

Xhariep District Municipality

Draft Banking and Investment Policy



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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.

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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**

Comment [T1]:
Proposed additional sentence

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

Comment [T2]:
Proposed additional paragraph as per the draft Municipal policy.

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 Councillors, 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

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municipality requires, and to the best and most secure instrument available at the time.

A municipality ~~or municipal entity~~ may invest funds only in any of the following investment types -

Comment [T3]:
Removed Municipal Entity

- a) Securities issued by the national government;
- b) 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;
- c) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);
- d) deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);
- e) 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;
- f) Guaranteed endowment policies (with credit worthy institutions), with the intention of establishing a sinking fund;
- g) Municipal bonds issued by a municipality; and
- h) 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).

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Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 paragraph) 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

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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. ~~(At all times changes to list of approved signatories must bear the signatory of the Municipal Manager)~~

Comment [T4]:
Not necessary as all signatories are approved by Council.

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; i
- donations or contributions from whatever source; i
- trust funds; i
- the municipality's self-insurance reserve (if legally permissible).

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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

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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 reappropriated 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 income received by the municipality in connection with its interest in any municipal entity~~
- all money collected by ~~a municipal entity or other an~~ external mechanism on behalf of the municipality, and
- any other monies as may be prescribed

Comment [T5]:
Not applicable as XDM does not have a Municipal Entity

Comment [T6]:
Not applicable as XDM does not have a Municipal Entity

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 all the 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

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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

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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, ~~whether its own debt or that of any municipal entity~~, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

Comment [T7]:
Not applicable as XDM does not have a Municipal Entity

[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.

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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 councillors, 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.

Xhariep District Municipality

- 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 LAPTOP IPAD POLICY

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XHARIEP DISTRICT MUNICIPALITY – DRAFT LAPTOP IPAD POLICY

PREAMBLE

Like any other valuable assets of the Municipality, laptops are no exception to the best practice of policies and procedures propounded by Xhariep District Municipality in pursuit of effective and proper management of all the operational assets of the Municipality.

In order to enable and enhance the productivity of the municipality's operations at all times, it is of paramount importance to make use of the assets conducive enough to enable the employees to execute all their duties and responsibilities without any difficulties, especially when out of their respective working stations and offices.

Furthermore, the purpose of this policy is to develop a means of managing these tools/assets in an effective and efficient manner.

XHARIEP DISTRICT MUNICIPALITY – DRAFT LAPTOP/iPAD POLICY

1. Name of the Policy

This policy shall be called the Xhariep District Municipality Laptop/iPad Policy (LP)

2. DEFINITONS

2.1 Municipality

- Means a municipality established in terms of section 12 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998), and herein referred to as Xhariep District Municipality.

2.2 Executive Mayor

- Means an Executive Mayor elected in terms of section 55 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998).

2.3 Speaker

- Means a speaker elected in terms of section 36 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998).

2.4 Mayoral Committee

- Means a mayoral committee member elected in terms of section 60 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998)

2.5 Municipal Manager

- Means a person appointed by the municipality in terms of section 82 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998) and who is the Head of Administration and also the Accounting Officer of the Municipality.

2.6 Head of Department

- Means any person appointed by the municipality in terms of section 57 of the Local Government: Municipal Structures Act 1998 (Act No 117 of 1998) and who is the Head of the department within Xhariep District Municipality.

2.7 Personnel/Staff Member

- Means any personnel/staff member appointed by the Xhariep District Municipality.

XHARIEP DISTRICT MUNICIPALITY – DRAFT LAPTOP/IPAD POLICY

3. PARTICIPATION IN THE LAPTOP/IPAD ACQUISITION SCHEME

The following staff and councillors may participate in this scheme subject to the terms and conditions contained in this policy and procedures:

Comment [T1]:
Does this not include other Councillors?

THE USE OF A LAPTOP

- a. The Executive Mayor;
- b. The Speaker;
- ~~b-c.~~ Councillors;
- ~~e-d.~~ Municipal Manager;
- e. Section 57 employees or departmental heads; and
- ~~d-f.~~ Any other employee who's duties and responsibilities require the use laptop. This will be subject to the approval by the Municipal Manager. ~~and~~
- e. Any other employee who occupies a position identified by the Municipal Manager.

Comment [T2]:
Rephrased above (f)

THE USE OF AN IPAD

- a. The Executive Mayor;
- b. The Speaker;
- c. MMC Councillors;
- d. Municipal Manager; and
- e. Section 57 employees or departmental heads.

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4. PROCEDURES TO BE FOLLOWED WHEN PROCURING A LAPTOP

As per the Xhariep District Municipality's Supply Chain Management Policy

5. CONDITIONS AND RESTRICTION OF USE

- a. A laptop/iPad remains the property of the Municipality and it will only be used for the purpose of promoting the business interests of the Municipality.
- b. The laptop/iPad will be properly recorded in the asset register of the municipality, and a councillor or official must sign the laptop/iPad agreement form ~~register~~ when he/she takes possession of a laptop/iPad and again when he/she returns it.
- c. No any other councillor or official, not officially authorised to be in possession of this asset, will use this asset (laptop/iPad) without the knowledge and approval of the Municipal Manager or his/her delegate.
- d. In cases where section 5 (c) above has been neglected, the authorised person will be fully held accountable for any loss or damage to a laptop/iPad.

Comment [T3]:
Does this register exist or is it part of the FAR?
Changed to laptop agreement form.

XHARIEP DISTRICT MUNICIPALITY – DRAFT LAPTOP/IPAD POLICY

- e. The replacement of a laptop/iPad (asset) is the sole responsibility of the municipality, and a replacement laptop/iPad will be purchased by the municipality whenever it deems fit and necessary to do so.
- f. No upgrading or tampering with the entire or any part of a laptop/iPad will be allowed without proper consent by the Municipal Manager or his/her delegate.
- g. Once every three months the laptop/iPad must be handed in at the Administrator: Assets ~~asset manager/controller~~ who with the assistance of IT (Information Technology) personnel must inspect the laptop/iPad and determine whether it is still in a good working order and that it is virus free. In this regard a checklist must be completed and signed by the Administrator: Assets ~~asset manager/controller~~ and the IT staff member.
- h. In case of any serious finding that may hamper the operations and use of the laptop, the matter must be reported to the Municipal Manager or his delegate in writing.
- i. Upon termination of service by a councillor or official for whatever reason, the laptop/iPad must be handed back to the municipality on the last day of service and the Laptop/iPad Register controlled by the asset manager/controller, must be signed by the councillor or official handing back the laptop/iPad and the asset manager/controller.
- j. Employees are responsible for the confidentiality of the information on the notebook and need to take due care about where the notebook is used and stored.
- k. Employees are responsible for ensuring that adequate backups of data on the notebook are taken at regular intervals (please contact the IT Department for assistance in this regard).

Comment [T4]:

Position not in the structure

Comment [T5]:

Does this really take place?

Comment [T6]:

Is there a laptop register

6. LIFE SPAN OF A LAPTOP/IPAD

- The lifespan of laptops/iPad will be three years, after which the municipality will then decide whether to upgrade, trade in or dispose off it in terms of the supply chain management policy and/or the disposal of assets policy of the Xhariep District Municipality.

XHARIEP DISTRICT MUNICIPALITY – DRAFT LAPTOP/IPAD POLICY

7. GENERAL RULES

The following rules shall apply:

- a. The laptop/iPad must be used on a daily basis by a councillor or official in possession of it.
- b. Any stolen/damaged equipment is to be reported to the Municipal Manager or his delegate, in writing, within 24 working hours, accompanied by the SAPS case number where applicable.
- c. In the event of an insurance claim the official user of a laptop/iPad shall be responsible for the applicable excess payable, due to the loss and/or damage resulting in the replacement of the of a laptop.
- d. The official user of a laptop/iPad shall be responsible for the total replacement cost of a laptop/iPad in the event of negligence and/or abuse being evident.
- e. The official user of a laptop/iPad must ensure that the laptop/iPad is secured at all times and adhere to the municipality's computer security policy.

Comment [T7]:

Does this really take place?

Shouldn't the official user only be liable if he/she was negligent?

8. AMENDMENT OF THE POLICY

- o This policy may only be amended by a formal resolution of the Council of Xhariep District Municipality.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

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XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

PREAMBLE

Xhariep District Municipality continuously endeavours to achieve best practice policies and procedures when managing the administration and operations of the assets of the Municipality.

In order to enable and enhance the productivity of the municipality's business units it is critical to make use of the latest means of communication technology. Based on this, cellular phones are allocated for sound business reasons, primarily for receiving and making business calls when not located in the office.

Furthermore, the purpose of this policy is to develop a means of managing these tools/assets in an effective and efficient manner.

The most guiding principles used in developing the Xhariep District Municipality Cell Phone Policy were sourced from the following legislation and policies:

- Remuneration of Office Bearers Act 20 of 1998, section 7(3);
- Government Gazette issued yearly by the Minister of Local Government for Remuneration on Councillors;
- Municipal Supply Chain Management Regulations 2005; and
- Municipal Finance Management Act 56 of 2003.

1. Name of the Policy

This policy shall be called the **Cellular Phone Scheme** of Xhariep District Municipality (**CPS**).

2. Definitions

2.1 Municipality

Means Xhariep District Municipality.

2.2 Executive Mayor

Means an Executive Mayor elected in terms of section 55 of the Municipal Structures Act 117 of 1998.

2.3 Speaker

Means a speaker elected in terms of section 36 of the Municipal Structures Act 117 of 1998.

2.4 Mayoral Committee

Means a mayoral committee member elected in terms of section 60 of the Municipal Structures Act 117 of 1998.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

2.5 Municipal Manager

Means a person appointed by the municipality in terms of section 82 of the Municipal Structures Act and who is the Head of Administration and also the Accounting Officer of the Municipality.

2.6 Head of Department

Means any person appointed by the municipality in terms of section 57 of the Municipal Structures Act and who is the Head of the department within Xhariep District Municipality.

2.7 Other Personnel

Means any other personnel appointed by the Xhariep District Municipality on post levels approved by SALGA and considered to be senior posts by the Municipality.

3. Criteria for allocation of a cellular telephone:

- 3.1 Cognisance is taken that the Minister of Provincial Cooperative Government and Traditional Affairs and Local Government has by notice in the Government Gazette as part of the Remuneration of Office Bearers Act 20 of 1998 determined the upper limits of the salaries, allowances and benefits of the different members of Municipal Councils.
- 3.2 It is also recognised that there are incumbents of positions within the Municipality whose responsibilities are of such a nature that they need cellular telephones to conduct their official business.

4. APPLICATION OF THE POLICY

This policy shall apply to the following people only:

- a. The Executive Mayor;
- b. The Speaker;
- c. Mayoral Committee Members;
- d. Other Councillors who qualifies for a cell phone allowance in terms of the Government Gazette issued by the Minister of Local Government on a yearly basis;
- e. Municipal Manager;
- f. Section 57 employees or departmental heads; and
- g. Any other official who has received approval from the Municipal Manager for Cellular Phone Allowance.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

5. Councillors:

- 5.1. The municipality shall procure cellular telephones by way of a contract/agreement with a service provider and issue the handset on to the relevant councillor. This arrangement shall apply to all full time and directly elected councillors of the municipality and the contract period shall not exceed two (2) years.
- 5.2. The service provider shall forward each individual account to the municipality for payment purposes.
- 5.3. Councillors shall be entitled to the cellular telephone allowances referred to in paragraph 3.1 above, read in conjunction with Section 7(3) the Remuneration of Public Office Bearers Act, 1998 (Act no 20 of 1998).
- 5.4. The amount stated in the cellular telephone account, referred to in paragraph 5.2 above, shall be deducted from the allowance referred to above. Any excess amounts regarding the specific individual cellular telephone account shall be deducted from the relevant councillor's remuneration.
- 5.5. After the expiry of the cellular telephone contract a new contract shall be entered into by the municipality and the old ~~cellular telephone handset~~ shall be replaced.
 - The old handset can be retained by the by the Councillor at no cost. This is because the Councillor would have utilised his/her cellular phone allowance to pay the cellular over a period of two years.
- 5.6. The initial connection fees for cellular telephones to be utilised by the councillors mentioned in paragraph 5.1 shall be for the account of the municipality. All additional upgrading or migration fees shall be for the account of the councillor concerned.
- 5.7. When a Councillor vacates his/her office, one of the following should take place: When a councillor vacates his/her office the handset must be returned unless arrangements have been made to retain the handset.
 - The Councillor can retain the handset on condition that the cellular phone contract would also be transferred to his/her name. This implies that all the risks

Comment [T1]:

This is just to give clarity on the way forward regarding the old handset.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

and rewards relating to the handset and the contract will be transferred from the Municipality to the Councillor; or

- The handset can be retained by the Municipality and be transferred to another employee/councillor who qualifies for the cellular phone allowance.

Comment [T2]:

Broken down further for more clarity.

5.8. The Municipality shall not bear any cost for any cellular phone accessories, with the exception of the cellular telephone handset itself.

6. Municipal Manager / Section 57 Managers / Departmental Heads / All other qualifying staff:

6.1. The municipality shall procure cellular telephones by way of a contract/agreement with a service provider and issue the handset on to the relevant Official. The contract period shall not exceed two (2) years.

6.2. The service provider shall forward each individual account to the municipality for payment purposes.

6.3. Officials shall be entitled to a fixed monthly the cellular telephone allowance as referred to below:

- Municipal Manager – R1,600.
- All Managers directly accountable to the Municipal Manager (Section 57) - R800.
- All General Managers - ~~R700~~R600.
- Personal Assistants of political office - ~~R700~~R600.
- All qualifying staff recommended by HOD - An amount determined by the Municipal Manager to a maximum of ~~R450~~500, based on the needs of the office occupied.

Comment [T3]:

Refer below for proposed amendments to the allowances.

The Municipal Council may consider an adjustment of the cellular telephone allowances, mentioned in 6.3 above, only once during a financial year provided a well motivated report on the matter is submitted to Council for their consideration.

6.4. The amount stated in the cellular telephone account, referred to in paragraph 6.3 above, shall be deducted from the allowance referred to above. Any excess amounts regarding the specific individual cellular telephone account shall be deducted from the relevant Official's remuneration.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

6.5. After the expiry of the cellular telephone contract a new contract shall be entered into by the municipality and the old ~~cellular telephone handset~~ shall be replaced.

- ~~The old handset can be retained by the Official at no cost. This is because the Official would have utilised his/her cellular phone allowance to pay the cellular over a period of two years.~~

Comment [T4]:

This is just to give clarity on the way forward regarding the old handset.

6.6. The initial connection fees for cellular telephones to be utilised by the Officials mentioned in paragraph 6.1 shall be for the account of the municipality. All additional upgrading or migration fees shall be for the account of the Official concerned.

6.7. ~~When an Official vacates his/her office, one of the following should take place:~~

- ~~The Official can retain the handset on condition that the cellular phone contract would also be transferred to his/her name. This implies that all the risks and rewards relating to the handset and the contract will be transferred from the Municipality to the Official; or~~
- ~~The handset can be retained by the Municipality and be transferred to another employee/councillor who qualifies for the cellular phone allowance.~~

6.6. ~~When an Official vacates his/her office the handset must be returned unless arrangements have been made to retain the handset.~~

Comment [T5]:

Broken down further for more clarity.

~~6.7.6.8.~~ The Municipality shall not bear any cost for any cellular phone accessories, with the exception of the cellular telephone handset itself.

7. PROCEDURES TO BE FOLLOWED WHEN APPLYING FOR A CELL PHONE ALLOWANCE BY OFFICIALS WHO DO NOT RECEIVE A CELL PHONE ALLOWANCE AS PART OF A REMUNERATION PACKAGE (OFFICIALS OTHER THAN COUNCILLORS, MUNICIPAL MANAGER AND SECTION 57's OR DEPARTMENTAL HEADS).

- a. It must be clearly noted that this procedure does not apply to Councillors, Municipal Manager and Managers reporting directly to the Municipal Manager or section 57's.
- b. All applications must be made in writing except in special situation where the Accounting Officer has duly authorised such allowance to an official.
- c. The application must be made using **Annexure A** of this policy. *See attachment.*

Comment [T6]:

Form Annexure A should be included as part of the policy

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

- d. The Head of the department must consider the application and make a recommendation to the Municipal Manager for approval.
- e. The application must then be submitted to supply chain management unit (SCM) for further processing (procurement of a phone).
- f. The SCM unit will then submit a letter to the Human Resources Department informing them to allocate the allowances on the user's salary as specified by the Municipal Managers' approval.
- g. A copy of the signed Cellular Phone Agreement shall be handed over to the User under his/her signature and the original placed on his/her personal file kept by the Municipality.

8. CONDITIONS AND RESTRICTION OF USE (1st Option)

- a. Officials are provided an allowance (refer to paragraph 6.3) in terms of the staff benefits provided by Xhariep District Municipality.
- b. An allowance will not be granted to employees with no official authorisation to acquire a cell phone for official purpose.
- c. In instances where a particular employee is expected to exceed the approved limit on a continual basis as a result of their job function, a written motivation should be made to the applicable Head of Department to agree on a revised limit.
- d. All successful applicants are compelled to enter into a Cellular Phone Agreement with the Municipality using a form attached as **Annexure B**.
- e. All the facts that necessitate the allowance must be established before an employee can qualify for the allowance, and one of them must be the nature of the job the person is doing.
- f. **Pre-paid facilities** will then be made available to employees participating in the scheme, and this will require approval from the relevant head of department.
- g. The insurance of this property will be the sole responsibility of the Municipality, as the municipality has entered into agreement with the service provider.

Comment [T7]:

Annexure B should be included as part of the policy.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

- h. The Cell Phone shall remain in the possession of the User until such time the service of the User has been terminated for whatever reasons or when the municipality deems it fit and necessary to reposes the asset **(Cell Phone)**.
- i. The Municipality will be responsible for the monthly bill of the Cell Phone but deduct the total amount of calls, including subscription against the monthly salary of the employee.
- j. The Municipality will also decide to purchase new phones from time to time and allocate such phones to the Users, and this will be in the case of the Executive Mayor or the Municipal Manager, as the case may be.
- k. No upgrading of Phones will be done by officials under this option.

9. OTHER OPTION

- a. Other option means any other method or option of acquiring a cell phone other than the one mentioned above.
- b. In this option, an employee who qualifies for a cell phone allowance and meets the credit requirements of a relevant service provider, can negotiate an agreement with any service provider of his/her choice.
- c. ~~The employee can also negotiate with including the approved service provider of the Municipality in order to obtain the corporate benefit.~~
- d. The employee will then be solely responsible for all the aspects of the use of the phone, including insurance and upgrades.
- e. The Municipality does not provide any assistance in this regard and no agreement between the Municipality and the User of this option is required.

Comment [T8]:

The sentence was confusing, tried to simplify it.

10. RECOVERY OF EXPENSES: ONLY IF OPTION 1 IS SELECTED

- a. The Municipality will be liable for the payment of the overall account of the service provider.
- b. The total cellular account for each User of this option, for that specific month, will be deducted from his/her salary, irrespective of the amount of any allowance, and this is in accordance with **clause 5.10 above**
- c. When the User is no longer employed by the Municipality or a member of the Council, ~~such User must hand in the phone, SIM card and all issued equipment on the last day of service~~ the process as per 5.7 and 6.7 above will take place.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

11. WHEN OTHER OPTION IS SELECTED

When this option is selected, the User is responsible for all the aspects relating to his/her cellular phone but not limited to payment of accounts, insurance and upgrading.

12. GENERAL GUIDELINES

The following guidelines shall apply:

- a. Upgrading will be in accordance with the service provider agreement, where appropriate.
- b. The phone must be used on a daily basis by the beneficiary.
- c. All the contracts to be entered into by and between the service provider and Council must be **by a way of a tender** in compliance with the SCM policy of the Council.
- d. The abovementioned clause can only be overridden by the Municipal Manager in terms of section 36 of the supply chain management policy or in instances where in his capacity as the Accounting Officer, deems it necessary to override.
- e. Any stolen/damaged equipment is to be reported to the Municipal Manager or his delegates, in writing, within 24 working hours, accompanied by the SAPS case number and statement where applicable.
- f. In the event of an insurance claim the User shall be responsible for the applicable excess payable, due to the loss and/or damage resulting in the replacement of the handset or a SIM swap.
- g. The User shall be responsible for the total replacement cost, including the repairs of the handset and/or SIM swap, where applicable, in the event of negligence and/or abuse being evident.

Comment [T9]:

This might not necessarily be a tender, three quotations are also possible.

13. TAX IMPLICATIONS

- a. A fixed monthly cell phone allowance is subject to employees' tax, on the same basis as the equivalent amount of, say, salary. The employee is then entitled to claim the cost of business calls against this allowance in the employees' annual tax return.
- b. Section 8 of the Income Tax Act allows the employer to refund an employee for actual expenditure incurred as agent on behalf of the employer. This refund can be made on documentary proof of expenses actually incurred.

XHARIEP DISTRICT MUNICIPALITY – CELL PHONE POLICY

14. Under no circumstances are employees allowed to place themselves or others at risk to fulfil business needs.

- a. Employees whose job responsibilities include regular or occasional driving and who are issued a cell phone for use are expected to refrain from using their phone while driving, except with the use of a hands-free device and in accordance with applicable laws.
- b. Every effort should be made to pull to the side of the road to a safe location prior to answering or initiating cell phone calls. In situations where job responsibilities include regular driving and accepting of work calls, Municipality must provide hands-free equipment.
- c. This rule also applies to use of privately-owned cell phones during working hours.
- d. Employees whose job responsibilities do not specifically include driving as an essential function, but who are issued a cell phone for work purpose, are also expected to abide by the provisions above.
- e. Employees who are charged with traffic violations resulting from the use of their cell phone while driving will be solely responsible for all liabilities that result from such actions.

Comment [T10]:
Proposed additional paragraph for cellphone policy.

14.15. AMENDMENT OF THE POLICY

This policy may only be amended by a formal resolution of the Council of Xhariep District Municipality.

XHARIEP DISTRICT MUNICIPALITY

TENDER POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

APPRIVIATIONS and DEFINITIONS

Tender Document: Means formal written document prepared by the Xhariep District Municipality after issuing an invitation to tender.

Competitive bid: Means a bid in terms of a competitive bidding process.

Competitive Bidding process: Means a competitive bidding process referred to in Chapter 2 (19)

of the approved SCM policy

Comment [J1]: Additional Important Definitions.

Contract: Means the agreement that results from the acceptance of a tender by the Municipality.

Final Award: In relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept.

Formal written price quotation: Means quotations referred to in Chapter 2(17) of the approved SCM policy

Comment [J2]: Additional Important Definitions.

Rand value: Means the total estimated value of a contract in Rand denomination which is calculated at the time invitations and includes all applicable taxes and excise duties.

Sub-Contracting: Means the primary contractor's assigning or leasing or making out work to, or employing, another person to support such primary contractor in the execution of part of a project in terms of the contract.

Tender Committee: Means a committee established by the Xhariep District Municipality in terms of the Municipal Finance Management Act and Regulation for supply chain management.

The act: Means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

AO's /AA's: Accounting Officers / Accounting Authorities

B-BBBEE Act (Broad Based Black Economic Empowerment): Codes of Good practice e.g. Black people instead of HDIs previously adopted

Comment [J3]: Additional Important Definitions and also replacing HDI's criteria.

XHARIEP DISTRICT MUNICIPALITY - DRAFT TENDER POLICY 2012/13

- Where ,such as the consultant’s relevant experience for the assignment; and /or
- The quality of the methodology: and/ or
- The qualifications of the key staff proposes;
- Transfers of knowledge

Comment [J4]: Replacing HDI’s old criteria

Policy: A deliberate plan of action adopted by a specific entity/municipality to guide decisions and achieve rational outcomes.

PPPF: Means a procurement policy contemplated in section 217 (2) of the Constitution.

PPPFA Act: The Preferential Procurement Policy Framework Act, No. 5 of 2000, enacts the constitutional provisions for a national framework for preferential procurement

Comment [J5]: Additional Important Definitions.

EME’s: Exempted Micro Enterprises

OBJECTIVE OF THE POLICY

Comment [J6]: Objective of the policy

- To have and maintain an efficient, fair, equitable, transparent, competitive and cost-effective supply chain operation when sourcing and procuring goods, services and works as well as the sale and letting of assets that conforms to constitutional and legislative principles and maximises the benefits from its consolidated buying power in the market place;
- To ensure the efficient, effective and uniform disposal of assets through the procurement process;
- The Xhariep District Municipality shall manage its financial and administrative resources in such a manner to meet and sustain its supply chain goals;
- The Xhariep District Municipality shall create a preferential procurement system that will encourage, promote and achieve social-economic objectives and good governance.

APPLICABLE ACTS

Comment [J7]: Important Acts applicable to the policy

- Municipal Finance Management Act, Act No 56 of 2003, sets out the responsibilities of the municipality’s Accounting Officer and highlights a number of aspects impacting on supply chain management. The main aspects pertaining to supply chain management are as indicated hereunder;
- Regulations in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)

XHARIEP DISTRICT MUNICIPALITY - DRAFT TENDER POLICY 2012/13

- Local Government: Municipal Systems Act, Act No 32 of 2000,
- Preferential Procurement Policy Framework Act (PPPFA), Act No 5 of 2000
- Revised Preferential Procurement Regulations, 2001, issued in terms of section 5 of the PPPF Act
- Broad Based Black Economic Empowerment Act (BBBEE Act), Act No 53 of 2003,
- KING REPORT III ON CORPORATE GOVERNANCE
- Prevention and Combating of Corrupt Activities Act, Act No 12 of 2004
- National Small Enterprise Act, Act No 102 of 1996, as amended, establishes structures to promote small enterprises.
- State Information Technology Agency (SITA) Act, Act No 88 of 1998, as amended by Act 38 of 2002, requires that SITA must act as the procurement agency for every department's information technology requirements

1) Competitive Bidding Process

Goods or services above a transaction value of R200 000(VAT inclusive) and long term contracts may only be procured through the competitive bidding process.

The Accounting officer must establish procedures for a competitive bidding process for each of the following stages:

- Compilation of bid documentation;
 - Public invitation of bids;
 - Site meeting/inspection or briefing session, if applicable;
 - The handling of bids submitted in response to public invitation;
 - The evaluation of bids;
 - Awarding of contracts;
 - Administration of contracts,
 - After approval of a bid, the accounting officer and the bidder must enter into a written agreement;
 - Proper record keeping,
 - Original/legal copies of written contracts/agreement should be kept in a secure place for reference purposes.
- The Chief Financial Officer shall manage procurement requisitions for amounts estimated to be in excess of R200 000 (VAT inclusive) by competitive bidding. The request for such tenders shall,
- Be prepared by the Supply Chain Unit of the finance office;
 - Be prominently displayed on all the notice boards.

The procedure for the invitation of competitive bids is as follows:

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1. Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate way (which may include an advertisement in the Government Tender Bulletin); and
2. The information contained in a public advertisement must include-
 - a) the closing date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT inclusive), 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 the newspaper.
 - b) A statement that bids may only be submitted on the bid documentation provided by the municipality/municipal entity; and
 - c) The date, time and venue of any proposed site meeting or compulsory briefing sessions.

3) The accounting officer may determine the closing date for the submission of bids which is less than the 30 or 14 days required, 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.

4) Bids submitted must be sealed.

5) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

The procurement officer shall ensure that such tender boxes are sealed until the date and time of their official opening and that they are properly secured at the time. Where the relevant notice specifies that prospective bidders must complete certain documentation which must be obtained from the municipality, failure to complete such documentation shall render the bid invalid.

The relevant notice may also specify that a fee or deposit, as determined from time to time by the council, is payable in order to obtain such documentation. In the case of deposits the amount concerned shall be refundable to bidder within seven (7) working days after the bids have been opened.

No requirement for goods or services above the services above the estimated transaction value of R200 000 (VAT inclusive), may be procured by the municipality other than through competitive processing.

The requirement for goods and services will not be split into parts or items of a lesser value merely for the sake of procuring through other mechanisms than competitive bidding.

Goods and services require that consist of different parts will as far as possible be treated and dealt with as a single transaction.

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Notwithstanding the above-stipulated requirements for consideration, quotations and tenders which are not in accordance with specifications may be considered, but only if no quotations or tenders are received which substantially comply with the specifications.

2) Bid documentation

The accounting officer must establish the criteria to which bid documentation for a competitive bidding process must comply. The bid documentation must-

- 1) take into account;
 - the general conditions of contract;
 - any Treasury guidelines on bid documentation; and
 - the requirements of the Construction Industry Development Board, in the case of a bid relating to Construction, upgrading or refurbishment of building or infrastructure;
- 2) Include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- 3) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- 4) If the value of the transaction is expected to exceed R10 000 (VAT inclusive), require bidders to furnish-
 - If the bidder is required by law to prepare annual financial statements for auditing, their audited financial statements-
 - i) for the past three years; or
 - ii) since their establishment if established during the past three years:
 - A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - Particulars of any contracts awarded to the bidder by an organ of state during the past five (5) years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - 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 municipality or municipal entity is expected to be transferred outside the republic; and

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- 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.

3) Handling, opening and recording of bids

Every tender addressed to the municipality shall be enclosed in a sealed envelope or packed bearing on its exterior any number which may have been attached by the municipality to the invitation to tender and the nature of the goods or works to which the tender relates.

No tender shall be considered unless it has been placed ,not later than the closing time specified in the invitation to tender in the tender box which the Xhariep District Municipality shall provide for the purpose and keep locked at all times ,except on the closing date of tender and tenders are being collected there from.

Bids will be opened in the public and will be opened will be opened at the same time and as soon as possible after the period for submission has expired.

Every bidder or member of the public may request the names of bidders received and when practical, the total bidding price for each of them.

The Procurement officer will:

- i) Record all bids received in time in a register,
- ii) Make the register available for public inspection, and
- iii) Publish the entries in the register and the bid results in the website.

4) Negotiations with preferred bidders

- i) The accounting officer may negotiate final terms of the contract with the bidders identified through competitive bidding process as preferred bidders provide d that such negotiations-
 - a) Does not allow any preferred bidder an unfair opportunity,
 - b) Is not be to be determined of any other bidder; and
 - c) Does not lead to a higher price than the bid as submitted.
- ii) Minutes of such negotiations must be kept for record purpose.

5) Two stage bidding process

- 1) A two-stage bidding process is allowed for-
 - a) Large complex projects;

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- b) Projects where it may be undesirable to prepare complex detailed technical specifications; or
 - c) Long term projects with a duration period exceeding three years.
- 2) 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
- 3) In the second stage, final technical proposals and priced bids should be invited.

6) Preferred point system, evaluation of tenders, cancelling and re-invitation of tenders.

6.1) Stipulation of preference point system to be used

The Xhariep District Municipality must, in the tender documents, stipulate the preference point system which will be applied in the adjudication of tenders.

6.1.1) *The 80/20 preference point system*

The following formula must be used to calculate the points for price in respect of tenders/procurement with a rand value equal to or above R30 000(VAT inclusive) and up to rand value of R1 million(VAT included).

The Xhariep District Municipality may, however, apply this formula for procurement with a rand value less than R30 000, if appropriate:

$$P_s = 80 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

P_s = Points scored for comparative price of bid/offer under consideration

P_t = Comparative price of bid/offer under consideration

P_{min} = Comparative price of lowest acceptable bid/offer.

A maximum of 20 points may be awarded to a tender by using Procurement Regulations, 2011 which were brought in line with the aims of the B-BBEE Act using the balance scorecard methodology as prescribed by the B-BBEE Act and its Codes of Good Practice

Comment [J8]: Revised PPPFA Regulations and HDI's old criteria

6.1.2) *The 90/10 preference point system*

The following formula must be used to calculate the points for price in respect of tenders/procurement with a rand value equal to or above R1 million (VAT inclusive)

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

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Where

P_s = Points scored for comparative price of bid/offer under consideration

P_t = Comparative price of bid/offer under consideration

P_{min} = Comparative price of lowest acceptable bid/offer.

Points scored must be rounded off to the nearest 2 decimal places.

A maximum of 10 points may be awarded to a tender by using Procurement Regulations, 2011 which were brought in line with the aims of the B-BBEE Act using the balance scorecard methodology as prescribed by the B-BBEE Act and its Codes of Good Practice

Comment [J9]: Revised PPPFA Regulations and HDI's old criteria

6.1.3) The 80/20 preference point system for the sale and letting of assets.

The following formula must be used to calculate the points for price in respect of tenders with a Rand value equal to, or above, R30 000 and up to a Rand value of R1 million and which relates to the sale and letting of assets.

The Xhariep District Municipality may, however, apply this formula for the sale letting of assets with a rand value less than R30 000 if appropriate:

$$P_s = 80 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

P_s = Points scored for comparative price of bid/offer under consideration

P_t = Comparative price of bid/offer under consideration

P_{min} = Comparative price of lowest acceptable bid/offer.

A maximum of 20 points may be awarded to a tender by using Procurement Regulations, 2011 which were brought in line with the aims of the B-BBEE Act using the balance scorecard methodology as prescribed by the B-BBEE Act and its Codes of Good Practice

Comment [J10]: Revised PPPFA Regulations and HDI's old criteria

6.1.4) The 90/10 preference point system for the sale and letting of assets.

The following formula must be used to calculate the points for price in respect of tenders with a Rand value equal to, or above, R1 million which relates to the sale and letting of assets.

The Xhariep District Municipality may, however, apply this formula for the sale and letting of assets with a rand value less than R1 million if appropriate

$$P_s = 90 \left(1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

Where

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Ps = Points scored for comparative price of bid/offer under consideration

Pt = Comparative price of bid/offer under consideration

Pmin = Comparative price of lowest acceptable bid/offer.

A maximum of 10 points may be awarded to a tender by using Procurement Regulations, 2011 which were brought in line with the aims of the B-BBEE Act using the balance scorecard methodology as prescribed by the B-BBEE Act and its Codes of Good Practice.

Comment [J11]: Revised PPPFA Regulations and HDI's old criteria

6.2) *Evaluation of tenders on functionality and price.*

➤ **Functionality**

In general, not all bids should be invited on the basis of functionality as a criterion. The need to invite bids on the basis of functionality as a criterion depends on the nature of the required commodity or service taking into account quality, reliability, viability and durability of a service and the bidder's technical capacity and ability to execute a contract

When an institution invites a bid that will be evaluated on the basis of functionality as a criterion, the AO/ AA must clearly specify the following aspects in the bid documents:

➤ **Evaluation criteria for measuring functionality**

The evaluation criteria may include criteria such as the consultant's relevant experience for the assignment, the quality of the methodology proposed, the qualifications of the key staff proposes, transfer of knowledge etc.

➤ **Weight of each criterion**

The weight that is allocated to each criterion should not be generic and should be determined separately for each bid on an each case on its own merit basis.

➤ **Minimum qualifying score for functionality.**

The minimum qualifying score for functionality that must be obtained for a bid to be regarded as acceptable should not be generic. It should be determined separately for each bid or each case on its own merit basis. The minimum qualifying score must not be prescribed so low that it may jeopardize the quality of the service required nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the SCM system

- i. The Xhariep District Municipality must, in the tender document, indicate if, in respect of a particular tender invitation, tenders will be evaluated on functionality and price.
- ii. The total combined points allowed for functionality and price may, in respect of tenders with an estimated Rand value equal or, bellow R1 000 000 not exceed 80 points.
- iii. The total combined points allowed for functionality and price may, in respect of tenders with an estimated Rand value above R1 000 000, not exceed 90 points.

Comment [J12]: The whole paragraph is from the Revised PPPFA Regulations.

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- iv. When evaluating the renders contemplated in this item, the points for functionality must be evaluated for each individual tender.
- v. The conditions of tender may stipulate that a tender must score a specified minimum number of points for functionality to qualify for further adjudication.
- vi. The points for price, in respect of a tender which has scored the specified number of points contemplated in regulation (5), must subject to the application of the evaluation system for functionality and price, contemplated in this regulation, be established separately and be calculated with provision of regulation 3 and 4.
- vii. Only the tender with the highest number of points scored may be selected.

6.2.1) Calculating of percentage for functionality

The percentage scored for functionality will be calculated as follows:

Each panel member should award values for each individual criterion on a score sheet. The value scored for each criterion will be multiplied with the specified weighting for the relevant criterion to obtain the marks scored for the various criteria. These marks should be added to obtain the total score. The following formula will then be used to convert the total score a percentage for functionality.

$Ps = So/Ms \times 100$ where:

Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid/proposal under consideration

Ms = maximum possible score

Comment [J13]: Replaced by the new Regulation but is similar to the old one.

The percentage allocated of each panel members to establish the average percentage obtained by each individual bidder for functionality. After calculation of the percentage for functionality, the prices of all bids that obtained the minimum score for functionality will be taken into consideration. Bids/ proposals that do not score certain specified minimum percentage for functionality will be disqualified and not be considered further.

6.2.2) Calculation of percentage for price

The percentage scored for price will be calculated as follows:

The lowest acceptable bid/proposal will obtain the percentage allocated for price. The other bid/proposal with higher prices will proportionately obtain lowest percentage based on the following formula:

$Ps = So/Ms \times 100$ where:

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Ps = percentage scored for functionality by bid/proposal under consideration

So = total score of bid/proposal under consideration

Ms = maximum possible score

Comment [J14]: Replaced by the new Regulation but is similar to the old one.

The “Guide on Hourly fee rates for consultants” issued by the Department of Public Services and administration, acceptable from the website www.dpsa.gov.za, (click on service delivery improvement), should be used as a benchmark to evaluate the offered tariffs or to determine the reasonableness thereof.

6.2.3) Calculation of points for functionality and price

The PPPFA prescribes that the lowest acceptable bid will score 80 or 90 points for price. Bidders that quoted higher prices will score lower points for price on a pro-rata basis.

The formulae to be utilised in calculating points scored for price are as follows:

80/20 Preference point system

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

Ps = Points scored for comparative price of bid/offer under consideration

Pt = Comparative price of bid/offer under consideration

Pmin = Comparative price of lowest acceptable bid/offer.

90/10 Preference point system

$$P_s = 90 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where

Ps = Points scored for comparative price of bid/offer under consideration

Pt = Comparative price of bid/offer under consideration

Pmin = Comparative price of lowest acceptable bid/offer.

Points scored must be rounded off to the nearest 2 decimal places.

Comment [J15]: Replaced by the new regulation.

6.2.4) Calculation of points for B-BBEE status level contributor

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Points must be awarded to a bidder for attaining the B-BBEE status level of contributor in accordance with the table below:

| B-BBEE Status Level of Contributor | Number of points (90/10 system) | Number of points (80/20 system) |
|------------------------------------|---------------------------------|---------------------------------|
| 1 | 10 | 20 |
| 2 | 9 | 18 |
| 3 | 8 | 16 |
| 4 | 5 | 12 |
| 5 | 4 | 8 |
| 6 | 3 | 6 |
| 7 | 2 | 4 |
| 8 | 1 | 2 |
| Non-compliant contributor | 0 | 0 |

A bid must not be disqualified from the bidding process if the bidder does not submit a certificate substantiating the B-BBEE status level of contribution or is a non-compliant contributor. Such a bidder will score 0 out of a maximum of 10 or 20 points for B-BBEE.

- Bidders are required to, together with their bids, submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof to substantiate their B-BBEE rating claims.
- Bidders who do not submit B-BBEE Status Level Verification Certificates do not qualify for preference points for B-BBEE but **should not** be disqualified from the bidding process.

Comment [J16]: Very important Table and paragraphs

6.2.5 Verification Certificates in respect of Exempted Micro Enterprises (EMEs)

- In terms of the Generic Codes of Good Practice, an enterprise with annual total revenue of R5 million or less qualifies as an EME.
- In instances where Sector Charters are developed to address the transformation challenges of specific sectors or industries, the threshold for qualification as an EME may be different from the generic threshold of R5 million. For example the approved deviated thresholds for EMEs for the Tourism and Construction Sector Charters are R2.5 million and R1.5 million respectively.

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- EMEs are deemed to have a B-BBEE status of “level four (4) contributor”. In instances where EMEs are more than 50% owned by black people, such EMEs qualify as “B-BBEE status of ‘level three (3) contributors’”.

Comment [J17]: Very Important paragraphs

6.2.6 Bidders other than EMEs

Accounting Officers (AOs) / Accounting Authorities (AAs) must ensure that the B-BBEE Status Level Verification Certificates submitted are issued by the following agencies:

- Verification Agencies accredited by the South African National Accreditation System (SANAS); or
- Registered auditors approved by the Independent Regulatory Board of Auditors (IRBA).

6.2.7 Bidders who qualify as EMEs

- Accounting officers as contemplated in section 60(4) of the Closed Corporations Act, Act No 69 of 1984 (CCA);
- Verification Agencies accredited by SANAS; or
- Registered auditors approved by the IRBA.
- A trust, consortium or joint venture must obtain and submit a consolidated B-BBEE Status Level Verification Certificate for every separate bid.
- Public entities and tertiary institutions must also submit B-BBEE Status Level Verification Certificates together with their bids.

Comment [J18]: Additional Important paragraphs

6.2.8 Verification Agencies accredited by SANAS

- Confirmation of the validity of a B-BBEE Status Level Verification Certificate can be done by tracing the name of the issuing Verification Agency to the list of all SANAS accredited agencies. The list is accessible on www.sanas.co.za/directory/bbbee/default.php.

Comment [J19]: Very Important additional paragraphs

6.3) Cancellation and re-invitation of tenders.

In the application of the 80/20 preference point system, if all bids received exceed R1 000 000, the bid must be cancelled under the discretion of the adjudication committee. If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.

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In the application of the 90/10 preference point system, if all bids received are equal to or below R1 million, the bid must be cancelled under the discretion of the adjudication committee. If one or more of the acceptable bid(s) received are above the R1 million thresholds, all bids received must be evaluated on the 90/10 preference point system.

Comment [J20]: Replaced by new PPPFA Regulations.

If the Xhariep District municipality has cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

The Xhariep District Municipality may, prior to the award of a tender, cancel a tender if-

- a. Due to changed circumstances, there is no longer a need for the goods or services tenders for; or
- b. Funds are no longer available to cover the total envisaged expenditure. [AOs / AAs must ensure that the budgetary provisions exist prior to inviting bids]; or
- c. No acceptable bids are received. [If all bids received are rejected, Xhariep District Municipality must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids].

Comment [J21]: Replaced by new PPPFA Regulations.

6.4) Committee System

The Municipal Manager shall establish tender committees to undertake the adjudication functions. The Municipal Manager, provided there is provision in the relevant departments, estimates for such expenditure, may engage a consultant or consultants to advise the tender committees on any technically complex aspect of a tender.

The department, to which the tender relates, shall bear the expenses concerned, or – if this is not possible- the expenditure shall be charged against a provision created for this purpose in the budget of the Municipal Manager or the corporate services department.

Committee members will be appointed by the accounting officer taking into account section 117 of the act.

The accounting officer must provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for fairness and promoting transparency.

The accounting officer may apply the Committee system to formal written price quotations.

The Committee system for competitive bids will consist of at least:

- i. A bid specification committee
 - ii. A bid evaluation committee
 - iii. A bid adjudication committee
-

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The committee system must be consistent with-

- i. This policy; and
- ii. Any other applicable legislation

6.4.1) Bid Specifications Committee

The bid specifications committee will be composed of one or more official of the municipality, preferably the manager responsible for the function involved and when appropriate includes external advisors.

This committee will compile the specifications for procurement of goods or services by the municipality.

Specifications will be drafted in an unbiased manner to allow all potential suppliers to offer their goods and services.

This committee will also indicate each specific goal for which points will be awarded in terms of the points system set out in the preferential Procurement Regulation 2001.

Specifications will take into account any acceptable standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply.

Where possible specifications must be described in terms of performance required rather than in terms of descriptive characteristics for design.

Specifications may also not create trade barriers in contract requirements in the form of specifications, plans, drawing, design, testing and test methods, packaging, marking or labelling of conformity certification.

Specifications will not make reference to any particular trademark, 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".

All specifications must be approved by the accounting officer prior to the publication of the invitation for bids

No persons, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

6.4.2) Bid Evaluation Committee

This committee will as far as possible be composed of;

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- i. Officials from the departments requiring the goods or services
- ii. At least 1 supply chain management practitioner
- iii. Allow for a neutral or independent person to monitor the fairness of the proceedings

This committee will evaluate bids according to the specifications for the specific procurement and the preference point system.

It will evaluate each bidder's ability to execute the contract and make sure that each bidder adhered to the set tender requirements.

This committee will also check in respect of the recommended bidder whether municipal rates and taxes and the municipal services charged are not in arrears.

After the evaluation the committee will submit a report to the adjudication committee with recommendations regarding the awarding of the bid or any related matter.

6.4.3) Bid Adjudication Committee

The bid adjudication committee will consist of at least four senior managers of the municipality or municipal entity which must include:

- i. The Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the Finance office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and
 - At least one senior supply chain management practitioner who is an official of the municipality; and
 - A technical expert in the relevant field who is an official, if such an expert exists.

The committee will consider the report and recommendations from the bid evaluation committee and depending on its delegations:

- Make a final award or a recommendation to the Accounting Officer to make the final award; or
- Make another recommendation to the Accounting Officer how to proceed with the relevant procurement.

The Accounting Officer must appoint the chairperson of the committee.

If the chairperson is absent from a meeting, the member of the committee who are present must elect one of them to preside at the meeting.

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.

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-

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- i) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal services charges are not in arrears; and
- ii) Notify the accounting officer.
 - a) The Accounting Officer may-
 - After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee; and
 - If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

The Accounting Officer may at any stage of a bidding process, refer any recommendations made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

The accounting officer must comply with sections 114 of the Act within 10 working days.

DRAFT TARIFF POLICY



XHARIEP DISTRICT MUNICIPALITY

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XHARIEP DISTRICT MUNICIPALITY

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 indigency 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

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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 providers, 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.

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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 monitor 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;
- Private use of Municipality's resources like telephone, fax machines and photocopiers; and
- Sale of tender documents.

XHARIEP DISTRICT MUNICIPALITY

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 50% 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 are as follows:

- Shaded lockable Parking: R110.00 per parking per month.
- Shaded non-lockable Parking: R77.00 per parking per month.
- Office Space: R37.93 per square meter for 742 square metres.

Applicable tariff charges for short term or day to day rentals as prescribed by the Municipality from time to time and on regular intervals are as follows:

- Auditorium: R 605.00 per day
- Kitchen: R 242.00 per day

Tariff charges for sale of tender documents

- R30 000.00 to R200 000.00 – R50.00 a document
- R200 000.00 to R1 000 000.00 – R 450.00 a document
- R1 000 000.00 Above – R 550.00 a document

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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.



XHARIEP DISTRICT MUNICIPALITY

DRAFT BUDGET POLICY

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-

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

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

- (a) any immovable asset such as land, property or buildings; or
- (b) 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;

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

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

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

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

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

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

"councillor" means a member of a municipal council;

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

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

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

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

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"financial statements", means statements consisting of at least-

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

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

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

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

"irregular expenditure", means-

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

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expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"investment", in relation to funds of a municipality, means

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

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

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

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

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

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

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

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

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

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

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"municipality"-

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

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

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

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

"official", means-

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

"overspending"-

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

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

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

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

"service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

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

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

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

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

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

"virement" means transfer of funds between functions / votes

"vote" means-

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

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.

Budget Policy

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:

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

4. BUDGETING PRINCIPLES

- a) 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.
- b) 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.

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- c) Xhariep District Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- d) 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

- a) 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.
- b) The steering committee must consist of at least the following persons:
 - i. the councillor responsible for financial matters;
 - ii. the municipal manager;
 - iii. the chief financial officer;
 - iv. the senior managers responsible for at least the three largest votes in the municipality;
 - v. the manager responsible for budgeting;
 - vi. the manager responsible for planning; and
 - vii. any technical experts on infrastructure.

5.2. Formulation of the budget

- a) 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.

Budget Policy

- b) The executive mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year). ***The Budget timetable is attached as Annexure A.***
- c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- d) The Executive mayor shall convene a strategic workshop 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.
- e) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).
- f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- g) The budget must be in the format prescribed by National Treasury, and must be divided into capital and operating budget.
- h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- i) The expenses reflected in the budget must be divided into items.
- j) The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

5.3. Public participation process

Budget Policy

- (a) 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—
 - i. make public the annual budget and the documents referred to in section 17(3); and
 - ii. invite the local community to submit representations in connection with the budget; and
 - iii. submit the annual budget—(draft budget)
 - iv) in both printed and electronic formats to the National Treasury and the relevant provincial treasury as prescribed by National Treasury ; and
 - v) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.
- (b) When the annual budget has been tabled, the municipal council must consider any views of—
 - i. the local community; and
 - ii. the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (c) The Municipal Manager must also make public any information that the municipal council considers appropriate to facilitate the budget consultation process, including:
 - i. Summaries of the annual budget and supporting documents in alternate languages predominant in the community; and
 - ii. Information relevant to each ward in the municipality
 - iii. All the information contemplated in subregulation (c) must cover:
 - iv. The relevant financial and service delivery implications of the annual budget; and
 - v. At least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.
- (d) 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 -
 - i. The supporting budget documentation as tabled in the municipal council;
 - ii. The draft Service Delivery and Budget Implementation Plan (SDBIP); and
 - iii. Any other information as may be required by National Treasury.

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- (e) 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.
- (f) 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.
- (g) 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
 - i. A report summarizing the local community's views on the annual budget;
 - ii. Any comments on the annual budget received from National Treasury and Provincial Treasury
 - iii. Any comments on the annual budget received from any organ of state, including any affected municipality; and
 - iv. Any comments on the annual budget received from any other stakeholders.
- (h) 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

- (a) Council shall consider the medium term revenue and expenditure framework budget (MTREF) for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain budget policies and the performance measures to be adopted.
- (c) The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.

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- (d) When approving the annual budget, the council must consider and adopt separate resolutions dealing with each of the matters contemplated.
- (e) 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.
- (f) The budget tabled to Council for approval shall include the following supporting documents:
 - i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
 - ii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
 - iii. the projected cash flows for the financial year by revenue sources and expenditure votes;
 - iv. any proposed amendments to the IDP;
 - v. any proposed amendments to the budget-related policies;
 - vi. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non- Governmental Organisations, welfare institutions and so on;
 - vii. particulars of the municipality's investments;
 - viii. particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
 - ix. particulars of any proposed allocations or grants by the municipality to—
 - i. other municipalities;
 - ii. any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
 - iii. any other organs of state;
 - iv. any organisations or bodies referred to in section 67(1) of the Act;
 - x. the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
 - i. each political office-bearer of the municipality;

Budget Policy

- ii. councillors of the municipality; and
- iii. 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.

(b) 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

- a) All expenditure of a project shall be included in the capital budget if it meets the asset definition as per XDM Asset Management Policy.
- b) 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.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

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6.1.1 Funding of Capital expenditure

- a) 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.
- b) An annual budget must show the total capital expenditure and the different sources of funding.
- c) The total budgeted capital funding by source must equal the total budgeted capital expenditure
- d) Funds created in terms of section 12 of the Act must be fully cash backed.
- e) 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.
- f) No municipal funds may be paid into a fund created in terms of section 12 of the Act.
- g) 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

- (a) 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.
- (b) 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

- a) External loans can be raised only if it is linked to the financing of an asset;
- b) 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;
 - i. The loan redemption period should not exceed the estimated life expectancy of the asset;

Budget Policy

- ii. Interest payable on external loans shall be included as a cost in the revenue budget;
- iii. 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)

- a) 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:
 - i. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - ii. interest on the investments of the CRR, appropriated in terms of the investments policy;
 - iii. additional amounts appropriated as contributions in each annual or adjustments budget; and
 - iv. Sale of land and profit or loss on the sale of assets.
- b) 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;
- c) 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;
- d) Transfers to the CRR must be budgeted for in the cash budget;

6.1.5 Grant Funding

- a) Non capital expenditure funded from grants must be budgeted for as part of the revenue budget;
 - I. Expenditure must be reimbursed from the unspent grants and transferred to the operating and must be budgeted for as such.
 - II. Capital expenditure must be budgeted for in the capital budget;
- b) Interest earned on investments of Conditional Grant Funding shall be capitalized if the conditions state that interest should accumulate in the fund.
- c) If there is no condition stated the interest can then be allocated directly to the revenue accounts.

Budget Policy

- d) 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

- a) Before approving a capital project, the Council must consider:
 - i. the projected cost of the project over all the ensuing financial years until the project becomes operational,
 - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- b) Before approving the capital budget, the council shall consider:
 - i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
 - ii. depreciation of fixed assets,
 - iii. maintenance of fixed assets, and
 - iv. any other ordinary operational expenses associated with any item on such capital budget.
- c) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
- d) 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:
 - i. The municipal council resolution approving the capital projects; and
 - ii. Details of the nature, location and total project cost of the approved capital projects
- e) The following capital projects may be approved by council either individually or as part of the consolidated capital program:
 - i. 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.
- f) 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).

Budget Policy

- g) 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

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

Budget Policy

8. FUNDING OF CAPITAL AND OPERATING BUDGET

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

9. UNSPENT FUNDS / ROLL OVER OF BUDGET

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that subject to approval of National Treasury) or loan funded capital budget may be rolled over to the next budget year
- (c) 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.
- (d) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (e) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- (f) No unspent portion operating budget shall be rolled over to the next budget year

Budget Policy

10. BUDGET TRANSFERS AND VIREMENTS

- (a) 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.
- (b) 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.
- (c) 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.
- (d) Virements shall be recommended by the Head / Director of Department, completing the appropriate documentation and forward to the Chief Financial Officer for approval.
- (e) Virements between votes shall be permitted where the proposed shifts in funding facilitate sound risk and financial management.
- (f) Virements will not be permitted in relation to the revenue side of the budget;
- (g) Virements from the capital budget to the operating budget will not be permitted;
- (h) Virements towards personnel expenditure will not be permitted;
- (i) 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;
- (j) Virements may not result in adding 'new' projects to the Capital Budget;
- (k) Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework will not be permitted; ~~and~~
- (l) 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:-
- (m) All virements made during the first half of the budget year including section 29 and 32 of the MFMA must form part of the adjustments budget.

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Budget Policy

(n) All virements made after the adjustments budget e.g. additional allocation made by National or provincial government must be approved by council and form part of the Annual Financial statements at the end of the budget year.

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Comment [T1]:
Proposed paragraphs in relation to virements [par (m) and (n)]

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11. FRAMEWORK FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE

- (a) The mayor of a municipality may authorize expenditure in terms of section 29 of the Act only if –
- i. the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
 - ii. 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 –
 - a. result in significant financial loss for the municipality;
 - b. cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
 - c. lead to loss of life or serious injury or significant damage to property; or
 - d. obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
- (b) The mayor of a municipality may not authorize expenditure in terms of section 29 of the Act if the expenditure –
- I. was considered by the council, but not approved in the annual budget or an adjustments budget;
 - II. is required for –
 - i. price increases of goods or services during the financial year;
 - ii. new municipal services or functions during the financial year;
 - iii. the extension of existing municipal services or functions during the financial year;
 - iv. the appointment of personnel during the financial year; or
 - v. allocating discretionary appropriations to any vote during the financial year; or
 - vi. would contravene any existing council policy; or
 - vii. is intended to ratify irregular or fruitless and wasteful expenditure.

Budget Policy

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 –

I. 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;~~

~~II. 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~~

~~III. R25 million in the case of a municipality with an approved total revenue in its current annual budget greater than R500 million.~~

Comment [T2]:
Deleted as the info is not necessary.

Comment [T3]:
Not applicable as XDM's revenue is not more than R250 million.

Comment [T4]:
Not applicable as XDM's revenue is not more than R500 million.

12. ADJUSTMENT BUDGET

- (a) Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.
- (b) 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.
- (c) Council may revise its annual budget by means of an adjustments budget as regulated.
- (d) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (e) 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.

Budget Policy

- (f) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- (g) Only the Executive mayor shall table an adjustment budget. Adjustments budget shall be done once as part of the mid-year budget performance assessment:
- (h) An adjustments budget must contain all of the following:
 - i. an explanation of how the adjustments affect the approved annual budget;
 - ii. appropriate motivations for material adjustments; and
 - iii. an explanation of the impact of any increased spending on the current and future annual budgets.
- (i) Any unappropriated surplus from previous financial years, even if fully cashbacked, may not be used to balance any adjustments budget, but may be appropriated to the municipality's capital replacement reserve.
- (j) 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.
- (k) Unauthorised expenses may be authorised in an adjustments budget.

12.1 Formats of adjustments budgets

- (a) An adjustment budget and supporting documentation of a municipality must be in the format specified by National Treasury and include all the required tables, charts and explanatory information, 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

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

12.3. Timeframes for tabling of adjustments budgets

- (a) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time during the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

Budget Policy

- (b) 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.
- (c) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.
- (d) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.
- (e) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.
- (f) An adjustments budget contemplated in section 28(2)(G) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –
- (g) dealt with as part of the adjustments budget contemplated in subregulation (1); and
- (h) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with 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

- (a) 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.
- (b) 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

Budget Policy

- i. 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
 - ii. any other information as may be required by National Treasury.
- (c) The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –
 - iii. any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
 - iv. any other organ of state on receipt of a request from that organ of state.

12.5. Approval of adjustment budget

- (a) 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.
- (b) 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

- (a) 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).
- (b) When making public an adjustment budget and supporting documentation, the municipal Manager must make public awareness of the adjustment budget, including –
- (c) Summaries of the adjustment budget and supporting documentation in alternate languages predominant in the community;
- (d) Information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and
- (e) Any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

Budget Policy

12.7. Submission of approved adjustments budget and other documents

- (a) 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.
- b) 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 –
 - i. The supporting documentation within ten working days after the municipal council has approved the adjustments budget;
 - ii. 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
 - iii. Any other information as may be required by the National Treasury.
- (c) The municipal manager must send copies of an adjustments budget and supporting documentation, in both electronic and printed form to –
 - i. Any other municipality affected by that adjustments budget within ten (10) working days of the adjustments budget being tabled in the municipal council; and
 - ii. Any other organ of state on receipt of a request from that organ of state.

13. BUDGET IMPLEMENTATION

13.1. Monitoring

- (a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
 - i. funds are spent in accordance with the budget;
 - ii. expenses are reduced if expected revenues are less than projected; and
 - iii. revenues and expenses are properly monitored.
- (b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.

Budget Policy

- (c) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

13.2. Reporting

Monthly budget statements

- (a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each 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.
- (b) This report must reflect the following:
 - i. actual revenues per source, compared with budgeted revenues;
 - ii. actual expenses per vote, compared with budgeted expenses;
 - iii. actual capital expenditure per vote, compared with budgeted expenses;
 - iv. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
 - v. the amount of allocations received, compared with the budgeted amount;
 - vi. actual expenses against allocations, but excluding expenses in respect of the equitable share;
 - vii. explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the
- (c) service delivery and budget implementation plan;
 - viii. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
 - ix. projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- (d) The report to the National Treasury must be both in electronic format and in a signed written document.

Quarterly Reports

Budget Policy

- a) 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

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

14. CONCLUSION

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

- a) the annual and adjustments budgets and all budget-related documents;
- b) all budget-related policies;
- c) the integrated development plan
- d) the annual report;
- e) all performance agreements;
- f) all service delivery agreements;
- g) all long-term borrowing contracts;
- h) 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

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| 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 <ul style="list-style-type: none"> - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing | Mayor | Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled. |
| 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, | Accounting officer | |

Comment [T5]:
Not applicable, XDM does not have ME

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|---|--|---|---|
| | | 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). | | |
| 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 | | It is not clear what person or structure in the parent municipality must |

Comment [T6]:
Not applicable, XDM does not have a ME

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|--|--|---|---|
| | | recommendations. | | 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 | <p>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.</p> <p>Again the potential problem of different parent municipalities having different views will</p> |

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|--|--|----------------------|---|
| | | | | 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 Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|---|---|------------------------------|---|
| | | | | 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. |

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|--|---|--------------------|---|
| 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 | Council | Although council has until 30 June to approve budget, best practice will be to approve budget not |

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|--|--|---|--|
| | | source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies. | | 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 | 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 | Council | As province will intervene if budget not approved by 30 June, mayor, councillors and |

Comment [T7]:
Not applicable as XDM does not have a ME

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|---|---|--------------------|---|
| | approve annual budget | repeated until budget approved by 30 June. | | 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) | 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 |

Budget Policy

| Section of Municipal Finance Management Act No. 56 of 2003 | Date by which action must be completed | Action required | Responsible party | Practical considerations |
|--|---|---|-------------------|---|
| | | of the Municipal Systems Act. | | 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. |

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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:

- 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.

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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.

Comment [T1]:
This amount has potential not to capitalise printers and faxes with a value less than R2,000.

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 costs.

~~PART 16 MAINTENANCE PLANS~~

~~Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.~~

~~If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.~~

~~The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the~~

~~extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.~~

Comment [T2]:
Propose removal as XDM has no infrastructure assets.

PART 17 DEFERRED MAINTENANCE

~~If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.~~

~~If no such plans have been formulated or are likely to be implemented, the chief financial officer shall redetermine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.~~

Comment [T3]:
Propose removal as XDM has no infrastructure assets.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets ~~(other than infrastructure assets which are dealt with in part 16 and part 17 above)~~ are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

Comment [T4]:
Not applicable as the XDM has no infrastructure assets

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, depreciation 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 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 25 REVALUATION 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 all fixed assets of the Municipality.

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Comment [T5]:
Propose additional par

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

NOTE: The reference to the asset financing reserve below is based on the assumption that the reserve is allowed.

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. 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.

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.

~~If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of~~

Comment [T6]:
Are the two buildings insured? Office
Admin Building and Arts Craft Centre.

~~the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.~~

Comment [T7]:

Not applicable, as all the assets of XDM are externally insured.

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 31 BIOLOGICAL ASSETS

~~Accounting for biological assets shall take place in accordance with the requirements of IAS 41.~~

~~The chief financial officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point of sales costs. Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned. Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.~~

~~If any biological asset is lost, stolen or destroyed, the matter — if material — shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.~~

~~Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether and such details shall reflect the information which the chief financial officer, in~~

~~consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.~~

~~The chief financial officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the council of the municipality considers such insurance desirable and affordable.~~

Comment [T8]:

Not applicable as XDM has no biological assets.

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.

*

Electricity

| | |
|----------------------------------|------|
| Power stations | (30) |
| Cooling towers | (30) |
| Transformer kiosks | (30) |
| Meters | (20) |
| Load control equipment | (20) |
| Switchgear | (20) |
| Supply and reticulation networks | (20) |
| Mains | (20) |

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Comment [T9]:

Propose that these be removed as they are not applicable to a District

*

Roads

| | |
|-------------------------------|------|
| Motorways | (15) |
| Other roads | (10) |
| Traffic islands | (10) |
| Traffic lights | (20) |
| Street lights | (25) |
| Overhead bridges | (30) |
| Stormwater drains | (20) |
| Bridges, subways and culverts | (30) |

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~~Car parks (20)~~

~~Bus terminals (20)~~

Comment [T10]:

Propose that these be removed as they are not applicable to a District

~~* Water~~

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~~Mains (20)~~

~~Supply and reticulation networks (20)~~

~~Reservoirs and storage tanks (20)~~

~~Meters (15)~~

~~Rights (that is, the right to draw water~~

~~from a particular source belonging to~~

~~another party) (20)~~

~~* Gas~~

~~Supply and reticulation networks (20)~~

~~Storage tanks (20)~~

~~Mains (20)~~

~~Meters (20)~~

~~* Sewerage~~

~~Sewer mains (20)~~

~~Outfall sewers (20)~~

~~Sewage purification works (20)~~

~~Sewerage pumps (15)~~

~~Sludge machines (15)~~

~~* Pedestrian malls~~

~~Footways (20)~~

~~Kerbing (20)~~

~~Paving (20)~~

~~* Airports~~

~~Runways (20)~~

~~Aprons (20)~~

~~Taxiways (20)~~

| | |
|--------------------------------------|-----------------|
| Airport and radio beacons | (20) |
|--------------------------------------|-----------------|

| | |
|-------------|-------------|
| | |
|-------------|-------------|

| | |
|------------------------|-----|
| * Security measures | |
| Access control systems | (5) |
| Security systems | (5) |
| Security fencing | (3) |

Comment [T11]:

Propose that these be removed as they are not applicable to a District

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 | |
| Ambulance stations | (30) |
| Aquariums | (30) |
| Beach developments | (30) |
| Care centres | (30) |
| Cemeteries | (30) # |
| Civic theatres | (30) |
| Clinics and hospitals | (30) |
| Community centres | (30) |
| Fire stations | (30) |
| Game reserves and rest camps | (30) |
| Indoor sports | (30) |
| Libraries | (30) |
| Museums and art galleries | (30) |
| Parks | (30) |
| Public conveniences and bath houses | (30) |
| Recreation centres | (30) |
| Sports and related stadiums | (30) |
| Zoos | (30) |

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Comment [T12]:

Propose that these be removed as they are not applicable to a District

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| | |
|---------------------------|-----------------|
| * Recreation facilities | |
| Bowling greens | (20) |

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| | |
|--|-----------------|
| Tennis courts | (20) |
| Swimming pools | (20) |
| Golf courses | (20) |
| Jukskei pitches | (20) |
| Outdoor sports facilities | (20) |
| Organs (that is, pipe organs that are | |
| fixtures in a municipal hall or other centre) | (20) |
| Lakes and dams | (20) |
| Fountains | (20) |
| Flood lighting | (20) |

~~# Sum of units method of depreciation may be preferred.~~

HERITAGE ASSETS

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- ~~— Museum exhibits~~
- ~~— Works of art (which will include paintings and sculptures)~~
- ~~— Public statues~~
- ~~— Historical buildings or other historical structures (such as war memorials)~~
- ~~— Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement)~~

INVESTMENT ASSETS

It is not possible to provide an exhaustive list of investment assets, as the actual list will depend very much on the local circumstances of each municipality. However, the following will be among the most frequently encountered:

- ~~Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties) (30)~~
- ~~Shopping centres (again developed along similar lines) (30)~~
- ~~Housing developments (that is, developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit) (30)~~

OTHER ASSETS

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

| | |
|--|--------|
| * Buildings | |
| Abattoirs | (30) |
| Asphalt plant | (30) |
| Cable stations | (30) |
| Caravan parks | (30) |
| Compacting stations | (30) |
| Hostels used to accommodate the public or tourists | (30) |
| Hostels for municipal employees | (30) |
| Housing schemes | (30) |
| Kilns | (30) |
| Laboratories | (30) |
| Fresh produce and other markets | (30) |
| Nurseries | (30) |
| Office buildings | (30) |
| Old age homes | (30) |
| Quarries | (30) # |

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| | | | |
|---|---|-------------------|--|
| | Tip sites | (30) # | |
| | Training centres | (30) | |
| | Transport facilities | (30) | |
| | Workshops and depots | (30) | |
| | | | |
| * | Office equipment | | |
| | Computer hardware | (3-7) | |
| | Computer software | (3-7) | |
| | Office machines | (3-7) | |
| | Air conditioners | (5-7) | |
| | | | |
| * | Furniture and fittings | | |
| | Chairs | (7-10) | |
| | Tables and desks | (7-10) | |
| | Cabinets and cupboards | (7-10) | |
| | | | |
| * | Bins and containers | | |
| | Household refuse bins | (5-10) | Formatted: Indent: First line: 1.27 cm |
| | Bulk refuse containers | (10) | |
| | | | |
| * | Emergency equipment | | |
| | Fire hoses | (5) | Formatted: Indent: First line: 1.27 cm |
| | Other fire fighting equipment | (15) | |
| | Emergency lights | (5) | |
| | | | |
| * | Motor vehicles | | |
| | Ambulances | (5-10) | |
| | Fire engines | (20) | |
| | Buses | (15) | |
| | Trucks and light delivery vehicles | (5-7) | |
| | Ordinary motor vehicles | (5-7) | |
| | Motor cycles | (3) | |

| | |
|--|--------------------|
| * Plant and equipment | |
| Graders | (10-15) |
| Tractors | (10-15) |
| Mechanical horses | (10-15) |
| Farm equipment | (5) |
| Lawn mowers | (2) |
| Compressors | (5) |
| Laboratory equipment | (5) |
| Radio equipment | (5) |
| Firearms | (5) |
| Telecommunication equipment | (5) |
| Cable cars | (15) |
| Irrigation systems | (15) |
| Cremators | (15) |
| Lathes | (15) |
| Filling equipment | (15) |
| Conveyors | (15) |
| Feeders | (15) |
| Tippers | (15) |
| Pulverising mills | (15) |
| * Other | |
| Aircraft | (15) |
| Watercraft | (15) |

Sum-of-units may be preferred.

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.

The Accounting officer may deviate or override provisions of this policy where necessary.



XHARIEP DISTRICT MUNICIPALITY

DRAFT FUNDING AND RESERVES POLICY

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1. INTRODUCTION

1.1. Purpose

In terms of regulation 8 of the Municipal Budget and Reporting Regulations, each Municipality must have a funding and reserves policy. It is for this reason that a policy has been developed.

1.2. Scope of Policy

This policy applies to the Xhariep District Municipality (hereafter referred to as the Municipality) and any municipal entity established in terms of the Municipal Finance management Act (MFMA).

1.3. Objectives

The objectives of the funding and reserves policy are as follows:

- To comply with the legislative requirements;
- To ensure that the Municipality's Operating and Capital budgets are adequately funded;
- To ensure that the Municipality's provisions and reserves are maintained at the required levels, in order to mitigate unfunded liabilities in future financial years.

1.4. Definitions

The following definitions are applied in this document:

| | |
|--------------|--|
| Municipality | Means the Xhariep District Municipality |
| Act | Means the Municipal Finance Management Act, No. 56 of 2003 |
| IDP | Means the Integrated Development Plan |
| MTEF | Means the Medium Term Expenditure Framework |
| Council | Means the Council of the Xhariep District Municipality |
| SDBIP | Means the Service Delivery Budget Implementation Plan |
| MTIEF | Means the Medium Term Income and Expenditure Framework |
| Policy | Means the Funding & Reserves Policy |

2. LEGISLATION

According to the Municipal Budget and Reporting Regulations, each Municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating:

- a) projected billings, collection and all direct revenues (not applicable to District Municipality);
- b) the provision for revenue that will not be collected;
- c) the funds the Municipality can expect to receive from investments;
- d) the dividends the Municipality can expect to receive from municipal entities;

- e) the proceeds the Municipality can expect to receive from the transfer or disposal of assets;
- f) the Municipality's borrowing requirements; and
- g) the funds to be set aside in reserves.

3. FUNDING AND RESERVES POLICY

3.1. Background

The Operating and Capital budgets are prepared on an annual basis for a three-year period, based on the Integrated Development Plan (IDP). The expenditure as proposed in these budgets must be funded from the available revenue streams, without placing an undue financial burden on consumers and ratepayers.

The impact on the Municipality's financial position is also taken into account, when considering the balancing of the budget, i.e. ensuring that revenues are sufficient to meet the proposed expenditure.

3.2. Operating Budget Principles

The Operating budget allocates funding to Directorates over the Medium Term Expenditure Framework (MTEF). The preparation of the Operating budget is underpinned by the following guiding principles:

- A Balanced Budget is prepared on an annual basis;
- Other income is levied in accordance with the Council's approved schedule of fees and charges. The budget is compiled based on historic trends, which is adjusted for anticipated growth in utilisation of municipal services.
- Interest accruing from investments is based on the investments held by the Municipality, as well as the interest income reasonably expected to be earned on surplus cash invested during the year. The budgeted financial statements are used as a guide to determine the available cash for investment purposes.
- No budget provision has been made for dividends that the Municipality may receive from its municipal entities.
- Budget provision is made for income attributable to the transfer or disposal of assets, as and when it arises.
- The level of the Provision for Bad Debts is determined, taking into account the annual collection rates targets as set out in the IDP and SDBIP. The Council's policy further stipulates that the overall level of the provision be based on all outstanding debts older than 90 days, excluding government debt.
- The Municipality supports the principle of making adequate budgetary provision for the rehabilitation and maintenance of existing assets and infrastructure, taking financial affordability considerations into account.
- Individual line items in the Operating Budget are subjected to close scrutiny when preparing the annual budget to ensure proper control over the expenditure. In this regard a zero-based budget approach is followed.
- The level of tariff increases takes into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- The need to enhance the municipality's revenue base.

3.3. Capital Budget Principles

The Capital budget allocates funding to projects over the MTEF. The amounts provided for in the Capital budget will be limited to the available internal and external sources of funding, taking financial affordability considerations into account.

Budget allocations to Directorates, are based on the key service delivery priorities as reflected in the IDP.

3.3.1. Impact of Capital budget on future Operating budgets

Capital projects have a recurring effect on future operating budgets. The following main cost components should be considered before capital projects are approved:

- Additional staffing costs to man any new facility once operational
- Additional contracted services, i.e. external security, cleaning services, etc.
- Additional general expenditure, i.e. services cost, stationery, cleaning materials, etc.
- Additional costs to maintain the assets
- Additional interest and redemption to service loans to fund the capital budget
- Projects may, however, also result in additional revenue generation.
- The impact that the expenditure has, must be offset by the additional revenue generated to determine the real impact on the operating budget, and the possible effect on tariffs.

3.3.2. Borrowing Requirements

The Municipality's borrowing requirements are determined via its Capital Sustainability Model.

This model determines the financial affordability of external borrowing over the Medium Term Income and Expenditure Framework (MTIEF).

The amount of borrowing will thus be limited to the amount that the Municipality can financially afford to service.

4. RESERVES

As required by GRAP, only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus.

4.1. Balance Sheet Reserves and Provisions

The Accounting Policy of the Municipality contains the following sections relating to provisions:

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be

made of the amount of the obligation. Provisions are reviewed at the Statement of Financial Position reporting date and adjusted to reflect the current best estimate.

Leave Provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end."

As leave may not be encashed, it is only required that the current portion of the leave provision be cash backed.

Donations and Public Contributions Reserve

The Accounting Policy of the Nelson Mandela Bay Metropolitan Municipality contains the following section relating to donations and public contributions:

"Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised."

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.