

**ANNUAL BUDGET**

**OF**

**XHARIEP DISTRICT MUNICIPALITY**

**Medium Term Revenue and Expenditure Framework**

**MTREF**

**2020/21**

**BUDGET DOCUMENT 2021**

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**ABBREVIATIONS AND ACRONYMS**

COIDA - Compensation for Occupational Injuries and Diseases Act

CPI – Consumer Price Index

DoRA – Division of Revenue Act

EPWP: Expanded public works programme

FMG: Finance management grant

GDP – Gross Domestic Product

CFO – Chief Financial Officer

MM – Municipal Manager

mSCOA: Municipal Standard Chart of Accounts.

GRAP – Generally Recognised Accounting Practice

IDP – Integrated Development Plan

KPI – Key Performance Indicator

KPA – Key Performance Area

LED – Local Economic Development

MEC – Member of the Executive Council

MFMA – Municipal Finance Management At

MTREF – Medium Term Revenue and Expenditure Framework

PMS – Performance Management System

PPE – Property Plant and Equipment

SALGA – South African Local Government Association

SDBIP – Service Delivery Budget and Implementation Plan

**PART 1**

* 1. **Mayor’s Report**

**OFFICE OF THE EXECUTIVE MAYOR**

26 June 2020

For submission to Council

**FINAL ANNUAL BUDGET REPORT FOR 2020/21 FINANCIAL YEAR**

1. **Purpose**

The Purpose of this submission is to present to Council, Xhariep District Municipality’s Final Annual Budget for the 2020/21 financial year.

1. **Legislative Background**

Section 24 (2) of the Municipal Financial Management Act states the following:

An annual budget-

(a) must be approved before the start of the budget year;

(b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and

(c) must be approved together with the adoption of resolutions as may be necessary-

(i) imposing any municipal tax for the budget year;

(ii) setting any municipal tariffs for the budget year;

(iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;

(iv) approving any changes to the municipality’s integrated development plan; and

(v) approving any changes to the municipality’s budget- related policies.

(3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

1. **Discussions and Narratives**

In compliance with the above section of the MFMA, 2020/21 Draft Annual Budget is prepared for the financial year based largely on the following:

**3.1 Operating Revenue**

The Equitable Share has increased with **One point Eight million rand** (R1,800,000) from **Forty Three Million Five hundred and Forty Two thousand** (R43,542,000) in 2019/20 budget year to **Forty Five million Three Hundred and Forty Eight thousand** (R45, 348,000).

The Free State Provincial Assistance Grant is reduced from **Twenty million** (R20 million) in 2019/20 budget period to **Sixteen million** (R16 million), a big reduction of Four Million.

Last year’s projections were that we will receive **Twenty One million One hundred** (R21,100,000) in the 2020/21 period, meaning the total reduction is from **Twenty One million One hundred thousand to Sixteen million**. The effective decrease is then **Five million One hundred thousand** (R5,100,000)

It is worth noting that Equitable Share and Free State Provincial Grant helps the Municipality to fund the salary bill, third parties and other operations of the municipality and the reduction will put more strain in the financial management of the Municipality.

During the preparation of this Budget, the Xhariep District Municipality management had to ensure that the expenditure is tightly reduced to cover the reduction on **Five million One hundred thousand** (R5, 100,000) decrease.

Honourable Speaker, I wish to inform Council that I wrote a correspondence to the MEC for CoGTA regarding this matter.

The Finance Management Grant (FMG) has decreased from **One million Seven hundred and Eighty Five thousand rand** (R1,785,000) in the 2019/20 financial year to **One point Five million** (R1,500,000) in 2020/2021. This is a reduction of **Two hundred and Eighty Five thousand** (R285.000).

This is a finance based grant aimed at assisting the Municipality to build capacity in Budget and Treasury Office and allowing the municipality to appoint and train finance internships.

EPWP has been decreased from **One million One hundred and Thirty Six thousand rand** (R1, 136,000) to **One million and Thirty Nine thousand rand** (R1 039 000) another decrease of **Ninety Six thousand rand** (R96,000).

This reduction will have an impact in our strive to create employment for our communities

All the above matters will be taken up with relevant authorities to establish solid reasons for those decreases in conditional grants

In May 2020 the National Government has allocated a Disaster Relief Grant of **One Hundred and Forty Nine Thousand Rands** (R149 000) which accounts for 45% of approved total allocation. A further 55% of this grant is anticipated to be received in August 2020.

In our bid to raise own income we rent out portion of the building to Kopanong Local Municipality at an annual rental of **Four hundred and Ninety thousand One hundred rand** (R491, 000).

Other income will be coming from the current rental agreement out of a portion of a building at Planning division for **One Hundred and Fifty Eight thousand rand** (R158, 000). The anticipated Investment income is **Eight hundred and Seventy one thousand** (R871,000).

The parking bays rental is budgeted **Eighty Four thousand Five hundred rand** (R84, 500), Licences and permits income is budgeted **Thirty thousand rand** (R30, 000). Amount to be received from sale of tender document is anticipated to be **Ten thousand rand** (R10, 000).

The total draft operating revenue has reduced from **Sixty Nine million Seven hundred and Nine thousand One hundred and Eighty Five rand** (R69, 709,185) as approved in 2019/20 to **Sixty Seven million Nine hundred and Forty Seven thousand** (R67, 947 000 in the current period. The decrease is due to a reduction in the Free State Provincial Grant, EPWP and FMG as the main contributors.

Honourable Speaker, the reduction in revenue symbolises that the Municipality must come up with other revenue streams to sustain the financial health of this Municipality.

**3.2 Capital Expenditure**

The municipality capital budget planned to be spent is **Four hundred and Five thousand** (R405,000) on procurement. The main contributors are computer equipment and a purchase of official Vehicle that will accelerate our contribution on service delivery to the district.

**3.3 Operating Expenditure**

This draft budget is aimed at producing a funded budget and all expenditure planned are funded.

The major planned expenditure is as follows:

The Provincial Grant cut of expected Five million has forced management to mitigate by reducing employees related cost. Some of the vacant posts will be kept without the budget and this will cause strain on certain departments but we are optimistic that the situation will improve. The Employee Related Cost for this budget is Forty Eight and Half million rand (R48,5mil)

Employee Related Cost is budgeted at **Forty Eight Million Five Hundred Thousand Rands** (R48 500 000) which is a decrease from Fifty Three Million (R 53 000 000) from previous budget.

The audit committee fees budget is **One hundred and twenty six thousand rand** (R126,000), this spend will cover both the audit and risk committees.

The audit fees for Auditor General of South Africa are budgeted at **Two million Five hundred and Seventy thousand rand** (R2,570,000)

Subsistence and Travel expenses are budgeted at **One point Five million rand** (R1,5 Mil) for all departments of the municipality. This cost is necessary to let the municipality operate its business.

Water and electricity has been budgeted at **One hundred and Seventy Four thousand** (R174,000) based on the current trend and the future expected cost.

Congress and seminars vote is allocated **Eighty thousand rand** (R80,000) across all departments

Bank charges are allocated **One hundred thousand rand** (R 100,000) as we plan to better manage municipality way of banking

Interest paid on purchases is allocated **One hundred and Forty thousand rand** (R140,000) in line with Municipality cash flow position.

Repairs and maintenance for building is allocated by **Two Hundred and Fifty thousand rand** (R250, 000) to continue in addressing the impairments on the building including toilets.

Local Economic Development projects have been allocated **Five Hundred Thousand rand** (R500, 000) to address the service delivery expectations.

Environmental Health has been budgeted **Five Hundred Thousand rand** (R500,000) and on top of this we put away **Three hundred thousand rand** (R300,000) for Communicable diseases like Corona Virus among others

As the Municipality we take cognisance of the current set of circumstances we find ourselves in to ensure that we guard the health and safety and well-being of our communities and officials alike.

Budget for Political offices department has been allocated **Four hundred and Twenty thousand** (R420,000), projects include among others Social Responsibility, Public participation, O.R Tambo Games , Youth Development, IGR, District AIDS Council

Internet Service Provider (ISP) Premiums is allocated **Three Hundred and Fifty thousand rand** (R350,000) to allow the internet to always be available.

Licence fees have been budgeted **One hundred and Nine thousand rand** (R109, 000).

Cleaning materials are allocated **Fifty thousand** (R50,000) to keep our building clean

Skills Development Costs are allocated **Two hundred and Fifty thousand rand** (R250,000) to capacitate more officials

SALGA fees have been allocated **Five hundred thousand rand** (R 500,000)

Insurance cover is budget at **Seven hundred and Sixty thousand rand** (R760,000) to ensure comprehensive cover for municipal assets

Telephone expenses votes is allocated **Four hundred and Three thousand rand** (R403,000)

Fuel cost for vehicles is allocated **Two hundred thousand** (R200,000)

Penalties and interest budget is allocated **One hundred and Fifty thousand** (R150,000)

Maintenance of vehicles votes is allocated **One hundred and Fifty thousand** (R150,000)

**Financial Implications**

The final budget shows a funded budget that complies with the budgeting principles.

**Parties Consulted**

Executive Mayor

Accounting Officer

Xhariep District Management

Xhariep Stakeholders

**Resolutions**

It is recommended that council approve a final budget for 2020/21 financial year .

a) That the budget, as envisaged by section 17 of the MFMA, for the financial year 2020/21 and two outer 2021/22 & 2022/23 financial years be noted with

(i) Table A1 Budget Summary;

(ii) Table A2 Budget Financial Performance (by standard classification);

(iii) Table A3 Budget Financial Performance (by municipal vote);

(iv) Table A4 Budget Financial Performance (revenue by source); and

(v) Table A5 Budget Capital Expenditure (by municipal vote and funding source)

2, It is recommended that council takes note of the draft budget related policies

2.1 Supply Chain Management Policy

2.2. Budget Policy

2.3. Banking and Investments Policy

2.4 Credit Control and Debt Collection Policy

2,5 Tariff Policy

2.6 Fixed Asset Policy

2.7 Travel and Subsistence Allowance Policy

2.8 Procurement Plan for 2020/2021

**1.3 Executive Summary**

The start of 2020 began with the news of the coronavirus, or COVID-19, which was declared a global pandemic by the World Health Organisation on 11 March 2020. A pandemic is commonly defined as the worldwide spread of a new disease.

This virus created much panic in the global economy with fears of a global recession. A recession generally occurs when there are two successive quarters of a decline in the gross domestic product (GDP) of a country. Xhariep District Municipality takes note of the possible challenges that would be caused by COVID-19 in the district, the province and the country as a whole.

The objective for the municipality during the budget planning process was to keep the status quo of a funded budget as far as possible in this uncertain economic environment.

The application of sound financial management principles for the compilation of the Municipality financial plan is essential and critical to ensure that the Municipality remains financially viable and that we deliver district services as per district powers and functions, and services are provided sustainably, economically and equitably to all our communities.

The Municipality’s operations and service delivery priorities were reviewed as part of this year’s planning and budget process. A critical review was also undertaken of expenditures on non - core and ‘nice to have’ items and a shift to embark on service delivery project hence the Planning and Development department’s budget was kept on the previous year’s budget.

Key areas where savings were realized were on salaries from the vacant post as per the approved organogram where most posts will not be budgeted for from different departments including amongst others, curbing catering. Also referring to the Cost containment measures as per MFMA circular 82.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of revenue, including untapped revenues such as rental of office space, environmental health incomes, utilising the parking bays to maximum and tender documentation. National Treasury’s MFMA Circular No.93 and 94 were used to guide the compilation of the 2020/21 MTREF. The mSCOA version 6.3 was also introduced with the circulars and thus the budget tables was compiled and reported in terms of the said circulars except for the system generated reports.

The main challenges experienced during the compilation of the 2020/21 MTREF can be summarised as follows:

• The uncertainty that COVID-19 brings about

The on-going difficulties in the national and local economy;

The reduction of Free State Provincial Grant by R5 million

• The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and maintaining a positive cash position of the municipality;

• Wage increases for municipal staff that continue to exceed consumer inflation as well as the need to fill critical vacancy (Budget and Assets Accountant).

• Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year’s capital investments needed to be factored into the budget as part of the 2020/21 MTREF process; and

The following budget principles and guidelines directly informed the compilation of the 2020/21 MTREF:

• The 2019/20 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2020/21 annual budget;

• Intermediate service level standards were used to inform the measurable objectives.

**1.4 ANNUAL BUDGET TABLES**

**1.4.1 Table A1 – Budget Summary**



**1.4.2 Table A2 – Financial Performance**



**1.4.3 Table A3 – Financial Performance**



**1.4.4 Table A4 Financial Performance**



**1.4.5 Table A5 Capex**



**1.4.6 Table A6 – Financial Position**



**1.4.7 Table A7 – Cash Flow**



**PART 2** - **SUPPORTING DOCUMENTATION**

**2.1 Overview of annual budget process**

The overview of the 2020/21 Budget and IDP process is provided in the table below as approved by Council.

|  |  |
| --- | --- |
| ***By August 2019*** | * Table the IDP Framework and Process Plan in council **(should happen once every 5 years).** * The time schedule in terms of Section 21(1)(b) of the Municipal Finance Management Act (MFMA) which is this annexure is replaced every year. |
| ***August 2019*** | * Table in council a budget and lDP time schedule of key deadlines **– happens every year at least 10 months before the start of the budget year.** |
| ***August 2019*** | * Submit annual financial statements and annual performance report to the Auditor‐General for auditing **– within two months after the end of the financial year.** |
|  | |
| ***31 August – 3 September 2019*** | * Submit framework, process plan and time schedule to the local municipalities and the Free State Provincial Government. |
| ***3 – 6 September 2019*** | * Give notice of the approved process plan and time schedule through local media. |
| ***During September 2019*** | * Constitute the Xhariep District Municipality **IDP Representatives Forum.** |
| ***OCTOBER 2019*** | |
| ***September – October 2019*** | * Internal analysis – * critical issues / challenges with respect to every service * minimum service levels * institutional * financial * performance |
| ***September – October 2019*** | * Compile a Financial Plan. |
| ***September – October 2019*** | * External analysis – * Spatial * Social * Economic * Environmental   ***NOTE:*** *The external process should be combined as far as possible with the compilation of area based or ward plans and must involve the local community and other stakeholders.* |
| ***September – October 2019*** | * Commence with the multi-year capital and operating budget. |
| ***September – October 2019*** | * Obtain inputs from Directors and Division Heads on preliminary capital and operating budget **– SHOULD include the following: review of salary, fleet and equipment budget and tariffs, etc.** |
| ***October-November 2019*** | * Workshop with **IDP Representatives Forum** members and other invited stakeholders. |
| ***November – December 2019*** | * Preparation of departmental operational plans and SDBIP aligned to strategic priorities in lDP and inputs from other stakeholders including government sector departments and bulk service providers – e.g. NER, ESKOM, BloemWater, Water Users Associations, etc.   **(SDBIP – Service Delivery and Budget Implementation Plans, ESKOM – Electricity Supply Commission, NER – National Electricity Regulator)** |
| ***NOVEMBER 2019*** | |
| ***During November 2019*** | * Strategic session with the Mayoral Committee and Management **– may extend invites to other Councillors, Mayors and Municipal Managers of local Municipalities, as well as any representative(s) of a strategic partner or stakeholder.** |
| ***November 2019*** | * Receive audit report on annual financial statements from the Auditor-General. |
| ***November 2019*** | * Ensure the Accounting Officer addresses any issues raised by the Auditor-General in the audit report **– prepare action or audit plans to address and incorporate into the annual report.** |
| ***DECEMBER 2019*** | |
| ***December 2019*** | * Finalise coordination of inputs from bulk resource providers **– e.g. NER and agree on proposed price increase.** |
| ***During December 2019*** | * District IDP Managers Forum |
| ***December 2019*** | * Review whether all bulk resource providers have lodged requests with National Treasury and SALGA seeking comments on proposed price increases of bulk resources. |
| ***December 2019 – January 2020*** | * Finalise first draft of departmental operational plans and SDBIP for review against strategic priorities. |
| ***December 2019*** | * Finalise first draft of annual report incorporating financial and non-financial information on performance, audit reports and annual financial statements. |
| ***December 2019*** | * Submit draft adjustments budget to **IDP and Budget Steering Committee.** |
| ***JANUARY 2020*** | |
| ***January 2020*** | * Adjustments budget submitted to the Executive Mayor or MAYCO. |
| ***January 2020*** | * Adjustments budget submitted to the Municipal Council. |
| ***January 2020 – February 2020*** | * Approved adjustments budget submitted to the Provincial and National Treasuries. |
| ***January 2020*** | * Ensure coordination of any written comments made to bulk resource providers in support of local municipalities on the proposed increase of bulk resources are included in any submission made by the bulk resource providers to the required organs of state. |
| ***January 2020*** | * Review whether comments coordinated from National Treasury and SALGA have been received on proposed price increases of bulk resources. |
| ***January 2020*** | * Finalise detailed operating & capital budgets in the prescribed formats incorporating National & provincial budget allocations, integrate & align to IDP documentation & draft SDBIP, finalise budget policies including tariff policy. |
| ***January – February 2020*** | * Review the KPIs and annual performance targets. |
| ***FEBRUARY 2020*** | |
| ***February – March 2020*** | * Finalise the draft capital and operating budgets, and budget related policies. |
| ***During February 2020*** | * Review progress with regard to support provided to local municipalities in finalising area based or wards plans. |
| ***During February 2020*** | * Note any provincial and national allocations to municipalities for incorporation into budget. |
| ***During February 2020*** | * Finalise corrective measures from audit report. |
| ***February 2020*** | * IDP Representatives Forum Meeting. |
| ***Before February 2020*** | * Receive notification of any transfers that will be made to the municipality from other municipalities in each of the next three financial years **by no later than 120 days before the start of its budget year.** |
| ***MARCH 2020*** | |
| ***During March 2020*** | * Receive bulk resource providers’ price increases as tabled in parliament or the provincial legislature. |
| ***March 2020*** | * Submit draft budget at least 90 days before the start of the budget year to the **Budget Steering Committee.** |
| ***31 March 2020*** | * Table draft IDP and budget in Council at least 90 days before the start of the budget year.   + Submit to MAYCO **– 16 March 2020**   + Submit to Council **– 31 March 2020** |
| ***March 2020*** | * District IDP Managers Forum |
| ***APRIL 2020*** | |
| ***April 2020*** | * Submit the budget as well as the IDP to the Provincial Treasury, National Treasury and other affected organs of state. |
| ***April 2020*** | * Submit the proposed revised IDP and budget to the local municipalities. |
| ***April 2020*** | * Publish the proposed IDP and Budget for public comment. |
| ***April – May 2020*** | * Process of consultation and meetings with local community and other stakeholders, local municipalities, Provincial and National Treasury and other organs of state. |
| ***MAY 2020*** | |
| ***May 2020*** | * IDP Representatives Forum meeting. |
| ***May 2020*** | * Confirm National budget for provincial and National allocations to municipalities for incorporation into budget. |
| ***May 2020*** | * Review provincial and national legislation including DoRA to establish potentially new reporting requirements including annual, monthly and quarterly grant & performance reports for specific new allocations & programmes **– 10 working days after end of month deadlines.** |
| ***May 2020*** | * Council must give the Executive Mayor an opportunity to respond to the submissions and, if necessary, to revise the budget and table amendments for consideration by the council. |
| ***May 2020*** | * Completion of Annual Budget amendments or refinements. |
| ***May 2020*** | * Submit draft budget 30 days before the start of the budget year to the Budget Steering Committee. |
| ***May 2020*** | * Table final IDP and budget in Council at least 30 days before the start of the budget year.   + Submit to MAYCO **– May 2020**   + Submit to Council **– 31 May 2020** |
| ***JUNE 2020*** | |
| ***June 2020*** | * Place the IDP, annual budget, all budget-related documents and all budget-related policies on the website **within 5 days of the adoption of the plan.** |
| ***June 2020*** | * Submit a copy of the revised IDP to the MEC for local government as well as Provincial Treasury **within 10 days of the adoption of the plan.** |
| ***10 – 14 June 2020*** | * Give notice to the public of the adoption of the IDP **within 14 days of the adoption of the plan** |
| ***Before 14 June 2020*** | * Make public the approved annual budget and supporting documentation (including tariffs) **within 10 working days after approval of the budget.** |
| ***Before 14 June 2020*** | * Submit approved budget to the provincial treasury and National Treasury **within 10 working days after approval of the budget.** |
| ***June 2020*** | * District IDP Managers Forum |
| ***20 June 2020*** | * Submit to the Executive Mayor the draft SDBIP and draft annual performance agreements for the next year **within 14 days after approval of the budget.** |
| ***Before July 2020*** | * The Executive Mayor takes all reasonable steps to ensure that the SDBIP is approved within 28 days after approval of the budget. |
| ***Before July 2020*** | * Place the performance agreements and all service delivery agreements on the website. |
| ***Before 31 July 2020*** | * Submit copies of the performance agreements to Council and the MEC for local government as well as the national minister responsible for local government within 14 days after concluding the employment contract and performance agreement. |
| ***July 2020*** | * Submit the SDBIP to National and Provincial Treasury within 10 working days approval of the plan. |
| ***July 2020*** | * Make public the projections, targets and indicators as set out in the SDBIP within 10 working days after the approval of the SDBIP. |
| ***July 2020*** | * Make public the performance agreements of Municipal Manager and senior managers no later than 14 days after the approval of the SDBIP. |

**2.2 Overview of alignment of annual budget with Integrated Development Plan**

The IDP serves as a guideline to the municipality for the correct budget and resource allocations in ensuring that it meets the needs of its residents. It is also an integrated inter-governmental system of planning which requires the involvement of all three spheres of government. Contributions are made by provincial and national government to assist municipal planning and therefore government has created a range of policies and strategies to support and guide development and to ensure alignment between all spheres of government as stated by the section 24 of the Municipal Systems Act, No 32 of 2000.

The IDP drives the strategic development of XDM. The Municipality’s budget is influenced by the municipal strategic focus areas and strategic objectives identified in the IDP. The Service Delivery Budget Implementation Plan (SDBIP) ensures that the Municipality implements programmes and projects based on the IDP targets and associated budgets. The budget has been compiled in accordance with the municipality’s IDP document. Also refer to tables SA3, SA4 and SA5 which is aligned with the strategic objectives and goals of the municipality.

**2.3 Measurable performance objectives and indicators**

This budget is indicative of our commitment to achieving the objectives of local government set out in the Constitution of the Republic of South Africa and to do so in an efficient, effective and sustainable manner. These commitments are entrenched in our mission, vision and value statements and as such are reflected so in our budget and services delivery processes. The MTREF has been compiled in such a manner to ensure sustainable service delivery and to invest in infrastructure that will ensure growth over the medium term to long term. The measureable performance objectives are indicators included in the budget tables SA4 and SA7.

**2.4 Overview of budget- related policies**

The proposed amendments to the budget related policies were looked at and reviewed by Council during the final budget meeting. The policies that we approved for 2020/21 budget year as listed below as per resolution of the Council meeting:

* Supply Chain Management Policy
* Budget Policy
* Banking and Investment Policy
* Credit Control and Debt Collection Policy
* Tariff Policy
* Fixed Asset Policy, and
* Travel and Subsistence Allowance Policy

**2.5 Overview of budget assumptions**

The following assumptions were used in the preparation of the budget:

Operating Revenue Assumptions

* National grants was budgeted in accordance Division of Revenue Bill and gazetted allocations
* Provincial grant will be reduced by R5 Million
* EPWP, FMG and RRAMS are budgeted in terms of DORA allocations
* Impact of COVID-19 on the general operations of the municipality will be great

**2.6 Overview of budget funding**

The budget must be funded from actual revenue to be collected during the financial year and must be cost reflective. The Operating budget is funded from Revenue as indicated in the relevant A schedules attached.

**2.7 Expenditure on allocations and grant programmes**

The total grants to be received for 2020/21 comprises R 4 856 000, and for the two outer years are R 4 937 600 and R 5 188 000 respectively. The grants as are FMG, EPWP, RRAMS and COVID-19 Relief grant

**2.8 Allocation and grants made by municipality**

No allocations and grants were made by Xhariep District Municipality

**2.9 Councillor allowances and employee benefits**

This is contained in supporting schedule table SA22 and SA23. A summary of the employee related cost, SA22, has been provided in the table below.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DC16 Xhariep - Supporting Table SA22 Summary councillor and staff benefits** | | | | |  |  |  |  |  |  |
| **Summary of Employee and Councillor remuneration** | **Ref** | **2016/17** | **2017/18** | **2018/19** | **Current Year 2019/20** | | | **2020/21 Medium Term Revenue & Expenditure Framework** | | |
| **R thousand** |  | **Audited Outcome** | **Audited Outcome** | **Audited Outcome** | **Original Budget** | **Adjusted Budget** | **Full Year Forecast** | **Budget Year 2020/21** | **Budget Year +1 2021/22** | **Budget Year +2 2022/23** |
|  | 1 | A | B | C | D | E | F | G | H | I |
| **Councillors (Political Office Bearers plus Other)** |  |  |  |  |  |  |  |  |  |  |
| Basic Salaries and Wages |  | – | – | 4,077 | 4,077 | 3,768 | 3,768 | 4,014 | 5,014 | 4,014 |
| Pension and UIF Contributions |  | – | – | 184 | 184 | 184 | 184 | 68 | 68 | 68 |
| Medical Aid Contributions |  | – | – | 100 | 100 | 100 | 100 | 112 | 112 | 112 |
| Motor Vehicle Allowance |  | – | – | – | – | – | – | – | – | – |
| Cellphone Allowance |  | – | – | 449 | 449 | 449 | 449 | 428 | 428 | 428 |
| Housing Allowances |  | – | – | – | – | – | – | – | – | – |
| Other benefits and allowances |  | – | – | – | – | – | – | 72 | – | – |
| **Sub Total – Councillors** |  | **–** | **–** | **4,809** | **4,809** | **4,501** | **4,501** | **4,694** | **5,622** | **4,622** |
| **% increase** | 4 |  | **–** | **–** | **–** | **(6.4%)** | **–** | **4.3%** | **19.8%** | **(17.8%)** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Senior Managers of the Municipality** | 2 |  |  |  |  |  |  |  |  |  |
| Basic Salaries and Wages |  | – | – | 4,330 | 4,330 | 4,330 | 4,330 | 4,540 | 7,343 | 12,343 |
| Pension and UIF Contributions |  | – | – | 197 | 197 | 197 | 197 | 381 | 362 | 362 |
| Medical Aid Contributions |  | – | – | 136 | 136 | 136 | 136 | 143 | 173 | 143 |
| Overtime |  | – | – | – | – | – | – | – | – | – |
| Performance Bonus |  | – | – | – | – | – | – | 96 | – | – |
| Motor Vehicle Allowance | 3 | – | – | 510 | 510 | 510 | 510 | 519 | 706 | 520 |
| Cellphone Allowance | 3 | – | – | 10 | 10 | 10 | 10 | 19 | 19 | 19 |
| Housing Allowances | 3 | – | – | 96 | 96 | 96 | 96 | 96 | 96 | 96 |
| Other benefits and allowances | 3 | – | – | 0 | 0 | 0 | 0 | 106 | 0 | 0 |
| Payments in lieu of leave |  | – | – | – | – | – | – | – | – | – |
| Long service awards |  | – | – | – | – | – | – | – | – | – |
| Post-retirement benefit obligations | 6 | – | – | – | – | – | – | – | – | – |
| **Sub Total - Senior Managers of Municipality** |  | **–** | **–** | **5,278** | **5,278** | **5,278** | **5,278** | **5,900** | **8,700** | **13,484** |
| **% increase** | 4 |  | **–** | **–** | **–** | **–** | **–** | **11.8%** | **47.5%** | **55.0%** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Other Municipal Staff** |  |  |  |  |  |  |  |  |  |  |
| Basic Salaries and Wages |  | – | – | 28,407 | 28,407 | 27,866 | 27,866 | 26,620 | 28,013 | 28,773 |
| Pension and UIF Contributions |  | – | – | 4,380 | 4,380 | 4,380 | 4,380 | 4,064 | 6,065 | 4,065 |
| Medical Aid Contributions |  | – | – | 1,998 | 1,998 | 1,998 | 1,998 | 1,697 | 1,696 | 1,696 |
| Overtime |  | – | – | – | – | – | – | – | – | – |
| Performance Bonus |  | – | – | 1,964 | 1,964 | 1,964 | 1,964 | 1,823 | 1,792 | 1,792 |
| Motor Vehicle Allowance | 3 | – | – | 3,407 | 3,407 | 3,407 | 3,407 | 2,924 | 2,924 | 2,924 |
| Cellphone Allowance | 3 | – | – | 286 | 286 | 286 | 286 | 270 | 245 | 270 |
| Housing Allowances | 3 | – | – | 281 | 281 | 281 | 281 | 252 | 252 | 252 |
| Other benefits and allowances | 3 | – | – | 9 | 9 | 9 | 9 | 8 | 8 | 8 |
| Payments in lieu of leave |  | – | – | – | – | – | – | – | – | – |
| Long service awards |  | – | – | 136 | 136 | 136 | 136 | – | – | – |
| Post-retirement benefit obligations | 6 | – | – | – | – | – | – | – | – | – |
| **Sub Total - Other Municipal Staff** |  | **–** | **–** | **40,869** | **40,869** | **40,328** | **40,328** | **37,659** | **40,996** | **39,782** |
| **% increase** | 4 |  | **–** | **–** | **–** | **(1.3%)** | **–** | **(6.6%)** | **8.9%** | **(3.0%)** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Total Parent Municipality** |  | **–** | **–** | **50,956** | **50,956** | **50,107** | **50,107** | **48,253** | **55,319** | **57,888** |
|  |  |  | **–** | **–** | **–** | **(1.7%)** | **–** | **(3.7%)** | **14.6%** | **4.6%** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Board Members of Entities** |  |  |  |  |  |  |  |  |  |  |
| **Total Municipal Entities** |  | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
|  |  |  |  |  |  |  |  |  |  |  |
| **TOTAL SALARY, ALLOWANCES & BENEFITS** |  | **–** | **–** | **50,956** | **50,956** | **50,107** | **50,107** | **48,253** | **55,319** | **57,888** |
| **% increase** | 4 |  | **–** | **–** | **–** | **(1.7%)** | **–** | **(3.7%)** | **14.6%** | **4.6%** |
| **TOTAL MANAGERS AND STAFF** | 5,7 | **–** | **–** | **46,146** | **46,146** | **45,606** | **45,606** | **43,559** | **49,697** | **53,266** |

**2.10 Monthly targets for revenue, expenditure and cash flow**

This is contained in supporting schedule table SA25 and SA30

**2.11 Contracts having future budgetary implications**

It is required to disclose in the budget documentation any contracts that will impose financial obligations on the municipality beyond the three years covered by the 2020/21 MTREF. The detail of this is included in supporting tables SA32 and SA33.

**2.12 Capital Expenditure Details**

Capital Budget is also contained in Supporting tables SA34a; SA34b, SA34c; SA35; SA36

**2.13 Legislation compliance status**

All relevant legislations and regulations have been considered including Municipal Budget and Reporting Regulations, 2009. - Municipal Regulations on Standard Chart of Accounts as per gazette notice no. 37577, 22 April 2014.

The Xhariep District Municipality (XDM) has, for 2020-2021 linked its budget to the Integrated Development strategy of the district. The financial plan had an alignment that reveal a number of complex challenges such as the persistent reliance of national and provincial assistance, and the reliance is almost 99% of the revenue of the district, struggling finances which result in late payment of service providers and the inability to deliver essential services and perform the required powers and functions as a district to communities. Nonetheless, none of these challenges are insurmountable if partnerships can be established with other spheres of government working together towards a common vision. What is making matters worse is the reduction of the Provincial grant by almost R5 million.

Xhariep DM’s budget, will recognize the call made by the MEC of Finance, for Government to set aside at least certain percent of public procurement to Small Medium Micro Enterprises (SMMEs) hence our budget was maintained to cater for that, cooperatives, township and rural enterprises, and to continue investing in small business incubation though our LED initiatives. While the municipality intends to gain added revenue through affordable tariffs on environmental health we (XDM) also intend to improve the regulatory barriers for small businesses, and will make all efforts to ensure that economic opportunities for people with disabilities are expanded.

This will hopefully be realized, through meaningful partnerships with the Small Medium Micro Enterprises (SMMEs) and this campaign will be championed by the Department of Planning and development in the District.

The Honourable MEC of Finance has reiterated the importance of payment of suppliers on time as regulated by both the PFMA and MFMA. National Treasury will issue a directive to all government departments and public institutions instructing them to pay suppliers on time, or be charged with financial misconduct. Municipalities support this call, and intend to strengthen oversight mechanisms and aim to curb irregular expenditure. However, value for money and efficiency in spending remains critical in the drive to ensure the effective management of public resources.

The preparation of this budget document involved in making of critical policy decisions and immediate policy review of the existing policies in the final budget coupled with Institutional Strategic session held in Gariep Dam to enhance our policies. A set of assumptions and forecasts as approved by the IDP and the budget team were used to prepare ‘baseline’ budgets. These ‘baseline’ budgets formed the basis for operating budget discussions and these were given to the various Directorates to review and revise within given guidelines and are used as the basis for the draft budget that was built upon key assumptions and decisions and are listed below:

**Budget Assumptions in preparation for MTREF Budget 2020-21**

* Salaries shall increase by 6.25%
* All resignations by employees, acting capacity was created and ultimately posts will be filled
* Section 57 Managers will not have any increases for the 2020/21 financial year
* Councillor remuneration increase by 4% subject to a change of Published upper limits gazette

• National and Provincial allocations as per the 2020 Division of Revenue Bill are considered in

the budget

**1) Service Delivery and Budget Implementation Plan (SDBIP); and**

**2) Procurement Plan.**

It is imperative XDM prepared the 2020/21 MTREF budgets in their financial systems and that the Schedule A1 was produced directly from their financial system. Vendors have recently demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system.

**Municipal Manager’s Quality Certification**

QUALITY CERTIFICATE – attached separately

**APPROVED POLICIES FOR 2021 BUDGET YEAR**

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6. **Fixed Assets Policy**
7. **Travel and Subsistence Policy (attached separately)**

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**XHARIEP DISTRICT MUNICIPALITY**

**SUPPLY CHAIN MANAGEMENT POLICY**

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT;**

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10. **Definitions**

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

“**act**” means the Local Government Municipal Finance Management Act 2003 [Act 56 of 2003]

“**accounting officer**” means the Municipal Manager of the Xhariep District Municipality

“**chief financial officer [CFO]**” means the Manager Financial Services who is directly accountable to the accounting officer and is appointed in terms of section 56 of the Systems Act.

“**competitive bidding process**” means a competitive bidding process referred to in paragraph 12[1][d] of this policy

“**competitive bid**” means a bid in terms of a competitive bidding process

“**final award**” in relation to bids or quotations submitted for a contract, means the final decision or which bid or quote to accept

“**formal written price quotation**” means quotations referred to in paragraph 12[1][c] of this policy

“**fronting**” occurs when a supplier conceals the true nature of ownership of control as per the tender or supplier application forms and where the -

* equity holder is not involved in the day-to-day running of the business;
* equity holder is the owner of shares bearing no dividends;
* equity holder is not adding value to business;
* equity holder is the owner of shares without the stated economic and voting rights and benefits

“**in the service of the state**” means to be -

* 1. a member of -
     1. any municipal council;
     2. any provincial legislature; or
     3. the National Assembly or the National Council of Provinces;
  2. a member of the board of directors of any municipal entity;
  3. an official of any municipality or municipal entity;
  4. an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 [Act 1 of 1999];
  5. a member of the accounting authority of any national or provincial public entity; or
  6. an employee of Parliament or a provincial legislature

“**joint venture or consortium**” means an association of persons and / or partnership in which

* the senior partner is a prime contractor and the junior partner, although a person lacking skills in certain functional areas, is able, through the joint venture to participate at prime contract level; or
* all partners being prime contractors in their own right however lack the necessary resources and capacities to perform contracts individually and who elect to work in a joint venture in order to pool resources of capital and experience;
* a target group partner holds no less than 40% of the economic and voting rights of the joint venture;

“**list of accredited prospective providers**” means the list of accredited prospective providers

which a municipal entity must keep in terms of paragraph 14 of this policy;

“**local business**” means a business and / or contractor based in the Free State

“**long term contract**” means a contract with a duration period exceeding one year;

“**manager**” means an executive manager directly accountable to the accounting officer and appointed in terms of section 56 of the Systems Act

“**municipality [XDM]**” means the Xhariep District Municipality

“**other applicable legislation**” means any other legislation applicable to municipal supply chain management, including -

1. the Preferential Procurement Policy Framework Act, 2000 [Act 5 of 2000], Government Gazette No.34350, issued on 08 June 2011, with effect from 07 December 2011);
2. Preferential Procurement Regulations of 2017;
3. the Broad-Based Black Economic Empowerment Act, 2003 [Act 53 of 2003; and
4. the Construction Industry Development Board Act, 2000 [Act 38 of 2000];

“**policy**” means the Supply Chain Management Policy of “Xhariep District Municipality”

“**professional service provider [PSP]**” means a partnership or a legal person providing on a fiduciary basis, labour intellectual and / or other expertise and who adheres to statutory labour and other practices;

“**supply chain management policy**” means the Procurement Policy of Xhariep District Municipality

“**supply chain management unit**” means the unit which is under the management of the chief financial officer and which is responsible for the implementation and management of the supply chain management policy;

“**regulation**” means the Local Government: Municipal Finance Management Act [56 of 2003] Municipal Supply Chain Management Regulations;

“**service provider**” means a supplier, manufacturer, contractor, vendor, agent or professional service provider

“**structures act**” means the Local Government: Municipal Structures Act 1998 [Act 117 of 1998]

“**sub-contracting**” means the assigning or leasing or employing of any person by the primary contractor to support the said contractor in the execution of the whole or part of a project in terms of a contract

“**systems act**” means the Local Government: Municipal Systems Act, 2000 [Act 32 of 2000]

“**treasury guidelines**” means any guidelines on supply chain management issued by the minister in terms of section 168 of the Act

“**approval authority**” means a designated official from Xhariep District Municipality having the authority to approve municipal transactions

“**travelling expense**” means expenses incurred by the Xhariep District Municipality officials while travelling on business trips

“**entertainment expense**” means expenses incurred for entertaining officials/councillors of the municipality

“**written or verbal quotations**” means quotations referred to in paragraph 12[1][b] of this policy

**CHAPTER 1**

**ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

1. **Supply Chain Management Policy**
   1. The Xhariep District Municipality resolves in terms of section 111 of the Act to have and implement a supply chain management policy that -
      1. gives effect to -
         1. section 217 of the Constitution; and
         2. Part 1 of Chapter 11 and other applicable provisions of the Act;
      2. is fair, equitable, transparent, competitive and cost effective;
      3. complies with -
         1. the regulatory framework prescribed in Chapter 2 of the Regulations; and
         2. any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
      4. is consistent with other applicable legislation;
      5. does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
      6. is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
   2. The Xhariep District Municipality may not act otherwise than in accordance with this supply chain management policy when -
      1. procuring goods or services;
      2. disposing of goods no longer needed;
      3. selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
      4. in the case of a municipality, selecting external mechanisms referred to in section 80[1][b] of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
   3. Subparagraphs [1] and [2] of this policy do not apply in the circumstances described in section 110[2] of the Act except where specifically provided otherwise in this policy.
2. **Adoption and amendment of the Supply Chain Management Policy**
   1. The accounting officer must -
      1. at least annually review the implementation of this policy; and
      2. when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.
   2. If the accounting officer submits proposed amendments or a draft policy to the council that differs from the model policy issued by the National Treasury, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the policy to the National Treasury and the relevant provincial treasury.
   3. When amending this supply chain management policy then need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
   4. The accounting officer of the municipality must in terms of section 62[1][f][iv] of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.
3. **Delegation of Supply Chain Management powers and duties**
   1. The council hereby delegates such additional powers and duties to the accounting officer so as to enable the accounting officer -
      1. to discharge the supply chain management responsibilities conferred on accounting officers in terms of -
         1. Chapter 8 or 10 of the Act; and
         2. the supply chain management policy.
      2. to maximise administrative and operational efficiency in the implementation of the supply chain management policy;
      3. to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and
      4. to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
   2. Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph [1] of this policy.
   3. The council or accounting officer may not delegate or sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;
   4. This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.
4. **Sub Delegations**
   1. The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this policy, but any such sub delegation must be consistent with subparagraph [2] and paragraph 4 of this policy.
   2. The power to make a final award -
      1. above R 1 million [VAT included] may not be sub delegated by the accounting officer;
      2. above R 500 000 [VAT included], but not exceeding R 1 million [VAT included], may be sub delegated but only to -
         1. the chief financial officer;
         2. a senior manager/manager; or
         3. a bid adjudication committee of which the chief financial officer or a senior manager/manager is a member; or
      3. not exceeding R 200 000 [VAT included] may be sub delegated but only to -
         1. the chief financial officer;
         2. a senior manager;
         3. an official directly accountable to the chief financial officer or a senior manager/manager; or
         4. a bid adjudication committee.
   3. An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph [2] of this policy must within five days of the end of each month submit to the official referred to in subparagraph [4] of this policy a written report containing particulars of each final award made by such official or committee during that month, including -
      1. the amount of the award;
      2. the name of the person to whom the award was made; and
      3. the reason why the award was made to that person.
   4. A written report referred to in subparagraph [3] of this policy must be submitted-
      1. to the accounting officer, in the case of an award by -
         1. the chief financial officer;
         2. a senior manager/manager; or
         3. a bid adjudication committee of which the chief financial officer or a manager is a member; or
      2. to the chief financial officer or the manager responsible for the relevant bid, in the case of an award by -
         1. a senior manager/manager referred to in subparagraph [2][c][iii] of this policy; or
         2. a bid adjudication committee of which the chief financial officer or a manager is not a member.
   5. Subparagraph [3] and [4] of this policy do not apply to procurements out of petty cash.
   6. This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.
   7. No supply chain management decision-making powers may be delegated to an advisor or consultant.
5. **Oversight role of council**
   1. The council must maintain oversight over the implementation of this supply chain management policy.
   2. For the purposes of such oversight the accounting officer must -
      1. within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality to the council of the municipality;
      2. where there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.
   3. The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
   4. The reports must be made public in accordance with section 21 A of the Municipal Systems Act.
   5. The council can only intervene in terms of the Act where they are of the view that too much irregular expenditure has been incurred by the municipality.
6. **Supply Chain Management Unit**
7. The accounting officer must establish a supply chain management unit to implement this supply chain management policy.
8. The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.
9. **Training of Supply Chain Management Officials**

The training of officials involved in implementing the supply chain management policy should be in accordance with any Treasury guidelines on supply chain management training.

**CHAPTER 2**

**FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT**

1. **Format of supply chain management**

This supply chain management policy provides systems for -

1. demand management;
2. acquisition management;
3. logistics management;
4. disposal management;
5. risk management; and
6. Performance management.

***Part 1: Demand Management***

1. **System of demand management**
2. The accounting officer must establish and implement an appropriate demand

management system in order to ensure that the resources required by **the municipality**

support its operational commitments and its strategic goals outlined in the Integrated

Development Plan.

1. The demand management system must –

(a) Include timely planning and management processes to ensure that all goods and

services required by **the municipality** are quantified, budgeted for and timely and

effectively delivered at the right locations and at the critical delivery dates, and are of the

appropriate quality and quantity at a fair cost;

(b) Take into account any benefits of economies of scale that may be derived in the case of

acquisitions of a repetitive nature; and

(c) Provide for the compilation of the required specifications to ensure that its needs are

met; and

(d) To undertake appropriate industry analysis and research to ensure that innovations and

technological benefits are maximized.

1. The demand for services and / or goods must comply with the following:
2. the prescriptions of the budget of the Xhariep District Municipality;
3. the Local Economic Development Strategies of Xhariep District Municipality;
4. The different departments must identify the demand for services and / or goods. The Supply Chain Management Unit [SCM] must coordinate all demands for services and / or goods.
5. The Managers of the different departments are responsible for the management of the demands in their respective departments/units i.e. ensuring that operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy the needs of the Xhariep District Municipality.

***Part 2: Acquisition Management***

1. **System of acquisition management**

(1) The accounting officer must implement the system of acquisition management set

out in this Part in order to ensure –

(a) that goods and services are procured by **the municipality** in accordance with

authorised processes only;

(b) that expenditure on goods and services is incurred in terms of an approved

budget in terms of section 15 of the Act;

(c) that the threshold values for the different procurement processes are complied with;

(d) that bid documentation, evaluation and adjudication criteria, and general

conditions of a contract, are in accordance with any applicable legislation; and

(e) that any Treasury guidelines on acquisition management are properly taken into account.

(2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting

officer must make public the fact that such goods or services are procured otherwise than

through the **municipality’s** supply chain management system, including –

(a) The kind of goods or services; and

(b) The name of the supplier.

[3] Goods and services may only be procured by the Municipality in accordance with authorised processes.

[4] Departments must determine functions and needs to be performed and services to be delivered by each department in terms of the demand management plan.

[5] The Supply Chain Management Unit [SCM] is responsible for the implementation and proper

management of the Policy;

[6] The Chief Financial Officer must ensure that officials responsible for the management are properly trained;

[7] Threshold values and Approval Authorities

Threshold values and Approval Authorities as stipulated in this policy must be adhered to.

[8] Bid documentation, evaluation and adjudication criteria and general conditions of contract shall be in accordance with applicable legislation.

[9] Treasury guidelines on acquisition management shall be properly taken into account.

[10] This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110[2] of the Act, including -

1. water from the Department of Water Affairs and Forestry or a public entity, another municipality or municipal entity; and
2. electricity from ESKOM or another public entity, another municipality or a municipal entity.

[11] The following information must be made public wherever goods or services contemplated in section 110[2] of the Act are procured other than through the supply chain management system -

1. the kind of goods or services; and
2. the name of the supplier.
3. **Range of procurement processes**
4. The following threshold values [VAT included] must apply in respect of all acquisitions either by way of quotations or through competitive bidding process:
5. Transaction value up to R 2 000 (inclusive of petty cash purchases) no quotations to be obtained.
6. Transaction value over R 2 000 up to R 10 0000

At least three written or verbal quotations must be obtained from, where applicable, a list of service providers in Central Supplier Database. The names of the providers and their quoted prices must be recorded. The order must be placed against written confirmation from the provider concerned.

1. Transaction value over R 10 000 up to R 200 000

At least three formal written quotations must be obtained from, where applicable, a list of service providers in the Central Supplier Database. The names of the providers and their quoted prices must be recorded. The order must be placed against written confirmation from the provider concerned.

1. Transaction value over R 200 000

Competitive bids must be invited by means of public advertisement, preferably e-tender portal and or locally circulating newspaper.

1. Long term contracts

Competitive bids must be invited by means of public advertisement using e-tender portal and or locally circulating newspaper.

1. Approval Authorities
2. the following approval authorities may apply for acquisitions in respect of quotations /bids/appointment of service providers:

|  |  |
| --- | --- |
| Amount [VAT inclusive] | Delegation Authority |
| Up to R 2 000 | Manager: Supply Chain or Chief Financial Officer. |
| Above R 2 001 to R 10 000 | Manager: Supply Chain or Chief Financial Officer. |
| Above R 10 000 to R 30 000 | Manager: Supply Chain or Chief Financial Officer. |
| Above R 30 001 to R 200 000 | The Chief Financial Officer/Bid Adjudication Committee or a manager accountable to the Chief Financial Officer. |
| Above R 2 00 001 to R 1 000 000 | The Chief Financial Officer in consultation with the Accounting Officer. |
| Above R 1 000 000 | The Accounting Officer in consultation with the Chief Financial Officer. |

1. The accounting officer may, in writing -
2. lower, but not increase, the different threshold values specified in subparagraph [1];
3. Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts of items must as far as possible be treated and dealt with as a single transaction.
4. **General preconditions for consideration of written quotations or bids**

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid -

1. has furnished that provider’s -
2. full name;
3. identification number or company or other registration number; and
4. tax reference number and VAT registration number, if any or where applicable in terms of this policy;
5. has indicated -
6. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.
7. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous twelve months; or
8. whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph [ii] is in the service of the state, or has been in the service of the state in the previous twelve months.
9. **Lists of accredited prospective providers**
10. The accounting officer may -
11. keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the Xhariep District Municipality through written or verbal quotations and formal written price quotations
12. procurement can only be done with service providers who are registered on the Central Supplier Database (CSD) in line with circular 81 issued in terms of MFMA Act No. 56 of 2003. No business can be done with service providers who are not registered on CSD; and
13. The Chief Financial Officer must, on a monthly basis, be notified of all verbal and written quotations accepted to ensure that all acquisitions are properly performed.
14. **Petty cash purchases**

The accounting officer must establish the conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12[1]of this policy, which will include the following conditions -

1. the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;
2. limiting the maximum amounts of petty cash purchases per month for the Heads of Departments to R2 000.
3. All petty cash expenses shall only be miscellaneous – minor expenditure.
4. a monthly reconciliation report must be prepared by the Chief Financial Officer, which will include -
5. the total amount of petty cash purchases for that month; and
6. receipts and appropriate documents for each purchase.

[d] petty cash limit shall not exceed R2 000.00 (VAT included) for each head of department.

1. **Written or verbal quotations**

The accounting officer must establish the conditions for the procurement of goods or services through written or verbal quotations, which will include the following conditions -

1. quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the Central Supplier Database, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by section 14[1][b] of this policy; [1] that, to the extent feasible, providers must be requested to submit such quotations in writing;
2. if it is not possible to obtain three quotations, the reason should be recorded and approved by the Chief Accounting Officer, Chief Financial Officer or an official designated by the CFO. This official must within three days of the end of each month report to the CFO on any approval given by him during that month;
3. the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
4. if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.
5. the Supply Chain Management Unit is responsible for obtaining all quotations.
6. **Formal written price quotations**
7. The accounting officer must establish the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating -
8. that quotations must be obtained in writing from at least three different providers who’s names appear on the Central Supplier Database;
9. that quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by paragraph 14[1][a] and [b];
10. that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer; and
11. that the accounting officer must record the names of the potential providers and details for their written quotations.
12. A designated official referred to in subparagraph [1][c] must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by the official in terms of that subparagraph.
13. **Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

The accounting officer must determine the operational procedure for the procurement of goods of services through written or verbal quotations or formal written price quotations, which must stipulate

1. that all requirements in excess of R 30 000 [VAT included] that are to be procured by means of formal written quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website, official notice board of the Xhariep District Municipality as well as e-tender portal;
2. Where deemed appropriate by the supply chain management unit an invitation to tender and a call for an expression of interest shall be advertised in a suitable local and national newspapers;
3. that when using the list of accredited prospective providers and central supplier database, the accounting officer must promote on-going competition amongst providers, including by inviting providers to submit quotations on a rotation basis;
4. that the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused;
5. that the accounting officer or Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation; and
6. requirements for proper record keeping.
7. **Competitive bidding process**
8. Goods or services above a transaction value of R 200 000 [VAT included] and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11[2] of this policy; and
9. No requirement for goods or services above an estimated transaction value of R 200 000 [VAT included], may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
   1. **The following Preferential Points System will be used**
      1. 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million
      2. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million.
      3. This policy integrates the new Preferential Procurement Regulations of 2017.

1. **Process for competitive bidding**

The accounting officer must establish procedures for a competitive bidding process for each of the following stages and which must include the following:

1. Compilation of bidding documentation;
2. specifications, evaluation criteria and procedures
3. bidding documents must clearly indicate the terms and conditions of the transaction, the specification criteria for evaluation and procedures to be followed where applicable.
4. specifications and evaluation criteria shall be aimed at ensuring fair, equitable, transparent, competitive and cost-effective bidding.
5. specifications shall not mention trade names or particular processes of manufacture unless these are the only acceptable products, however, where the use of trade names, trade marks or origin is the only known way of accurately describing the products required, the words “or other equal and approved” shall be included in the specifications mentioned in the quotation document.
6. where the specifications are based on standard documents available to bidders, a reference to those documents is sufficient.
7. the Xhariep District Municipality may, if necessary, communicate with bidders prior to the submission of quotations in order to supply additional information or to clarify vague points in the quotation/bid documents.
8. Documentation
9. documents pertaining to bidding [including the quotation] must be issued and received by the Supply Chain Management Unit.
10. bidding documents shall clearly state the place where such documents must be submitted and if necessary, a return date and time.
11. late submissions must not be considered.
12. all prices submitted shall remain confidential until after the closing date of submissions
13. quotation or bidding prices
14. Unless otherwise stated, all prices must be deemed to be fixed.
15. Public invitation of bids;

* the public will be invited to the bidding process as stipulated in this policy [Public Invitation for Competitive Bids]

1. Site meetings or briefing sessions, if applicable;

* site meetings and / or briefing sessions will be held as advertised

1. Handling of bids submitted in response to public invitation;

* bids will be handled in accordance with this policy [Procedure for handling, opening and recording of bids]

1. Evaluation of bids;

* bids will be evaluated in accordance with this policy [Bid evaluation committee]

1. Award of contracts;

* bids will be evaluated in accordance with this policy [Bid evaluation committee]

1. Administration of contracts; and

* the Department of Technical Services in conjunction with the Department of Finance will administer the contracts.

1. Proper record keeping.

* the Department of Technical Services in conjunction with the Department of Finance will keep proper records of all contracts.

1. **Bid documentation for competitive bids**
2. The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply, which in addition to paragraph 13 of this policy, the bid documentation must -
3. take into account -
4. the general conditions of contract;
5. any Treasury guidelines on bid documentation and supply chain management; and
6. the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbished of buildings or infrastructure;
7. include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
8. compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
9. if the value of the transaction is expected to exceed R 10 million [VAT included] [or such lower value as council from time to time may direct], require bidders to furnish -
10. if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements -

[aa] for the past three years; or

[bb] since their establishment if established during the past three years;

1. a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards the Xhariep District Municipality or other service provider in respect of which payment is overdue for more than 30 days;
2. particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
3. a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Xhariep District Municipality is expected to be transferred out of the Republic; and
4. stipulate that disputes must be settled by means of mutual consultation, mediation [with or without legal representation], or, when unsuccessful, in a South African Court of Law.
5. Only the Supply Chain Management Unit must issue bid documentation and subsequent notices;
6. A non-refundable bid charge for bid documentation may be raised by the Xhariep District Municipality. However, bidders can access the tender documents on the e-tender portal for free in line with MFMA circular 83;
7. Specifications must not mention trade names or particular processes of manufacture unless these are the only acceptable products, however where the use of trade names, trademarks or origin is the only known way of accurately describing the products required, the words “or other equal and approved” shall be included in the specifications mentioned in the quotation document;
8. Where the specifications are based on standard documents available to bidders, a reference to these documents will suffice;
9. The Xhariep District Municipality may, if necessary, communicate with bidders prior to bid closing in order to supply additional information or for clarification purposes. Communication shall be on a prescribed form and shall, where possible, be issued at least seven [7] days prior to the bid closing date;
10. **Public invitation for competitive bids**
11. The accounting officer must determine the procedure for the invitation of competitive bids, which must stipulate that:
12. any invitation to prospective providers to submit bids must be by means of a public advertisement on the e-tender portal unless circumstances warrants otherwise for use of other method of advertisement other than the e-tender portal, as well as the website of the Xhariep District Municipality;
13. Where deemed appropriate by the supply chain management unit an invitation to tender and a call for an expression of interest shall be advertised in a suitable local and national newspapers;
14. or any other appropriate ways [which may include an advertisement in the E-tender portal]; and
15. the information contained in a public advertisement, must include -
16. the closure date of the submission of bids, which may not be less than 30 days in the case of transactions over R 10 million [VAT included], or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph [2] of this policy; and
17. a statement that bids may only be submitted on the bid documentation provided by the Xhariep District Municipality.
18. The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
19. Bids submitted must be sealed.
20. Where bids are requested in electronic format, such bids must be supplement by sealed hard copies.
21. Validity periods
22. bids will remain valid and binding for the periods as indicated in the bid documents, but not exceeding 90 days. The period will run from the closing time of the bids and shall remain in force and binding until the end of the final day of the period.
23. the period of validity may be extended in writing by mutual consent between Xhariep District Municipality and all the bidders, provided that such an extension must be negotiated before the period has expired.
24. Submission of bids
25. bids must be submitted before the closing time, at the address and in accordance with the specifications in the bid documents.
26. bids must be in writing and must be submitted on the official bid document supplied by Xhariep District Municipality.
27. any bids not received in a sealed envelope will not be considered. The bidder must place the sealed envelope in the official marked locked bid box provided for this purpose, at the designated venue, not later than the closing date and time specified in the bid notice.
28. postal bids will be accepted for consideration only if they are received prior to the closing time for such bids. The Xhariep District Municipality however, do not accept any responsibility for the timeous lodgement of such bids. Proof of posting of a bid will not be accepted as proof of delivery and lodging of the bids.
29. no bids, other than in writing as above, will be considered. However, photo copies of bids or facsimiles, which are submitted in the prescribed manner, will be considered, provided that it can be confirmed that the original bid form has been posted or couriered prior to the close of bids.
30. Closing of bids
31. bids must close on the date and at the time stipulated in the bid notice.
32. the bid closing date may be extended. The closing date may only be extended if there is ample time to publish the prescribed amendment.
33. Late Bids
34. bids will be considered late if received after the closing time.
35. a late bid must not be considered and if necessary be returned unopened to the bidder.
36. Confidentiality

All information regarding the calculations and personal information shall be treated as confidential and shall not be disclosed.

1. **Procedure for handling, opening and recording of bids**

The accounting officer must determine the procedures for the handling, opening and recording of bids, which must stipulate that:

1. Bids -
   1. must be placed in an applicable bid box which must be closed and sealed on the date and time as specified in the bid;
   2. must be opened in public; and
   3. must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
   4. as soon as a bid has been opened:

[aa] the bid document must be stamped with the official stamps, and where necessary, endorsed with the opening Official’s signature;

[bb] the name of the bidder must be recorded in a bid opening record kept for this purpose;

[cc] the responsible Official must forthwith sign the bid opening record.

* 1. after being recorded in the bid opening record, the bids must be handed over to the Official responsible for the supervision of the processing thereof who must acknowledge receipt thereof by affixing his signature to the bid opening record.

1. Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder’s total bidding price; and
2. The accounting officer must -
   1. record in a register all bids received in time;
   2. make the register available for public inspection; and
   3. publish the entries in the register and the bid results on the website.
3. **Negotiations with preferred bidders**
4. The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation -
5. does no allow any preferred bidder a second or unfair opportunity;
6. is not the detriment of any other bidder; and
7. does not lead to a higher price than the bid as submitted.
8. Minutes of such negotiations must be kept for record purposes.
9. **Two-stage bidding process**
10. A two-stage bidding process is allowed for -
11. large complex projects;
12. projects where it may be undesirable to prepare complete detailed technical specifications; or
13. long term projects with a duration period exceeding three years.
14. In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
15. In the second stage final technical proposals and priced bids should be invited.
16. **Committee systems for competitive bids**
17. The accounting officer is required to -
18. establish a committee system for competitive bids consisting of at least -
19. a bid specification committee;
20. a bid evaluation committee; and
21. a bid adjudication committee;
22. appoint the members of each committee, taking into account section 117 of the Act; and
23. provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.
24. The committee system must be consistent with -
25. paragraph 27, 28 and 29 of this policy; and
26. any other applicable legislation.
27. The accounting officer may apply the committee system to formal written price quotations.
28. **Bid specification committees**
29. The bid specification committee must compile the specifications for each procurement of goods or services by the Xhariep District Municipality.
30. Specifications -
31. must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
32. must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accredited System with which the equipment or material or workmanship should comply;
33. where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
34. may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
35. may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
36. must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2017 (as per Government Gazette No.40553, issued on 20 January 2017, with effect from 1st April 2017); and
37. must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this policy.
38. The bid specification committee must be composed of the following officials;
39. an official from the department of the function involved;
40. a representative from supply chain management;
41. technical representatives nominated by the manager of the function involved
42. No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
43. No political office-bearer will be actively involved in this committee.
44. **Bid evaluation committees**
45. The bid evaluation committee must -
46. evaluate bids in accordance with -
47. the specifications for a specific procurement; and
48. the points system set out in terms of paragraph 27[2][f].
49. evaluate each bidder’s ability to execute the contract and to provide the necessary guarantees;
50. 1check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears; and
51. submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
52. The bid evaluation committee must be composed of the following officials-
53. an official of the function involved;
54. a representative of the Department of Finance;
55. technical representatives nominated by the manager of the function involved
56. No person, advisor or corporate entity involved with the bid evaluation committee, or director of such a corporate entity, may bid for any resulting contracts.
57. No political office-bearer will be actively involved in this committee.
58. **Bid adjudication committees**
59. The bid adjudication committee must -
60. consider the report and recommendations of the bid evaluation committee; and
61. either -
62. depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
63. make another recommendation to the accounting officer how to proceed with the relevant procurement.
64. The bid adjudication committee must be composed of the following officials:
65. **at least four 4 senior managers of the Xhariep District Municipality;** a representative of the Department of Finance;
66. a technical expert in the relevant field who is an official of the Xhariep District Municipality if such an expert exists;
67. a supply chain practitioner who is an official in the municipality;
68. The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
69. Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
70. [a] If the bid adjudication committee decides to award a bid other than the one

Recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid -

1. check in respect of the preferred bidder whether that bidder’s municipal rates and taxes and municipal service charges are not in arrears; and
2. notify the accounting officer.
3. The accounting officer may -
   1. after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph [a]; and
   2. if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
4. The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
5. The accounting officer must comply with section 114 of the Act within 10 working days.
6. No person, advisor or corporate entity involved with the bid adjudication committee, or director of such a corporate entity, may bid for any resulting contracts.
7. No political office-bearer will be actively involved in these committees.
8. **Procurement on banking services**
9. Banking services -
10. must be procured through competitive bids;
11. must be consistent with section 7 or 85 of the Act; and
12. may not be for a period of more than five years at a time.
13. The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
14. The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22[1]. Bids must be restricted to banks registered in terms of the Banks Act, 1990 [Act 94 of 1990].
15. **Procurement of IT related goods or services**
16. The accounting officer may request the State Information Technology Agency [SITA] to assist with the acquisition of IT related goods or services through a competitive bidding process.
17. Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
18. The accounting officer must notify SITA together with a motivation of the IT needs if -
19. the transaction value of IT related goods or services required in any financial year will exceed R 10 million [VAT included]; or
20. the transaction value of a contract to be procured whether for one or more years exceeds R 10 million [VAT included].
21. If SITA comments on the submission and the XDM disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.
22. Is the threshold of R10m only for one equipment or combined (more than one) equipment? Treasury to advice.
23. **Procurement of goods and services under contracts secured by other organs of state**
24. The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
25. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
26. there is no reason to believe that such contract was not validity procured;
27. there are demonstrable discounts or benefits to do so; and
28. that other organ of state and the provider have consented to such procurement in writing.
29. **Procurement of goods necessitating special safety arrangements**
30. The acquisition and storage of goods in bulk [other than water] which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
31. Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.
32. **Proudly SA Campaign**

The accounting officer must determine internal operating procedures supporting the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

[1] suppliers and businesses within the Republic of South Africa

1. **Appointment of consultants**
2. The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken in to account when such procurements are made.
3. Consultancy services must be procured through competitive bids if -
4. the value of the contract exceeds R 200 000 [VAT included]; or
5. the duration period of the contract exceeds one year.
6. In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of -
7. all consultancy services provided to an organ of state in the last five years; and
8. any similar consultancy services provided to an organ of state in the last five years.
9. The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designated or devised, by a consultant in the course of the consultancy service is vested in the Xhariep District Municipality.
10. **Deviation from and ratification of minor breaches of procurement processes**
11. The accounting officer may -
    1. dispense with the official procurement processes established by this policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only -
       1. in an emergency;
       2. if such goods or services are produced or available from a single provider only;
       3. for the acquisition of special works of art or historical objects where specifications are difficult to compile;
       4. any form of emergency procurement in response to a National State of disaster as per MFMA Circular 102.
       5. acquisition of animals for zoo and / or nature and game reserves; or
       6. in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
    2. ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
12. The accounting officer must record the reasons for any deviations in terms of subparagraphs [1][a] and [b] of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
13. Subparagraph [2] does not apply to the procurement of goods and services contemplated in paragraph 11[2] of this policy.
14. **UNSOLICITED BIDS**
15. In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
16. The accounting officer may decide in terms of section 113[2] of the Act to consider an unsolicited bid, only if -
17. the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
18. the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
19. the person who made the bid is the sole provider of the product or service; and
20. the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
21. If the accounting officer decides to consider an unsolicited bid that complies with subparagraph [2] of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with -
22. reasons as to why the bid should not be open to other competitors;
23. an explanation of the potential benefits of the unsolicited bid were accepted; and
24. an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
25. All written comments received pursuant to subparagraph [3], including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
26. The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
27. A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
28. When considering the matter, the adjudication committee must take into account
29. any comments submitted by the public; and
30. any written comments and recommendations of the National Treasury or the relevant provincial treasury.
31. If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
32. Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing to Xhariep District Municipality to the bid may be entered into or signed within 30 days of the submission.
33. **Combating of abuse of supply chain management system**

The accounting officer must establish measures for the combating of abuse of the supply chain management system, which must stipulate the following:

1. The accounting officer must -
2. take all reasonable steps to prevent abuse of the supply chain management system;
3. investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified -
4. take appropriate steps against such official or other role player; or
5. report any alleged criminal conduct to the South African Police Service;
6. check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
7. reject any bid from a bidder -
8. if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the XDM, or to any other XDM or municipal entity, are in arrears for more than three months; or
9. who during the last five years has failed to perform satisfactorily on a previous contract with the Xhariep District Municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
10. reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
11. cancel a contract awarded to a person if -
12. the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
13. an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
14. reject the bid of any bidder if that bidder or any of its directors -
15. has abused the supply chain management system of the Xhariep District Municipality or has committed any improper conduct in relation to such system;
16. has been convicted for fraud or corruption during the past five years;
17. has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
18. has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Civilities Act [No 12 of 2004].
19. The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs [1][b][ii], [e] or [f] of this policy.

***Part 3: Logistics, Disposal, Risk and Performance Management***

1. **Logistics management**
2. The accounting officer must establish an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance, maintenance and contract administration.
3. **Disposal management**
4. The accounting officer must establish an effective system of disposal management for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 and 90 of the Act (Reference to ACT means Municipal Finance Management ACT No 56 of 2003), which must stipulate the following:
5. The disposal of assets must -
6. be by one of the following methods -
7. transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
8. transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
9. selling the asset; or
10. destroying the asset;
11. provided that -
12. immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
13. movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
14. in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
15. in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
16. furthermore ensure that -
17. immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
18. all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and
19. ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.
20. **Risk management**
21. The accounting officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
22. Risk management must include -
23. the identification of risks on a case-by-case basis;
24. the allocation of risks to the party best suited to manage such risks;
25. acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
26. the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
27. the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.
28. **PERFORMANCE MANAGEMENT**

The accounting officer must establish an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the desired objectives were achieved.

***Part 4: Other Matters***

1. **Prohibition on awards to persons whose tax matters are not in order**
2. The accounting officer must ensure that, irrespective of the procurement process followed, no award above **R 30 000** is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
3. Before making an award to a person the accounting person must first check with SARS whether that person’s tax matters are in order;
4. If SARS does not respond within 7 days such person’s tax matters may for purposes of subparagraph [1] be presumed to be in order.
5. Accounting Officers of all municipalities and municipal entities should:

[a] Designate officials, preferably from the supply chain management unit, whose function

will be to verify the tax compliance status of a taxpayer and to manage the TCS system on

the SARS website and have the functionality to verify the tax compliance status of a

taxpayer on the SARS’ e-Filing system. Guidance to the Tax Compliance functionality on

eFiling is available on the SARS website www.sars.gov.za.

[b] Utilise the Municipal Bid Document 1 (MBD1) issued with this circular when inviting

bids.

[c] As a bid condition, request bidders to register on government’s Central Supplier

Database (CSD) and include in their quotations or bids, their Master Registration

Number or tax compliance status PIN to enable the municipality to verify the bidder’s

tax compliance status.

[d] Utilise the Master Registration Number or tax compliance status PIN to verify bidders’

tax compliance status.

[e] Print the tax compliance status screen view or letter with the result of the bidder’s status

at the date and time of verification to file with the bidder’s bid documents for audit

purposes.

1. **Prohibition on awards to persons in the service of the state**

The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person -

1. who is in the service of the state; or
2. if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
3. a person who is an advisor or consultant contracted with the Xhariep District Municipality.
4. **Awards to close family members of persons in the service of the state**

The notes to the annual financial statements must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

1. the name of that person;
2. the capacity in which that person is in the service of the state; and
3. the amount of the award.
4. **Ethical standards**
5. A code of ethical standards is hereby established, in accordance with subparagraph [2], for officials and other role players in the supply chain management system in order to promote -
6. Mutual trust and respect; and
7. An environment where business can be conducted with integrity and in a fair and reasonable manner.
8. An official or other role player involved in the implementation of the supply chain management policy -
9. must treat all providers and potential providers equitably;
10. may not use his or her position for private gain or to improperly benefit another person;
11. may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, or a value more than R 350;
12. notwithstanding subparagraph [2][c], must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
13. must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Xhariep District Municipality;
14. must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
15. must be scrupulous in his or her use of property belonging to the Xhariep District Municipality;
16. must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
17. must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including -
    1. any alleged fraud, corruption, favouritism or unfair conduct;
    2. any alleged contravention of paragraph 47[1] of this policy; or
    3. any alleged breach of this code of ethical standards.
18. Declarations in terms of subparagraph [2][d] and [e] -
19. must be recorded in a register which the accounting officer must keep for this purpose;
20. by the accounting officer must be made to the mayor of the Xhariep District Municipality who must ensure that such declarations are recorded in the register.
21. The National Treasury’s code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
22. The Xhariep District Municipality must adopt the National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the Xhariep District Municipality.
23. A breach of the code of conduct adopted by the Xhariep District Municipality must be dealt with in accordance with schedule 2 of the Systems Act.
24. **Inducement, rewards, gifts and favours to municipalities officials and other role players**
25. No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant
26. any inducement or reward to the Xhariep District Municipality for or in connection with the award of a contract; or
27. any reward, gift, favour or hospitality to -
28. any official; or
29. any other role player involved in the implementation of the supply chain management policy.
30. The accounting officer must promptly report any alleged contravention of subparagraph [1] to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury’s database of persons prohibited from doing business with the public sector.
31. Subparagraph [1] does not apply to gifts less than R 350 in value.
32. **Sponsorships**

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by an person who is -

1. a provider or prospective provider of goods or services; or
2. a recipient or prospective recipient of goods disposed or to be disposed.
3. **Objectives and complaints**

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

1. **Resolution of disputes, objections, complaints and queries**
2. The accounting officer must appoint an independent and impartial persons, not directly involved in the supply chain management processes -
3. to assist in the resolution of disputes between the Xhariep District Municipality and other persons regarding -
   1. any decisions or actions taken in the implementation of the supply chain management system; or
   2. any matter arising from a contract awarded in the course of the supply chain management system; or
4. to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
5. The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
6. The person appointed must -
7. strive to resolve promptly all disputes, objections, complaints or queries received; and
8. submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
9. A dispute, objection, complaint or query may be referred to the relevant provincial treasury if -
10. the dispute, objection, complaint or query is not resolved within 60 days; or
11. no response is forthcoming within 60 days.
12. If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the national Treasury for resolution.
13. This paragraph must not be read as affecting a person’s rights to approach a court at any time.
14. **Contracts providing for compensation based on turnover**

If a service provider acts on behalf of a Xhariep District Municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the Xhariep District Municipality must stipulate -

1. a cap on the compensation payable to the service provider; and
2. that such compensation must be performance based.
3. **Commencement**

This policy takes effect on the date on which the council of Xhariep District Municipality adopts it.



**XHARIEP DISTRICT MUNICIPALITY**

**DRAFT BUDGET POLICY**

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# 1. DEFINITIONS

***"accounting Officer"****-* means the Municipal Manager;

***“allocation",***means a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution; an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution; an allocation of money to a municipality in terms of a provincial budget; or 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-

1. approved by a municipal council, or
2. includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

***"asset"*** means a tangible or intangible resource capable of ownership; "capital asset" means -

1. any immovable asset such as land, property or buildings; or
2. any movable asset that can be used continuously or repeatedly for more than one year in the production or supply of goods or services, for rental to others or for administrative purposes, and from which future economic or social benefit can be derived, such as plant, machinery and equipment;

***“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-

1. the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
2. the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
3. 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-

1. a statement of financial position;
2. a statement of financial performance;
3. a cash-flow statement;
4. any other statements that may be prescribed; and
5. 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-

1. 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;
2. 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;
3. 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
4. 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

1. the placing on deposit of funds of a municipality with a financial institution; or
2. 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"-***

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

1. an employee of a municipality or municipal entity;
2. a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
3. 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"-***

1. 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;
2. in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
3. 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:

1. 1 July to 30 September;
2. 1 October to 31 December;
3. 1 January to 31 March; or
4. 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-

1. projections for each month of-
2. revenue to be collected, by source; and
3. operational and capital expenditure, by vote;
4. service delivery targets and performance indicators for each quarter; and
5. 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-

* 1. overspending of the total amount appropriated in the municipality's approved budget;
  2. overspending of the total amount appropriated for a vote in the approved budget;
  3. expenditure from a vote unrelated to the department or functional area covered by the vote;
  4. expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
  5. 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
  6. a grant by the municipality otherwise than in accordance with the MFMA;

***"virement"*** means transfer of funds between functions / votes

***"vote"*** means-

1. 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
2. which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

# 2. INTRODUCTION

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

According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background.

The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government’s macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalisation of the budget must be located within the national government’s policy framework.

# 3. OBJECTIVE

The objective of the budget policy is to set out:

* 1. The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget
  2. The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
  3. To establish and maintain procedures to ensure adherence to Xhariep District Municipality’s Integrated Development Plan (IDP) review and budget processes.

# 4. BUDGETING PRINCIPLES

1. 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.
2. 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.
3. Xhariep District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
4. The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan (IDP).

# 5. BUDGET PREPARATION PROCESS

## 5.1. Budget Steering Committee

* 1. The mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.
  2. The steering committee must consist of at least the following persons:
     1. the councillor responsible for financial matters;
     2. the municipal manager;
     3. the chief financial officer;
     4. the senior managers responsible for at least the three largest votes in the municipality;
     5. the manager responsible for budgeting;
     6. the manager responsible for planning; and
     7. any technical experts on infrastructure.

## 5.2. Formulation of the budget

* 1. The Accounting Officer with the assistance of the Chief Financial Officer and the Director responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.
  2. The executive mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).***The Budget timetable is attached as Annexure A***.
  3. IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
  4. The Executive mayor shall convene a strategic workshop before end of 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.
  5. 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).
  6. The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
  7. The budget must be in the format prescribed by National Treasury, and must be divided into capital and operating budget.
  8. The budget must reflect the realistically expected revenues by major source for the budget year concerned.
  9. The expenses reflected in the budget must be divided into items.
  10. The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

## 5.3. Public participation process

1. Immediately after the draft resolutions of the annual budget is tabled in a municipal council, the accounting officer of the municipality must— in accordance with Chapter 4 of the Municipal Systems Act—
   1. make public the annual budget and the documents referred to in section 17(3); and
   2. invite the local community to submit representations in connection with the budget; and
   3. submit the annual budget—(draft budget)
      * 1. in both printed and electronic formats to the National Treasury and the relevant provincial treasury as prescribed by National Treasury ; and
        2. in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.
2. When the annual budget has been tabled, the municipal council must consider any views of—
   1. the local community; and
   2. the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
3. The Municipal Manager must also make public any information that the municipal council considers appropriate to facilitate the budget consultation process, including:
   1. Summaries of the annual budget and supporting documents in alternate languages predominant in the community; and
   2. Information relevant to each ward in the municipality
   3. All the information contemplated in subregulation (c) must cover:
4. The relevant financial and service delivery implications of the annual budget; and
5. At least the previous year’s actual outcome, the current year’s forecast outcome, the budget year, and the following two years.
6. When submitting the annual budget to the National Treasury and the relevant provincial treasury, the municipal manager must also submit to National Treasury and the relevant provincial treasury, both in printed and electronic form -
   1. The supporting budget documentation as tabled in the municipal council;
   2. The draft Service Delivery and Budget Implementation Plan (SDBIP); and
   3. Any other information as may be required by National Treasury.
7. The Municipal Manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to:

i. Any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and

ii. Any organ of state on receipt of a request from the organ of state.

1. After considering all budget submissions, the council must give the Executive Mayor an opportunity—

i. to respond to the submissions; and

ii. if necessary, to revise the budget and table amendments for consideration by the council.

1. Within consideration of the approval of the Annual Budget and thirty (30) days before the start of the budget year the Executive Mayor must table the following documents in the Council in consideration of the annual budget approval
   1. A report summarizing the local community’s views on the annual budget;
   2. Any comments on the annual budget received from National Treasury and Provincial Treasury
   3. Any comments on the annual budget received from any organ of state, including any affected municipality; and
   4. Any comments on the annual budget received from any other stakeholders.
2. The Municipal Manager must assist the Executive Mayor in the preparation of the documents referred to in subregulation (g ) and 23 (2) of the Act.

## 5.4. Approval of the budget

* 1. Council shall consider the medium term revenue and expenditure framework budget (MTREF) for approval not later than 31 May (30 days before the start of the budget year).
  2. The council resolution, must contain budget policies and the performance measures to be adopted.
  3. The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.
  4. When approving the annual budget, the council must consider and adopt separate resolutions dealing with each of the matters contemplated.
  5. 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.
  6. The budget tabled to Council for approval shall include the following supporting documents:
  7. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
  8. measurable performance objectives for each budget vote, taking into account the municipality’s IDP;
  9. the projected cash flows for the financial year by revenue sources and expenditure votes;
  10. any proposed amendments to the IDP;
  11. any proposed amendments to the budget-related policies;
  12. 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;
  13. particulars of the municipality’s investments;
  14. particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
  15. particulars of any proposed allocations or grants by the municipality to—
      1. other municipalities;
      2. any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
      3. any other organs of state;
      4. any organisations or bodies referred to in section 67(1) of the Act;
  16. the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
      1. each political office-bearer of the municipality;
      2. councillors of the municipality; and
      3. the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

## 5.5. 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, and within ten days (10) after the Executive Mayor has approved the Plan it has to be made public.

1. The SDBIP shall include the following components:

* Projections for each month of Revenue to be collected, by source, and Operational and capital expenditure, by vote;
  + - Service delivery targets and performance indicators for each quarter.
    - Monthly projections of revenue to be collected for each source;
    - Monthly projections of expenditure (operating and capital) and revenue for each vote;
    - Quarterly projections of service delivery targets and performance indicators for each vote;
    - Information for expenditure and delivery; and
    - Detailed capital works plan.

## 6. CAPITAL BUDGET

* + 1. All expenditure of a project shall be included in the capital budget if it meets the asset definition as per XDM Asset Management Policy.
    2. Vehicle replacement shall be done in terms of Council’s vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
    3. A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

## 6.1.1 Funding of Capital expenditure

* 1. 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.
  2. An annual budget must show the total capital expenditure and the different sources of funding.
  3. The total budgeted capital funding by source must equal the total budgeted capital expenditure
  4. Funds created in terms of section 12 of the Act must be fully cash backed.
  5. A municipality may make expenditures or donations in support of the objectives for which funds created in terms of section 12 of the Act were established if approved in an annual budget or adjustment budget.
  6. No municipal funds may be paid into a fund created in terms of section 12 of the Act.
  7. The capital expenditure shall be funded from the following sources: Refer to 6.1.2 to 6.1.5.

## 6.1.2 Revenue or Surplus

1. 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.
2. If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

## 6.1.3 External loans

1. External loans can be raised only if it is linked to the financing of an asset;
2. A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
3. The loan redemption period should not exceed the estimated life expectancy of the asset;
4. Interest payable on external loans shall be included as a cost in the revenue budget;
5. Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

## 6.1.4 Capital Replacement Reserve (CRR)

1. Council may establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve may be established from the following sources of revenue:
   1. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
   2. interest on the investments of the CRR, appropriated in terms of the investments policy;
   3. additional amounts appropriated as contributions in each annual or adjustments budget; and
   4. Sale of land and profit or loss on the sale of assets.
2. Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
3. If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash with approval of Council;
4. Transfers to the CRR must be budgeted for in the cash budget;

## 6.1.5 Grant Funding

1. Non capital expenditure funded from grants must be budgeted for as part of the revenue budget;
   1. Expenditure must be reimbursed from the unspent grants and transferred to the operating and must be budgeted for as such.
   2. Capital expenditure must be budgeted for in the capital budget;
2. Interest earned on investments of Conditional Grant Funding shall be capitalized if the conditions state that interest should accumulate in the fund.
3. If there is no condition stated the interest can then be allocated directly to the revenue accounts.
4. Grant funding does not need to be cash backed but cash should be secured before spending can take place.

## 6.2. Approval of capital projects

* 1. Before approving a capital project, the Council must consider:
  2. the projected cost of the project over all the ensuing financial years until the project becomes operational,
  3. 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).

1. Before approving the capital budget, the council shall consider:
   1. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
   2. depreciation of fixed assets,
   3. maintenance of fixed assets, and
   4. any other ordinary operational expenses associated with any item on such capital budget.
2. Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
3. The municipality shall within ten (10) working days after the council has given individual approval for capital projects in terms of section 19(1)(b) of the Act, make public the following:
   1. The municipal council resolution approving the capital projects; and
   2. Details of the nature, location and total project cost of the approved capital projects
4. The following capital projects may be approved by council either individually or as part of the consolidated capital program:
   1. Capital projects of which the total projected cost is below 5% of the municipality’s revenue, in case of a municipality with approved total revenue in its current annual budget not exceeding R250 million.
5. Subregulation (d) does not apply to capital projects whose total projected cost when the annual budget is approved is below the values set out in subregulation (e).
6. Expenditure needed for capital projects below the values set out in subregulation (e) may be included in the annual budget before the project is approved in terms of section 19(3) of the Act.

# 7. OPERATING BUDGET

* 1. The municipality shall budget in each annual and adjustments budget for the contribution to:
     1. provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year,
     2. provision for bad debts in accordance with its rates and tariffs policies
     3. provision for the obsolescence and deterioration of stock in accordance with its asset management policy
     4. depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
     5. If realistic at least 3% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
  2. When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
  3. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
  4. The operating budget shall reflect the impact of the capital component on:
     1. depreciation charges
     2. repairs and maintenance expenses
     3. interest payable on external borrowings
     4. other operating expenses.
  5. The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

# 8. FUNDING OF CAPITAL AND OPERATING BUDGET

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

# 9. UNSPENT FUNDS / ROLL OVER OF BUDGET

* + 1. The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
    2. Only unspent grant (if the conditions for such grant funding allows that subject to approval of National Treasury) or loan funded capital budget may be rolled over to the next budget year
    3. Application for roll over of funds shall be forwarded to the budget office by no later than the end of April each year to be included in next year’s budget for adoption by Council in May.
    4. 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.
    5. No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
    6. No unspent portion operating budget shall be rolled over to the next budget year

# 10. BUDGET TRANSFERS AND VIREMENTS

1. Budget transfers within the same vote shall be recommended by the Head of Departments (HOD’s) and approved by the Chief Financial Officer, in consultation with the Municipal Manger.
2. Savings on allocations earmarked for specific identified projects as per approved SDBIP, may not be used for other purposes except with the approval of council.
3. Directors may utilize a saving in the amount appropriated under a main expenditure category (General Expenses, Repairs & Maintenance, etc (excluding salaries)) 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.
4. Virements shall be recommended by the Head / Director of Department, completing the appropriate documentation and forward to the Chief Financial Officer for approval.
5. Virements between votes shall be permitted where the proposed shifts in funding facilitate sound risk and financial management.
6. Virements will not be permitted in relation to the revenue side of the budget;
7. Virements from the capital budget to the operating budget will not be permitted;
8. Virements towards personnel expenditure will not be permitted;
9. Virements to or from the following items will not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;
10. Virements may not result in adding ‘new’ projects to the Capital Budget;
11. Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework will not be permitted; and
12. Virements limits on the amount of funds that may be moved to and from votes and sub-votes may not exceed the lower of R50,000 or ten (10%) per cent of the budget unless approved by council and incorporated as part of the adjustment budget.

# 11. FRAMEWORK FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE

1. The mayor of a municipality may authorize expenditure in terms of section 29 of the Act only if –
   1. the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
   2. the delay that will be caused pending approval of an adjustments budget by the municipal council in terms of section 28(2)(c) of the Act to authorize the expenditure may –
      1. result in significant financial loss for the municipality;
      2. cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
      3. lead to loss of life or serious injury or significant damage to property; or
      4. obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
2. The mayor of a municipality may not authorize expenditure in terms of section 29 of the Act if the expenditure –
   * 1. was considered by the council, but not approved in the annual budget or an adjustments budget;
     2. is required for –
   1. price increases of goods or services during the financial year;
   2. new municipal services or functions during the financial year;
   3. the extension of existing municipal services or functions during the financial year;
   4. the appointment of personnel during the financial year; or
3. allocating discretionary appropriations to any vote during the financial year; or
4. would contravene any existing council policy; or
5. is intended to ratify irregular or fruitless and wasteful expenditure.

## 11.1. Monetary limits on unforeseen and unavoidable expenditure

(a) The amount of expenditure that a mayor of a municipality may authorize in terms of section 29 of the Act is limited to –

* 1. 5% of the municipality’s own revenue in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
  2. The greater of R5 million or 4% of the municipality’s own revenue in the case of a municipality with an approved budget total revenue in its current annual budget greater than R250 million but not exceeding R500million; and
  3. R25 million in the case of a municipality with an approved total revenue in its current annual budget greater than R500 million.

# 12. ADJUSTMENT BUDGET

* + 1. Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
    2. The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the 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.
    3. Council may revise its annual budget by means of an adjustments budget as regulated.
    4. The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
    5. 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.
    6. The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
    7. Only the Executive mayor shall table an adjustment budget. Adjustments budget shall be done once as part of the mid-year budget performance assessment:
    8. An adjustments budget must contain all of the following:
    9. an explanation of how the adjustments affect the approved annual budget;
    10. appropriate motivations for material adjustments; and
    11. an explanation of the impact of any increased spending on the current and future annual budgets.
    12. Any unappropriated surplus from previous financial years, even if fully cashbacked, may not be used to balance any adjustments budget, but may be appropriated to the municipality’s capital replacement reserve.
    13. Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan and or per National Treasury Regulations.
    14. Unauthorised expenses may be authorised in an adjustments budget.

## 12.1 Formats of adjustments budgets

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

## 12.2. Funding of the adjustments budgets

1. An adjustments budget of a municipality must be appropriately funded.
2. The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

## 12.3. Timeframes for tabling of adjustments budgets

* + 1. An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time during the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.
    2. Only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case subregulation (3) applies.
    3. If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.
    4. An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.
    5. An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.
    6. An adjustments budget contemplated in section 28(2)(G) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –
    7. dealt with as part of the adjustments budget contemplated in subregulation (1); and
    8. a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.

## 12.4. Submission of tabled adjustments budgets

1. The municipal manager must comply with section 28(7) of the Act, read together with section 22(b)(i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.
2. When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form
   1. the supporting documentation referred to in section 28(5) of the Act within ten working days of the adjustments budget being tabled in the municipal council; and
   2. any other information as may be required by National Treasury.
3. The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –
   1. any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
   2. any other organ of state on receipt of a request from that organ of state.

## 12.5. Approval of adjustment budget

* + 1. A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in section (1) (a) before approving the adjustments budget.
    2. When approving the adjustment budget, a municipal council must consider and adopt separate resolutions dealing with each of the matters listed in item 4 of Schedule B.

## 12.6. Publications of approved adjustment budget

* + 1. Within ten 10 working days after the municipal council has approved an adjustment budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in section 5 (a).
    2. When making public an adjustment budget and supporting documentation, the municipal Manager must make public awareness of the adjustment budget, including –
    3. Summaries of the adjustment budget and supporting documentation in alternate languages predominant in the community;
    4. Information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and
    5. Any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

## 12.7. Submission of approved adjustments budget and other documents

1. The municipal Manger must comply with section 28(7) of the Act read together with section 24(3) of the Act within ten working days after the municipal council has approved and adjustments budget.
2. When submitting an adjustments budget to National Treasury and other relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to National Treasury and the relevant provincial treasury, I both printed and electronic form –
   1. The supporting documentation within ten working days after the municipal council has approved the adjustments budget;
   2. The amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of the section 54(1)(c) of the Act; and
   3. Any other information as may be required by the National Treasury.
3. The municipal manager must send copies of an adjustments budget and supporting documentation, in both electronic and printed form to –
   1. Any other municipality affected by that adjustments budget within ten (10) working days of the adjustments budget being tabled in the municipal council; and
   2. Any other organ of state on receipt of a request from that organ of state.

# 13. BUDGET IMPLEMENTATION

## 13.1. Monitoring

1. The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
   1. funds are spent in accordance with the budget;
   2. expenses are reduced if expected revenues are less than projected; and
   3. revenues and expenses are properly monitored.
2. 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.
3. 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.

## 13.2. Reporting

***Monthly budget statements***

* 1. The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality’s budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.
  2. This report must reflect the following:
     1. actual revenues per source, compared with budgeted revenues;
     2. actual expenses per vote, compared with budgeted expenses;
     3. actual capital expenditure per vote, compared with budgeted expenses;
     4. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
     5. the amount of allocations received, compared with the budgeted amount;
     6. actual expenses against allocations, but excluding expenses in respect of the equitable share;
     7. 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

1. service delivery and budget implementation plan;
   * 1. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
     2. 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.
2. The report to the National Treasury must be both in electronic format and in a signed written document.

***Quarterly Reports***

* 1. The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

***Mid-year budget and performance assessment***

1. The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
2. The Accounting officer must then submit a report on such assessment to the Executive mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
3. The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

# 14. CONCLUSION

The Chief Financial Officer will ensure the following on the municipality’s official website:

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

## 15. ANNEUXURE A: SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

## DETAILED BUDGET TIMETABLE

| **Section of Municipal Finance Management Act No. 56 of 2003** | **Date by which action must be completed** | **Action required** | **Responsible party** | **Practical considerations** |
| --- | --- | --- | --- | --- |
| 21(1)(b) | 31 August | Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for   * preparation, tabling and approval of annual budget * annual review of IDP * annual review of budget-related policies * tabling and adoption of any amendments to IDP and budget-related policies * any consultative processes forming part of foregoing | Mayor | Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled. |
| Section 88 | 20 January | Accounting officer of municipal entity must assess entity’s budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality. |  |  |
| 72(1), (2) and (3) | 25 January | Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury (presumably immediately). | Accounting officer |  |
| 54(1)(f) | 31 January | Mayor must submit accounting officer’s report to council. | Mayor | Special council meeting may have to be scheduled. |
| 87 | 31 January or earlier if so requested by parent municipality | Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year. | Board of directors of entity | It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers The municipality’s own proposed adjustments budget. |
| 87 | (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. |
| 54(1) and (2) | (Between 31 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. |
| 54(3) | (Between 31 January and 31 March) | Mayor must ensure that revisions to service delivery and budget implementation plan are “promptly” made public. (Note that no concomitant  revision of performance agreements is evidently envisaged). | Mayor | Presumably the accounting officer must make these revisions for the mayor’s approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2). |
| 87 | 100 days before start of financial year (approximately mid March) | Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality. | Board of directors of entity |  |
| 16(2) | 31 March | Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year. | Mayor | Council meeting must be scheduled appropriately. |
| 87 | 31 March | Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled. | Mayor | - |
| 22(a) and 22(b) | Immediately after 31 March or earlier date if annual budget tabled before 31 March | Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget. | Accounting officer |  |
| 23(2) | Before 31 May | Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration 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, approving any changes to IDP, and approving any changes to budget-related policies. | Council | Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May. |
| 87(4) | 31 May | Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public. | Board of directors of municipal entity |  |
| 24(3) | (Immediate after approval date) | Accounting officer must submit approved annual budget to national treasury and provincial treasury. | Accounting officer | No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified.  Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date. |
| 25(1) and (2) | Within 7 days of date of council meeting which failed to approve annual budget | If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June. | Council | As province will intervene if budget not approved by 30 June, mayor, councillors and accounting officer must co-operate to ensure obstacles to approval timeously removed. |
| 69(3)(a) and (b) | 14 days after approval of annual budget (mid June to mid July) | Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers. | Accounting officer |  |
| 53(1)(c)(ii) | Within 28 days after date annual budget approved (late June to late July) | Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)). | Mayor | - |
| 53(1)(c)(iii)(aa) & (bb) | Within 28 days after date annual budget approved (late June to late July) | Mayor must take all reasonable steps to ensure that annual performance agreements for municipal managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act. | Mayor | No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b). |
| 16(1) | 30 June | Annual budget must be approved by council | Council | - |
| 53(3)(a) and (b) | 14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved) | Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government. | Mayor | Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC. |

**Xhariep District Municipality**

Draft Banking and Investment Policy



PART 1: LEGAL COMPLIANCE

PART 2: OBJECTIVE OF INVESTMENT POLICY

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OF MUNICIPAL FINANCE MANAGEMENT

ACT NO. 56 OF 2003

PART 13: ANNEXURE II: CODE OF PRACTICE

**BANKING AND INVESTMENT POLICY**

**[1] Legal Compliance**

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

**[2] Objective of Investment Policy**

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality’s cash resources are managed effectively and efficiently.

The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.

The effectiveness of the investment policy is dependent on the accuracy of the municipality’s cash management programme, which must identify the amounts surplus to the municipality’s needs, as well as the time when and period for which such revenues are surplus.

**[3] Effective Cash Management**

**[3.1] Cash Collection**

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the Chief Financial Officer and other heads of departments in this regard is defined in a code of financial practice approved by the Municipal Manager and the chief financial officer, and this code of practice is attached as Annexure II to this policy.

The unremitting support of and commitment to the municipality’s credit control policy, both by the council and the municipality’s officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

**[3.2] Payments to Creditors**

The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favorable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. As far as possible, the Municipality must pay all its creditors within 30 days from the date of receipt.

This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the Chief Financial Officer before any payment is made.

**In the case of small, micro and medium enterprises**, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the chief financial officer before any payment is made.

Notwithstanding the foregoing policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the Chief Financial Officer determines that there are financial incentives for the municipality to do so.

The Chief Financial Officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

**[3.3] Management of Inventory**

Each head of department shall ensure that such department’s inventory levels do not exceed normal operational requirements in the case of items, which are not readily available from suppliers, and emergency requirements in the case of items, which are readily available from suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the Chief Financial Officer for sale at a public auction or by other means of disposal, as provided for in the municipality’s Supply Chain Management Policy.

**[3.4] Cash Management Programme**

The Chief Financial Officer shall prepare an annual estimate of the municipality’s cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred.

Heads of departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

The Chief Financial Officer shall report to the executive committee or the executive mayor, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.

The cash flow estimates shall be divided into calendar months, and in reporting the Chief Financial Officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality’s investments, together with appropriate details of the investments concerned.

**[4] Investment Ethics**

The Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the executive mayor or chairperson of the executive committee, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the Chief Financial Officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from Councilors, Investment Agents or institutions or any other outside parties.

Neither the Chief Financial Officer nor the executive Mayor or Chairperson of the Executive Committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

**[5] Investment Principles**

**[5.1] Limiting Exposure**

Where large sums of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality.

The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the municipality’s investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

**[5.2] Risk and Return**

Although the objective of the Chief Financial Officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions.

Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

**[5.3] Permitted Investments**

From time to time it may be in the best interest of the municipality to make longer-term investments. In such cases the CFO, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

A municipality may invest funds only in any of the following investment types -

* + 1. Securities issued by the national government;
    2. deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990), with investment grade rating of not lower than “A” from a nationally or internationally recognized credit rating agency;
    3. deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);
    4. deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);
    5. banker’s acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990; with investment grade rating of not lower than “A” from a nationally or internationally recognized credit rating agency;
    6. Guaranteed endowment policies (with credit worthy institutions), with the intention of establishing a sinking fund;
    7. Municipal bonds issued by a municipality; and
    8. Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.”

as the case may be “, and without guidance having been sought from the Municipality’s bankers or other credible investment advisors on the security and financial implications of the investment concerned”.

**[5.4] Call Deposits and Fixed Deposits**

Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 paragraphs) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Chief Financial Officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

**[5.5] Restriction on Tenure of Investments**

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or the executive committee, as the case may be.

**[5,6] Payment of Commission**

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

**[6] Control over Investments**

The Chief Financial Officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The Chief Financial Officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The Chief Financial Officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality’s bankers or attorneys.

**[7] Other External Investments**

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality.

In such cases the Chief Financial Officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or executive committee, as the case may be, and without guidance having been sought from the municipality’s bankers or other credible investment advisers on the security and financial implications of the investment concerned.

**[8] Banking Arrangements**

The Municipal Manager is responsible for the management of the municipality’s bank accounts, but may delegate this function to the Chief Financial Officer. The Municipal Manager and Chief Financial Officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts.

The Municipal Manager, in consultation with the Chief Financial Officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the Executive Committee or the Executive Mayor, as the case may be, on a monthly basis, as part of the report dealing with the municipality’s investments.

In compliance with the requirements of good governance, the Municipal Manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following:

* the administration of the external finance fund; and
* the asset financing reserve (if these accounts are legally permissible).

One or more separate accounts shall also be maintained for the following:

* capital receipts in the form of grants;
* donations or contributions from whatever source;
* trust funds;
* the municipality’s self-insurance reserve (if legally permissible).

In determining the number of additional accounts to be maintained, the Municipal Manager, in consultation with the Chief Financial Officer, shall have regard to the likely number of transactions affecting each of the accounts referred to.

Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality’s bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The Municipal Manager shall invite tenders for the placing of the municipality’s bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year.

However, such tenders may be invited at any earlier stage, if the Municipal Manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality’s current bankers are materially defective, or not cost-effective, and the Executive Mayor or the Executive Committee, as the case may be, agrees to the invitation of such tenders. The bank account contract period shall not exceed five years”.

**[9] Raising Of Debt**

The Municipal Manager is responsible for the raising of debt, but may delegate this function to the Chief Financial Officer, who shall then manage this responsibility in consultation with the Municipal Manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the chief financial officer.

Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

**[10] Investments for the Redemption of Long-Term Liabilities**

In managing the municipality’s investments, the Chief Financial Officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan.

Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date.

The making of such investment shall be approved by the council at the time that the loan itself is approved. If the loan raised is not a fixed term loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

**[11] Interest on Investments**

The interest accrued on all the municipality’s investments shall, in compliance with the requirements of Generally Recognized Accounting Practice, be recorded in the first instance in the municipality’s operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

In the case of the external finance fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Financial Officer to the appropriation account and re-appropriated to the asset financing reserve.

**[12] ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003**

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the Executive Mayor, Executive Committee or Chief Financial Officer.

This policy is based on the assumption that such authority has been delegated to the Chief Financial Officer.

**[12.1] SECTION 7: OPENING OF BANK ACCOUNTS**

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

* otherwise than in the name of the municipality;
* abroad; or
* with an institution not registered as a bank in terms of the Banks Act 1990

Money may be withdrawn from the municipality’s bank account only in accordance with the requirements of Section 11 of the present Act.

**[12.2] SECTION 8: Primary Bank Account**

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality’s primary account:

* all allocations to the municipality
* all income received by the municipality on its investments
* all money collected by an external mechanism on behalf of the municipality, and
* any other monies as may be prescribed

The Accounting Officer of the municipality must submit to the National Treasury, the Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the Accounting Officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

**[12.3] SECTION 9**: **BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR GENERAL**

The Accounting Officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

**[12.4] SECTION 10**: **CONTROL OF MUNICIPAL BANK ACCOUNTS**

The Accounting Officer of the municipality must administer the entire municipality’s bank accounts, is accountable to the municipal Council for the municipality’s bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The Accounting Officer may delegate the duties referred to above only to the municipality’s Chief Financial Officer.

**[12.5] SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

Only the Accounting Officer or the Chief Financial Officer of the municipality (presumably where this power has been appropriately delegated), or any other Senior Financial Official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality’s bank accounts. Such withdrawals may be made only to:

* defray expenditure appropriated in terms of an approved budget
* defray expenditure authorised in terms of Section 26(4) of the Act (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene)
* defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1) of the Act
* in the case of a bank account opened in terms of Section 12 of the Act, make payments from the account in accordance with Section 12(4) of the Act
* pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state
* refund money incorrectly paid into a bank account
* refund guarantees, sureties and security deposits
* make investments for cash management purposes in accordance with Section 13 of the Act
* defray increased expenditure in terms of Section 31 of the Act; or
* for such other purposes as may be prescribed

(Note that Section 11(1) of the Act does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorisation to a Senior Financial Official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The Accounting Officer may not authorise any official other than the Chief Financial Officer to withdraw money or to authorise the withdrawal of money from the municipality’s primary bank account if the municipality has a primary bank account, which is separate from its other bank accounts.

The Accounting Officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

**[12.6] SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS**

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the Municipal Manager may be the Accounting Officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

**[12.7] SECTION 13: CASH MANAGEMENT AND INVESTMENTS**

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor- General in writing:

* of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year
* the bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

**[12.8] SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS**

The following documents must accompany each tabled draft annual budget (inter alia):

* a projection of cash flows for the budget year by revenue source divided into calendar months
* particulars of the municipality’s investments

**[12.9] SECTION 22: PUBLICATION OF ANNUAL BUDGETS**

The Accounting Officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connection with such budget (and documents).

**[12.10] SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES**

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the Accounting Officer of a National or Provincial Department and the accounting authority of a National or Provincial Public Entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the National Treasury or the relevant Provincial Treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for Finance in the province must, when tabling the national annual budget in the National Assembly or the provincial annual budget in the Provincial Legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

**[12.11] SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES**

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the Accounting Officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

**[12.12] SECTION 45: SHORT-TERM DEBT**

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge

* shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year;
* or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may:

* approve a short-term debt transaction individually,
* approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that:
  + the credit limit must be specified in the resolution of the council;
  + the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and
  + if the council approves a credit facility limited to emergency use, the Accounting Officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality:

* must pay off short-term debt within the financial year in which it was incurred, and
* may not renew or refinance short-term debt where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

**[12.13] SECTION 46: LONG-TERM DEBT**

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of:

* capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5) of the Act.

**[12.14] SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT**

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

**[12.15] SECTION 64: REVENUE MANAGEMENT**

The Accounting Officer of the municipality is responsible for the management of the revenue of the municipality. The Accounting Officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality’s primary and other bank accounts.

The Accounting Officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The Accounting Officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

**[12.16] SECTION 65: EXPENDITURE MANAGEMENT**

The Accounting Officer of the municipality is responsible for the management of the expenditure of the municipality.

The Accounting Officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

The Accounting Officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The Accounting Officer must further ensure that the municipality’s available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

**Part 13 Annexure II: Code of Practice In Regard To Payments, Revenue Collection and Stores**

**[13.1] Stores Administration**

The Chief Financial Officer shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of Department, such head of Department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the Chief Financial Officer, acting in consultation with the head of Department concerned. No sub-store may be established without the prior written consent of the Chief Financial Officer.

**[13.2] Contracts Management**

Within such general buying and related procedures as the Chief Financial Officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the Executive Mayor or Executive Committee, as the case may be:

* all buying contracts shall be administered by the Chief Financial Officer, and all payments relating to such contracts shall be authorised by the Chief Financial Officer or the head of department concerned; and
* all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 25.3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and

are correct in all respects - before being submitted to the Chief Financial Officer for payment.

**[13.3] Payments**

* All payments, other than petty cash disbursements, shall be made through the municipality’s bank account(s).
* The Chief Financial Officer shall draw all cheques on this account, and shall, in consultation with the Municipal Manager and with due regard to the council’s policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the Municipal Manager decide on appropriate signatories.
* All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as determined from time to time by the Chief Financial Officer.
* The Chief Financial Officer shall generally determine petty disbursements from time to time. No cash float shall be operated without the authority of the Chief Financial Officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.
* The Chief Financial Officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councilors, and for the determination of the payment system to be used.

**[13.4] Revenue and Cash Collection**

* Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.
* The Chief Financial Officer shall ensure that all revenues are properly accounted for.
* The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the Chief Financial Officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the Chief Financial Officer shall report the matter adequately and timeously to the finance and executive committees.
* The Chief Financial Officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council’s policy on rates and tariffs.

**[13.5] Banking Of Receipts**

* The Chief Financial Officer shall if necessary, determine guidelines and procedures for the banking of cheques and other receipts from time to time.
* Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality’s banker(s), or less frequently if so approved by the Chief Financial Officer.

XHARIEP DISTRICT MUNICIPALITY

DRAFT CREDIT CONTROL AND DEBT

COLLECTION POLICY



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1. **BACKGROUND**

Xhariep District Municipality was established after the local government elections held on the 05th December 2000. The District is new and initially formed part of Motheo District Municipality. Therefore, as a new municipality, Xhariep District has to put in place operational systems and policies. One such important policy is Credit Control and Debt Collection.

The White Paper on Local Government states that municipalities should raise 90 % of own revenue. This means that it is absolutely imperative that municipalities recuperate money owed to them so that they can be financially sustainable. This however, is within the ambit of the law such as the Municipal Systems Act for the district municipalities.

It has become imperative that the District develops its policies befitting its own circumstances and conditions within the relevant legislation.

***Financing of District Municipalities***

Financing of District Municipalities is regulated in terms of the Regional Services Councils Act, Act No. 109 of 1985 and the Provincial District Councils Act.

* + 1. Section 12 (1) of this Act stipulates that a Council shall levy and claim from-

1. Every employer who employs or is deemed to employ employees within its region and each person carrying on or deemed to be carrying on enterprise within its region, a regional services levy;
2. Every person carrying on or deemed to be carrying on an enterprise within its region, a regional establishment levy

Section 12 (11) of this Act stipulates that a levy, or interest payable, shall be deemed to be a debt due to the Council and may be recovered by the Council by way of judicial process in a competent court.

***Credit Control and Debt Collection***

The Municipal Council must ensure that all money that is due and payable to the Municipality is collected, subject to the Municipal Systems Act. For this purpose the debt collection policy consistent with its tariff policy and complying with the provisions of the Municipal Systems Act.

The Municipal Council must adopt by-laws to give effect to its credit control and debt collection policy, its implementation and enforcement. By-laws may differentiate between different categories of taxpayers, customers, debtor’s taxes, services, service standards and other matters.

**2. PURPOSE OF THE POLICY**

The purpose of this policy is to ensure that credit control and debt collection form part of the financial system of Xhariep District Municipality and to ensure that prudent credit control and debt collection procedures are applied consistently.

**3. DELEGATION OF POWERS**

This policy is applied with due observance of the Municipality’s policy with regard to delegation of powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council, the Executive Mayor and the Municipal Manager. The delegation of powers is subject to the Municipal Finance Management Act (MFMA).

**4. RESPONSIBILITY FOR CREDIT CONTROL**

* 1. ***Supervisory Authority***

The Executive Mayor shall

4.1.1 Oversee and monitor:

1. the implementation and enforcement of the Municipality’s credit control and debt collection policy ; and
2. the performance of the Municipal Manager in implementing the policy.
   * 1. When necessary, evaluate, review or adapt the policy , in order to improve the efficiency of its credit control and debt collection mechanisms, processes and procedures, and
     2. Report quarterly to Council.
   1. ***Implementing Authority***

4.2.1 The Municipal Manager shall

4.2.1.1 Implement and enforce the Municipality’s credit control and debt collection policy in terms of the Municipal Systems Act (Act no 32 of 2000)

4.2.1.2 Establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality; and

4.2.1.3 Report the amount owed to the Municipality and actions to be taken to recover the debt.

* 1. ***Unsatisfactory levels of Indebtedness***

|  |  |  |
| --- | --- | --- |
| ***LEVELS*** | ***MONTHS*** | ***NOTICE*** |
| ***1*** | ***30 DAYS*** | ***First notice*** |
| ***2*** | ***60 DAYS*** | ***Second notice, Final notice*** |
| ***3*** | ***90+*** | ***Unsatisfactory*** |

4.3.1 The Municipal Manager shall take necessary steps and develop strategies to rectify the situation in consultation and the approval of the Executive Mayor.

**5. CREDIT CONTROL PROCEDURES**

All outstanding debts are payable within thirty (30) days.

***5.1 Action after failure to pay***

5.1.1 The municipality shall;

1. Send the first notice to the consumer to pay or make arrangements to pay off the arrears within 14 days or issue a notice as per the contract specification.
2. A second notice shall be sent to the defaulter when payment or arrangement has not been made within seven days after the due date of the first notice.
3. A final demand stating the due date of seven days after the second notice when the consumer fails to respond to (a) and (b) above.

5.1.2 If the defaulter fails to respond by the demand date to either pay the arrears amount, lodge an appeal or make arrangements to pay, the municipality shall institute legal action to recover the money owed.

* 1. ***Dishonoured Payments***
     1. Where any payment made to the Municipality is later dishonoured by the bank, the Municipality shall levy such costs and administration fees against an account of the defaulting debtor.

***5.5 Interest on Arrears***

a) Accounts in arrears shall accumulate interest rate of 2 % above the prime rate or as determined from time to time by the municipal council.

b) As soon as an agreement to repay arrears has been concluded the amount in arrears shall be raised in the debt book and no further interest shall be levied. As long as the agreement is honoured no further interest shall be added. In case of defaulting, the suspended amount shall be reversed and interest shall again be levied from date of default.

**5.7** ***Legal Fees***

All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor.

**5. 8** ***Full and Final Settlement of an Amount***

5.8.1 Where the exact amount due and payable to the municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except the Finance Manager and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.

5.8.2 The provision above shall prevail notwithstanding the fact that such lesser

payment was tendered and/or accepted in full settlement.

* + 1. The Finance Manager and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.
  1. ***Arrangements to pay outstanding and due amount in consecutive instalments***
     1. A debtor shall enter into a written agreement with the municipality to repay

any outstanding and due amount to the municipality under the following

conditions:

1. the outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments not exceeding 12 months;
2. the current monthly amount is paid in full; and
3. The written agreement has to be signed on behalf of the municipality by a duly authorised officer.

5.10.2 Should any dispute arise as to the amount owing by an owner in respect of levies the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average levies for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the municipality.

* 1. ***Appeals***
     1. A consumer has the right to lodge an appeal if not satisfied with his or her account;
     2. An appeal must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount, and must contain details of the specific item(s) on the account which are subject for appeal, with full reasons.
     3. Whilst the appeal is still in process;

a) The consumer shall, notwithstanding such an appeal, proceed to make regular minimum payments based on the calculations of the average charges for the preceding three months prior to arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the municipality

* + 1. Adjudication of appeals

a) The Finance Manager shall investigate the appeal within 14 days of lodgement to establish the accuracy thereof;

b) The debtor shall be informed in writing of the results of the investigations or in a meeting with the Finance Manager;

c) The debtor shall be encouraged to meet with the Finance Manager or duly authorised authority to deal with the appeal.

**6. EXTENSION FOR PAYMENT**

6.1 Extension for payment shall be granted under the following conditions:

a) The consumer is not already in default;

b) The account has been paid for the previous three consecutive months

c) The extension is not more than 12 (twelve) months

d) Extension is not requested while there is another extension

6.2 The levy payer shall;

a) Write a letter requesting extension to the municipality

b) If granted, enter into an agreement with the municipality

c) The levy payer should use XDM standard forms or templates in order for

the process to be uniform.

6.4 Continuous default

6.4.(a) If a debtor fails to comply with the terms of any agreement providing for an extension of time for payment, then the total of all amounts due including interest and cost, shall immediately become payable to the municipality and the municipality shall send notice to this effect without further notice to the debtor.

6.4. (b) If the levy payer fails to respond within five (5) working days to the notice in S6.4.(a) above, the municipality shall;

* + 1. hand over the name of such levy payer to the attorneys of the municipality for collection;
    2. the levy payer shall be summoned to appear in court for non-payment of levies;

**7. PERSONNEL AND FINANCIAL IMPLICATIONS**

The Municipality shall

a) Appoint or establish a credit control section or unit with personnel for the implementation of this policy; or

b) Appoint an agent to act on its behalf

**8. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS**

8.1 If the Municipality outsources the credit control function, it shall

1. Name all the external agents acting on its behalf, together with their details and contact information. All agents shall be supplied with a copy of the credit control and debt collection procedures.
2. Clear instructions to agents and other arrangements shall be explained for the consumers’ benefit
3. Agents shall not negotiate terms, extend payment periods or accept cash on behalf of the municipality.

8.2 The costs to the municipality and to the debtor shall be detailed for each stage of the credit control measures and for all possible actions. The liability for the costs of legal action and other credit control actions shall as far as is legally possible be for the account of the debtor.

**9. IMPLEMENTATION OF THIS POLICY**

This policy shall be implemented once approved by council and all future Credit Control and Debt Collection procedures shall be implemented in accordance with this policy.

TARIFF POLICY



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**1. INTRODUCTION**

A tariff policy must be compiled, adopted and implemented in terms of the current legislation. This Policy will provide for the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements. In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, the impact which its own tariffs may have on local economic development.

**2. LEGISLATION**

The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 of the Local Government Municipal Systems Amendment Act 44 of 2003

**3. OBJECTIVES**

The objective of the tariff policy is to ensure the following:

* The tariffs of the Municipality conform to acceptable policy principles;
* Municipal services are financially sustainable;
* There is certainty in the Council, of how the tariffs will be determined;
* Tariffs of the Municipality comply with the applicable legislation; and
* The Municipal procedures and practices are uniform and guided by a policy.

**4. POLICY PRINCIPLES**

The Municipality’s tariff policy will reflect the following principles:

* Tariffs imposed by the district municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigence relief measures approved by the district municipality from time to time).
* Users of municipal services should be treated equitably in the application of tariffs;
* The amount individual users pay for services should generally be in proportion to their use of that service;
* Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;
* Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision;
* Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
* Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users; and
* The economical, efficient and effective use of resources and other appropriate environmental objectives must be encouraged.

The extent of subsidisation of tariffs should be fully disclosed.

**5. NEED FOR A TARIFF POLICY**

In terms of Section 74 of the Municipal Systems Act the Council must adopt and implement a Tariff Policy that complies with the provisions of any applicable legislation on the levying of fees for Municipal services provided by or on its behalf. The Tariff Policy may differentiate between different categories of users, debtors, service provider’s employees, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination. Section 75 of the Act requires that the Council adopt by-laws to give effect to the implementation and enforcement of its Tariff Policy. Such by-laws may differentiate between different categories of users, debtors, service providers, employees, service, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination.

**Revenue Adequacy and Certainty**

The Municipality must have access to adequate sources of revenue to enable it to carry out its functions. The Municipality must:

* Fully utilise the available sources of revenue to meet its development objectives; and
* Be reasonably certain of its revenue to allow for realistic planning.

**Sustainability**

Financial sustainability requires that the Municipality must ensure that its budget balances. This means that the Municipality must ensure that:

* Services are provided at affordable levels; and
* It is able to recover the costs of service delivery.

The Municipality realises that no aid will be provided to it if it exceeds its budget or fails to establish proper financial management controls. Councillors will set realistic budgets. The current legislation requires that all budgets be fully and adequately funded. There must be sufficient income and resources to cover all budgeted spending.

**Effective and Efficient usage of Resources**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community. However, there are no mechanisms available to ensure that the Municipality’s decisions will ensure effective allocation of resources. It is therefore important that the community provide the necessary checks and balances. They can do this by participating in the budget process. In addition, performance audits should be carried out by the office of the Auditor-General or outsourced to a private firm.

**Accountability, Transparency and Good Governance**

The Municipality must be accountable to the community for the use of its resources. Councillors must be able to:

• Justify their expenditure decisions; and

• Explain why and how the revenue necessary to sustain expenditure, is raised.

Budgeting and the financial affairs of the Municipality must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent. Community participation in budgeting should include those groups in the community, such as women, who face particular constraints in participating. It must also include a capacity-building component to ensure that people understand the prioritisation process (why resources are allocated to one area rather than another).

**6. MINOR TARIFFS**

All minor tariffs shall be standardized within the Municipal region. They shall be approved by the Council in each annual budget, and shall, when deemed appropriate by the council, be subsidized by general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

* Rentals for the use of Municipal halls, Kitchen and Braai Area;
* Rentals for the use of Office Space and Parking Spaces /Lots;
* Sale of tender documents
* Environmental Health tariffs.

The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

* Penalty and other charges imposed in terms of the approved policy on credit control and debt collection.
* Penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

Market-related rentals shall be levied for the lease of Municipal properties. In the case of rentals for the use of Municipal halls and premises, if the Municipal Manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive up to 100%of the applicable rental or an applicable subsidy to its Local Municipalities.

The Municipal Manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of Municipal halls and premises, in so determining shall be guided by the likelihood of the municipality’s sustaining damages as a result of the use of the facilities concerned.

**7. CATEGORIES OF USERS**

The tariff structure of the Xhariep District Municipality will make provision for the following categories of users:

* Government Departments;
* Local Municipalities;
* Special arrangements for users not falling in any of the above-mentioned categories.

**8. TARIFF CHARGES**

Applicable tariff charges for Long term Contractual Lease Agreements as prescribed by the Municipality from time to time and on regular intervals will increase by 10% of the amount stated in the contract entered into with the lessee.

Tariff charges for sale a of tender documents

* R30 000.00 to R200 000.00 – **( R 75 )** a document
* R200 000.00 to R1000 000.00 - **( R 550)** a document
* R1000 000.00 Above – **( R 650)** a document

Tariff rentals for the use of Office Space

* Office Space be charged at R105 per square meter

Tariffs rentals for the use of Parking Spaces /Lots

* Parking bay with paving **R 150.00** per month
* Lockable parking – **R 180.00** per month
* Planning parking covered with no paving – **R 105** per month
* Garage municipality – **R 210** per month

**Environmental Health tariffs**

* Application to conduct business – Administration fee R100 per annum
* Certificate – Food from fixed premises R200 per annum
* Street Vendor (Hawking) certificate of acceptability R 75 per annum
* Issuing of condemnation certificate R150 per annum
* Request to conduct condemnation of foodstuffs R400 per occurrence
* Issuing of permit to introduce milk and milk products

and milk products into the municipal area for human

consumption R200 per month

* Issuing of permit for the conduct of a FORMAL

Pre-School and Early Childhood Development Centre R200 per annum

* Issuing of permit for the conduct of INFORMAL

Pre-School and Early Childhood Development Centre R120 per annum

* Issuing of a certificate to conduct a home for the aged R350 per annum
* Issuing of a duplicate licence or permit R150 per issue
* Amendments of issued permits/licences R100 per issue
* Issuing a certificate of competence for conducting a

Funeral Parlour/Undertaking business R450 per annum

* Request to conduct an exhumation R300 per issue
* Air quality emissions licencing fee per listed activity R10000 per annum

**9. RESPONSIBILITY/ACCOUNTABILITY**

The Council or designates of the Council have the overall responsibility of laying down the Tariff Policy. The Municipal Finance Management Act defines the responsibility of the Municipal manager as ensuring that the Tariff Policy be in place and that it is effectively implemented.

**10. REVIEW DATE**

This policy is presented to Council on …..of June 2020 and shall be reviewed in June 2021 by a sitting of the Council.

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MUNICIPAL FINANCE MANAGEMENT ACT 2003

PART 1 DEFINITION OF A FIXED ASSET

A fixed asset is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the productions or supply of goods or services, for rental to others, or for administrative purposes, and which is expected to be used during more than one reporting period (financial year).

A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

An asset held under a finance lease, shall be recognised as a fixed asset, as the municipality has control over such an asset even though it does not own the asset.

PART 2 ROLE OF MUNICIPAL MANAGER

As accounting officer of the municipality, the municipal manager shall be the principal custodian of all the municipality’s fixed assets, and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

The chief financial officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

PART 4 FORMAT OF FIXED ASSET REGISTER

The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and any other accounting requirements which may be prescribed.

The fixed asset register shall reflect the following information but not limited to:

* a brief but meaningful description of each asset
* the date on which the asset was acquired or brought into use
* the location of the asset
* the department(s) or vote(s) within which the assets will be used
* the title deed number, in the case of fixed property
* the stand number, in the case of fixed property
* where applicable, the identification number, as determined in compliance with part 11 below
* the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available
* the (last) revaluation date of the fixed assets subject to revaluation
* the revalued value of such fixed assets
* who did the (last) revaluation
* accumulated depreciation to date
* the depreciation charge for the current financial year
* the carrying value of the asset
* the method and rate of depreciation
* impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
* the source of financing
* the current insurance arrangements
* whether the asset is required to perform basic municipal services
* whether the asset has been used to secure any debt, and – if so – the nature and duration of such security arrangements
* the date on which the asset is disposed of
* the disposal price
* the date on which the asset is retired from use, if not disposed of.

All heads of department under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register, and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, whereafter it shall be appropriately capitalised as a fixed asset.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

PART 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

PROPERTY, PLANT AND EQUIPMENT

* land (not held as investment assets)
* infrastructure assets (assets which are part of a network of similar assets)
* community assets (resources contributing to the general well-being of the community)
* heritage assets (culturally significant resources)
* other assets (ordinary operational resources)

INVENTORY

* housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

* investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 6 INVESTMENT PROPERTY

Investment assets shall be accounted for in terms of IAS 40 and shall not be classified as property, plant and equipment for purposes of preparing the municipality’s statement of financial position.

Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment assets shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

PART 7 FIXED ASSETS TREATED AS INVENTORY

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality’s statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate section of the fixed assets register shall be maintained for this purpose.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER

If no original costs or fair values are available in the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

PART 9 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the chief financial officer.

PART 10 SAFEKEEPING OF ASSETS

Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality’s fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality’s audit report(s), and shall be decided upon within the context of the municipality’s budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 12 PROCEDURES IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

No item with an initial cost or fair value of less than R2 000 (Two thousand rand) – or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager – shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense.

Every head of department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand), and with an estimated useful life of more than one year, shall be recorded on a stocksheet. Every head of department shall moreover ensure that the existence of items recorded on such stocksheets is verified from time to time, and at least once in every financial year, and any amendments which are made to such stocksheets pursuant to such stock verifications shall be retained for audit purposes.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

No intangible item shall be recognised as a fixed asset, except that the chief financial officer, acting in strict compliance with the criteria set out in IAS 38 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed assets.

PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 19 DEPRECIATION OF FIXED ASSETS

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned. Thereafter, deprecation charges shall be calculated monthly.

Each head of department, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

PART 20 RATE OF DEPRECIATION

The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality’s fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset’s economic benefits or service potential will be consumed.

PART 21 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

The chief financial officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset’s economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

In the all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES

The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

* estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and
* actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CARRYING VALUES OF FIXED ASSETS

All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 25REVALUATION OF FIXED ASSETS

All land and buildings recorded in the municipality’s fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll (or, if the land and buildings concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The chief financial officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the chief financial officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The chief financial officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

The chief financial officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality’s appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the chief financial officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

PART 26 VERIFICATION OF FIXED ASSETS

The Administrator Assets shall at least once a month perform a physical verification of fixed assets of the Municipality.

Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

PART 27 ALIENATION OF FIXED ASSETS

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality’s supply chain management policy.

Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender or any other approved form. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R1 000 (one thousand rand).

The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R1 000 (one thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the income statement of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the income statement of the department or vote concerned.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality’s sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

**Procedures to be followed when disposing an asset.**

When an asset of the municipality is no longer in use, the following procedures must be followed:

Asset(s) that are uneconomical to maintain or operate and those that have reached useful life must be identified.

Asset Disposal Form must be completed and signed by the affected Unit Manager

The Disposal form must clearly motivate the reasons for the disposal of such asset(s)

The application to dispose of an asset form must be completed and sent to Asset Management Unit for assessment.

If the item is of a technical nature e.g. computer equipment, a request must be forwarded to IT division to check the status of the equipment and submit a report to Asset Managementt Unit

Based on the reports and motivation submitted by the business unit managers a motivation will then be submitted to the Disposal Committee for recommendation to dispose of an asset. Municipal Manager wiould take recommendation to Council for approval.

The disposal committee members will authorise the disposal of an asset by signing the (Authority to dispose of an asset form)

The approved forms (Authority to dispose an asset forms) shall be forwarded to Budget and Treasury Office Assets Management Unit for the release of Assets

**Disposal of Computer equipment**

* In the case of PC’s, only on the recommendation of the IT division will the item be disposed of.

. **Disposal of computer equipment**

* that Councillors and officials on termination of service with Council, may purchase the notebook computers allocated to them at the written- down value thereof (this value to be determined on a straight line depreciation basis over seven years) Plus any handling fee of R350 (or as may be determined from time to time) Plus Value Added Tax at the applicable rate.
* due to the advancement in computers and inherent depreciation of the value of computers, obsolete laptops, notebooks and desktops PC’s officials shall be granted the opportunity to purchase such equipment at the depreciated value.

**Free Disposal of assets**

***Criteria to be used in a case of a free disposal of an asset***

The following types of organisations shall be considered for a free disposal of municipality assets:

* Registered welfare or Charitable(NGOs)
* Schools catering for handicapped and disabled,
* Schools for special learners
* Educational institutions initiating programmes for the benefit of the community of the Xhariep District municipality.

Free disposal of municipality assets shall be applicable to the following assets:

* Obsolete furniture and redundant equipment
* Computer equipment
* Computer notebooks (in a case where the user of the notebook did not exercise the purchase option)

The following procedures shall apply on consideration of an application for a free disposal of assets:

* Applications shall be directed to Xhariep District Municipality for the attention of the Director Corporate Services.
* The application shall be accompanied by the following:
* Motivation with reasons for requesting a free disposal of such a particular asset of the municipality, or existence in the community
* Proof of registration of the organisation/ institution
* A copy of the applicants constitution

**The following criteria must apply when donating assets to outside organisations in respect of**:

**Computer equipment,**

Preference shall be given to educational institutions, welfare and charitable organisations as described below.

* Applications shall be directed to Xhariep District Municipality for the attention of the Director Corporate Services.
* The application shall be accompanied by the following:
* Motivation with reasons for requesting a free disposal of such a particular asset of the municipality, or existence in the community
* Proof of registration of the organisation/ institution
* A copy of the applicants constitution

**Other method**

Any other proposed method of disposal shall be communicated to the

Asset Management Unit for submission to the disposal committee for approval. It is preferable that the method of disposal be included in the disposal plan for each business unit.

**Lack of other possible purchasers**

Disposal of assets by direct negotiations with one possible interested party should be the exception rather than the rule. When sale by auction or tender has failed due to lack of demand or unacceptable offers were received and established further efforts indicate that efforts to dispose of the asset by auction or tender is unlikely to succeed, direct possible negotiations with one possible **interested party shall be allowed.**

PART 28 OTHER WRITE-OFFS OF FIXED ASSETS

A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the council of the municipality.

Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the alienation of such fixed assets, shall be the loss, theft, destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the chief financial officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

PART 29 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 30 INSURANCE OF FIXED ASSETS

The municipal manager shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality’s self-insurance reserve.

PART 32 ANNEXURE: FIXED ASSET LIVES

INFRASTRUCTURE ASSETS

The following is the list of infrastructure assets, with the estimated useful life in years indicated in brackets in each case.

\* Security measures

Access control systems (5-10)

Security systems (5-10)

Security fencing (5-10)

COMMUNITY ASSETS

The following is a list of community assets, showing again the assigned or estimated useful lives in years in brackets:

\* Buildings and other assets

Museums and art galleries (25-30)

Sports and related stadiums (25-30)

OTHER ASSETS

The following is a list of other assets, again showing the estimated useful life in years in brackets:

\* Buildings

Office buildings (25-30)

Training centres (25-30)

Workshops and depots 25-30)

\* Office equipment

Computer hardware (3-7)

Computer software (3-7)

Office machines (5-10)

Air conditioners (5-10)

\* Furniture and fittings

Chairs (3-15)

Tables and desks (3-15)

Cabinets and cupboards (3-15)

\* Motor vehicles

Ordinary motor vehicles (4-7)

\* Plant and equipment

Lawn mowers (3-15)

Compressors (3-15)

Irrigation systems (3-15)

PART 33 ANNEXURE: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

* the council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and

the council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset