

6.3 maintenance of fixed assets, and

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

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

7. The capital expenditure shall be funded from the following sources:

7.1 Revenue or Accumulated Surplus

7.1.1. If any project is to be financed from revenue this financing must be included in the revenue budget to raise sufficient cash for the expenditure.
7.1.2. If the project is to be financed from accumulated surplus there must be sufficient cash available at time of budgeting or certainty that it will be available at the time of execution.

7.2 External loans

7.2.1. External loans can be raised only if it is linked to the financing of an asset;

7.2.2. A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or it can be reasonably assumed as being secured;
7.2.3. Theloan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
7.2.4. Interest payable on external loans shall be included as a cost in the revenue budget;
7.2.5. Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

7.3 Capital Replacement Reserve (CRR)

1. Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:

1.1 unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
1.2 interest on the investments of the CRR, appropriated in terms of the investments policy;

1.3 additional amounts appropriated as contributions in each annual or adjustments budget; and
1.4 Sale of land and profit or loss on the sale of assets.

2. Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
3. If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
4. Transfers to the CRR must be budgeted for in the cash budget;

7.4 Grant Funding

- 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.

- Capital expenditure must be budgeted for in the capital budget;

- Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated, the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

12. OPERATING BUDGET

(a) The municipality shall budget in each annual and adjustments budget for the contribution to:

provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,

provision for bad debts in accordance with its tariffs policies

provision for the obsolescence and deterioration of stock in accordance with its stores management policy
Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

(b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in service tariffs will have on the monthly municipal accounts of households.

(c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

(d) The operating budget shall reflect the impact of the capital component on:

- Depreciation charges
- Repairs and maintenance expenses
- Interest payable on external borrowings; and
- Other operating expenses.

13. FUNDING OF CAPITAL AND OPERATING BUDGET

(a) The budget may be financed only from:

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

14. UNSPENT FUNDS / ROLL OVER OF BUDGET

(a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.

(b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year

(c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds

(d) Application for roll over of funds shall be forwarded to the budget office by the 15 of July each year in relation to the previous financial year, to be included in current year's adjustment budget.

(e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
(f) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.

(g) No unspent operating budget shall be rolled over to the next budget year except for exceptional cases that requires approval by Chief Financial Officer and Municipal Manager.

15. BUDGET TRANSFERS AND VIREMENTS

(a) Budget transfers within the same vote shall be recommended by the Director and approved by the Chief Financial Officer (Accounting Officer)or such other senior delegated official in the Budget and Treasury Department.

(b) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Director Corporate Services.

(c) In cases of emergency situations virements shall be submitted by the accounting officer to the Executive mayor for authorization and be reported by the Executive mayor to Council at its next meeting.

(d) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.

(e) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of council.

(f) Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses, Repairs & Maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department.

(g) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category.

(h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.

Virements between votes shall be included in the adjustment budget.

16. ADJUSTMENT BUDGET

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

(a) 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 executive mayor, are aligned with the IDP, and comply

with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.

(b) Council may revise its annual budget by means of an adjustments budget at most three times a year or a regulated.

(c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

(d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.

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

(f) The Council should 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.

(g) Only the Executive mayor shall table an adjustments budget.

(h) Adjustments budget shall be done at most, three times a year after the end of each quarter and be submitted to Council in the following months:

i. In August (Before 25 August) – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget
iii. May – final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year

(h) An adjustments budget must contain all of the following:

i. an explanation of how the adjustments affect the approved annual budget;

ii. appropriate motivations for material adjustments; and

iii. an explanation of the impact of any increased spending on the current and future annual budgets.

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

Adopted in an Ordinary Council meeting held on 27 May 2026.

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

(k) Unauthorised expenses may be authorised in an adjustments budget.

(l) In regard to unforeseen and unavoidable expenditure, the following apply:

i. the Executive mayor may authorise such expenses in an emergency or other exceptional circumstances;

ii. the municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;

iii. these expenses must be reported by the Executive mayor to the next Council meeting;

iv. the expenses must be appropriated in an adjustments budget; and

v. Council must pass the adjustments budget within sixty days after the expenses were incurred.

17. BUDGET IMPLEMENTATION

17.1 Monitoring

17.1.1 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.

b) The Accounting officer 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.

c) Directors / Head of Department (HOD) 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.

d) The Accounting officer with the assistance of the chief financial officer must prepare an adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.

18. Reporting

18.1 Monthly budget statements

18.1.1 The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive 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 the MFMA.

This report must reflect the following:

i) actual revenues per source, compared with budgeted revenues;
ii) actual expenses per vote, compared with budgeted expenses;
iii) actual capital expenditure per vote, compared with budgeted expenses;
iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
v) the amount of allocations received, compared with the budgeted amount;
vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
vii) 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;
viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

18.3 Quarterly Reports

18.3.1 The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality in terms of section 52(d) of the MFMA.

18.4 Mid-year budget and performance assessment

18.4.1 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 the MFMA.

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

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

19. NON-COMPLIANCE

19.1 Regulations 60-70 of the MBRR prescribes matters dealing with non-compliance by municipalities and municipal entities with time lines and deadlines concerning annual budgets, adjustments and in-year reports;

19.2 In an event that the District or a Municipal Entity fails to comply with the timelines and deadlines concerning annual budgets, adjustments budget or in-year reports, an application must be lodged in the format prescribed by the regulations.

20. CO-ORDINATION AND CONSOLIDATION

20.1 Budget office will coordinate and consolidate all submissions by departments and municipal entity to Council, on budget and related issued covered in this policy.

20.2 Budget office will from time to time issue out formats and guidelines to all departments and municipal entity on budgets and related matters covered in this policy.

21. IMPLEMENTATION AND REVIEW

The policy shall be implemented once approved by Council.

In terms of section 17(3)(e of the MFMA, this policy must be reviewed on an annual basis and any proposed arguments or amendments tabled to Council for consideration and approval.

Adopted in an Ordinary Council meeting held on 27 May 2026.

22. PUBLICATION

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

1. the annual and adjustments budgets and all budget related documents;
2. all budget-related policies;
3. the integrated development plan;
4. the annual report;
5. all performance agreements;
6. all service delivery agreements;
7. all long-term borrowings contracts;
8. all quarterly and mid-year reports submitted to Council on the implementation of the budget and the financial state of affairs of the municipality.

23. EFFECTIVE DATE

This policy will be effective as from **1 July 2026**.

Council Resolution:

Resolution No: C163

2026-2027.

Signed by Municipal Manager: G. Mashiyi — *Initial and Surname* — *Signature* — 09/06/2026 — *Date*

Signed by Speaker of Council: J. CENGANI — *Initial and Surname* — *Signature* — 09/06/2026 — *Date*

Adopted in an Ordinary Council meeting held on 27 May 2026.