

**DR KENNETH KAUNDA
DISTRICT MUNICIPALITY**



*Championing sustainable quality
service delivery for all*

**BUDGET
2009/2010**

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**BUDGET SPEECH DELIVERED BY THE
EXECUTIVE MAYOR OF DR KENNETH
KAUNDA DISTRICT MUNICIPALITY
CLLR BE MOLOI ON 3 JUNE 2009**

Acting Speaker
Honourable Councillors
Municipal Manager
Council Officials
Distinguished Guests
Members of the Public
Dear Ladies and Gentlemen

It is with a deep sense of humility and honour that I rise to present before this august council our fourth annual budget under the current term.

The tabling of our 2009/2010 Budget coincides with the very first State of the Nation Address on this day by our newly elected fourth democratic President of South Africa, Mr Gedleyihlekisa Jacob Zuma.

This State of the Nation Address to the joint sitting of Parliament follows the recent

successful fourth democratic elections which saw millions South Africans voting to renew the mandate of the people's government.

THE PAST RECORD

Looking back over the past financial years, we have done well in terms of tackling the infrastructure backlog facing our district. We have delivered services to our people in both the urban and rural parts of our District. However, it is in the remote rural villages where we have done much to push back the frontiers of poverty. We have brought electricity, water, sanitation, roads and other services to our people.

Our revised IDP captures the capital, economic investment and disaster management reports for the past two financial years up to March 2009

Moving into the future and in line with the emphasis of our new government on Rural Development, we intend to intensify our work in rural villages.

AUDIT OPINION

As a District Municipality, we are moving from a very difficult financial terrain during which our municipality used to receive disclaimers. These negative audit reports reflected badly on the management of our finances and how we implemented our budget.

We are happy to report for the first time ever a qualified audit opinion from the office of the Auditor General. This is a marked improvement and an indication of better things to come. We can only improve on this performance by position by posting unqualified reports in the current and future financial years as a sign of clean and good governance on our part. This is possible through political will by political office bearers and the commitment forms our administration.

Honourable councilors, the budget is presented with the simultaneous adoption of the 2009/2010 IDP Review document. The review process has continued successfully despite our participation in the 2009 National and Provincial Elections.

There has been a marked increase in the participation of the Sector Departments in the affairs of the District Municipality and its Local Municipalities. At least seven (7) new provincial and national sectors presented their plans during the December 2008 engagements.

The district flagship Mayoral Road Show has completed successfully under a tight schedule. During this process which is becoming standardized in the district, the district municipality engaged constructively with the local municipalities in order to bring alignment in our planning processes.

The IDP document itself is presented in the new format adopted nationally by the National Development Planning Forum in 2008.

The preparation and production of credible budget is critical and cannot be compromised. The non-credible budget hampers and delays service delivery attainment. The Municipal Manager, Section 57 Managers and Managers in Political Office Bearers Offices will all be required and expected to adhere to the service delivery and budget implementation plans (SDBIP's).

The resolution of municipal council that was taken in March 2008 in terms of Item A.27/03/2008 reads as follows:

“2 That the Accounting Officer (Municipal Manager) must limit reduces roll-overs since it represents underperformance and poor budgeting.”

The implementation of the budget will be fully monitored and managers must limit the transfers that clearly indicate the symptom of poor budgeting. However, when the transfers are considered to enhance and accelerate service delivery, proper written motivation must be submitted to the Office of the Municipal Manager and Executive Mayor, even if the transfer is within a vote.

Speaker, the budget presentation will focus on three sections: Sources, Revenue, Operational and Capital Allocation.

1 SOURCES OF REVENUE

The legislation (MFMA) requires that all offices become responsible for the collection of revenue as well as efficiency and effective utilization of those resources. The Offices of the Municipal Manager and Chief Financial Officer expect such support and reduction (elimination) of irregular or fruitless and wasteful expenditure.

The current turbulent economic conditions has put pressure on households, businesses and State budgets with regard to the relevant stakeholders. National contraction in GDP growth has shown slow and cautious spending with regard to both capital and operating expenditures, as less is achieved with more scarce resources.

The total amount of Grants and subsidies received of R158 564 000 represents 84.8% of the total anticipated revenue from the grant transfer against the 79.9 % of the 2008/2009 financial year. The bulk of the R158 564 000 represent the RSC levy replacement grant to the amount of R122 543 000 and Equitable share of R18 244 000. R11 954 708 of the Equitable share is specific allocated for subsidizing the Environmental health service which is a function of this council.

The transfer from surplus of R18 436 840 is due to projects to the amount of R15 805 130 that was started in the 2008/9 financial year, but expected to be completed in the 2009/10 financial year. This meant that

19.6% of the 2008/10 budget was carry over, and that these projects represent 30.6% of the capital projects budget in the 2009/10 budget.

Cash back investments that are prescribed in the MFMA for Councils funds and reserves as well as funds used for bridging operational cost are invested periodically with the recognized financial institutions to limit and reduce the risks. The Reserve Bank cut interest rates since January 2009 with 450 basis points and this will have a negative influence on councils interest out of investments.

Other grants allocated to the Council is the Finance Management Grant (FMG) to the amount of R750 000, Municipal Systems Improvement Grant (MSIG) to the amount of R1.3 million. R7.5 million and R2 million was transferred to Council during the 2008/9 financial year and included in the adjustment budget for Fire Support Program Grant and Disaster Management Grant respectively. The Fire Support

Program Grant is to supply Fire Engines for local Councils and orders is already placed after the tender process was followed.

2 OPERATIONAL BUDGET

The total operational budget amount to R138 174 361 compared to the R101 970 053 of the adjustment budget for the 2008/2009 financial year. An Increase of 35.6%. This increase is basically due to the increase in Grants and Subsidies of 80% that the Council budget to allocate to the Local communities.

Councillors Remuneration stays at R6 127 000 which is 4,4% of the operating budget although a provision of a 12% increase in allowances was made. This is basically due to the re-demarcation of Merafong back to Gauteng.

The employee related costs amount to R47 751 072 and increase in growth of 14% representing 34.5 % of the total operational costs.

The council has budgeted for an annual increase of 12% which should be adequate as no agreement has been reached between South African Local Government Association, SALGA (the employer) and the two unions, i.e. SAMWU and IMATU.

Despite the current global economic meltdown, we continue to invest in infrastructure development as well as raising the service delivery standards of our people through projects.

The allocations we make in this budget will also advance the National and Provincial agenda of cushioning the poor by creating employment opportunities, investing in infrastructure and ensuring fiscal sustainability.

Some of the allocations we make and the intended projects seek to address the five priority areas identified by the ruling party in its 2009 Manifesto, which now

constitute government's programme for the next five years.

The Council contributed in this budget just more than R4. 5m to the Dr Kenneth Kaunda Economic Agency in order to fund programmes whose aim is to promote economic development in the District. Of this amount, R2.5 m is budgeted for the Schikenmaster meat processing project that would create job opportunities for our people in Matlosana. These allocations are in line with the new government's priority on creating work for the people.

Honourable Speaker, in line with our new government's focus on Rural Development, this particular Budget sets aside considerable amounts towards this priority area. For example, in the grants and subsidies allocation a whopping amount of just more than R10m was allocated to support rural development in our district. This is intended to improve the living conditions of our rural masses by bolstering service delivery and development in these areas in line with the national agenda.

R2, 62 million towards Executive Mayor's Special Interventions, R2.4 million towards Special Projects Desk, R600 000 towards student bursaries in line with the commitment to facilitate access to higher education by our kids in the District and R6.5 m to Sport, Arts and Culture and the 2010 FIFA World Cup.

The total general expenses amount of R25 282 040 represents 25 % of the total operating expenditure budget. R4m is budgeted for consultants, R1.3 m for external audit fees, R3m for the name change process, R1.9m for Local/international trips to attract Investors.

3 CAPITAL BUDGET

The capital budget as depicted on the budget summary schedule has been aligned with both national, provincial and local priorities.

Due to the current economic conditions where the private sector is retrenching employees thereby putting more pressure on government to invest more on communities. Social and Community service has been allocated

(67.7%) close to 70 % of the capital budget. The allocation will also advance both National, Provincial and Local guiding priority principles of protecting the poor, creating employment, investing in infrastructure and ensuring fiscal sustainability.

The total general capital budget amount of R11 127 500 which makes 21.63 % of the total capital budget of R51 501 579. R7.5m is for the acquisition of the fire engines in the Disaster Management Service. The balance of R3112 500 accommodates office furniture, computer equipment and vehicles for Environmental Health.

The Service delivery budget requirements include R34 874 079 for the Community and Social Services, Roads and Transport amount of R3 300 000, Water Management amount of R1850 000, Waste Water Management R 350 000 and Electricity amount of R3 587 164. The provision of service delivery to small municipalities that do not have the revenue generating ability must be fully supported.

We can even suggest more bias of our limited financial resources to them.

Speaker

Let me conclude by stating unequivocally that the spending priorities and the programmes we envisage in this Medium Term Revenue and Expenditure framework of Dr. Kenneth Kaunda District Municipality for the next financial year are genuinely informed by the overriding objective of accelerating economic growth, improving service delivery, infrastructure development and the critical task of reducing poverty and inequalities. These are clearly aligned to the five key national priorities.

It is my firm submission that this municipal council should approve the MTREF 2009/10 budget without reservations. This will enable us to comply with the provisions of Section 24 (2) of the Municipal Finance Management Act which prescribes that this municipal council approves the annual budget before the start of the budget year.

In concert with the theme of today's state of the nation address – **“Parliament entrenching people-centred democracy in achieving development goals”**, I call on all Councillors, Officials and our residents to join us in partnerships as we turn ours into a region of prosperity for present and future generations.

I Thank you!!
Ke a leboga!!
Baie dankie!!

ITEM A.81/05/2009

APPROVAL AND ADOPTION 2009/2010 BUDGET

4/1/1

PURPOSE

The 2009/2010 budget is placed before the municipal council for approval and adoption.

BACKGROUND

- 1 That the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA) has Sections which reads as follows:

"23 Consultations on tabled budgets

- (1) *When the annual budget has been tabled, the municipal council must consider any views of –*
- (a) *the local community; and*
- (b) *the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.*
- (2) *After considering all budget submission, the council must give the mayor an opportunity-*
- (a) *to respond to the submissions; and*
- (b) *if necessary, to revise the budget and table amendments for consideration by the council."*

"24 Approval of annual budgets

- (1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget."*

- 2 That the draft budget by the Executive Mayor was tabled on Monday, 31 March 2009 in terms of Item A.18/03/2009. The document was sent to the relevant stakeholders including the local municipalities within the Dr Kenneth Kaunda District Municipality's area of jurisdiction.
- 3 That the Budget Steering Committee has considered the changes to enhance the credibility of the budget.
- 4 That the Budget was attached as a separate document for consideration.

REVISED/AMENDED NON ADMENDED

That the following budget related policies are submitted and that suggested changes as indicated under each heading be approved:

- 1 **BUDGET POLICY(Attached in separate Budget document)**
- 2 **REVISED ASSET MANAGEMENT POLICY (Attached in separate Budget document)**

The estimated asset life of furniture and fittings be changed from 7-10 years to 3-7

years and that intangible assets be included in the list with an estimated life of between 2-6 years.

3 REVISED CELL PHONE ALLOWANCES (Attached in separate Budget document)

All 3G cards on contract be cancelled as and when the contracts expire and that no new contracts on 3G cards be entered into.

4 DEBT MANAGEMENT AND CREDIT CONTROL POLICY (Attached in separate Budget document)

That the policy be withdrawn in total as the levy income of Council was abolished with effect of 1 July 2006.

5 SUBSISTENCE, ACCOMMODATION & TRAVELLING ALLOWANCE POLICY

6 OVERTIME POLICY

7 SUPPLY CHAIN MANAGEMENT POLICY

8 INVESTMENTS POLICY

9 TRANSFER OF ALLOCATIONS REPORTING POLICY

10 PROVISION FOR BAD DEBT POLICY

THEREFORE RECOMMENDED

1. That the 2009/2010 Medium Term Revenue and Expenditure Framework, i.e including the two outer indicative years (2010/2011 and 2011/2012) be approved and adopted.
2. That the Sources of Revenue to the amount of R187 044 230 be approved;
3. That the Operational Expenditure amount of R135 442 651 be approved;
4. That the Capital Expenditure amount of R51 601 579 be approved;
5. That the Executive Mayor be authorized to finalize the R23 247 079 allocation to Local Municipalities;
6. That the Municipal Manager and Section 57 Managers submit the Service Delivery and Budget Implementation Plans (SDBIP's) to the Executive Mayor on or before 30 June 2009; and
7. That the Executive Mayor submit the SDBIP to the Municipal Council during July 2009.
8. That Council approves the new and revised policies attached.

THEREFORE RECOMMENDED

1. That the 2009/2010 Medium Term Revenue and Expenditure Framework, i.e including the two outer indicative years (2010/2011 and 2011/2012) be approved and adopted.
2. That the Sources of Revenue to the amount of R187 044 230 be approved;
3. That the Operational Expenditure amount of R138 174 361 be approved;
4. That the Capital Expenditure amount of R51 501 579 be approved;
5. That cognizance be taken that the Executive Mayor allocated the R23 427 079 to local municipalities as follows: City of Matlosana R5 million Mayoral Project Environmental Youth Programme, City of Tlokwe R5 Million Mayoral Project Environmental Youth Programme, Ventersdorp Local Municipality R7 147 079 to be prioritized, Maquassi Hills Local Municipality R6 million to be prioritized
6. That the Executive Mayor authorize to finalize specific projects for Ventersdorp and Maquassi Hills R7 147 079 and R6 million respectively;
7. That the Municipal Manager and Section 57 Managers submit the Service Delivery and Budget Implementation Plans (SDBIP's) to the Executive Mayor on or before 30 June 2009;
8. That the Executive Mayor submit the SDBIP to the Municipal Council during July 2009.
9. That Council approves the new and revised policies attached.

DR KENNETH KAUNDA DISTRICT MUNICIPALITY**EXECUTIVE SUMMARY****ECONOMIES OF SCALE****Current Economic Conditions (Impact on the Budget)**

The current turbulent economic conditions has put pressure on households, businesses and State budgets with regard to the relevant stakeholders. National contraction in GDP growth has shown slow and cautious spending with regard to both capital and operating expenditures, as less is achieved with more scarce resources (funding the budget).

Economy and Capital Budget (Infrastructure Development)

The capital budget as depicted on the budget summary schedule has been aligned with both national, provincial and local priorities.

Due to the current economic conditions where the private sector is retrenching employees thereby putting more pressure on government to invest more on communities, Social and Community Services has been allocated (41.29%) close to 50 % of the capital budget.

The allocation will also advance both National, Provincial and Local guiding priority principles of protecting the poor, creating employment, investing in infrastructure and ensuring fiscal sustainability.

Other Infrastructure development line items have been funded from investments made as the current global credit crunch has hit the local shores thereby limiting the potential for the municipality to borrow more funds for more projects as interest on repayments will contribute a major portion due to high interest rates thereby highly increasing the operating budget.

Economy and Operating Budget (Employee related costs)

As indicated above the impact of current economic conditions on different budgets ; uncertainty exists as to the the budgeted employee related costs, taking into consideration the current industrial actions by unions and employees seeking to relieve the pressure on employers.

The current employee related cost allocation is based on a 12% increase assumption, being 30.47 % of total budget allocation-an acceptable ratio with regard to the national regulations guideline.

Economy and Service Delivery Standards (Implementation of projects)

The municipality with its limited resources (funding the budget) must be prepared for uncertainties due to current economic conditions.

Service Delivery Standards will be slightly negatively affected by the cost of having sufficient resources (workers) to fulfill its areas of priority.

Current industrial actions pose threat both to service delivery and the budget.

Consultative Process (Budget Public participation)

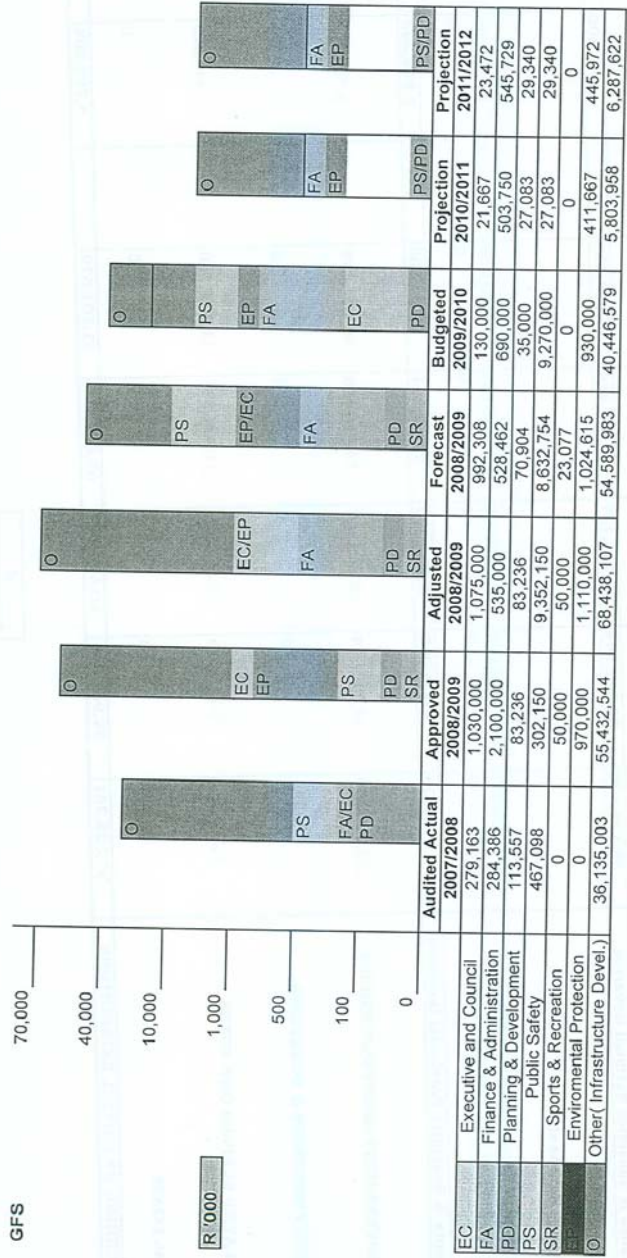
The municipality has complied with Municipal Systems Act and MFMA with regard to publishing the budget to relevant stakeholders (Community, Local municipalities within the District's area of jurisdiction, both national and Provincial treasuries) for input and comments.

All comments and recommendations to be taken into consideration when tabling the budget for approval.

BUDGET SCHEDULES

SCHEDULE 1 CAPITAL EXPENDITURE BY GFS FUNCTION	2007/2008 AUDITED ACTUAL	CURRENT YEAR 2008/2009			MEDIUM TERM CAPITAL EXPENDITURE			
		APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010 BUDGET	GROWTH	2010/2011 BUDGET	2011/2012 BUDGET
EXECUTIVE AND COUNCIL	279,163	1,030,000	1,075,000	992,308	130,000		21,667	23,472
Office of the Executive Mayor	209,937	980,000	975,000	900,000	75,000	-92	0	0
Office of the Single Whip	0	0	50,000	46,154	0		0	0
Office of the Speaker	69,226	50,000	50,000	46,154	55,000	10	21,667	23,472
FINANCE & ADMIN	284,386	2,100,000	535,000	528,462	690,000		503,750	545,729
Budget and Treasury Office	0	300,000	230,000	220,385	300,000	30	325,000	352,083
Office of the Municipal Manager	185,990	50,000	55,000	50,769	210,000	282	151,667	164,306
Office of the Corporate Services	98,396	1,550,000	50,000	72,692	130,000	160	21,667	23,472
Internal Audit	0	200,000	200,000	184,615	50,000	-75	5,417	5,868
PLANNING & DEVELOPMENT	113,557	83,236	83,236	70,904	35,000		27,083	29,340
District Economic Development Pimms	94,978	58,236	58,236	46,154	35,000	-40	27,083	29,340
	18,579	25,000	25,000	24,750	0	-100	0	0
PUBLIC SAFETY	467,098	302,150	9,352,150	8,632,754	9,270,000	-1	27,083	29,340
Disaster Management Services	467,098	302,150	9,352,150	8,632,754	9,270,000	-1	27,083	29,340
SPORT AND RECREATION	0	50,000	50,000	23,077	0		0	0
Sports, Arts, Culture and Heritage	0	50,000	50,000	23,077	0	-100	0	0
ENVIRONMENTAL PROTECTION	0	970,000	1,110,000	1,024,615	930,000		411,667	445,972
Environmental Health Services	0	970,000	1,110,000	1,024,615	930,000	-16	411,667	445,972
OTHER	36,135,003	55,432,544	68,438,107	54,589,983	40,446,579		5,803,958	6,287,622
Infrastructure Development	36,135,003	55,432,544	68,438,107	54,589,983	40,446,579	-41	5,803,958	6,287,622
TOTAL CAPITAL EXPENDITURE BY GFS FUNCTION	37,279,207	59,967,930	80,643,493	65,862,102	51,501,579	-36	6,795,208	7,361,476

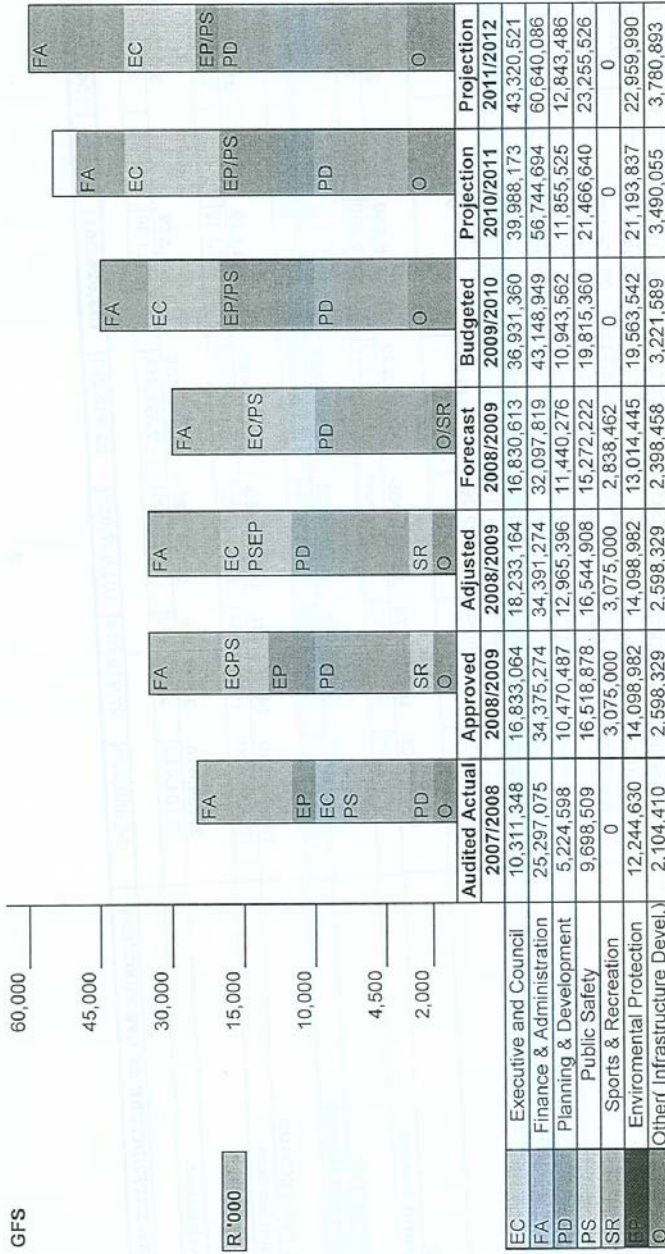
CAPITAL EXPENDITURE BY MAJOR VOTE



SCHEDULE 2 CAPITAL FUNDING BY SOURCE	2007/2008 AUDITED ACTUAL	CURRENT YEAR 2008/2009			MEDIUM TERM CAPITAL EXPENDITURE			
		APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010 BUDGET	GROWTH	2010/2011 BUDGET	2011/2012 BUDGET
National Government								
Allocated/gazetted amounts for the year Amounts carried over from previous years	35,176,690 0	54,242,544 0	59,748,107 0	46,568,444 0	31,274,079 0	-48	-4,062,500 0	-4,401,042 0
Total Grants & Subsidies National Governm.	35,176,690	54,242,544	59,748,107	46,568,444	31,274,079		-4,062,500	-4,401,042
Provincial Government								
Allocated/gazetted amounts for the year Amounts carried over from previous years	775,000 0	1,000,000 0	8,500,000 0	7,846,154 0	9,100,000 0	7	9,858,333 0	10,679,861 0
Total Grants & Subsidies Provincial Governm.	775,000	1,000,000	8,500,000	7,846,154	9,100,000		9,858,333	10,679,861
TOTAL GOVERNMENT GRANTS&SUBSIDIES	35,951,690	55,242,544	68,248,107	54,414,598	40,374,079	-41	5,795,833	6,278,819
PUBLIC CONTRIBUTIONS & DONATIONS	0	0	0	0	0		0	0
ACCUMULATED SURPLUS OWN FUNDS	1,373,671	4,725,386	12,395,386	11,447,504	11,127,500	-10	999,375	1,082,656
EXTERNAL LOANS	0	0	0	0	0		0	0
TOTAL FUNDING OF CAPITAL EXPENDITURE	37,325,361	59,967,930	80,643,493	65,862,102	51,501,579		6,795,208	7,361,476

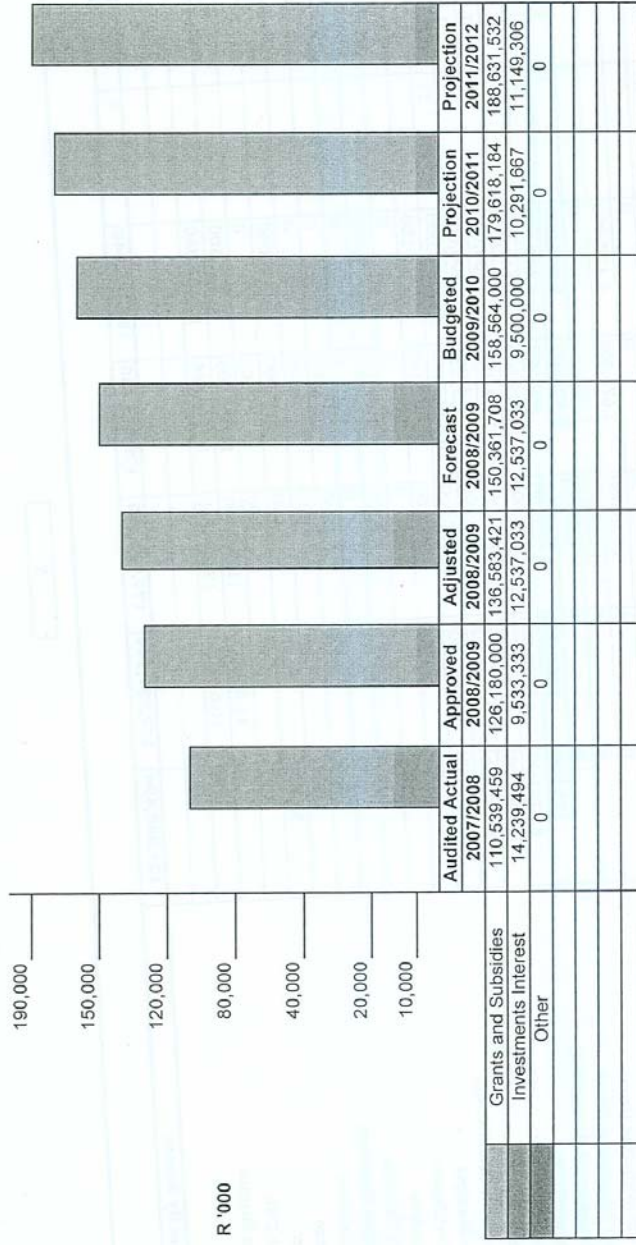
SCHEDULE 3 OPERATING EXPENDITURE BY GFS FUNCTION	2007/2008				CURRENT YEAR 2008/2009				MEDIUM TERM CAPITAL EXPENDITURE				
	AUDITED ACTUAL	APPROVED BUDGET		ADJUSTED BUDGET		FORECAST BUDGET		2009/2010		2010/2011		2011/2012	
			BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
EXECUTIVE AND COUNCIL	10,311,348	16,833,064	18,233,164	16,830,613	36,931,360	39,988,173	43,320,521						
Office of the Executive Mayor	5,902,487	10,624,298	12,024,298	11,099,352	32,284,610	34,974,994	37,889,577						
Office of the Single Whip	1,183,308	2,086,745	2,036,745	1,880,072	0	0	0						
Office of the Speaker	3,225,553	4,122,021	4,172,121	3,851,189	4,646,750	5,013,179	5,430,944						
FINANCE & ADMIN	25,297,075	34,375,274	34,391,274	32,097,819	43,148,949	56,744,694	60,640,086						
Budget and Treasury Office	6,864,043	10,290,252	10,360,252	9,780,141	8,947,000	9,692,583	10,500,299						
Office of the Municipal Manager	11,520,762	12,898,771	12,844,771	11,856,712	20,496,972	32,205,053	34,055,474						
Corporate Services	6,912,270	8,840,358	8,840,358	8,295,526	10,833,452	11,736,240	12,714,260						
Internal Audit	0	2,345,893	2,345,893	2,165,440	2,871,525	3,110,818	3,370,053						
PLANNING & DEVELOPMENT	5,224,598	10,470,487	12,965,396	11,440,276	10,943,562	11,855,525	12,843,486						
District Economic Development Initiatives	4,488,459	9,442,129	11,942,129	10,495,722	10,943,562	11,855,525	12,843,486						
	736,139	1,028,358	1,023,267	944,554	0	0	0						
PUBLIC SAFETY	9,698,509	16,518,878	16,544,908	15,272,222	19,815,360	21,466,640	23,255,526						
Disaster Management Services	9,698,509	16,518,878	16,544,908	15,272,222	19,815,360	21,466,640	23,255,526						
SPORT AND RECREATION	0	3,075,000	3,075,000	2,838,462	0	0	0						
Sports, Arts, Culture and Heritage	0	3,075,000	3,075,000	2,838,462	0	0	0						
ENVIRONMENTAL PROTECTION	12,244,630	14,098,982	14,098,982	13,014,445	19,563,542	21,193,837	22,959,990						
Environmental Health Services	12,244,630	14,098,982	14,098,982	13,014,445	19,563,542	21,193,837	22,959,990						
OTHER	2,104,410	2,598,329	2,598,329	2,398,458	3,221,589	3,490,055	3,780,893						
Infrastructure Development	2,104,410	2,598,329	2,598,329	2,398,458	3,221,589	3,490,055	3,780,893						
TOTAL OPERATING EXPENDITURE BY GFS FUNCTION	64,880,570	97,970,014	101,907,053	93,892,293	133,624,361	154,738,924	166,800,501						

OPERATING EXPENDITURE BY MAJOR VOTE-GFS



REVENUE BY SOURCE	2007/08		CURRENT YEAR 2008/2009			MEDIUM TERM REVENUE AND EXPENDITURE		
	AUDITED ACTUAL	APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010 BUDGET	GROWTH	2010/2011 BUDGET	2011/2012 BUDGET
Revenue by Source								
Regional Establishment Levy(Turnover)	0	0	0	0	0	0	0	0
Regional Service Levies(Payroll)	0	0	0	0	0	0	0	0
Rental of facilities and equipment	39,100	34,320	34,320	34,320	50,000	31	54,167	58,681
Interest Earned Current Account	960,736	504,840	504,840	504,840	500,000	-1	541,667	586,806
Interest Earned Investments	13,278,758	9,028,493	12,032,193	12,032,193	9,000,000	-34	9,750,000	10,562,500
Interest Levy	1,074,322	0	0	0	0	0	0	0
Block of Sanitation&Water @Schools&Clinics	0	0	1,816,000	1,676,308	4,127,000			
Municipal Infrastructure Grant	0	0	1,087,421	1,003,773	0			
Support Programme Grant	0	0	7,500,000	6,923,077	7,500,000	0	8,125,000	8,802,083
Waster Management Grant(DMG)	775,000	1,000,000	1,000,000	923,077	1,600,000	38	1,733,333	1,877,778
Municipal share(EQS)	8,238,000	14,578,000	14,578,000	14,578,000	18,244,000	20	24,107,000	26,802,000
Municipal Management Grant(FMG)	500,000	1,200,000	1,200,000	1,200,000	750,000	-60	1,000,000	1,250,000
Municipal Systems Improvement Grant(MSIG)	1,000,000	735,000	735,000	735,000	1,300,000	43	1,000,000	1,000,000
Replacement Grant(RLRG)	99,026,459	108,667,000	108,667,000	108,667,000	122,543,000	11	126,231,000	130,026,000
Anonymous Receipts	8,670	100	100	100	100	-	108	117
Insurance Certificates	3,308	0	0	0	0			
Insurance Orders	9,295	7,500	7,500	7,500	7,500	-	8,125	8,802
Local Councils	0	0	0	0	0			
Non-Refundable Deposits	0	2,500	2,500	2,500	0			
Settlement Discount	1,205	2,500	2,500	2,500	0			
Industry Income	30,477	5,000	5,000	5,000	5,000		5,417	5,868
Surplus Cash	164	1,000	1,000	1,000	0			
Transfer from CRR	0	11,500,000	11,500,000	11,500,000	3,112,500		3,371,875	3,652,865
Transfer from Surplus	0	10,671,691	19,279,648	19,279,648	18,436,840			
Total Revenue By Source	124,945,494	157,937,944	179,953,022	179,075,836	187,175,940	4	175,927,692	184,633,499

REVENUE BY MAJOR SOURCE



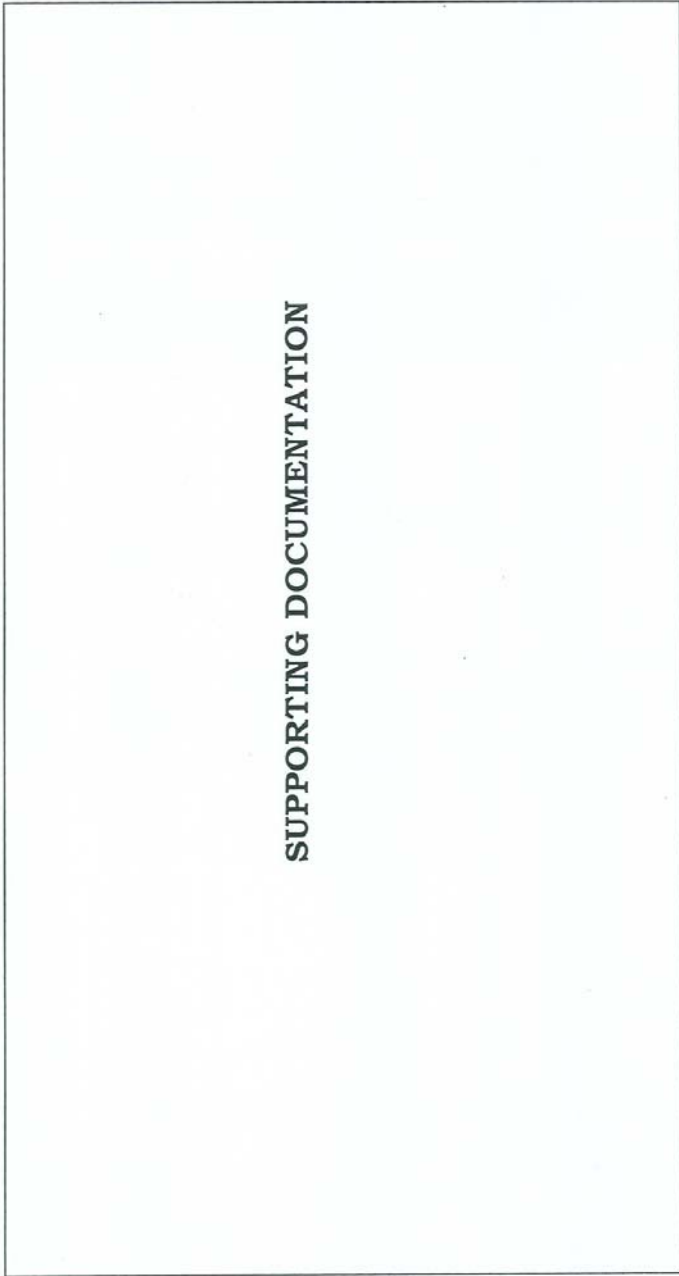
SCHEDULE 1a CAPITAL EXPENDITURE BY VOTE	2007/2008			CURRENT YEAR 2008/2009			MEDIUM TERM CAPITAL EXPENDITURE		
	AUDITED ACTUAL	APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010		2010/2011		2011/2012
					BUDGET	GROWTH	BUDGET	BUDGET	
OFFICE OF THE EXECUTIVE MAYOR	209,937	980,000	975,000	900,000	75,000	-92	0	0	0
OFFICE OF THE SINGLE WHIP	0	0	50,000	46,154	0	0	0	0	0
OFFICE OF THE SPEAKER	69,226	50,000	50,000	46,154	55,000	-80	21,667	23,472	23,472
OFFICE OF THE MUNICIPAL MANAGER	185,990	50,000	55,000	50,769	210,000	282	151,667	164,306	164,306
OFFICE OF THE INTERNAL AUDITOR	0	200,000	200,000	184,615	50,000	0	5,417	5,868	5,868
OFFICE OF THE INFRASTRUCTURE DEVELOPMENT	36,135,003	55,432,544	68,438,107	54,589,983	40,446,579	60	5,803,958	6,287,622	6,287,622
OFFICE OF THE DISTRICT ECONOMIC DEVELOPMENT	94,978	58,236	58,236	46,154	35,000	-40	27,083	29,340	29,340
OFFICE OF SPORTS,ARTS,CULTURE AND HERITAGE	0	50,000	50,000	23,077	0	0	0	0	0
OFFICE OF THE FIMMS	18,579	25,000	25,000	24,750	0	0	0	0	0
BUDGET AND TREASURY OFFICE	0	300,000	230,000	220,385	300,000	30	325,000	352,083	352,083
OFFICE OF THE CORPORATE SERVICES	98,396	1,550,000	50,000	72,692	130,000	160	21,667	23,472	23,472
OFFICE OF THE ENVIRONMENTAL HEALTH SERVICES	0	970,000	1,110,000	1,024,615	930,000	-19	411,667	445,972	445,972
OFFICE OF THE DISASTER MANAGEMENT SERVICES	467,098	302,150	9,352,150	8,632,754	9,270,000	-1	27,083	29,340	29,340
CAPITAL EXPENDITURE BY VOTE	37,279,207	59,967,930	80,643,493	65,862,102	51,501,579	-36	6,795,208	7,361,476	7,361,476

SCHEDULE 3a OPERATING EXPENDITURE BY VOTE	2007/2008		CURRENT YEAR 2008/2009			MEDIUM TERM CAPITAL EXPENDITURE		
	AUDITED ACTUAL	APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010 BUDGET	GROWTH		2010/2011 BUDGET
						2010/2011 BUDGET	2011/2012 BUDGET	
OFFICE OF THE EXECUTIVE MAYOR	5,902,487	10,624,298	12,024,298	11,099,352	32,284,610	168	34,974,994	37,889,577
OFFICE OF THE SINGLE WHIP	1,183,308	2,086,745	2,036,745	1,880,072	0	-100	0	0
OFFICE OF THE SPEAKER	3,225,553	4,122,021	4,172,121	3,851,189	4,646,750	11	5,013,179	5,430,944
OFFICE OF THE MUNICIPAL MANAGER	11,520,762	12,898,771	12,844,771	11,856,712	20,496,972	60	32,205,053	34,055,474
OFFICE OF HE INTERNAL AUDITOR	0	2,345,893	2,345,893	2,165,440	2,871,525	22	3,110,818	3,370,053
OFFICE OF THE INFRASTRUCTURE DEVELOPMENT	2,104,410	2,598,329	2,598,329	2,398,458	3,221,589	24	3,490,055	3,780,893
OFFICE OF THE DISTRICT ECONOMIC DEVELOPMENT	4,488,459	9,442,129	11,942,129	10,495,722	10,943,562	-8	11,855,525	12,843,486
OFFICE OF SPORTS,ARTS,CULTURE AND HERITAGE	0	3,075,000	3,075,000	2,838,462	0	-100	0	0
OFFICE OF THE FIMMS	736,139	1,028,358	1,023,267	944,554	0	100	0	0
BUDGET AND TREASURY OFFICE	6,864,043	10,290,252	10,360,252	9,780,141	8,947,000	-14	9,692,583	10,500,299
OFFICE OF THE CORPORATE SERVICES	6,912,270	8,840,358	8,840,358	8,295,526	10,833,452	23	11,736,240	12,714,260
OFFICE OF THE ENVIRONMENTAL HEALTH SERVICES	12,244,630	14,098,982	14,098,982	13,014,445	19,563,542	39	21,193,837	22,959,990
OFFICE OF THE DISASTER MANAGEMENT SERVICES	9,698,509	16,518,878	16,544,908	15,272,222	19,815,360	20	21,466,640	23,255,526
OPERATING EXPENDITURE BY VOTE	64,880,570	97,970,014	101,907,053	93,892,293	133,624,361	31	154,738,924	166,800,501

11. EXECUTIVE SUMMARY

	2007/2008		CURRENT YEAR 2008/2009		MEDIUM TERM REVENUE AND EXPENDITURE				
	2005/2006	2006/2007	AUDITED ACTUAL	APPROVED BUDGET	ADJUSTED BUDGET	FORECAST BUDGET	2009/2010 BUDGET	2010/2011 BUDGET	2011/2012 BUDGET
OPERATING EXPENDITURE									
Councillors' Remuneration	4,904,243	5,258,588	4,998,713	6,126,118	6,126,118	5,654,878	6,127,000	0	6,637,583
Employees Related Costs	10,936,902	14,919,827	33,202,199	41,865,088	41,865,027	38,645,563	47,751,072	14	51,730,328
General Expenses	4,686,070	6,614,522	10,544,012	19,624,463	20,160,563	18,270,849	25,282,040	25	14,919,938
Depreciation	1,162,800	923,547	8,725	780,000	780,000	775,000	845,000	8	915,417
Finance Charges -DBSA	4,445,430	0	0	0	0	0	0	0	0
Repairs and Maintenance	256,650	204,529	291,227	778,499	823,499	798,414	1,695,089	106	1,836,346
Contracted Services	2,447,599	876,288	2,735,511	1,963,793	2,188,793	2,164,156	2,466,850	13	2,672,421
Grants and Subsidies	7,170,339	23,103,119	13,100,183	26,832,053	29,962,053	27,583,434	54,007,310	80	65,578,753
TOTAL OPERATING EXPENDITURE (A)	36,010,033	51,900,420	64,880,570	97,970,014	101,907,063	93,892,293	138,174,361	36	144,290,785
CAPITAL EXPENDITURE									
General Capital	12,893,471	6,045,000	1,373,671	4,725,386	12,395,386	11,447,504	11,127,500	-10	999,375
Roads and Storm water	33,008,472	11,341,837	1,672,606	23,420,380	21,300,000	19,689,231	3,300,000	-85	0
Water Management	5,130,470	1,142,207	5,158,119	11,300,000	11,300,000	8,984,615	1,850,000	-84	0
Waste Water Management (Sanitation)	5,912,140	598,320	0	1,650,000	950,000	876,923	350,000	-63	379,167
Waste Management (Disposal)	10,675,966	2,000,000	5,471,192	500,000	5,551,563	5,124,520	0	-100	0
Electricity	2,491,480	0	2,846,468	3,587,164	3,587,164	2,872,160	0	-100	0
Community and Social Services	16,679,245	4,199,000	20,803,305	14,785,000	25,529,380	16,767,149	34,874,079	37	5,416,667
TOTAL CAPITAL EXPENDITURE (B)	86,791,244	25,326,364	37,325,361	59,967,930	80,643,493	65,862,102	51,501,579	-36	6,795,208
TOTAL EXPENDITURE (A + B)	122,801,277	77,226,784	102,205,931	157,937,944	182,550,546	159,754,395	189,675,940	4	151,085,993
OPERATING REVENUE									
RSC Levies	60,000,000	12,240,896	0	0	0	0	0	0	0
Rent on Facilities	30,000	39,008	39,100	34,320	34,320	34,320	50,000	46	54,167
Interest Earned - External Investments	4,280,000	9,835,469	14,239,494	9,533,333	12,537,033	12,537,033	9,500,000	-24	10,291,667
Interest Earned - Outstanding Debtors	608,000	248,193	1,074,322	0	0	0	0	0	0
Grants and Subsidies Received	5,190,000	72,047,095	110,539,459	126,180,000	136,583,421	150,361,708	158,564,000	16	179,618,184
Other Revenue	1,549,100	11,020,450	53,119	18,600	5,070,163	5,070,163	12,600	-100	13,650
Transfer from Capital Replacem. Reserve	51,144,177	0	0	11,500,000	11,500,000	11,500,000	3,112,800	-73	3,371,875
Transfer from Surplus	0	0	0	10,671,691	19,279,648	19,279,648	18,436,840	-4	0
TOTAL REVENUE FUNDS (C)	122,801,277	105,431,111	125,945,494	157,937,944	185,004,585	198,782,872	189,675,940	3	193,349,542
SURPLUS (C - A - B)	0	28,204,327	23,739,563	0	2,454,039	39,028,477	0	0	42,263,549
TOTAL REVENUE AND EXPENDITURE	122,801,277	105,431,111	125,945,494	157,937,944	185,004,585	198,782,872	189,675,940	3	193,349,542
TOTAL BUDGET	122,801,277	105,431,111	125,945,494	157,937,944	185,004,585	198,782,872	189,675,940	3	193,349,542
TOTAL BUDGET	122,801,277	105,431,111	125,945,494	157,937,944	185,004,585	198,782,872	189,675,940	3	193,349,542
TOTAL BUDGET	122,801,277	105,431,111	125,945,494	157,937,944	185,004,585	198,782,872	189,675,940	3	193,349,542

SUPPORTING DOCUMENTATION



Item No.	Description	Quantity	Unit	Price	Total
1
2
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Dr Kenneth Kaunda District Municipality

SUPPORTING TABLE 4 INVESTMENTS PARTICULARS BY TYPE	PRECEDING YEAR 07/08		CURRENT YEAR 2008/2009		YEARLY FORECAST	MTREF FRAMEWORK		
	AUDITED ACTUAL		APPROVED BUDGET	ADJUSTED BUDGET		BUDGET 2009/2010	BUDGET 2010/2011	BUDGET 2011/2012
INVESTMENTS TYPE								
Securities - National Government	0	0	0	0	0	0	0	0
Listed Corporate Bonds	0	0	0	0	0	0	0	0
Fixed Deposits - Banks	0	138,000,000	138,000,000	0	0	158,000,000	140,000,000	145,000,000
Deposits - Public Investments Commissioner	0	0	0	0	0	0	0	0
Deposits - Corporation for Public Deposits	0	0	0	0	0	0	0	0
Bankers Acceptance Certificates	0	0	0	0	0	0	0	0
Negotiable Certificate of Deposit - Banks	0	0	0	0	0	0	0	0
Guaranteed Endowment Policies	0	0	0	0	0	0	0	0
Repurchase Agreements - Banks	0	0	0	0	0	0	0	0
Municipal Bonds	0	0	0	0	0	0	0	0
TOTAL INVESTMENTS	0	138,000,000	138,000,000	0	0	158,000,000	140,000,000	145,000,000

Dr Kenneth Kaunda District Municipality
SUPPORTING TABLE 4a

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INVESTMENT PARTICULARS BY MATURITY	PERIOD OF INVESTMENTS	TYPE OF INVESTMENTS	EXPIRY DATE OF INVESTMENTS	MONETARY VALUE	INTEREST TO BE REALISED	%	DATE
NAME OF INSTITUTION							
ABSA (2067494686)	88	FIXED DEPOSIT	14/04/2009	5,000,000		11.3	14/04/2009
ABSA (2059731313)	88	FIXED DEPOSIT	20/04/2009	7,000,000		11.27	20/04/2009
ABSA (2067748479)	88	FIXED DEPOSIT	07/04/2009	5,000,000		11.36	07/04/2009
ABSA (2067494709)	88	FIXED DEPOSIT	20/04/2009	5,000,000		11.27	20/04/2009
ABSA (2064740949)	92	FIXED DEPOSIT	13/05/2009	4,000,000		9.97	13/05/2009
ABSA (2064740981)	88	FIXED DEPOSIT	29/05/2009	4,000,000		9.63	29/05/2009
ABSA (2065930488)	88	FIXED DEPOSIT	23/04/2009	6,000,000		10.06	23/04/2009
ABSA (2067748445)	66	FIXED DEPOSIT	06/05/2009	5,000,000		9.9	06/05/2009
ABSA (2068200014)	88	FIXED DEPOSIT	06/04/2009	5,000,000		11.28	06/04/2009
ABSA (2068897031)	66	FIXED DEPOSIT	14/04/2009	5,000,000		10.26	14/04/2009
NEDBANK (200915829931)	88	FIXED DEPOSIT	20/04/2009	8,000,000		11.28	20/04/2009
NEDBANK (200915829923)	88	FIXED DEPOSIT	29/05/2009	5,000,000		9.55	29/05/2009
NEDBANK (200915829926)	88	FIXED DEPOSIT	30/04/2009	10,000,000		10.95	30/04/2009
NEDBANK (200915829929)	88	FIXED DEPOSIT	29/05/2009	5,000,000		9.6	29/05/2009
NEDBANK (200915829924)	88	FIXED DEPOSIT	29/05/2009	5,000,000		9.6	29/05/2009
NEDBANK (200915829925)	88	FIXED DEPOSIT	20/05/2009	5,000,000		9.8	20/05/2009
STANDARD BANK (038659190/001)	88	FIXED DEPOSIT	12/04/2009	5,000,000		11.3	12/04/2009
STANDARD BANK (038659190/002)	88	FIXED DEPOSIT	03/06/2009	10,000,000		9.72	03/06/2009
STANDARD BANK (038659190/003)	88	FIXED DEPOSIT	25/05/2009	5,000,000		9.64	25/05/2009
STANDARD BANK (038659190/005)	88	FIXED DEPOSIT	25/05/2009	5,000,000		9.64	25/05/2009
STANDARD BANK (038659190/008)	88	FIXED DEPOSIT	05/05/2009	5,000,000		10.3	05/05/2009
FNB (74206072486)	88	FIXED DEPOSIT	05/05/2009	4,000,000		10.51	05/05/2009
FNB (74213566117)	88	FIXED DEPOSIT	10/06/2009	5,000,000		9.57	10/06/2009
FNB (74213568329)	66	FIXED DEPOSIT	14/04/2009	5,000,000		10.65	14/04/2009
FNB (74213570499)	88	FIXED DEPOSIT	05/05/2009	5,000,000		10.35	05/05/2009
FNB (74213572099)	88	FIXED DEPOSIT	05/05/2009	5,000,000		10.35	05/05/2009
TOTALS				143,000,000			

Mr Kenneth Kaunda District Municipality

SUPPORTING TABLE 5

GOVERNMENT GRANTS & SUBSIDIES ALLOCATIONS	PRECEDING YEAR 07/08 AUDITED ACTUAL	CURRENT YEAR 2008/2009		YEARLY FORECAST	MTREF FRAMEWORK				
		APPROVED BUDGET	ADJUSTED BUDGET		BUDGET 2009/2010	BUDGET 2010/2011	BUDGET 2011/2012		
NATIONAL GRANT ALLOCATION									
Equitable Share	8,238,000	14,578,000	14,578,000	14,578,000	6,289,292	24,107,000	26,802,000		
Financial Management Grant	500,000	1,200,000	1,200,000	1,200,000	750,000	1,000,000	1,250,000		
ISC Levy Replacement Grant	99,026,459	108,667,000	108,667,000	108,667,000	122,543,000	126,231,000	130,026,000		
Backlogs in Water&Sannitation @Clinics,Sche	0	0	1,816,000	1,676,308	4,127,000	4,470,917	4,843,493		
Sub-Total National Grant Allocation	107,764,459	124,445,000	126,261,000	126,121,308	133,709,292	155,808,917	162,921,493		
PROVINCIAL GRANT ALLOCATION									
Disaster Management Grant	775,000	1,000,000	1,000,000	923,077	1,600,000	1,733,333	1,877,778		
Municipal systems improvement Grant	1,000,000	735,000	735,000	735,000	1,300,000	1,000,000	1,000,000		
Fire Support Programme Grant	0	0	7,500,000	6,923,077	7,500,000	8,125,000	8,802,083		
Sub-Total Provincial Grant Allocation	1,775,000	1,735,000	9,235,000	8,581,154	10,400,000	10,858,333	11,679,861		
MUNICIPAL GRANT ALLOCATION									
	0	0	0	0	0	0	0		
Sub-Total Municipal Grant Allocation	0	0	0	0	0	0	0		
TOTAL GRANT ALLOCATIONS	109,539,459	126,180,000	135,496,000	134,702,462	144,109,292	166,667,250	174,601,354		

Dr Kenneth Kaunda District Municipality

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SUPPORTING TABLE 8 DISCLOSURE OF SALARIES, ALLOWANCES & BENEFITS		SALARIES	SOCIAL CONTRIBUTIONS	ALLOWANCES	PERFORMANCE BONUSES	TOTAL PACKAGE
COUNCILLORS						
Executive Mayor		364,334	87,063	168,926	0	620,323
Speaker		307,634	72,190	120,641	0	500,465
Single Whip		269,045	70,248	131,002	0	470,295
8 MMC's		1,666,735	387,346	776,128	0	2,830,209
Part-time Council Members		1,138,518	205,781	1,033,308	0	2,377,607
TOTAL		3,746,266	822,628	2,230,005	0	6,798,899
OFFICIALS						
Municipal Manager		754,369	10,590	284,928		1,049,887
Chief Financial Officer		640,917	114,315	120,960		876,192
Manager - Infrastructure Development		396,047	318,865	161,280		876,192
Manager - Corporate Services		610,479	125,534	140,179		876,192
Manager - DED and Tourism		659,392	7,703	94,080		761,175
Manager - Environmental Services		515,434	75,365	80,640		671,439
Manager - Disaster Management Services		551,979	6,806	112,654		671,439
TOTAL		4,128,617	659,178	994,721	0	5,782,516
GRAND TOTAL COST OF REMUNERATION		7,874,883	1,481,806	3,224,726	0	12,581,415

Dr Kenneth Kaunda District Municipality

SUPPORTING TABLE 8a SUMMARY OF TOTAL SALARIES, WAGES AND ALLOWANCES	PRECEDING YEAR 07/08 AUDITED ACTUAL	CURRENT YEAR 2008/2009		YEARLY FORECAST	MTREF FRAMEWORK		
		APPROVED BUDGET	ADJUSTED BUDGET		BUDGET 2009/2010	BUDGET 2010/2011	BUDGET 2011/2012
Councillors(Political office Bearers+Other)							
Basic Salaries	3,475,839	3,375,112	3,375,112	3,375,839	5,976,271	6,693,423	7,496,634
Pension contributions	624,344	618,875	618,875	623,344	687,153	769,512	861,965
Medical Aid Contributions	121,847	131,846	131,846	120,840	135,475	151,732	169,940
Sub Total-Councillors	4,222,030	4,125,833	4,125,833	4,120,023	6,798,899	7,614,667	8,528,539
Senior Managers of the Municipality Sec 57							
Basic Salaries	3,208,377	3,686,268	3,686,268	3,108,300	4,128,617	4,472,668	4,845,391
Pension Contributions	287,088	287,088	287,088	267,000	354,766	384,330	416,357
Medical Aid Contributions	168,300	209,202	209,202	165,300	268,313	290,672	314,895
Allowances	174,765	888,144	888,144	170,700	1,030,820	1,116,722	1,209,782
Performance Bonus							
Sub-Total Senior Managers	3,838,530	5,070,702	5,070,702	3,711,300	5,782,516	6,264,392	6,786,425
Other Municipal Staff							
Basic Salaries	21,606,694	22,716,438	22,651,347	21,203,345	26,722,818	28,949,719	31,362,196
Pension Contributions	2,021,387	4,440,492	4,440,492	4,096,920	4,970,316	5,384,510	5,833,219
Medical Aid Contributions	1,201,473	1,940,026	1,940,026	1,818,603	1,839,649	1,992,953	2,159,032
Allowances	4,400,138	7,497,430	7,553,460	7,621,549	8,050,773	8,721,671	9,448,477
Overtime	133,977	200,000	210,000	193,846	385,000	417,083	451,840
Performance Bonus							
Sub-Total Other Municipal Staff	29,363,669	36,794,386	36,795,325	34,934,263	41,968,556	45,465,936	49,254,763
Total Employees Related Costs	33,202,199	41,865,088	41,866,027	38,645,563	47,751,072	51,730,328	56,041,189
GRAND TOTAL COUNCILORS&EMPLOYEE COSTS	37,424,229	45,990,921	45,991,860	42,765,586	54,549,971	59,344,995	64,569,728

Dr. Kenneth Kaunda District Municipal SUPPORTING TABLE 11	PRECEDING YEAR 07/08		CURRENT YEAR 2008/2009		YEARLY FORECAST	MTRF FRAMEWORK		
	AUDITED ACTUAL	ACTUAL	APPROVED BUDGET	ADJUSTED BUDGET		BUDGET 2009/2010	BUDGET 2010/2011	BUDGET 2011/2012
CAPITAL EXPENDITURE BY CATEGORY								
INFRASTRUCTURE								
Land and Buildings								
Roads, pavements, bridges & stormwater	1,672,606		23,420,380	21,330,000	19,689,231	3,300,000		0
Water Reservoirs & reticulation	5,158,119		11,300,000	11,300,000	8,984,615	1,850,000		0
Electricity reticulation	2,846,468		3,587,164	3,587,164	2,972,160	0		0
Sewerage purification & reticulation	5,471,192		2,150,000	6,501,563	6,001,443	350,000	379,167	410,764
Other			0	0	0	0	0	0
COMMUNITY								
Community Halls	0		0	0	0	0		0
Libraries	0		0	0	0	0		0
Clinics	0		0	0	0	0		0
Other	20,803,305		14,785,000	25,529,380	16,767,149	34,874,079	5,416,667	5,868,056
HERITAGE ASSETS			0	0	0	0	0	0
INVESTMENTS PROPERTIES			0	0	0	0	0	0
OTHER ASSETS								
Computer Equipment	7,141		120,000	308,000	278,538	460,000	249,167	269,931
Other motor vehicles	0		1,460,000	1,670,000	1,541,538	500,000	0	0
Office Furniture & Fittings	380,721		372,150	295,150	268,754	290,000	205,833	222,986
Office equipment	383,661		483,236	370,236	333,077	182,500	143,542	155,503
Other	555,994		2,290,000	2,252,000	2,109,000	1,245,000	400,833	434,236
SPECIALISED VEHICLES								
Fire	0		0	7,500,000	6,923,077	8,450,000	0	0
Conservancy			0	0	0	0	0	0
Ambulances			0	0	0	0	0	0
TOTAL CAPITAL EXPENDITURE	37,279,207		59,967,930	80,643,493	65,868,583	51,501,579	6,795,208	7,361,476

REPORTING TABLE 9

MONTHLY CASH FLOWS	BUDGET 2010												BUDGET 2010/2011	BUDGET 2011/2012		
	JULY	AUGUST	SEPT.	OCT.	NOV.	DEC.	JANUARY	FEB.	MARCH	APRIL	MAY	JUNE				
Cash Operating Receipts by Source																
Interest Earned Current Account	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	500,000	541,667	586,806
Interest Earned Investments	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	9,000,000	9,750,000	10,562,500
Central MFM Stillfontein Tower	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000	54,167	58,681
Master Management Grant		1,600,000												1,600,000	1,733,333	1,877,778
Equitable Share	6,081,333				6,081,333									18,244,000	24,107,000	26,802,000
Finance Management Grant	750,000													750,000	1,000,000	1,250,000
acklog Water&sanit @Clinics,Sch	4,127,000													4,127,000	0	0
Municipal Systems Improvement Gr	1,300,000													1,300,000	1,000,000	1,000,000
re Support Grant	40,847,667				40,847,667									122,543,000	126,231,000	130,026,000
SC Levy Replacement Grant	7,500,000													7,500,000	8,125,000	8,802,083
Additional Grants Roll-Overs	2,500,000													2,500,000	0	117
Commission Garnishee Orders	633	625	625	625	625	625	625	625	625	625	625	625	625	7,600	8,125	8,802
undry Income	417	417	417	417	417	417	417	417	417	417	417	417	417	5,000	5,417	5,868
Transfer from surplus		18,436,840												18,436,840	0	0
Transfer from Capital Repl. Reserve	3,112,500													3,112,500	0	0
Total Cash Receipts by Source	67,015,383	796,876	20,833,716	796,876	47,725,876	796,876	47,725,876	796,876	796,876	796,876	796,876	796,876	3,296,876	189,675,940	172,555,817	180,980,635
Cash Operating Payments by Type																
Employee Related Costs	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	3,979,256	47,751,072	51,730,328	56,041,189
Remuneration of Councillors	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	510,583	6,127,000	6,637,583	7,190,715
Depreciation	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	70,417	845,000	915,417	991,701
Repairs and Maintenance	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	141,257	1,695,089	1,836,346	1,989,375
Interest Paid External Borrowing																
Uncontracted Services	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	205,571	2,466,850	2,672,421	2,895,123
Grants & Subsidies paid - Other	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	4,500,609	54,007,310	65,578,253	70,293,649
General Expenses	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	2,106,837	25,282,040	14,919,938	29,671,283
Total Cash Operating Payments	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	11,514,530	138,174,361	144,290,785	169,073,035
Other Cash Payments by Type																
Capital Expenditure	4,291,798	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	2,422,490	51,501,579	6,795,208	7,361,476
Total Cash Payments by Type	15,806,328	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	13,937,020	189,675,940	151,085,993	176,434,510
UNPLUS/DEFICIT	51,209,055	-13,140,144	6,896,696	-13,140,144	33,788,856	-13,140,144	-13,140,144	-13,140,144	-13,140,144	-13,140,144	-13,140,144	-13,140,144	-10,640,144	0	21,469,823	4,546,124

DR KENNETH KAUNDA DISTRICT MUNICIPALITY

BUDGET ASSUMPTIONS

1. The Upper Limit Remuneration, Allowances and benefits of members of municipal council for 2009/2010 budget year is provided on inflation related rate and as per Remuneration of Public Office Beares Regulation, Act & Guidelines as published by the Minister of Local Government from time to time.
2. The Salaries, Allowances and related benefits of Personnel for 2009/2010 budget financial year are provided at 12 % pending the final outcome of salary negotiations between employee unions and South African Local Government Association. Other operating expenditure has been provided at 8% increase as per inflation target estimates and recent stats SA information.
3. The budget related policies that have been reviewed, revised/amended are included as part of the budget document and those that have been only reviewed are listed for consideration.
4. All revenue from grants and subsidies has been budget as per Division of Revenue Act Allocation including estimates for the two outer years. Other conditional grants as per allocation schedule from relevant National/Provincial transferring officers.
5. The current budget has been prepared in accordance with recent circular 28 and related regulations as we are moving towards another reform next financial year as per Government Gazette No. 31804.



DR. KENNETH KAUNDA
DISTRICT MUNICIPALITY

BUDGET POLICY

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DEFINITIONS

"Accounting Officer"-

- (a) means the City Manager;

"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 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;
- (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;

"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

"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;

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

"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;

"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;

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

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

"municipality"-

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

"accounting officer" means a person appointed in terms of section 82(l) (a) or

- (b) of the Municipal Structures Act;

"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;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

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

"official", means-

- (a) an employee of 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;

"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 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;

"service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(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 includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

(f) a grant by the municipality otherwise than in accordance with the MFMA;
"virement" means transfer of funds between functions / votes

"vote" means-

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1. 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, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalisation of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to DR Kenneth Kaunda District Municipality's IDP review and budget processes.

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- 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.
- DR Kenneth Kaunda District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

4. BUDGET PREPARATION PROCESS

4.1. Formulation of the budget

- (a) The Accounting Officer with the assistance of the IDP manager shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.
- (b) 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).
- (c) 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.
- (d) The Executive mayor shall convene a strategic workshop in September/October 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.
- (e) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- (f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (g) The budget must be in the prescribed format, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- (i) The expenses reflected in the budget must be divided into items.
- (j) 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.

4.2. Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget and visit representative local councils to establish their needs for inclusion in the final budget document.

4.3. Approval of the budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May or at a council meeting as near as the mentioned date as possible(30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and performance measures to be adopted.
- (c) 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.
- (d) The budget tabled to Council for approval shall include the following supporting documents:
 - i. draft resolutions approving the budget.
 - ii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
 - iii. the projected cash flows for the financial year by revenue sources and expenditure votes;
 - iv. any proposed amendments to the budget-related policies;
 - v. 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;
 - vi. 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;
 - vii. particulars of the municipality's investments; and

4.4. Publication of the budget

- (a) Within 30 days after the draft annual budget has been tabled, the Director Corporate Services must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury.
- (b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury and the Provincial Treasury.

4.5. Service Delivery and Budget Implementation Plan (SDBIP)

(a) The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.

(b) The SDBIP shall include the following components:

- i. Monthly projections of revenue to be collected for each source
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
- iii. Quarterly projections of service delivery targets and performance indicators for each vote
- iv. Ward information for expenditure and service delivery
- v. Detailed capital works plan broken down by ward over three years

5. CAPITAL BUDGET

(a) 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 has a useful life in excess of one year

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

(c) 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.

(d) 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. on property rates and service tariffs).

(e) Before approving the capital budget, the council shall consider:

- i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
- ii. depreciation of fixed assets,
- iii. maintenance of fixed assets, and
- iv. any other ordinary operational expenses associated with any item on such capital budget.

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

(g) The capital expenditure shall be funded from the following sources:

Revenue or 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.

External loans

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan 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;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Capital Replacement Reserve (CRR)

- 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:
 - unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - additional amounts appropriated as contributions in each annual or adjustments budget; and
 - Sale of land and profit or loss on the sale of assets.
- 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;
- If there is insufficient cash available to fund the CRR this reserve fund must

then be adjusted to equal the available cash;

- Transfers to the CRR must be budgeted for in the cash budget;

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 capitalized 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.

6. OPERATING BUDGET

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
 - i. provision for accrued leave entitlements equal to 100% of the accrued leave
 - ii. provision for bad debts
 - iii. Depreciation charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
- (b) The operating budget shall reflect the impact of the capital component on:
 - depreciation charges
 - repairs and maintenance expenses
 - interest payable on external borrowings
 - other operating expenses.

7. 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 and grant allocations;

- 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.

8. 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 grants 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 rollover of funds
- (d) 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.
- (e) 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 in that particular financial year.
- (f) No unspent operating budget shall be rolled over to the next budget year

9. BUDGET TRANSFERS AND VIREMENTS

- (a) Budget transfers within the same department shall be recommended by the Departmental head and approved by the Municipal Manager and adjust in the Budget and Treasury Office..
- (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 Manager Human Resources.
- (c) 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 Manager Human Resources.
- (d) 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.
- (e) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- (f) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of the Municipal Manager.
- (g) 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.
- (h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
 - (i) Virements between votes shall be included in the adjustment budget.

10. 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 as 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) Only the Executive mayor shall table an adjustments budget. 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 October – 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 a 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 cashbacked, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.
- (j) Unauthorised expenses may be authorised in an adjustments budget.
- kl) 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;
 - iii. these expenses must be reported by the Executive mayor to the next Council meeting;
 - iiii. 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.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

- (a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to 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 with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.
- c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Quarterly budget statements

- a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each quarter, 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.

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

11.2.2 Mid-year budget and performance assessment

- a) 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.
- b) 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.
- c) 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.

12. CONCLUSION

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

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the integrated development plan
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

Item No. of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
1)(b)	31 August	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for <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.
Item 88	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.		
(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	Accounting officer	

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

Section of MFMA No. of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
54(1)(f)	31 January	submitted to the mayor, national treasury and the provincial treasury (presumably immediately). Mayor must submit accounting officer's report to council.	Mayor	Special council meeting may have to be scheduled.
37	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 he municipality's own proposed adjustments budget.
87	(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.		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.
87	(Tabled in council by 31 January)	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.	Board of directors and mayor of parent municipality	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.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

Item No. of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
(1) and (2)	(Between January and 31 March)	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 – these changes must therefore be tabled with the adjustments budget).	Mayor	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 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.
(3)	(Between January and 30 April)	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).
(2)	100 days before start of financial year (approximately mid March) 31 March	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality. Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year. Mayor of parent municipality must table	Board of directors of entity Mayor Mayor	 Council meeting must be scheduled appropriately.
	31 March		Mayor	-

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

Section of WEMA No. of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled. 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 connection 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 by council.	Mayor and 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,	Council	Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

ction of FMA No. of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
(4)	31 May	approving any changes to IDP, and approving any changes to budget-related policies. 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	
(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.
(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.
(3)(a) and (1)(c)(ii)	14 days after approval of annual budget (mid June to mid July) Within 28 days after date	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. Service delivery and budget implementation plan must be approved by mayor, including	Accounting officer Mayor	

SUMMARISED TIMETABLE

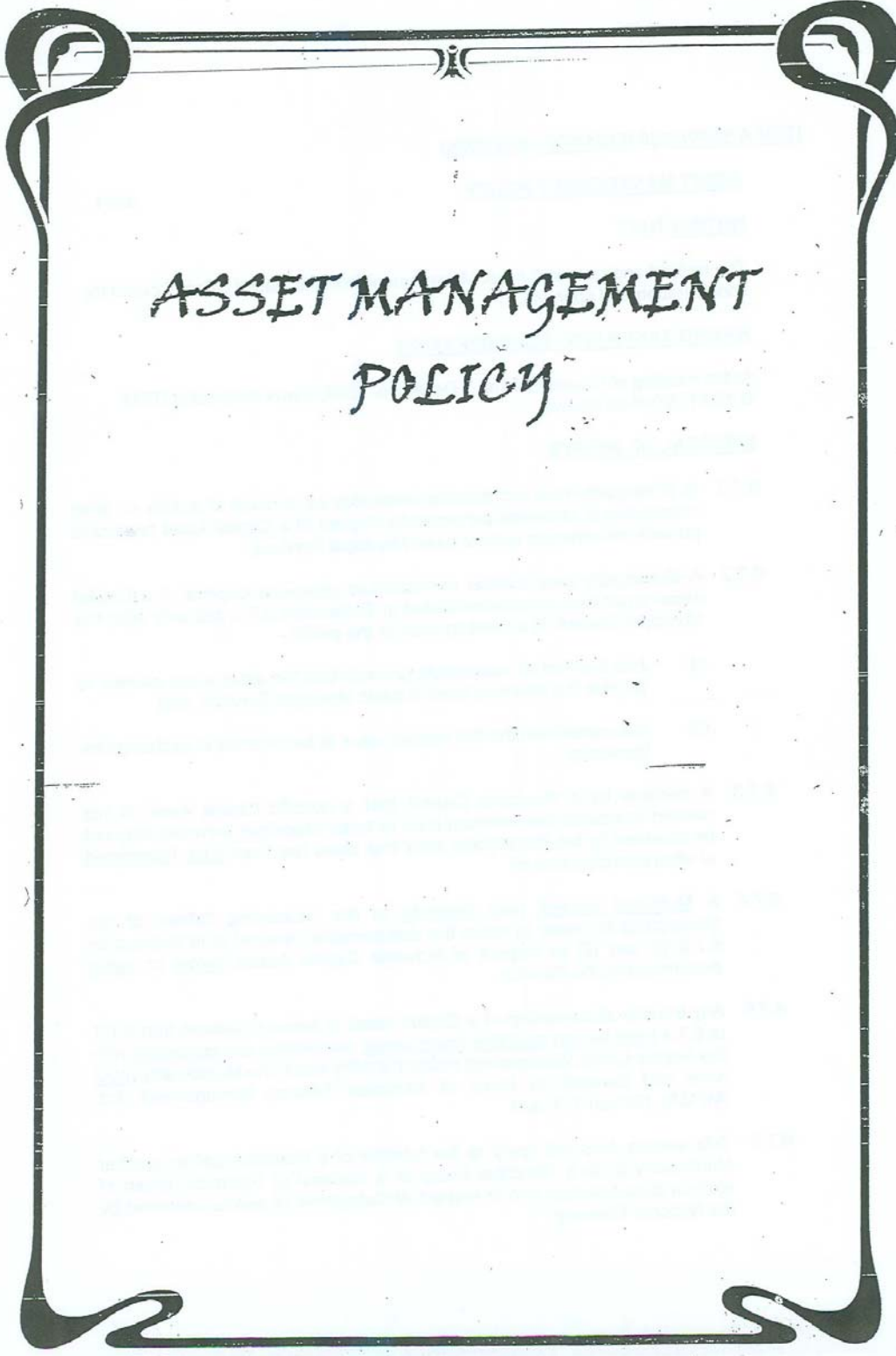
NOTE: DATES IN BRACKETS ARE PUTATIVE

Section of MFMA No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
53(1)(c)(iii)(a) & (bb)	Within 28 days after date annual budget approved (late July)	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	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	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 of the service delivery and budget implementation plan should be submitted to council and the MEC.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

Action of FMA No. of 2003	Date by which action must be completed (approved)	Action required	Responsible party	Practical considerations



ASSET MANAGEMENT POLICY

ITEM A.96/07/2006 (FINANCE.19/07/2006)

ASSET MANAGEMENT POLICY

4/1/1

NOTING THAT

The revised and reviewed Asset Management Policy is placed before Council for consideration and approval.

HAVING TAKEN INTO CONSIDERATION

At the meeting of Council held on 7 December 2004, it was resolved in ITEM B.150/11/2004 as follows:

DISPOSAL OF ASSETS

- 6.7.1 A Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a Capital Asset needed to provide the minimum level of basic Municipal Services;
- 6.7.2 A Municipality may transfer ownership or otherwise dispose of a Capital Asset other than one contemplated in Subsection 6.7.1, but only after the Municipal Council, in a meeting open to the public:-
- (i) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic Municipal Services, and
 - (ii) has considered the fair market value of be received in exchange for the asset;
- 6.7.3 A decision by a Municipal Council that a specific Capital Asset is not needed to provide the minimum level of basic Municipal Services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of;
- 6.7.4 A Municipal Council may delegate to the Accounting Officer of the Municipality its power to make the determination referred to in Subsection 6.7.2 (i) and (ii) in respect of movable Capital Assets below or value determined by the Council;
- 6.7.5 Any transfer of ownership of a Capital Asset in terms of Sub-section 6.7.1 or 6.7.4 must be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy (SCMP) which the Municipality must have and maintain in terms of Municipal Finance Management Act, (MFMA), Section 111; and
- 6.7.6 This section does not apply to the transfer of a Capital Asset to another Municipality or to a Municipal Entity or a National or Provincial organ of state in circumstances and in respect of Categories of assets approved by the National Treasury."

This Section 6.7 should be enhanced by supporting 6.7.1 to 6.7.6 and including additional subsection.

THEREFORE RESOLVED

DISPOSAL OF ASSETS

That cognizance be taken of the policy and be approved as follows:

- 1 A Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a Capital Asset needed to provide the minimum level of basic Municipal Services;
- 2 A Municipality may transfer ownership or otherwise dispose of a Capital Asset other than one contemplated in Subsection 6.7.1, but only after the Municipal Council, in a meeting open to the public:-
 - (i) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic Municipal Services, and
 - (ii) has considered the fair market value of be received in exchange for the asset;
- 3 A decision by a Municipal Council that a specific Capital Asset is not needed to provide the minimum level of basic Municipal Services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of;
- 4 A Municipal Council may delegate to the Accounting Officer of the Municipality its power to make the determination referred to in Subsection 6.7.2 (i) and (ii) in respect of movable Capital Assets below or value determined by the Council;
- 5 Any transfer of ownership of a Capital Asset in terms of Sub-section 6.7.1 or 6.7.4 must be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy (SCMP) which the Municipality must have and maintain in terms of Municipal Finance Management Act, (MFMA), Section 111; and
- 6 This section does not apply to the transfer of a Capital Asset to another Municipality or to a Municipal Entity or a National or Provincial organ of state in circumstances and in respect of Categories of assets approved by the National Treasury."
- 7 The Accounting Officer is authorised to dispose assets that are not required and/or have been fully depreciated by seeking written submission of tenders;
- 8 That assets that are sold for an amount below R20 000 should treated

administratively after the process in Sub-section 6.7.7 has been followed;

- 9 The assets that are sold for an amount above R20 000 requires that an item be tabled to Municipal Council for cognisance; and
- 10 The income that is received from selling (disposing) of the movable assets be reflected as Extra-ordinary income in the Income and Expenditure Statement (I&E)

SOUTHERN DISTRICT MUNICIPALITY

ASSET MANAGEMENT POLICY

1. Objectives

- To ensure the effective and efficient control, utilization, safeguarding and management of Southern District Municipality's property, plant and equipment.
- To ensure Procurement Officer / Asset are aware of their responsibilities in regards of property, plant and equipment.
- To set out the standards of physical management, recording and internal controls to ensure property, plant and equipment are safeguarded against inappropriate loss or utilization.
- To specify the process required before expenditure on property, plant and equipment occurs.
- To prescribe the accounting treatment for proper, plant and equipment in the Southern District Municipality including:
 - The criteria to be met before expenditure can be capitalized as an item of property, plant and equipment,
 - The criteria for determining the initial cost of the different items of property, plant and equipment,
 - The method of calculating depreciation for different items of property, plant and equipment,
 - The criteria for capitalizing subsequent expenditure on property, plant and equipment,
 - The policy for scrapping and disposal of property, plant and equipment, and

- The classification of property, plant and equipment.

2. Background

The utilization and management of property, plant and equipment is the prime mechanism by which a District can fulfill its constitutional mandates for:

- Delivery of sustainable services,
- Social and economic development,
- Promoting safe and health environments, and
- Providing the basic needs to the community

As trustees on the community, the District has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in property, plant and equipment. The requirements of these new accounting standards include:

- The compilation of asset registers covering all property, plant and equipment controlled by the Municipality.
- Accounting treatment for the acquisition, disposal, recording and depreciation of property, plant and equipment.
- The standards to which these financial records must be maintained.

3. Definitions

“Accounting Standards Board” was established by the Public Finance Management Act to set standards of Generally Recognized Accounting Practice (GRAP) as required by the Constitution of the Republic of South Africa.

“Assets” are resources controlled by an entity as the result of past events and from which future economic benefits or future service potential are expected to flow to the entity.

“Asset Manager” is the “Senior Manager” who has the functional accountability for and control of the physical management of a particular set of assets in order to achieve the municipalities strategic objectives. The execution of this responsibility will require the asset manager to control the acquisition, utilization, management and disposal of this set of assets to optimize the achievement of these objectives.

“Asset categories” are the five main asset categories defined by national. These are:

- Community Assets – are defined as any asset that contributes to the community’s well being. Examples are parks, libraries and fire stations.
- Heritage assets – are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
- Investment properties – are defined as properties that are acquired for economic and capital gains. Examples are office parks and underdeveloped land acquired for the purpose of resale in future years.
- Other assets – are defined as assets in normal operations. Examples are plant and equipment, motor vehicles, furniture and fittings.

“Attractive items” are items of property, plant or equipment that are not significant enough for financial recognition but are attractive enough to warrant special safeguarding.

“Capitalization” is the recognition of expenditure as an Asset in the Financial Asset Register.

“Carrying amount” is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon.

“Cost” is an amount of cash or cash equivalent paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

“Cost of acquisition” is all the costs incurred in bring an item of plant, property or equipment to the required condition and location of its life.

“Depreciation” is the systematic allocation of the depreciable amount of an asset over its useful life.

“Depreciable amount” is the cost of an asset, or other amount of an asset, or other amount substituted for cost in the financial statement, less its residual value.

“Fair Value” is the controlled register recording the financial and other key details for all Municipal asset recognized in accordance with this policy.

“Property, plant and equipment” are tangible assets that:

- a) Are held by a municipality for use in the production of goods or supply of goods or services, for rental to others, for administrative purpose, and
- b) Are expected to be used during more than one period.

“Recoverable amount” is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

“Recognition” is the process by which expenditure is included in the Financial Asset Register as an asset.

“Residual value” is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

“Senior manager” is a manager referred to in section 56 of the Municipal Systems Act being someone reporting directly to the municipal manager.

“Senior management teams” are the incumbent of post level 1, 2, 3 in each department being the “senior manager” and everyone up to two levels below them.

“Stewardship” is the act of taking care of and managing property, plant or equipment on behalf of another.

“Useful life” is either:

- a) The estimated period of time over which the future economic benefits or future service potential embodied in an asset are expected to be consumed by the municipality,

Or

- b) The estimated total service potential expressed in terms of production or similar units that is expected to be obtained from the asset by the municipality.

4. Statutory and regulatory framework

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division of Revenue Act (enacted annual).
- Municipal Finance Management Act, 2002.

Also, this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards includes:

This policy will be updated annually or whenever legislative or accounting standard amendments significantly change the requirements pertaining to

asset management in general and the administration of property, plant and equipment.

This policy does not over rule the requirement to comply with other policies like procurement, tendering or budget policies. The Chief Financial Officer will provide guidance or adjust this policy where an apparent conflict exists between this policy and other policies, legislation or regulations.

5. Responsibilities and accountabilities

The municipal manager is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The municipal manager must ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's assets are valued in accordance with standards of generally recognized accounting practice;
- That the municipality has and maintains a system of internal control of assets, including an asset register; and
- That senior manager's and their teams comply with this policy.

The Chief Financial Officer is responsible to the municipal manager to ensure that the financial investment in the municipalities' assets is safeguarded and maintained.

The Chief Financial Officer must ensure that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- The systems, processes and registers required to substantiate the financial values of the municipalities' assets are maintained to standards sufficient to satisfy the requirements of the auditor-general.
- Financial processes are established and maintained ensure the municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The municipal manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The senior managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- This policy and any supporting procedures or guidelines are established, maintained and effectively communicated.
- The chief financial officer may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

Procurement Officer or / Asset Manager must ensure that:

- Appropriate systems of physical management and control are established and carried out for asset in their area for responsibility;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Any unauthorized, irregular or fruitless or wasteful utilization, and losses resulting from criminal or negligent conduct, are prevented;
- Their asset management systems and controls can provide an accurate, reliable and up to date account of asset under their control;
- They are able to justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives.
- The Procurement Officer or Asset Manager may delegate or otherwise assign responsibility for performing these functions but they will remain accountable for ensuring these activities are performed.

6. Financial Management

6.1 Pre-Acquisition Planning

- Before a capital is included in the budget for approval, the procurement officer or / asset manager must demonstrate that they have considered:
 - The projected cost over all the financial years until the project is operational;
 - The future operational costs and revenue on project, including tax and tariff implications;

- The financial sustainability of the project over its life including revenue generation and subsidization requirements;
- The physical and financial stewardship of that asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of this capital project in the integrated development plan and future budgets; and
- Alternatives to this capital purchase.

The chief financial officer is accountable to ensure the procurement officer or asset manager receives all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

6.2 Approval to Acquire Property Plant and Equipment

Money can only be spent on a capital project if:

- The money has been appropriate in the capital budget,
- The project, including the total cost, has been approved by the council,
- The CFO confirms that funding is available for that specific project, and
- Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed.

6.3 Funding of capital projects

- Within the municipality's ongoing financial, legislative or administrative capacity, the chief financial officer will establish and maintain the funding strategies that

optimize the municipality's ability to achieve its strategic as stated in the integrated development plan.

- The acquisition of asset will not be funded over a period longer than the useful life of that asset.

7. Internal Controls

7.1 Financial Asset registers

7.1.1 Establishment and Management of the Financial Asset Register

- The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.
- Procurement Officer or Asset Manager are responsible for establishing and maintaining any additional register or database required to demonstrate their physical management of their assets.
- Each procurement officer and asset manager is responsible to ensure that sufficient controls exist to substantiate the quality, value, location and condition all assets in their registers.

7.1.2 Contents of the Financial Asset Register

The details included in the non-current asset register will include:

- The measurement bases used.
- The depreciation methods used.
- The useful life.
- Depreciation charged.

- The gross carrying amount.
- The accumulated depreciation.
- Date of acquisition.
- Date of disposal (if relevant)
- Increases or the decreases resulting from revaluations (if relevant)
- Method of calculating recoverable amount.
- Any restrictions on title to the asset.
- Location.
- Strategic purpose and if it is required to provide minimum basic service.
- The responsible procurement officer or asset manager.

7.1.3 Internal Controls over the Financial Asset Registers

- Controls around their asset registers should be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the chief financial officer and required by the auditor-general.
- These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of their assigned assets as well as regular stock-takes and systems audits to confirm the adequacy of their controls.

7.2 Physical Receipting and Management

Responsibilities of the procurement officer or asset manager

- The procurement officer or asset manager must ensure that the purchase of property, plant or equipment complies with all municipal policies and procedures.
- The procurement officer or asset manager must ensure the all moveable property, plant and equipment is duly processed and identified before it is received into stewardship.
- The procurement officer or asset manager must ensure all moveable assets received into their stewardship are appropriately safeguarded for inappropriate use or loss. This will include appropriate control over the physical access to these assets and regular stock takes to ensure any losses have not occurred. Any know losses should be immediately reported to the chief financial officer.
- The procurement officer or asset manager will do an annual stock take of property, plant and equipment as part of the annual reporting processes coordinated by the chief financial officer.
- The procurement officer or asset manager must ensure that property, plant and equipment is appropriately utilized these assets for the purpose that the municipality acquired them.

7.2.2 Receipt of property plant and equipment

- The receipting of property, plant and equipment will be managed by the municipal stores.
- The process of receipting by the municipal stores will include:

- Review of the authority to purchase including compliance with all procurement policies and budgetary limits.
- Assignment of the asset to the appropriate procurement officer or asset manager.

7.2.3 The date of acquisition

- The date of acquisition of property, plant and equipment is deemed to be the time when legal title and control passes to the municipality.
- This may vary for different categories of assets but will usually be the point of time when the municipal store approves payment for that item of property, plant or equipment.

7.3 Transfers to another Procurement Officer or Asset Manager

7.3.1 Permanent transfer to another Asset Manager

An Asset Manager or procurement officer retains managerial accountability and control for a particular asset unless;

- Another Senior Manager agrees in writing to accept responsibility for that assets, and
- This transfer is endorsed by the Chief Financial Officer.
- The Finance Department appropriately amends the Financial Asset register for all approved transfers.
- The new Asset Manager or procurement officer assumes all the accountabilities of the previous procurement officer or asset manager.

7.3.2 Relocation or Reassignment of Property, Plant or Equipment

- The Procurement Officer or Asset Manager must ensure that the asset is appropriately safeguarded for loss, damage or misuse where ever it is located. Safeguarding includes ensuring reasonable physical restrictions and delegated management is implemented.
- The Procurement Officer or Asset Manager must advise the Chief Financial Officer whenever an asset is permanently relocated or reassigned from the location (or base) or cost center recorded in the Financial Asset Register.
- The Procurement Officer or Asset Manager must advise the Chief Financial Officer whenever an asset is temporarily relocated or assigned from the location (or base) or cost center recorded in the Financial Asset Register. In this case, the Asset Manager must also advise the Chief Financial Officer when this asset is returned.

8. Management of attractive items

8.1 Management of attractive items

- Assets costing less than R2 000 but more than R1 000 are deemed to be attractive item unless that type of asset is specifically excluded by the Chief Financial Officer.
- The requirements to manage attractive items includes:
 - Receipting these items through specified control points.
 - Maintaining and updating attractive items register for these receipts.
 - Delivery and assignment of an attractive item to a specified position.

- Regular stock takes by the assigned person to ensure these attractive items are being appropriately safeguarded.
- Regular audits by the finance department to ensure attractive items are being appropriately managed by the assigned persons.
- Recording and responding of any disposal or loss of these attractive items to the CFO and adjustment of the attractive items register.

Attractive items will not be:

- Capitalized as an asset;
- Depreciated;
- Revalued;
- Recording in the financial asset register; or
- Otherwise treated as an asset.

9. Management and Operation of property, plant and equipment

9.1 Accountability to manage property plant and equipment

- Each Procurement Officer or Asset Manager is accountable to ensure that municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This would include:
 - Developing appropriate asset management systems, procedures, processes and controls for managing assets,
 - Providing accurate, reliable and up to date account of assets under their control,
 - The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the municipality's strategic objectives.

9.2 Contents of a strategic asset management plan

- Procurement Officer or Asset Manager need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long term cost. To achieve this, Procurement Officer or Asset Manager will need to develop strategic asset management plans that cover:
 - Alignment with the Integrated Development Plan;
 - Operational guidelines;
 - Performance monitoring;
 - Maintenance programs;
 - Renewal, refurbishment and replacement plans;
 - Disposal and Rehabilitation plans;
 - Disposal and Rehabilitation plans,
 - Operational, financial and capital support requirements, and
 - Risk mitigation plans including insurance strategies.

The operational budgets are the short to medium term plan for implementing this strategic asset management plan.

9.3 Reporting on Emerging Issues

- Each Procurement Officer or Asset Manager should report to the Municipal Manager on issues that will significantly impede the assets capability to provide the required level of service or economic benefit.

10. Classification, aggregations & components

10.1 Classification of property plant and equipment

- Any asset recognized as an asset under this policy will be classified according to national recognized categories.
- These categories will be specified by the Accounting Standards Board and currently are included in GAMAP 113.
- The Chief Financial Officer with the relevant Procurement Officer or Asset Manager may agree to subdivide these classifications further. This decision will be noted as an amendment to the classification schedule of the municipality and endorsed by the Municipal Manager, the Chief Financial Officer and the relevant Procurement Officer and Asset Manager.

10.2 Optional Treatment for Major Component

- Procurement Officer or Asset Manager may, with agreement of the Chief Financial Officer, treat specified major components of an item of property plant or equipment as a separate asset for the purposes of this policy.
- These major components may be defined by its physical parameters (eg. a reservoir roof) of its financial parameters (eg. a road surface).
- In agreeing to these treatments the CFO must be satisfied that these components:
 - Have significantly a different useful life or usage pattern to the main asset,
 - Align with the asset management plans,
 - The benefits justify the costs of separate identification,

- It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
- The cost of the asset to the municipality can be measured reliably,
- The municipality has gained control over the asset,
- The costs is above the recognition threshold, and
- The asset is expected to be used during more than one financial year.

- All such decisions and agreements will be confirmed before the beginning of the financial year and submitted for approval with the budget. Any amendments will only be permitted as part of a budget review.
- Once a major component is recognized as a separate asset, it may be acquired, depreciated and disposed of as if it were a separate asset.
- All other replacements, renewals of refurbishments of components will be expensed.

10.3 Recognition of network asset

- A network asset is a collection of assets that work together as a whole to deliver specified service or economic benefit, e.g. computer systems or office furniture.
- A network asset should be recognized as an asset register where its aggregate value exceeds 5% of the total value of all property, plant and equipment already recognized.
- At the discretion of the CFO, a network asset with an aggregate value of less than 5% but greater than 2% maybe recognized as an asset on the asset register.

- A Procurement Officer or Asset Manager is accountable for the management of the registers required to financially verify the value of a network asset.

11.Accounting for Property, Plant and Equipment

11.1 Recognition of property, plant and equipment

- An item of property, plant and equipment will be recognized as an asset when:

- It is probable that future economic benefits or potential service delivery associated with the asset will flow to the municipality,
- The cost of the asset to the municipality can be measured reliably,
- The municipality has gained control over the asset,
- The costs is above the recognition threshold, and
- The asset is expected to be used during more than one financial year.

- All other acquisitions of property, plant and equipment will be expensed.

11.2 Initial measurement

- An item of property, plant and equipment that qualifies for recognition as a non-current asset should be initially measured at its “cost of acquisition”.
- This “cost of acquisition” will include all costs required to bring the asset to the proper working condition and position for its intended use. These costs usually include the following:
 - Purchase costs (less any discounts given)
 - Delivery costs

- Installation cost
- Professional fees for architects and engineers
- Import duties
- Non-refundable taxes
- Site development costs
- Contractor fees

11.3 Donations or exchanges

- Where an item of property plant and equipment is acquired at no cost, or for a nominal cost, it will be initially measured at its fair value as at the date of acquisition and included in the non-current asset register if the fair value is greater than the recognition threshold.

11.4 Recognition threshold

- To ensure efficiency in the administration of this policy, the recognition of property plant and equipment as an asset will be limited to items costing R2 000 or more.
- The acquisition of property, plant and equipment costing less than R2 000 will be expenses but their management will need to comply with the policy on managing attractive items.

11.5 Carrying amount on property plant and equipment

- Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation, subject to the requirement to write an

asset down to its recoverable amount or any subsequent revaluation.

11.6 Depreciation

- The depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life.
- The depreciation method used should reflect the pattern in which economic benefits or potential service provisions are consumed by the municipality.
- The depreciation charge for each period will be recognized as an expense against the budget of the relevant Procurement Officer or Asset Manager unless it is included in the carrying amount of another asset.
- The depreciation method will be straight line unless the Chief Financial Officer is convinced that another method is more appropriate.

12.7 Initial determination useful life

- Each Procurement Officer or Asset Manger needs to determine the useful life of a particular item or class property, plant and equipment through the development of a strategic asset management plan that forecasts the expected useful life that asset. This should be developed as part of the Pre-Acquisition Planning that would consider the following factors:

- the operational, maintenance, renewal and disposal program that will optimize the expected long term costs of owning that asset,
- economic obsolescence because it is too expensive to maintain,
- functional obsolescence because it no longer meets the municipalities needs,
- technological obsolescence,
- social obsolescence due to changing demographics, and
- legal obsolescence due to statutory constraints.

- GAMAP 113 provides a schedule of useful lives. These should be used as a guide to minimum useful lives only because actual asset lives experienced greatly exceed those recommend lives.
- Spares purchased specifically for a particular asset, or class of asset, and which would become redundant if that asset or class was retired or use of that asset or class was discontinued, must be considered to form part of the historical cost of that asset or class. The depreciable amount of such spares must be allocated over the useful life of the asset or class.

11.8 Review of useful life

- The useful life of an item property, plant and equipment should be reviewed annually and if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted.

11.9 Review of depreciation method

- The depreciation method applied to property, plant and equipment should be reviewed annually, and if there has been a significant

change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern.

- When such a change in according estimate and the depreciation charge for the current future periods should be adjusted.

11.10 Subsequent expenditure on property plant and equipment

- Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized should be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.
- All other expenditure should be recognized as an expense in the period in which it occurred.
- Before allowing the capitalization of subsequent expenditure, the Chief Financial Officer must be satisfied that this expenditure significantly:
 - Increase the life of that asset beyond that stated in the asset register, or
 - Increases the quality of service that asset beyond the existing level of service, or
 - Increase the quantity of services that asset can provide, or
 - Reduces the future assessed costs of maintaining that asset.
- Expenditure that is proposed to be capitalized must also conform to recognition criteria for non-current assets and should be appropriately included in the approved capital budget.

- Where it is desired to capitalize future component replacements, refurbishments or renewals, then please refer to the section on major components in this policy.

11.11 Revaluation of property plant and equipment

- The municipality will not revalue property plant and equipment under this current version of the asset management policy.
- The Accounting Standards Board is developing an accounting treatment for such revaluations.
- The municipality will update this policy to include revaluation when the Accounting Standards Board has confirmed their treatment for revaluations.

11.12 Reduction of the carrying amount

- The carrying amount of a non-current asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.
- The amount of the reduction should be recognized as an expense immediately, unless it reverses a previous revaluation in which case it should be charged to a non-distributable reserve.
- For asset providing economic benefits, the recoverable amount is the net present value of future ownership.
- For asset providing future service delivery, the recoverable amount is the remaining proportional of its useful life, service capacity or

quality of service that is not intended to be restored by normal maintenance programs.

11.13 Subsequent increase in recoverable amount

- A subsequent increase in the recoverable amount of an asset, previously written down due to a decline in the carrying amount should be written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- The amount written back should be reduced by the amount that would have been recognized as depreciation had the written-down or write-off not occurred.

11.14 Reduction of the carrying amount

- The carrying amount of a non-current asset should be reviewed annually to assess whether or not the recoverable amount has declined below the carrying amount.
- When such a decline has occurred, the carrying amount should be reduced to the recoverable amount.

11.15 Accounting treatment on Disposal

- An item of property, plant and equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential service delivery are expected from its disposal.

- Gains or losses arising from the retirement or disposal of an item or property, plant and equipment should be determined as the difference between the actual or estimated net disposal proceeds and the carrying amount of the asset, and should be recognized as revenue or expense in the income statement.

12. Financial Disclosure

- The financial statements should disclose, in respect of each class of property, plant and equipment classified under the categories of infrastructure, community, heritage, investment properties and other assets:
 - a) The measurement bases used for determining the gross carrying amount. When more than one basis has been used, the gross carrying amount for that basis in each category should be disclosed.
 - b) The depreciation methods used.
 - c) The useful lives or the depreciation rates used.
 - d) Depreciation charged in arriving at net surplus or deficit for the period.
 - e) The gross carrying amount and the accumulated depreciation at the beginning and the end of the period.
 - f) A reconciliation of the carrying amount at the beginning and end of the period showing:
 - i) additions
 - ii) disposal
 - iii) acquisition through business combinations
 - iv) increases or the decreases resulting from revaluations

- v) deductions in carrying amount
- vi) amounts written back
- vii) depreciation
- viii) Other movements.

- The financial statement should also disclose:

- a) Whether or not, in determining the recoverable amount of items of property, plant and equipment, expected future cash flows have been discounted to their present values.
- b) The existence and amounts of restrictions on title and property, plant and equipment pledged as security for liabilities.
- c) The accounting policy for restrictions on title and property, plant and equipment.
- d) The amount of expenditures on account of property, plant and equipment in the course of construction, and
- e) The amount of commitments for the acquisition of property, plant and equipment.

- When items of property are stated at revalued amounts, the financial statements should disclose:

- a) The basis used to revalue the assets.
- b) The effective date of revaluation.
- c) Whether an independent value was involved
- d) The nature of any indices used to determine replacement cost.

- e) The carrying amount of each class or property, plant and equipment that would have been included in the financial statements had the assets been carried at cost less depreciation.
- f) The revaluation surplus, detailing the movement for the period.
- g) The portion of the depreciation charge relating to the revaluation.

REFERENCED LEGALSTION

1. Municipal Financial Management Bill, 4 September 2003, Paragraph 63.
2. Municipal Financial Management Bill, 4 September 2003, Paragraph 63.
3. Municipal Financial Management Bill, 4 September 2003, Paragraph 78.
4. Municipal Financial Management Bill, September 2003, Paragraph 78.
5. Municipal Financial Management Bill, 4 September 2003, Paragraph 19.
6. Municipal Financial Management Bill, 4 September 2003, Paragraph 19.
7. Municipal Financial Management Bill, 4 September 2003, Paragraph 33.
8. Municipal Financial Management Bill, 4 September 2003, Paragraph 14.
9. Municipal Financial Management Bill, 4 September 2003, Paragraph 112.

10. GAMAP 113, paragraph 10-15.

11. GAMAP 113, paragraph 18.

12. GAMAP 113, paragraph 31.

13. GAMAP 113, paragraph 40.

14. GAMAP 113, paragraph 48.

15. GAMAP 113, paragraph 51.

16. GAMAP 113, paragraph 26.

17. GAMAP 113, paragraph 52.

18. GAMAP 113, paragraph 55.

19. GAMAP 113, paragraph 52.

20. GAMAP 113, paragraph 56-57.

21. GAMAP 113, paragraph 60.

NOTING THAT

In order to manage the asset register more effectively and reduce the amount of items where on depreciation must be written off the following amendments should be made to the asset policy:

Clause 8.4 Assets grouped by value

- 8.4.1 Assets with a value below R5 000. (R1 000 be changed to R5 000.)
- 8.4.2 Assets with a value between R5 001 and R10 000. (R1 001 to be changed to R5 001)

HAVING TAKEN INTO CONSIDERATION

That an asset management policy was adopted by Council as per Item B.150/11/2004 in order to manage the assets of the Municipality in an effective and efficient way with regard to the acquisition, disposal, utilization, control and maintenance of assets.

THEREFORE RECOMMENDED

That the amendment to the asset management policy be supported in principle and be workshopped with other policies with the view to familiarising Councillors with it.

ITEM A.28/03/2008

ITEM MAYORAL.25/03/2008

ASSET MANAGEMENT POLICY: SOUTHERN DISTRICT
MUNICIPALITY

4/5/2/8

NOTING THAT

The Asset Management Policy of the Southern District Municipality was presented to Council for approval.

HAVING TAKEN INTO CONSIDERATION

That the following is the Asset Management Policy:

SOUTHERN DISTRICT MUNICIPALITY
ASSET MANAGEMENT POLICY

1 VISION

To manage the assets of the Municipality in an efficient and effective way with regard to the acquisition, disposal, utilization, control and maintenance of assets.

2 OBJECTIVES

- To ensure Asset Managers are aware of their responsibilities in regards of Property, Plant and Equipment.
- Specifying Municipality's practice regarding accounting for assets and inventory.
- Ensure consistency in accounting treatment.
- Exercise effective control over assets.
- Ensure that an updated Asset Register is kept.
- Ensure compliance with all legal prescriptions and requirements.

3 STATUTORY AND REGULATORY FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division of Revenue Act (enacted annually)
- Municipal Finance Management Act, 2003

Also this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GAMAP 117 Property, Plant and Equipment

4 DEFINITIONS

ASSETS

An asset is a resource controlled by the Municipality as a result of past events from which

future economic benefits or potential service provision are expected to flow to the municipality.

FIXED ASSETS

Are those assets that are intended for use on a continuing basis for the purpose of the Municipality's activities, including Property, Plant and Equipment and Intangible Assets, and Assets held for investment purposes that are not expected to be realized within 12 months of the reporting date.

MOVABLE ASSETS

They should be classified as current asset when they are part of the Municipality's operating activities and is expected to be realized or consumed in the normal course of Municipality's operating cycle, or held primarily for operating purposes or for the short-term and expected to be realized within 12 months of the reporting date.

AFF (ASSETS FINANCING FUND)

Is a Internal Statutory Fund which is cash based and which is specifically used to purchase assets.

EFF (EXTERNAL FINANCING FUND)

It is a collective fund of all external loans taken up and which is used to finance assets.

ASSETS REGISTER

Is an accounting records which contains relevant physical and financial details relating to all assets.

COST

Is the amount of cash or cash equivalents paid or the value of the other consideration given to acquire an asset at the time of its acquisition or construction.

DEPRECIATION

The depreciation amount of an item of Property, Plant and Equipment should be allocated on a systematic basis over its useful life.

CARRYING AMOUNT

Is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon.

USEFUL LIFE

Is either:

The period of time over which an asset is expected to be used by the municipality, or
The number of production or similar units expected to be obtained from the asset by the municipality.

PREVENTATIVE MAINTENANCE

The maintenance which is required on a systematic basis to ensure that the originally assessed future economic benefits of potential service provision of the relevant asset is realized, hence that the fixed asset reaches its estimated useful life.

DEFERRED MAINTENANCE

The extent of preventative maintenance that has not been performed.

5 RESPONSIBILITIES

The Municipal Manager as the Accounting Officer is responsible for the management of:

The assets of the Municipality, including the safeguarding and the maintenance of those assets.

Take all reasonable steps to ensure:

- that the Municipality has and maintains a Management, Accounting and Information System that accounts for the assets of the Municipality.
- that the Municipality's assets are valued in accordance with standards of generally recognized accounting practice, and
- that the Municipality has and maintains a system of internal control of assets, including asset register, as may be prescribed.

IN TERMS OF ACT 109 OF 1985 FINANCIAL REGULATIONS FOR REGIONAL SERVICES COUNCILS

The Manager Finance Service is responsible for:

- Keeping a register in which shall be recorded particulars of all movable and fixed assets;
- To ensure that stock-taking of all assets recorded in the asset register is done;
- To ensure that each Departmental Head keep inventories in a form approved by the Manager Finance Services;
- To submit a report to Council on all assets and include all explanations of the responsible directorates; and
- To ensure that all assets of the Municipality are covered in terms of the Insurance Policy of the Municipality.

6 ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

CLASSIFICATION

INFRASTRUCTURE ASSETS

These are defined as assets which are part of a network of similar assets, and would

include roads, water reticulation, sewerage reticulation, electricity reticulation, transport terminals, car parks, and airport runways.

COMMUNITY ASSETS

These are defined as assets which contribute to the community's well being, and will include parks, libraries, fire stations, ambulance depots and health clinics (provided of course, that these are assets which belong to the Municipality and not to another sphere of government.

HERITAGE ASSETS

These are defined as culturally significant resources, and would include works of art, historical buildings, statues and museum exhibits.

INVESTMENT PROPERTIES

These are properties acquired for capital gain, and will include office parks, and underdeveloped land acquired for the purpose of resale for future development.

OTHER ASSETS

These are assets utilized in normal operations, and will include plant and equipment, motor vehicles, furniture and fittings, tools and loose gear.

It is accepted that to some extent the classification of fixed assets will be subjective, and that different local authorities will classify certain assets in different ways. However, the scope for such variation seems limited in practice.

PURCHASE OF ASSETS

Before any assets can be purchased, the purchase needs to be authorized. The authorization to approve purchase should only be vested in a small number of individuals, ensuring that there will be proper control over purchases made by the Southern District Municipality. Proper authorization ensures that the assets purchased are for authorized Municipal purposes and it avoids the purchasing of unnecessary items.

6.2.2 The following persons are authorized to approve on behalf of the Southern District Municipality:

- Any purchase up to R5 000,00,
Accountant: Procurement
- Any purchase between R5 000,00 to R20 000,00
Assistant Manager
- Any purchase above R20 000,00 to R50 000,00
Manager: Financial Services
- More than R50 000,00
Municipal Manager

6.3 CAPITALIZATION OF ASSETS

Assets will only be capitalized in the Asset Register on completion or finalization of the project.

Projects to be completed over more than one financial year will be initially disclosed in the Asset Register and financial statements as "work in progress" where after only on completion the asset will be capitalized and depreciated.

The cost of acquisition will include all expenditure needed to bring the asset at the condition and position for its intended use which usually include the following:

- Purchase costs (less any discounts given) Delivery cost
- Installation cost
- Professional fees for architects and engineers
- Import duties
- Non-refundable taxes
- Site development cost
- Contract fees

6.4 DEPRECIATION OF ASSETS

The depreciation method applied to Property, Plant and Equipment should be reviewed periodically and, if there has been a significant change in the expected pattern of economic benefits or potential service delivery from those assets, the method should be changed to reflect the changed pattern. When such a change in depreciation method is necessary the change should be accounted for as a change in accounting estimate and the depreciation charge for the current and future should be adjusted.

There are three options that can be used. These are straight-line method, the diminishing balance method and the sum of units method. Straight-line which is used predominantly in the private sector, results in a constant charge over the estimated useful life of the asset whereas the diminishing balance method results in decreasing charge over the life of the asset. It is recommended that the straight-line method be used for the ease of maintaining the income base.

6.5 RE-VALUATION OF ASSETS

When an item of property is revalued, any accumulated depreciation at the date of the revaluation is either:

- restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of an index to its depreciated replacement cost, or
- eliminated against the gross carrying amount of the asset and net amount restated to the revalued amount of the asset.

6.6 WRITE-OFF

All items to be written off must be approved by the Municipal Manager and Chief Finance Officer after recommendation by the Head of Department.

6.7 DISPOSAL OF ASSETS

- 6.7.1 A Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic Municipal services.
- 6.7.2 A Municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public-
- o has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic Municipal services; and
 - o has considered the fair market value of the asset and the economic and community value-to be received in exchange for the asset.
- 6.7.3 A decision by a Municipal council that a specific capital asset is not needed to provide the minimum level of basic Municipal services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.
- 6.7.4 A Municipal council may delegate to the Accounting Officer of the Municipality its power to make the determinations referred to in subsection (2) (a) and (b) in respect of movable capital assets below a value of R20 000.
- 6.7.5 Any transfer of ownership of a capital asset in terms of subsection (2) or (4) must be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy which the Municipality must have and maintain in terms of section 111.
- 6.7.6 This section does not apply to the transfer of a capital asset to another Municipality or to a Municipal entity or a national or provincial organ of state in any circumstances and in respect of categories of assets approved by the National Treasury.

An item of Property, Plant and Equipment should be eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits or potential services delivery are expected from its disposal.

Should the asset be disposed and there is still an amount included in utilized capital receipts, then the balance of utilized capital receipt relating to the asset disposed should be transferred to the income statement and included in Appropriations.

7 INTERNAL CONTROLS

7.1 FINANCIAL ASSET REGISTER

7.1.1 ESTABLISHMENT AND MANAGEMENT OF THE ASSET REGISTER

The Chief Financial Officer will establish and maintain the Asset Register containing key financial data on each item of Property, Plant or Equipment that satisfies the criterion for recognition.

Asset Manager will be responsible for establishing and maintaining any additional register or database required to demonstrate their physical Management of their assets.

Asset Manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all Assets in their Registers.

7.1.2 CONTENTS OF THE ASSET REGISTER

The details included in the non-current Asset Register will include:

POLICY FILE
17

2004

ITEM A.29/08/2004

ASSET MANAGEMENT POLICY: SOUTHERN DISTRICT MUNICIPALITY

4/5/2008

PURPOSE

To present the Asset Management Policy of the Southern District Municipality to Council.

CONTENT

Herewith the Asset Management Policy:

SOUTHERN DISTRICT MUNICIPALITY
ASSET MANAGEMENT POLICY

1 VISION

To manage the assets of the Municipality in an efficient and effective way with regard to the acquisition, disposal, utilization, control and maintenance of assets.

2 OBJECTIVES

- To ensure Asset Managers are aware of their responsibilities in regards of Property, Plant and Equipment.
- Specifying Municipality's practice regarding accounting for assets and inventory.
- Ensure consistency in accounting treatment.
- Exercise effective control over assets.
- Ensure that an updated Asset Register is kept.
- Ensure compliance with all legal prescriptions and requirements.

3 STATUTORY AND REGULATORY FRAMEWORK

This policy must comply with all relevant legislative requirements including:

- ^R The Constitution of the Republic of South Africa, 1996
- Municipal Structures Act, 1998
- Municipal Systems Act, 2000
- Division Of Revenue Act (enacted annual)
- Municipal Finance Management Act, 2003

Also this policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognized accounting standards include:

- GAMAP 113 Property, Plant and Equipment

4 DEFINITIONS

4.1 ASSETS

An asset is a resource controlled by the Municipality as a result of past events from which future economic benefits or potential service provision are expected to flow to the municipality.

4.2 FIXED ASSETS

Are those assets that are intended for use on a continuing basis for the purpose of the Municipality's activities, including Property, Plant and Equipment and Intangible Assets, and Assets held for investment purposes that are not expected to be realized within 12 months of the reporting date.

4.3 MOVABLE ASSETS

They should be classified as current asset when they are part of the Municipality's operating activities and is expected to be realized or consumed in the normal course of Municipality's operating cycle, or held primarily for operating purposes or for the short-term and expected to be realized within 12 months of the reporting date.

4.4 AFF (ASSETS FINANCING FUND)

Is a Internal Statutory Fund which is cash based and which is specifically used to purchase assets.

4.5 EFF (EXTERNAL FINANCING FUND)

It is a collective fund of all external loans taken up and which is used to finance assets.

4.6 ASSETS REGISTER

Is an accounting records which contains relevant physical and financial details relating to all assets.

4.7 COST

Is the amount of cash or cash equivalents paid or the value of the other consideration given to acquire an asset at the time of its acquisition or construction.

4.8 DEPRECIATION

The depreciation amount of an item of Property, Plant and Equipment should be allocated on a systematic basis over its useful life.

4.9 CARRYING AMOUNT

Is the amount at which an asset is included in the balance sheet after deducting any accumulated depreciation thereon.

4.10 USEFUL LIFE

Is either:

The period of time over which an asset is expected to be used by the municipality, or

The number of production or similar units expected to be obtained from the asset by the municipality.

6 ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

6.1 CLASSIFICATION

6.1.1 INFRASTRUCTURE ASSETS

These are defined as assets which are part of a network of similar assets, and would include roads, water reticulation, sewerage reticulation, electricity reticulation, transport terminals, car parks, and airport runways.

6.1.2 COMMUNITY ASSETS

These are defined as assets which contribute to the community's well being, and will include parks, libraries, fire stations, ambulance depots and health clinics (provided of course, that these are assets which belong to the Municipality and not to another sphere of government.

6.1.3 HERITAGE ASSETS

These are defined as culturally significant resources, and would include works of art, historical buildings, statues and museum exhibits.

6.1.4 INVESTMENT PROPERTIES

These are properties acquired for capital gain, and will include office parks, and underdeveloped land acquired for the purpose of resale for future development.

6.1.5 OTHER ASSETS

These are assets utilized in normal operations, and will include plant and equipment, motor vehicles, furniture and fittings, and tools and loose gear.

It is accepted that to some extent the classification of fixed assets will be subjective, and that different local authorities will classify certain assets in different ways. However, the scope for such variation seems limited in practice.

6.2 PURCHASE OF ASSETS

6.2.1 Before any assets can be purchased, the purchase needs to be authorised:

The authorization to approve purchase should only be vested in a small number of individuals, ensuring that there will be proper control over purchases made by the Southern District Municipality. Proper authorization ensures that the assets purchased are for authorised Municipal purposes and it avoids the purchase of unnecessary items.

6.5 RE-VALUATION OF ASSETS

When an item of property is revalued, any accumulated depreciation at the date of the revaluation is either:

- restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of an index to its depreciated replacement cost, or
- eliminated against the gross carrying amount of the asset and net amount restated to the revalued amount of the asset.

6.6 WRITE-OFF

All items to be written off must be approved by the Municipal Manager and Chief Finance Officer after recommendation by the Head of Department

6.7 DISPOSAL OF ASSETS

- 6.7.1 A Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic Municipal services.
- 6.7.2 A Municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public-
- has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic Municipal service; and
 - has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 6.7.3 A decision by a Municipal council that a specific capital asset is not needed to provide the minimum level of basic Municipal services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.
- 6.7.4 A Municipal council may delegate to the Accounting Officer of the Municipality its power to make the determinations referred to in subsection (2)(a) and (b) in respect of movable capital assets below a value determined by the Council.
- 6.7.5 Any transfer of ownership of a capital asset in terms of subsection (2) or (4) must be fair, equitable, transparent, competitive and consistent with the supply chain Management Policy which the Municipality must have and maintain in terms of section 111.

7.1.3 INTERNAL CONTROLS OVER THE ASSET REGISTER

Controls around their Asset Register should be sufficient to provide an accurate, reliable and up to date account of assets under their control to the standards specified by the Chief Financial Officer and required by the Auditor-General.

These controls will include physical management and recording of all acquisitions, assignments, transfers, losses and disposals of their assigned assets as well as regular stock-takes and system audits to confirm the adequacy of their controls.

8 FINANCIAL MANAGEMENT

8.1 PRE-ACQUISITION PLANNING

Before a capital project is included in the draft Municipal budget for approval, the Manager: Infrastructure Development and Strategic Planning must approve that they have considered:

- (a) The projected acquisition and implementation cost over all the financial years until the project is operational;
- (b) The future operational costs and revenue on the project, including tax and tariff implications;
- (c) The financial sustain ability of the project over its economical life span including revenue generation and subsidization requirements;
- (d) The physical and financial stewardship of the asset through all stage in its economic life span including acquisition, installation, maintenance, operations, disposal, and rehabilitation;
- (e) The inclusion of the capital project in the Integrated Development Plans and future budgets; and
- (f) The Chief Financial Officer is accountable to ensure that the Manager: Infrastructure Development and Strategic Planning receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

8.2 APPROVAL TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

Funds can only be invested with a capital project if:

- They have been appropriated in the capital budget;
- The project, together with the project cost, has been approved by the council;
- The Chief Financial Officer confirms that funding is available for that specific project; and

Traffic lights	20
Street lighting	25
overhead bridges	30
Storm water drains	20
bridges, subways and culverts	30
Car parks	20
Bus terminals	20

COMMUNITY ASSETS

BUILDINGS:	
Ambulance stations	30
Aquariums	30
Beach development	30
Care centres	30
Cemeteries	30
Civic theaters	30
Clinics/Hospitals	30
Community centres	30
Fire stations	30
Game Reserves/Rest Camps	30
Indoor sports	30
Libraries	30
Museums/Art galleries	30
Parks	30
public conveniences/bathhouses	30
Recreation centres	30
Stadiums	30
Zoos	30

COMMUNITY ASSETS (CONT.)

	<u>Asset Life</u>
WATER:	
Meters	15
Mains	20
Rights	20
Supply/reticulation	20
Reservoirs and Tanks	20

OTHER ASSETS

BUILDINGS	
Abattoirs	30
Asphalt	30
Cable stations	30
Caravan parks	30
Cinemas	30
Compacting stations	30
Hostels - Public/Tourist	30
Hostels - Workers	30
Housing schemes	30
Kilns	30
Laboratories	30
Markets	30
Nurseries	30
Office buildings	30
Old age homes	30
Quarries	30
Tip sites	30
Training centres	30
Transport facilities	30
Workshops/depots	30

Footways	20
Curbing	20
Paving	20

AIRPORTS:

Aprons	20
Runways	20
Taxiways	20
Airports/Radio beacons	20

RECREATIONAL FACILITIES:

Bowling greens	20
Tennis courts	20
Swimming pools	20
Golf courses	20
Jukskei pitches	20
Outdoor sports facilities	20
Organ and Case	20
Lakes and dams	20
Fountains	20
Floodlighting	20

SECURITY MEASURES:

Fencing	3
Security systems	5
Assess control	5

EMERGENCY AND EQUIPMENT

Fire	15
Ambulances	5-10
Fire hoses	5
Emergency lights	5

MOTOR VEHICLES

Fire engines	20
Buses	15
Motor vehicles	5-7
Motor cycles	3
Trucks/bakkies	5-7

AIRCRAFT: 15

WATERCRAFT: 15

PLANT AND EQUIPMENT:

Graders	10-15
Tractors	10-15
Mechanical hoists	10-15
Farm equipment	5
Lawnmowers	2
Compressors	5
Laboratory equipment	5
Radio equipment	5
Firearms	5
Telecommunication equipment	5
General	5
Cable cars	15

Traffic lights	20	Footways	20
Street lighting	25	Curbing	20
overhead bridges	30	Paving	20
Storm water drains	20		
bridges, subways and culverts	30	AIRPORTS:	
Car parks	20	Aprons	20
Bus terminals	20	Runways	20
		Taxiways	20
		Airports/Radio beacons	20

COMMUNITY ASSETS**BUILDINGS:**

Ambulance stations	30
Aquariums	30
Beach development	30
Care centres	30
Cemeteries	30
Civic theaters	30
Clinics/Hospitals	30
Community centres	30
Fire stations	30
Game Reserves/Rest Camps	30
Indoor sports	30
Libraries	30
Museums/Art galleries	30
Parks	30
public conveniences/bathhouses	30
Récreation centres	30
Stadiums	30
Zoos	30

RÉCREATIONAL FACILITIES:

Bowling greens	20
Tennis courts	20
Swimming pools	20
Golf courses	20
Jukskei pitches	20
Outdoor sports facilities	20
Organ and Case	20
Lakes and dams	20
Fountains	20
Floodlighting	20

SÉCURITY MEASURES:

Fencing	3
Security systems	5
Assess control	5

COMMUNITY ASSETS (CONT.)

	<u>Asset Life</u>		<u>Asset life</u>
WATER:		EMERGENCY AND EQUIPMENT	
Meters	15	Fire	15
Mains	20	Ambulances	5-10
Rights	20	Fire horses	5
Supply/reticulation	20	Emergency lights	5
Reservoirs and Tanks	20		
OTHER ASSETS		MOTOR VEHICLES	
BUILDINGS		Fire engines	20
Abattoirs	30	Buses	15
Asphalt	30	Motor vehicle	5-7
Cable stations	30	Motor cycles	3
Caravan parks	30	Trucks/bakkies	5-7
Cinemas	30		
Compacting stations	30	AIRCRAFT:	15
Hostels - Public/Tourist	30		
Hostels - Workers	30	WATERCRAFT:	15
Housing schemes	30		
Kilns	30	PLANT AND EQUIPMENT:	
Laboratories	30	Graders	10-15
Markets	30	Tractors	10-15
Nurseries	30	Mechanical hoists	10-15
Office buildings	30	Farm equipment	5
Old age homes	30	Lawnmowers	2
Quarries	30	Compressors	5
Tip sites	30	Laboratory equipment	5
Training centres	30	Radio equipment	5
Transport facilities	30	Firearms	5
Workshops/depots	30	Telecommunication equipment	5
		General	5
		Cable cars	15

reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

8.2 APPROVAL TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

Funds can only be invested with a capital project if:

- They have been appropriated in the capital budget;
- The project, together with the project cost, has been approved by the council;
- The Chief Financial Officer confirms that funding is available for that specific project; and
- Any contract that will impose financial obligations more than two years beyond the budget year is appropriately disclosed.

8.3 FUNDING OF CAPITAL PROJECTS:

Within the Municipality's ongoing financial, legislative or administrative capacity, the Chief Financial Officer will establish and maintain the funding strategies that optimize the Municipality's ability to achieve its strategic objectives as stated in the Integrated Development Plan.

8.4 ASSETS GROUPED BY VALUE:

8.4.1 Assets with a value below R1 000:

- Assets acquired in this range will be considered consumable items and must have been provided for in the operating budget under repairs and maintenance:
- These items will not be capitalized as an asset but an inventory must be kept to exercise the necessary control over it.

8.4.2 Assets with a value between R1 001 and R10 000:

- Assets acquired in this range will be considered minor assets and must have been provided for in the operating budget under capital from income.
- These assets will be capitalized in the Asset Register but will be fully depreciated to a minimum value of R1.
- The Council's service connections for water and electricity will be included under this heading and will be capitalized collectively,

9 INSURANCE OF ASSETS

All the assets must be insured by the Finance Department with the approval of the Accounting Officer.

ESTIMATED ASSET LIVES

Life

Asset Life

Asset

INFRASTRUCTURE ASSETS

ELECTRICITY:

Power stations	30
Cooling towers	30
Transformer Kiosks	30
Meters	20
Load control equipment	20
Switchgear equipment	20
Supply / reticulation	20
Mains	20

GAS:

Meters	20
Mains	20
Storage tanks	20
Supply/reticulation	20

SEWERAGE:

Sewers	20
Outfall sewers	20
Purification works	20
Sewerage	15

ROADS

Motorways	15
Other roads	10
Traffic Islands	10

Sludge machines 15

PEDESTRIAN MALLS:

ESTIMATED ASSET LIVES

Asset Life

Asset Life

INFRASTRUCTURE ASSETS

ELECTRICITY:

Traffic lights	20
Street lighting	25
Overhead bridges	30
Storm water drains	20
Bridges, subways and culverts	30
Car parks	20

Footways	20
Curbing	20
Paving	20

AIRPORTS:

Aprons	20
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Bus Terminals	20
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Runways	20
Taxiways	20
Airports/Radio beacons	20

COMMUNITY ASSETS

BUILDINGS:

Ambulance stations	30
Aquariums	30
Beach Development	30
Care centres	30
Cemeteries	30
Civic theaters	30
Clinics/Hospitals	30
Community centres	30
Fire stations	30

RECREATIONAL FACILITIES:

Bowling greens	20
Tennis courts	20
Swimming pools	20
Golf courses	20
Jukskei pitches	20
Outdoor sports facilities	20
Organ and Case	20
Lakes and dams	20
Fountains	20

Game Reserves/Rest Camps	30
Indoor sports	30
Libraries	30
Museums/Art galleries	30
Parks	30
Public conveniences/bathhouses	30
Recreation centres	30
Stadiums	30
Zoos	30

Floodlighting 20

SECURITY MEASURES:

Fencing	3
Security systems	5
Assess control	5

COMMUNITY ASSETS (CONT.)

Asset Life

Asset Life

WATER

Meters	15
Mains	20
Rights	20
Supply / reticulation	20
Reservoirs and Tanks	

OTHER ASSETS

BUILDINGS:

Abattoirs	30
Asphalt	30
Cable stations	30
Caravan parks	30
Cinemas	30
Compacting stations	30
Hostels-Public/Tourist	30
Hostels - workers	30
Housing schemes	30
Kilns	30
Laboratories	30
Markets	30
Nurseries	30
Office buildings	30
Old age homes	30
Quarries	30
Tip sites	30
Training centres	30
Transport facilities	30
Workshops / depots	30

OFFICE EQUIPMENT

Computer hardware	5
Computer software	3-5
Office machines	5-7
Air conditioners	5-7

EMERGENCY AND EQUIPMENT

Fire	15
Ambulances	5-10
Fire horses	5
Emergency lights	5

MOTOR VEHICLES

Fire engines	20
Buses	15

Motor vehicle	5-7
Motor cycles	3
Trucks/bakkies	5-7

AIRCRAFT:

15

WATERCRAFT:

15

PLANT AND EQUIPMENT:

Graders	10-15
Tractors	10-15
Mechanical horses	10-15
Farm equipment	5
Lawnmowers	2
Compressors	5
Laboratory equipment	5
Radio equipment	5
Firearms	5
Telecommunication equipment	5
General	5
Cable cars	15
Irrigations systems	15
Crematories	15
Lathes	15
Milling equipment	15
Conveyors	15
Feeders	15
Tippers	15

Pulverizing mills 15

FURNITURE AND FITTINGS:

Chairs	7-10
Tables and desks	7-10
Cabinets / cupboards	7-10
Miscellaneous	7-10

BINS AND CONTAINERS

Household refuse bins	5
Bulk containers	10

10 RISK MANAGEMENT

Exercising risk management in a proactive manner and providing adequately for the cover of residual risk.

11 TRAINING AND DEVELOPMENT

Continuous training on asset management should be provided to staff members within the asset division, so as to keep track of the changes surrounding the asset management environment.

THEREFORE RESOLVED

That Council approves and adopt the Asset Management Policy as presented above.

reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

8.2 APPROVAL TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

Funds can only be invested with a capital project if:

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- These assets will be capitalized in the Asset Register but will be fully depreciated to a minimum value of R1.
- The Council's service connections for water and electricity will be included under this heading and will be capitalized collectively,

9 INSURANCE OF ASSETS

All the assets must be insured by the Finance Department with the approval of the Accounting Officer.

ESTIMATED ASSET LIVES

<u>Life</u>	<u>Asset Life</u>	<u>Asset</u>
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INFRASTRUCTURE ASSETS

ELECTRICITY:

Power stations	30
Cooling towers	30
Transformer Kiosks	30
Meters.	20
Load control equipment	20
Switchgear equipment	20
Supply / reticulation	20
Mains	20

GAS:

Meters	20
Mains	20
Storage tanks	20
Supply/reticulation	20

SEWERAGE:

Sewers	20
Outfall sewers	20
Purification works	20
Sewerage	15

ROADS

Motorways	15
Other roads	10
Traffic Islands	10

Sludge machines 15

PEDESTRIAN MALLS:

ESTIMATED ASSET LIVES

Asset Life

Asset Life

INFRASTRUCTURE ASSETS

ELECTRICITY:

Traffic lights	20
Street lighting	25
Overhead bridges	30
Storm water drains	20
Bridges, subways and culverts	30
Car parks	20

Footways	20
Curbing	20
Paving	20

AIRPORTS:

Aprons	20
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Bus Terminals	20
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Runways	20
Taxiways	20
Airports/Radio beacons	20

COMMUNITY ASSETS

BUILDINGS:

Ambulance stations	30
Aquariums	30
Beach Development	30
Care centres	30
Cemeteries	30
Civic theaters	30
Clinics/Hospitals	30
Community centres	30
Fire stations	30

RECREATIONAL FACILITIES:

Bowling greens	20
Tennis courts	20
Swimming pools	20
Gold courses	20
Jukskei pitches	20
Outdoor sports facilities	20
Organ and Case	20
Lakes and dams	20
Fountains	20

Game Reserves/Rest Camps	30	Floodlighting	20
Indoor sports	30		
Libraries	30		
Museums/Art galleries	30		
Parks	30		
Public conveniences/bathhouses	30		
Recreation centres	30		
Stadiums	30		
Zoos	30		

COMMUNITY ASSETS (CONT.)

	<u>Asset Life</u>		<u>Asset Life</u>
<u>WATER</u>		<u>EMERGENCY AND EQUIPMENT</u>	
Meters	15	Fire	15
Mains	20	Ambulances	5-10
Rights	20	Fire horses	5
Supply / reticulation	20	Emergency lights	5
Reservoirs and Tanks			
<u>OTHER ASSETS</u>		<u>MOTOR VEHICLES</u>	
<u>BUILDINGS:</u>		Fire engines	20
Abattoirs	30	Buses	15
Asphalt	30	Motor vehicle	5-7
Cable stations	30	Motor cycles	3
Caravan parks	30	Trucks/bakkies	5-7
Cinemas	30		
Compacting stations	30	<u>AIRCRAFT:</u>	15
Hostels-Public/Tourist	30	<u>WATERCRAFT:</u>	15
Hostels – workers	30	<u>PLANT AND EQUIPMENT:</u>	
Housing schemes	30	Graders	10-15
Kilns	30	Tractors	10-15
Laboratories	30	Mechanical horses	10-15
Markets	30	Farm equipment	5
Nurseries	30	Lawnmowers	2
Office buildings	30	Compressors	5
Old age homes	30	Laboratory equipment	5
Quarries	30	Radio equipment	5
Tip sites	30	Firearms	5
Training centres	30	Telecommunication equipment	5
Transport facilities	30	General	5
Workshops / depots	30	Cable cars	15
		Irrigations systems	15
		Crematories	15
		Lathes	15
<u>OFFICE EQUIPMENT</u>		Milling equipment	15
Computer hardware	5	Conveyors	15
Computer software	3-5	Feeders	15
Office machines	5-7	Tippers	15
Air conditioners	5-7		

Pulverizing mills 15

FURNITURE AND FITTINGS:

Chairs	7-10
Tables and desks	7-10
Cabinets / cupboards	7-10
Miscellaneous	7-10

BINS AND CONTAINERS

Household refuse bins	5
Bulk containers	10

10 RISK MANAGEMENT

Exercising risk management in a proactive manner and providing adequately for the cover of residual risk.

11 TRAINING AND DEVELOPMENT

Continuous training on asset management should be provided to staff members within the asset division, so as to keep track of the changes surrounding the asset management environment.

THEREFORE RESOLVED

That Council approves and adopt the Asset Management Policy as presented above.

THEREFORE RECOMMENDEDDISPOSAL OF ASSETS

- 1 A Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a Capital Asset needed to provide the minimum level of basic Municipal Services;
- 2 A Municipality may transfer ownership or otherwise dispose of a Capital Asset other than one contemplated in Subsection 6.7.1, but only after the Municipal Council, in a meeting open to the public:-
 - (i) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic Municipal Services, and
 - (ii) has considered the fair market value of be received in exchange for the asset;
- 3 A decision by a Municipal Council that a specific Capital Asset is not needed to provide the minimum level of basic Municipal Services, may not be reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of;
- 4 A Municipal Council may delegate to the Accounting Officer of the Municipality its power to make the determination referred to in Subsection 6.7.2 (i) and (ii) in respect of movable Capital Assets below or value determined by the Council;
- 5 Any transfer of ownership of a Capital Asset in terms of Sub-section 6.7.1 or 6.7.4 must be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy (SCMP) which the Municipality must have and maintain in terms of Municipal Finance Management Act, (MFMA), Section 111; and
- 6 This section does not apply to the transfer of a Capital Asset to another Municipality or to a Municipal Entity or a National or Provincial organ of state in circumstances and in respect of Categories of assets approved by the National Treasury."
- 7 The Accounting Officer is authorised to dispose assets that are not required and/or have been fully depreciated by seeking written submission of tenders;
- 8 That assets that are sold for an amount below R20 000 should treated administratively after the process in Sub-section 6:7:7 has been followed;
- 9 The assets that are sold for an amount above R20 000 requires that an item be tabled to Municipal Council for cognisance; and
- 10 The income that is received from selling (disposing) of the movable assets be reflected as Extra-ordinary income in the Income and Expenditure Statement (I&E)

ITEM A.97/07/2006 (FINANCE.20/07/2006)ACCOUNTING TREATMENT OF LEASESNOTING THAT

The accounting treatment of lease that enhance quality and consistency of accounting transactions is placed before Council and the Executive Mayor.

HAVING TAKEN INTO CONSIDERATION

That Council is faced with a choice when assets are required to enhance service delivery. The

Council may consider buying of vehicles, land, buildings, facilities and computers or alternatively leasing the mentioned assets. Whenever a Council opts for the buying of any fixed assets, they become assets that must be capitalised and placed in the asset register, i.e. ownership rests with the municipality. The full risk rests with Council.

The alternative of leasing, provides Council with the following advantages:

(a) Shift of ownership risk

The lessee (Council) avoid substantial risk of owning obsolete equipment. The cancellation clause offers benefits to lessee when equipment is not required to enhance service delivery;

(b) Flexibility

The equipment is sought when the Council seeks to utilise such equipment for a specific purpose. The cost of the equipment is avoided and funds utilised for better purposes and not tied to monthly payments;

(c) Maintenance

Under a full-service lease, the lessor becomes responsible and provides maintenance. The lessor may even be better placed to provide such service; and

(d) Off the Balance Sheet Event

The Council is permitted to ignore both the asset and the lease liability in its balance sheet. The equipment costs are expensed through the Income and Expenditure Statement; and no asset is reflected that brings complications of depreciations as well as accumulated (carry-over) depreciation.

This Council should focus strictly on operating leases and avoid the financial leases. The financial leases require that cancellation of the contract imposes a substantial pre-payment penalty which assures the return of investment for the lessor. The accounting treatment of the financial lease requires that Council must report the present value of the future lease payment in the balance sheet as a fixed asset and as a liability. The financial lease should not be considered.

THEREFORE RECOMMENDED

1. That the Council will consider operating leases whenever assets are required to enhance efficiency and effectiveness of service delivery;
2. That the payment of the operating leases will be expensed in the period they relate to, through the Income and Expenditure Statement; and
3. That the period of the operating lease contract between Council (lessee) and the lessor should not exceed a period of three (3) years.

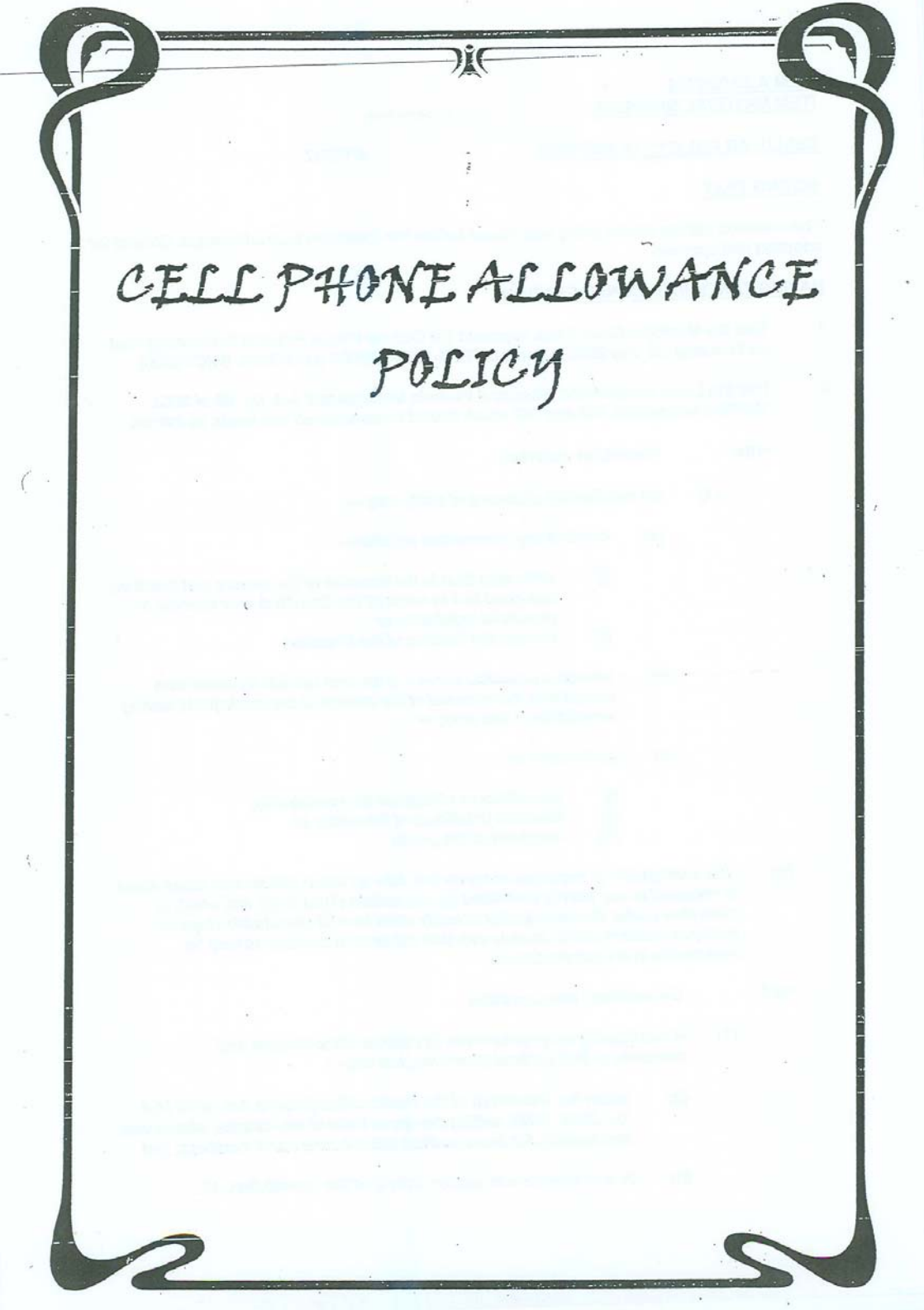
ITEM A.98/07/2006 (FINANCE.21/07/2006)

UPPER LIMITS OF COUNCILLOR REMUNERATION

4/10/12

NOTING THAT

Council is requested to approve the Government Notice No. R653 which sets the upper limits of Councillors remuneration with effect from 8 March 2006.



CELL PHONE ALLOWANCE POLICY

ITEM A.30/03/2008

ITEM MAYORAL.30/03/2008

CELLULAR POLICY: TRANSFERS

4/10/1/2

NOTING THAT

The reviewed cellular phone policy was placed before the Executive Mayor/Municipal Council for adoption and approval.

HAVING TAKEN INTO CONSIDERATION

- 1 That the Municipal Council has approved the Cellular Phone Policy at the meeting held on Thursday, 27 July 2006 in terms of ITEM A.94/07/2006 (MAYORAL.84/07/2006).
- 2 That the Local Government: Municipal Finance Management Act, No. 56 of 2003 *(MFMA) has section 164 and 167 which should be considered and reads as follows:

"164. Forbidden activities

- (1) *No municipality or municipal entity may—*
 - (a) *conduct any commercial activities—*
 - (i) *otherwise than in the exercise of the powers and functions assigned to it in terms of the Constitution or national or provincial legislation; or*
 - (ii) *outside the borders of the Republic;*
 - (b) *provide a municipal service in an area outside its jurisdiction except with the approval of the council of the municipality having jurisdiction in that area; or*
 - (c) *make loans to—*
 - (i) *councillors or officials of the municipality;*
 - (ii) *directors or officials of the entity; or*
 - (iii) *members of the public.*
- (2) *If a municipality or municipal entity on the date on which this section takes effect is engaged in any activity prohibited by subsection (1)(a) or (b) and which is otherwise lawful, the municipality or entity must take all reasonable steps to rectify its position and to comply with that subsection as soon as may be reasonable in the circumstances.*

"167 Councillors' remuneration

- (1) *A municipality may remunerate its political office-bearers and members of its 5 political structures, but only—*
 - (a) *within the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members; and*
 - (b) *in accordance with section 219(4) of the Constitution. 10*

- Single Whip R1 200
- MMC's (Directly Elected) R1 200
- MMC's (Seconded) R 451
- Directly Elected Part-time R 749
- Municipal Manager R1 250
- Section 57 Managers R1 050
- Managers in Political Offices R 750
- Deputy Heads of Departments R 650
- Assistant Heads of Departments R 550
- Personal Assistants in Political Offices R 550
- Community Development Officers R 550
- Chauffer R 250
- Messenger/Driver R 250
- Post Level 4 Officials R 450
- Post Level 5 Officials R 400
- Secretary to Executive Mayor R 550

- 3.1 That Heads of Departments provide written motivations on why certain officials in their departments are and should be receiving cellphone allowances, particularly officials not on a management level such as post level 4 and 5 as indicated above.
- 4 That all incumbents (councillors and officials) must provide their cellular numbers to the Office of the Accounting Officer (Municipal Manager); and
- 5 All the cellular number that do not have users (councillors and officials) their contracts be terminated with the service providers.



CREDIT CONTROL AND
DEBT MANAGEMENT
POLICY

ITEM A.36/03/2007
(MAYORAL.20/03/2007) (FINANCE.02/03/2007)

CFO

BUDGET RELATED POLICIES 2007/2008

4/1/1

NOTING THAT

The budget related policies were submitted to Council for review and adoption.

HAVING TAKEN INTO CONSIDERATION

1 That the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA) has Section 17(3)(e) which states as follows:

"17. Contents of annual budget and supporting documents

(iii) *When an annual budget is tabled in terms of Section 16(2), it must be accompanied by the following documents:*

e) *any proposed amendment to the budget-related policies of the municipalities."*

2 That the following policies impact on the production of quality credible budget and are placed before the Executive Mayor, Municipal Council for consideration:

- I. MUNICIPAL INVESTMENT POLICY: ITEM A 42/05/2005
- II. SUPPLY CHAIN MANAGEMENT POLICY: ITEM A.63/05/2005
- III. CELLPHONE ALLOWANCE FOR DESIGNATED OFFICIALS: ITEM B.342/11/2003
- IV. SUBSISTENCE, ACCOMMODATION AND TRAVELING ALLOWANCES POLICY: ITEM A.22/04/2006
- V. ~~CREDIT CONTROL AND DEBT MANAGEMENT POLICY: ITEM A.55/06/2006~~
- VI. TRANSFERS OF ALLOCATIONS REPORTING: ITEM A.56/06/2006

CREDIT
CONTROL AND
DEBT
MANAGEMENT
POLICY

ITEM B.245/09/2003 (FINANCE.24/08/2003)

CREDIT CONTROL & DEBT MANAGEMENT POLICY

MFS
4/13/11

NOTING THAT:

This item was referred to the Finance Portfolio Committee from the Executive Mayor's Agenda 29 dated 10 July 2003.

HAVING TAKEN INTO CONSIDERATION:

That Council is expected to develop a Credit Control and Debt Management Policy in line with Section 97 of the Local Government: Municipal Systems Act, No 32, of 2000.

THEREFORE RESOLVED:

That the Credit Control and Debt Management Policy of the Council as follows be adopted:

- 1 The Council will monthly send out a preliminary assessment based on the previous returns submitted by the levy payer. The preliminary assessment will not be debited against the account of the levy payer on condition that the levy payer will return the completed assessment form together with payment thereof within 30 days from the date of the return being posted.

If the levy payer refuses or neglect to submit the said return within the prescribed period, the amount of the preliminary assessment will be debited against the account of the levy payer. If such an amount is not redeemed within 30 days after it has been debited, the levy payer will be regarded to be 60 days in arrear.
- 2 All the established businesses entities in our District must be registered as both potential and levy payers.
- 3 These levy payers (businesses) must receive timeous monthly accounts which indicate basis for calculating amount due;
- 4 Reasonable steps that are adequate should be taken to ensure that levy payers are fully informed of the reasons for the payment of the levy fee;
- 5 Accessible mechanisms should be provided such as complaint boxes within the paypoint that must be attended to promptly by Management and Council (when necessary) of the corrective action taken; Council should provide accessible pay points and allow direct deposits for settling accounts or for making pre-payments for levies;
- 6 The levy payers that are in arrears for 60 days and more should be referred to the Council appointed Debt Collection Agent;
 - 6.1 The authorisation to collect on behalf of the Council will be covered by the signed agreement.

- 6.2 The Agent will contact the arrear levy payers directly.
- 6.3 The Agent must ensure that contact person of the levy payer (business) is a person 21 (twenty one) years and older.
- 7 7.1 Every order or notice of document requiring authentication by the Council shall be sufficiently authenticated if signed by the Municipal Manager or in case of the Agent, by the authorised Officer of the Agent as per the signed agreement.
- 7.2 Delivery of the copy shall be deemed to be delivery of the original.
- 8 Where the exact amount due and payable to the Council has not been paid in full, any lesser amount tendered (paid) to and accepted by any Council employee or Agent, shall not be deemed to be final settlement of such an amount.
- 9 Subject to the provisions of Section 10 G of the Local Government Transition Act 1993 (Act No. 209 of 1993) or any law relating to interest, the Council may charge and recover, interest in respect of any arrears amount due and payable to the Council;
- 10 A reconciliation reflecting the amount due and payable to the Council, under the hand of the Municipal Manager or the authorised Agent appointed by Council, shall upon mere production thereof be accepted by any court of law as *prima facie* evidence of the indebtedness;
- 11 Where any payment made to Council is later dishonoured by the bank, the Council will levy such costs and administration fees as may be reasonable and enforceable in terms of prevailing legislation;
- 12 All legal costs, including attorney-and client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the levy payer (debtor.)
- 13 All levy payments due to Council may be paid upon receipt of the account until the twentieth (20) of the month to allow sufficient period for reconciliations and preparations of the next accounts;
- 14 The Council may consider advance annual payment on request by levy payers;
- 15 The Council may extend the liability of such entity that is in arrears to the directors or members thereof jointly and severally, as the case may be;
- 16 The Council may at its discretion through the Municipal Manager report such legal person, the available statutory details, including information pertaining to the responsible officers of such legal persons, that owe the Council monies that collate and retain such information;

17 A person who:-

- 17.1 obstructs or hinders an employee of Council or an appointed Agent in the exercise of his/her powers or performance of functions or duties under the policy;
 - 17.2 fails or refuses to give an employee of Council or appointed Agent such information as he/she may reasonably require for the purpose of exercising his/her powers or functions under the policy or gives such employee or Agent false or misleading information knowing it to be false or misleading;
 - 17.3 contravenes or fails to comply with a provision of this policy;
 - 17.4 fails to comply with the terms of a notice served upon him/her in terms of this policy
 - i. shall be guilty of an offence and liable upon conviction to a period not exceeding six months imprisonment or a fine not exceeding R20 000,00 or both such fine and imprisonment;
- 18 The successful collection of arrear levy payers by the Agent may allow Council to periodically (six monthly) review the Provision for Bad Debts Policy; and
- 19 If there is any conflict between the Council policy and any other policy of the Council, the Credit Control and Debt Management Policy will prevail."

CREDIT CONTROL AND DEBT MANAGEMENT POLICY

NOTING THAT

The revised and reviewed Credit Control and Debt Management Policy were placed before Council for adoption and Council is empowered in terms of Section 93(6) of the Local Government: Municipal Structures Act, No. 117 of 1998 which states as follows:

"93. Application of this Act and transitional arrangements

- (6) *A district municipality or a metropolitan municipality may levy and claim regional services levy and a regional establishment levy referred to in section 12(1)(a) of the Regional Services Councils Act, 1985, or section 16(1)(a) of the KwaZulu and Natal Joint Services Act, 1990".*

HAVING TAKEN INTO CONSIDERATION

- 1 That the Regional Services Levy (Payroll) and the Regional Establishment Levy (Turnover) have been the main sources of the Council income. These main sources of income will have been replaced by RSC Levy Grant with effect from 1 July 2006, until the most appropriate tax instrument is introduced.
- 2 That the inapplicability of the RSC Levy from 1 July 2006 does not prohibit the Council from following and collecting the arrear (outstanding) levies. City of Johannesburg has contacted South African Revenue Services (SARS) about the prescription period. The "SARS Amendment Clarification Document" does indicate that Council may collect the arrear levies period older than two (2) years and Council should prove the debt.

THEREFORE RESOLVED

That the following Credit Control and Debt Management Policy review, empowers the Council to pursue these arrear levies internally:

1. The Southern District Municipality will pursue all outstanding (arrears) levies that are due on 30 June 2006;
2. All businesses that are not excluded from RSC Levy payment and existed before 30 June 2006 must register and pay arrear levies;
3. All levy payers (businesses) will receive a reconciled account of arrear levies that has been certified as correct and accurate by the Municipal Manager and/or proxy as the case may be;
4. Levy payers that require clarification will be provided with full support by the Credit Control Section of the Southern District Municipality to ease the understanding;
5. The levy payers should have direct access in which room for fair and valid complaints must be addressed and reports provided;
6. The Southern District Municipality credit control section is empowered and authorized to pursue all arrear levy payers as at 30 June 2006;
7. The arrear levy payers can enter into an agreement, wherein the full period for the settlement is clear and not implied;
8. Subject to the provisions of Section 10G of the Local Government Transition Act, 1993 (Act No. 209 of 1993) or any law relating to interest, Council will charge and

- recover interest in respect of any arrear amounts due and payable to Council;
9. The reconciliation that has been alluded to in point (3) above, shall upon mere production thereof be accepted by any court of law as prima facie evidence of the indebtedness;
 10. The arrear levy payers that do not make necessary arrangements will first be issued with a final notice which will be applicable for a period of sixty days, then summons will be valid for a period of thirty days, before the matter is referred to judgment and ultimately a warrant of execution.
 11. The Council Credit Section will follow the whole process indicated above on (10) to the fullest due to the competency of the system;
 12. The arrear levy payers that proceed with internal arrangements will sign an "Admission of Liability for Debt" agreement. The original signed agreement will be kept in the Southern District Municipality's offices and copy provided to the levy payer;
 13. The Council may extend the liability of levy payers (*legal persona*) that are in arrears to the members thereof jointly and severally, as the case may be;
 14. A person who -
 - 14.1 obstructs or hinders an employee of Council in the exercise of his/her powers or performance of functions and/or duties under the policy;
 - 14.2 fails or refuses to give an employee of Council such information as he/she may reasonably require for the purpose of exercising his/her powers and/or functions under the policy or gives such employee false or misleading information knowingly;
 - 14.3 contravenes or fails to comply with a provision of the policy; and
 - 14.4 fails to comply with the terms of a notice served upon him/her in terms of the policy, shall be guilty of an offence and liable upon conviction to a period not exceeding six months imprisonment and/or a fine not exceeding twenty thousand rand (R20 000) or both such fine and imprisonment; and

If there is any conflict between the Credit Control and Debt Management Policy and any other policy of the Council, the Credit Control and Debt Management Policy will prevail.

THEREFORE RESOLVED

- 1 That the Accounting Officer (Municipal Manager) of the Southern District Municipality will inform the receiving municipality's Accounting Officer in writing, on the anticipated allocation on or before 31 March of every financial year;
- 2 That the Receiving Officers (Accounting Officer) of municipalities within Southern District Municipality's area of jurisdiction will prepare business plans that must be received by transferring officer on or before 30 April of every financial year;
- 3 That these business plans must be submitted to Southern District Municipality for approval by Council with the budget on or before 31 May of every financial year;
- 4 That the approved business plans will inform the service delivery and budget implementation plan (SDBIP) of Council that must be submitted not later than 14 days thereafter, by the Municipal Manager to the Executive Mayor;
- 5 That the Municipal Manager must ensure that receiving officers must submit progress reports quarterly on timeous basis in line with the approved business plans;
- 6 That where the receiving municipality fails to submit the reports and/or under-spend, the Municipal Manager must insist on submission of a report within fourteen (14) days in order to ensure that the local spend the money accordingly;
- 7 That consistent breaching of the business plan should be reported to Council for either the withholding of the fund until a full explanation is provided and/or for reallocation to fund with the viewing projects (programmes) that are in the approved Integrated Development Plan (IDP).
- 8 That the policy be communicated to the Category B municipalities.
- 9 That the Office of the Speaker arranges a workshop on selected policies.

