

2.4 Budget Related-Policies

Budgeting is central to the process of prioritizing for service delivery and the management of the functions of Council. The City's budgeting process is guided, and governed, by relevant legislation and budget related policies. The following are the key policies that affect, or are affected, by the annual budget:

2.4.1. Budget Management Policy

The City has developed a Budget Management Policy that provides a framework within which Directors, Managing Directors, Chief Executive Officers, Chief Financial Officers, Finance Directors and Managers can compile, control and review budgets of their respective Departments and Municipal Entities to ensure effective financial management.

This policy incorporates, amongst others, provisions for the shifting of funds within and between votes, adjustment budgets, unforeseen and unavoidable expenditure, and budget management and oversight.

2.4.2. Tariff Policy

The Municipal Systems Act, Act 32 of 2000, requires a municipality to have a tariff determination policy.

The City's Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision. This policy is based on principles



that address the social, economic and financial imperatives that the process of tariff setting should take account of. In addition to the policy, and for operational purposes, tariff setting methodologies have been developed for the various departments and entities involved in trading services. The methodologies specify the procedure that departments and municipal entities should follow in determining their tariff increases. The City revised its tariff policy in 2008.

2.4.3. Treasury Control Policy

The City has a Treasury Control Policy in place, which details a strategy and process of risk management that is aligned to the principles of King II and complies with all the relevant legislation, regulations and guidelines. The City needs to manage the risks for strategic considerations such as the protection of vulnerable business units, financial and other assets of the organisation. Further, to ensure the continued financial strength of the organisation by avoiding the occurrence of unnecessary/ uncontrolled losses which could weaken the overall profitability and balance sheet structure. The Treasury Control Policy is being revised.

2.4.4. Cash Management and Investment Policy

Section 13 (2) of the MFMA requires that a municipality have a policy dealing with cash management and investment. The City's Cash Management and Investment policy is developed within the framework of the MFMA, and is contained within its Treasury Policy.

2.4.5. Policy on Borrowing

Chapter Six of the MFMA provides a framework for a policy on borrowing. The City's Policy on Borrowing is contained within its Treasury Policy, and it ascribes to the principles outlined in the Act.

2.4.6. Funding and Reserves Policy

The City's Treasury Policy contains a policy on funding and reserves.

The Funding Policy is aimed at ensuring that the City procures sufficient and cost effective funding in order to achieve its capital expenditure objectives in an optimum manner. The Policy shall be adhered to in the procurement of funding for the City having due regard to the assets and liability maturity profile of the City.

2.4.7 Credit Control and Debt Collection Policy

The City's Credit Control and Debt Collection Policy provide the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the City in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly. The policy was revised in 2009, and is available on the City's website.

2.4.8 Supply Chain Management Policy

Municipalities are required in terms of Section 111 of the MFMA to have a Supply Chain Management Policy. The City approved its Supply Chain Management Policy in 2006. This Policy was amended in 2009 in terms of the Municipal Supply Chain Management Regulations, as well as National Treasury guidelines circulated from time to time. This policy is available on the City's website.

2.4.9 The Rates Policy

The first Rates Policy and General Valuation Roll in terms of the Municipal Property Rates Act (MPRA) was implemented by the City on the 1 July 2008. The City revises its Rates Policy annually as per legislative requirements. The Policy is available on the City's website.

2.4.10 The Expanded Social Package Policy

The City, committed to enhance access to its services by all households, revised and expanded its Social Package Policy in 2009. This revised Policy presents significant shifts from how municipal service subsidies were administered in the City. The targeting mechanism, has been amended from a household based means testing to an individually tied poverty index. This is an important step in addressing the challenge of having more than the average people in a household. The poverty index takes into account an individual's factors as well as the characteristics of the area he/ she reside in. This is in line with the logic that poverty is not only a function of income. The index covers all individuals with income levels less than R3 366 per month.

The City recognises that the degree of poverty differs across the city. The revised policy accordingly moves from giving universal level of subsidies, and presents three bands of subsidies, based on the poverty scores. Subsidies are then applied on an additive per- person basis to a household, up to a maximum cap per assistance band. With the previous policies, all indigents were provided with free 10 kl of water per household per month, 50 kWh of electricity per household per month, 100 percent rates rebates, subsidized sanitation and subsidized refuse removal. With the revised policy, the levels of subsidies are differentiated as follows:

Band 3 (70- 100 poverty score): Free 50 litres of water per person per day, up to 15 kl per month per household; 30 kWh of electricity per person per month, up to 150 kWh per household; a 100 percent rebate on owner-charged rates and services; 100 percent rebate on refuse; a transport subsidy of 15 percent; and up to R1 500 in rental subsidy.

Band 2 (35- 69 poverty score): Free 35 litres of water per person per day, up to 12 kl per household; 20 kWh of electricity per person per month, up to 100 kWh per household; a 100 percent rebate on owner- charged rates and services; 100 percent rebate on refuse; 15 percent transport subsidy; and up to R1 000 in rental subsidy.

Band 1 (1- 34 poverty score): Free 25 litres of water per person per day, up to 10 kl per household;10 kWh of electricity per person per month, up to 50 kWh per household; 70 percent rebate on owner- charged rates and services; 70 percent rebate on refuse; and up to R750 in rental subsidy.

The revised policy aims at extending the coverage of subsidies to those who are in need, without necessarily burdening the City's fiscus. Basically, the additional given to larger households is offset by the amount no longer allocated to smaller households, even though the benefits now equalize between them.

2.4.11 Policies Dealing with Infrastructure Investment and Capital Projects

The capital investment is dealt with within the budgeting process and is driven by the following:

- The Growth and Development Strategy;
- The Mayoral Priorities;
- Key IDP Interventions;
- The Spatial Development Framework;
- The Growth Management Strategy; and
- Capital Investment Framework

The Capital Investment Framework (CIF) is the framework through which the City identifies and prioritises capital projects for implementation in the forthcoming financial year and the relevant medium term budget.

CIF is produced through two processes. The first is a series of engagements with the sector departments and associated municipal entities to identify critical capital projects, which is informed by the sector's priorities as well as the technical outcomes. The second is the production of a prioritised list of capital projects for the City that meet desired developmental and spatial outcomes of the City as defined in the GDS and GMS.

Responsibility for coordinating CIF and prioritising projects sits with the Development Planning and Facilitation Directorate and the Budget Office. The responsibility for identifying, planning and ensuring the execution of capital projects sits with the relevant departments and municipal entities

The objectives of CIF are to:

- Contribute towards the eradication of service delivery backlogs especially in poor marginalised areas;
- Ensure the improvement and management of existing infrastructure;
- Improve service delivery through infrastructure and services that are planned, delivered, upgraded or managed in an objective and structured manner;
- Prioritise projects and programmes through a strategic and spatially-linked information system known as the Capital Investment Management System (CIMS); and
- Direct future public and private investment by aligning capital budget requirements of the departments and entities to priority areas of the City defined in the GMS and sector plans.

In order for the City to achieve its GDS objectives and to implement its IDP targets, there has to be a budget linked to the programmes. The City's capital budget is limited and is funded through loans and grants. Discussions between, and within, departments, and with communities, refine the priority capital projects further.