

# **FINANCIAL SERVICES**



“An improved quality  
of life for all residents”

## ***BUDGET POLICY***

*Date of implementation 1 January .....*

Budget Policy

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## Budget Policy

### 1. DEFINITIONS

**"Accounting Officer"** means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

**"Allocation"** means

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to the municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to the municipality in terms of a provincial budget; or
- (d) any other allocation of money to the 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 in terms of section 24 of the MFMA, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

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

**"Budget-related Policy"** means a policy of the 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 section 3 of the municipal property rates Act;
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a borrowing policy which must comply with Chapter 6 of the Act;

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- (f) a funding and reserves policy;*
- (g) a policy related to the long-term financial plan;*
- (h) the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;*
- (i) any policies dealing with the management and disposal of assets;*
- (j) any policies dealing with infrastructure investment and capital projects, including –*
  - (i) the policy governing the planning and approval of capital projects; and*
  - (ii) the policy on developer contributions for property developments;*
- (k) the indigents policy of the municipality;*
- (l) any policies related to the provision of free basic services;*
- (m) any policies related to budget implementation and monitoring including –*
  - (i) a policy dealing with the shifting of funds within votes;*
  - (ii) a policy dealing with unforeseen and unavoidable expenditure; and*
  - (iii) policies dealing with management and oversight;*
- (n) any policies related to the managing electricity and water including –*
  - (i) a policy related to the management of losses; and*
  - (ii) a policy to promote conservation and efficiency;*
- (o) any policies related to personnel including policies on overtime, vacancies and temporary staff;*
- (p) any policies dealing with municipal entities, including –*
  - (i) the service delivery agreement; and*
  - (ii) the dividend preference of the municipality; and*
- (q) any other budget-related or financial management policies of the municipality.*

**"Budget transfer"** means the transfer of an approved budget allocation from one operating or capital line item to another line item within a vote, with the approval of the relevant senior manager;

**"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;

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**"Capital Budget"** means the approved budget for capital items in a given fiscal period. Capital items are assets with a life expectancy of more than one financial year such as property, plant and equipment. The cost of which is normally written off over a number of fiscal periods;

**"Chief Financial Officer"** means a person designated in terms of section 80(2) (a) of the MFMA;

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

**"Councillor"** means a member of 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"** means the power to perform a function or duty which is given to office bearer, councillor or staff members either in terms of Sect 59 of the MSA or Sect 79 of the MFMA;

**"Generally recognised accounting practice"** means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

**"Financial recovery plan"** means a plan prepared in terms of section 141 of the MFMA;

**"Financial statements"**, means statements consisting of at least –

- (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<sup>st</sup> July and ending on 30<sup>th</sup> June each year;

**"Financing agreement"** includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which the 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;

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**"Irregular expenditure"** means –

- (a) expenditure incurred by the 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 the 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 the 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 the municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by the municipality which falls within the definition of "unauthorised expenditure";

**"Investment"** in relation to funds of the municipality, means –

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

**"Lender"** means a person who provides debt finance to the 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 the 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 the municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

**"Municipality"** means –

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

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

**"Municipal tariff"** means a tariff for services which the 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 the 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 the municipality or municipal entity;
- (b) a person seconded to the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

**"Overspending"**

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

**"Past financial year"** means the financial year preceding the current year;

**"Quarter"** means any of the following periods in a financial year –

- (a) 1 July to 30 September refer to as the 1<sup>st</sup> quarter;
- (b) 1 October to 31 December refer to as the 2<sup>nd</sup> quarter;
- (c) 1 January to 31 March refer to as the 3<sup>rd</sup> quarter; or
- (d) 1 April to 30 June refer to as the 4<sup>th</sup> quarter;



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**"Ring Fenced"** means an exclusive combination of line items grouped for specific purposes for instance salaries and wages. Annexure "B" provides a current item structure within ring fenced groups;

**"Service delivery and budget implementation plan"** means a detailed plan approved by the executive mayor of the municipality, in terms of section 53(l) (c) (ii) of the MFMA, for implementing the municipality's delivery of municipal services and which 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;

**"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 the process of transferring an approved budget allocation from one vote to another, with the approval of the Municipal Manager. To enable senior managers to amend budgets in the light of experience or to reflect anticipated changes;

**"Vote"** means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned. Annexure "A" provides the current Vote structure as well as the assigned senior manager;

**"Vote holder"** means the senior manager to which the vote is assigned.

## **2. ABBREVIATIONS**

*CFO – Chief Financial Officer*

*CM – Council Minute/s*

*IDP – Integrated Development Plan*

*MFMA – Municipal Finance Management Act, Act No. 56 of 2003*

*MSA – Municipal Systems Act, Act No.32 of 2000*

*MTREF – Medium term revenue and expenditure framework*

*SDBIP - Service delivery and budget implementation plan*

## **3. INTRODUCTION**

*In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to Section 16(2) of the MFMA 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, 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 municipal budget must take into account the government's macro-economic and fiscal policy fundamentals.*

*It is therefore imperative that the process followed be as consultative and inclusive as possible is.*

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### 4. OBJECTIVE

The objective of the budget policy is to set out a framework for this Municipality to deal with –

- (a) The preparation the of a MTREF budget;
- (b) The shifting; transfer or virement of funds and budget allocations;
- (c) The introduction of adjustment budgets;
- (d) Unforeseen and unavoidable expenditure;
- (e) Irregular expenditure;
- (f) Fruitless and wasteful expenditure; and
- (g) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

### 5. BUDGETING PRINCIPLES

5.1 The Municipality shall not budget for a cash deficit (as per cash flow budget sheet) and should ensure that revenue projections in the budget are realistic taking into account actual collection levels.

5.2 Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

5.3 The Municipality shall prepare three-year budget (MTREF budget) and Council shall approve the budget.

5.4 The MTREF budget must at all times be within the framework of the approved Municipal Integrated Development Plan.

#### 5.5 Capital budget:

5.5.1.1 Only expenditure that meets the definition of a capital budget as per section 1 of this policy shall be included in the capital budget.

5.5.1.2 The capital budget shall distinguish between replacement and new assets.

5.5.1.3 The envisaged sources of funding for the capital budget must be properly considered. Council must be satisfied that this funding is available and has not been committed for other purposes.

5.5.1.4 Before approving a capital project, Council **must** consider:

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- (a) *the projected cost of the project over all the ensuing financial years until the project becomes operational; and*
- (b) *future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget.*

### 5.5.1.5 *Before approving the capital budget, the council shall consider:*

- (a) *the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans;*
- (b) *depreciation of capital assets;*
- (c) *maintenance of capital assets, and*
- (d) *any other ordinary operational expenses associated with any item on such capital budget.*

### 5.5.1.6 *The capital expenditure shall be funded from the following sources:*

- (a) *Revenue or Surplus*

*Any financing activity from this source must be included in the cash budget to raise sufficient cash for the expenditure. In order for the commencement of expenditure on an item financed from this source the full amount of physical cash must be ring fenced or set aside from normal operating funds.*

- (b) *New borrowings (External loans)*

*External loans can be raised only if it is linked to the financing of a capital asset. A capital item to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured. The loan redemption period should not exceed the estimated life span of the asset. Interest payable on external loans shall be included as an operational cost in the operating budget. Finance charges relating to such loans shall be charged to or apportioned only between the departments to which the projects relate.*

- (c) *Capital Replacement Reserve (CRR)*

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

- o *inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;*
- o *interest on the investments of the CRR, appropriated in terms of the investments policy;*
- o *additional amounts appropriated as contributions in each annual or adjustments budget;*
- o *interest earned on investments of unutilised grants;*
- o *VAT claimed back on grants and subsidies; and*
- o *Proceeds on the sale of assets.*

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*Before any asset can be financed from the CRR the physical cash must be available within the reserve, this fund must be cash backed. If there is insufficient cash available to fund the CRR reserve then the reserve must be adjusted to equal the available cash. Transfers to the CRR must be budgeted for in the cash budget.*

### *(d) Grant Funding*

*Non capital expenditure funded from grants must be budgeted for as part of the operational budget*

- Expenditure must be included as general operational expenditure whilst the recognition of the grant must be included as transfers recognised: operational in the operational revenue budget equal to the amount of the grant conditions met.*

*Capital expenditure must be budgeted for in the capital budget.*

- Grant funding does not need to be cash backed but cash should be secured before spending can take place.*

*When the conditions of the grant are met; with regard to capital expenditure financed from grants; an equal amount is recognised as transfers recognised: capital in the operational budget.*

*All unutilized grants received must be ring fenced and cash backed by means of an investment.*

## **5.6 Operational budget:**

5.6.1 *The Municipality shall budget in each annual and adjustments budget for the contribution to:*

- (a) provision for accrued leave entitlements equal to 100% of the accrued leave;*
- (b) continued employee benefits as at 30 June of each financial year;*
- (c) provision for the impairment of debtors taking into account prior year, current year debt collection percentages and make provision improvements;*
- (d) provision for the obsolescence and deterioration of stock in accordance with its stores management policy;*
- (e) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;*
- (f) At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance. (Materials & external labour; excluding internal labour cost)*

5.6.2 *When considering the draft annual budget, Council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.*

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- 5.6.3 *The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.*
- 5.6.4 *The operating budget shall reflect the impact of the capital component on:*
- *Depreciation charges;*
  - *Repairs and maintenance expenses;*
  - *Interest payable on external borrowings; and*
  - *other operating expenses.*
- 5.6.5 *The Chief Financial Officer shall ensure that the cost of indigent relief and free basic services are separately reflected in the appropriate votes as income forgone.*

## **6. BUDGET PREPARATION PROCESS**

### **6.1 Formulation of the budget**

*The Accounting Officer with the assistance of the Chief Financial Officer, Manager: Budget and compliance and the Manager: IDP/Monitoring; Evaluation and Compliance shall prepare a draft the IDP & Budget process plan with timetables for the municipality including municipal entities for the ensuing financial year by not later than 31 July of each year.*

*The Executive Mayor shall table the IDP & Budget process plan to Council not later than 31 August of each year for approval.*

*The IDP and Budget process plan shall indicate the key deadlines for the review of the IDP as well as the preparation of the MTREF budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act, Municipal Budget and Reporting regulations, as well as the guidelines set by National Treasury.*

*The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP & Budget priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political challenges facing the municipality.*

*The Executive Mayor shall table the draft IDP and MTREF budget to council by no later than 31 March of each year together with the draft resolutions and budget related policies.*

*The Chief Financial Officer and senior managers undertake the technical preparation of the budget. The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.*

*The budget must contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated figures for the current year and the three prior year actual outcome.*

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### **6.2 Public participation process**

*Immediately after the draft annual budget has been tabled, the Municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget. These dates must be all included in the process plan.*

### **6.3 Approval of the budget**

6.3.1 *Council shall consider the Annual Budget for approval not later than 31 May for the ensuing financial year.*

6.3.2 *Should the Council fail to approve the budget before the start of the budget year, the Executive Mayor must inform the MEC for Finance that the budget has not been approved.*

6.3.3 *The budget tabled to Council for approval shall include the following supporting documents:*

- (a) draft resolutions approving the budget;*
- (b) levying property rates, other taxes and tariffs for the financial year concerned;*
- (c) measurable performance objectives for each budget vote, taking into account the municipality's IDP;*
- (d) the projected cash flows for the financial year by revenue sources and expenditure votes;*
- (e) any proposed amendments to the IDP;*
- (f) any proposed amendments to the budget-related policies;*
- (g) the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;*
- (h) 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;*
- (i) particulars of the municipality's investments; and*
- (j) various information in regard to municipal entities under the shared or sole control of the municipality.*

### **6.4 Publication of the budget**

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6.4.1 *Within 10 working days after the draft annual budget has been tabled, the Chief Operations Officer must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public.*

6.4.2 *The Chief Financial Officer must within 10 working days after the draft annual budget is tabled:*

- (a) the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury ensure that it is posted on the municipal website; and*
- (b) ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.*

6.4.3 *Once Council have approved the budget:*

6.4.3.1 *The Chief Operations Officer must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public; and*

6.4.3.2 *The Chief Financial Officer must within 10 working days:*

- (a) submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury; and*
- (b) ensure that a newspaper advertisement is placed that the budget has been approved and is available at the Municipal offices.*

### **6.5 Service Delivery and Budget Implementation Plan (SDBIP)**

6.5.1 *The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.*

6.5.2 *The SDBIP shall include the following components:*

- (a) Monthly projections of revenue to be collected for each source;*
- (b) Monthly projections of expenditure (operating and capital) and revenue for each vote;*
- (c) Quarterly projections of service delivery targets and performance indicators for each vote;*
- (d) Ward information for expenditure and service delivery; and*
- (e) Detailed capital works plan broken down by ward over three years*

## **7. FUNDING OF BUDGET**

7.1 *The budget must be funded in terms of the Councils approved funding and reserves policy.*



**8. UNSPENT FUNDS AND ROLLOVER OF BUDGET**

- 8.1 *The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, excluding in the following instances:*
- a) *Capital expenditure within the boundaries set out below; or*
  - b) *Unspent grant.*
- 8.2 *Conditions of the grant funded projects shall be taken into account in applying for such rollover of funds.*
- 8.3 *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 at least 30 days (31 May each year) prior the end of that particular financial year.*
- 8.4 *No unspent operating budget shall be rolled over to the next budget year*
- 8.5 *Application for rollover of capital funds; with documentary proof that it meets the requirements as set out above; must be forwarded to the budget office by the latest 15<sup>th</sup> of July of each year.*
- 8.6 *Only these applications will be considered for inclusion in an adjustment budget for roll over projects. The adoption by Council will take place not later than 25<sup>th</sup> August.*

**9. BUDGET TRANSFERS AND VIREMENTS**

**9.1 Objective**

*The objective of this section is to allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings as they arise to accelerate service delivery in a financially responsible manner.*

**9.2 Financial Responsibilities**

*Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote is identified at the earliest possible opportunity.*

*The Accounting Officer has a statutory duty to ensure an effective system of financial control, specifically to ensure compliance with Section 15 of the MFMA, is in place, the budget transfer and virement process is one of these controls.*

*It is the responsibility of each senior manager and/or head of a department/activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted.*

*In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.*

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### **9.3 Virement Restrictions**

- 9.3.1 *No virement may take place between votes without consent of both vote holders and the approval of the Municipal Manager.*
- 9.3.2 *Virements may not exceed a maximum annual limit of 5 % per vote from which the virement originates.*
- 9.3.3 *A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years.*
- 9.3.4 *No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year.*
- 9.3.5 *An approved virement does not give expenditure authority and all expenditure resulting from approved virements are still subject to the supply chain management policy of Council as periodically reviewed.*
- 9.3.6 *Virements may not be made between Expenditure and Income*
- 9.3.7 *No virement are allowed in terms of income line items.*
- 9.3.8 *No virement are allowed from capital budget to the operating budget.*
- 9.3.9 *Virements must not result in new projects on the capital budget.*
- 9.3.10 *Virements of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.*
- 9.3.11 *No virement are allowed from repairs and maintenance to another expenditure line item.*

### **9.4 Budget transfer Restrictions**

- 9.4.1 *No funds may be transferred between line items without approval of the vote holder authorisation.*
- 9.4.2 *No funds may be transferred from or to items as indicated in Annexure B.*
- 9.4.3 *Funds may only be transferred from or to the ring fenced group of employee related costs if approved by the CFO.*
- 9.4.4 *Transfers in capital budget allocations are only permitted within specified action plans; not across funding sources and must in addition have comparable asset lifespan classifications.*
- 9.4.5 *No transfers are permitted in the first three months or the final month of the financial year without the express agreement of the CFO.*
- 9.4.6 *An approved transfer does not give expenditure authority and all expenditure resulting from approved transfers must still be subject to the supply chain management policy of Council as periodically reviewed.*
- 9.4.7 *Transfers may not be made between Expenditure and Income*

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- 9.4.8 *No transfers are allowed in terms of income line items.*
- 9.4.9 *No transfers are allowed from capital budget to the operating budget.*
- 9.4.10 *Transfers should not result in new projects on the capital budget.*
- 9.4.11 *Transfers of conditional grant funds to a purpose outside than specified in the relevant conditional grant framework are not permitted.*

### **9.5 Virement and Budget transfer procedure**

- 9.5.1 *All virement/transfer requests must be completed on the appropriate documentation and forwarded to the official responsible to process the virement/transfer.*
- 9.5.2 *All virements must be signed by the initiator, both the vote holders, the Chief Financial Officer and Municipal Manager.*
- 9.5.3 *All budget transfers must be signed by the initiator, the vote holder, the Manager Budget and compliance and the official responsible to process the transfer.*
- 9.5.4 *Budget transfers in excess of R 50,000 require the approval of the Chief Financial Officer.*
- 9.5.5 *All documentation must be compiled and approved in line with the delegations as per section 79 of the MFMA before any expenditure can be committed or incurred.*
- 9.5.6 *The Municipal Manager will report to the Mayor on a quarterly basis on those virements that have taken place during that quarter*

## **10. ADJUSTMENT BUDGETS**

- 10.1 *Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and Reporting regulations section 23.*
- 10.2 *Section 28 (2) of the MFMA determine when an adjustment must be done and when it may be prepared.*
  - “(2) An adjustments budget—*
    - (a) **must** adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
    - (b) **may** appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*

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- (c) **may**, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (d) **may** authorise the utilisation of projected savings in one vote towards spending under another vote;
- (e) **may** authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (f) **may** correct any errors in the annual budget; and
- (g) **may** provide for any other expenditure within a prescribed framework.”

10.3 The CFO shall ensure that an adjustments budget

- a) Comply with the requirements of the National Treasury;
- b) Reflect the budget priorities determined by the executive mayor;
- c) Are aligned with the IDP;
- d) Comply with all budget-related policies; and
- e) Shall make recommendations to the Executive Mayor on the revision of the IDP and the budget-related policies where these are needed.

10.4 An adjustments budget must contain all of the following:

- a) an explanation of how the adjustments affect the approved annual budget;
- b) appropriate motivations for material adjustments; and
- c) an explanation of the impact of any increased spending on the current and future annual budgets.

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

10.6 Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan compiled in terms of section 141 of the MFMA

10.7 Unauthorised expenses may be authorised in an adjustments budget.

**11. UNFORESEEN AND UNAVOIDABLE EXPENDITURE**

11.1 Before the Executive Mayor considers any authorisation of unforeseeable and unavoidable expenditure in terms of Section 29 of the MFMA, the Accounting Officer will ensure that a report is prepared consisting of all the relevant information in order for the Executive Mayor to make an informed discussion. This report will be prepared in the prescribed format and attached as Annexure C.

11.2 The Executive Mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA only if:

- (a) the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and
- (b) 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 authorise the expenditure may –
  - result in significant financial loss for the municipality;
  - cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
  - lead to loss of life or serious injury or significant damage to property; or
  - obstruct the municipality from instituting or defending legal proceedings on an urgent basis.

11.3 The Executive Mayor may not authorise expenditure in terms of section 29 of the Act if the expenditure –

- (a) was considered by the council, but not approved in the annual budget or an adjustments budget; or
- (b) is required for-
  - price increases of goods or services during the financial year;
  - new municipal services or functions during the financial year;
  - the extension of existing municipal services or functions during the financial year;<sup>12</sup>
  - the appointment of personnel during the financial year; or
  - allocating discretionary appropriations to any vote during the financial year; or
- (c) would contravene any existing council policy; or
- (d) is intended to ratify irregular or fruitless and wasteful expenditure.

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- 11.4 The authorised amount may not exceed 4 % of the approved own revenue included in the annual budget.
- 11.5 The authorisation must be reported by the Executive Mayor to the next Council meeting.
- 11.6 The Accounting Officer must ensure preparation of an adjustment to include the expenses within 30 days.
- 11.7 The Executive Mayor must ensure that Council pass the adjustments budget within sixty days after the expenses were incurred.

## **12. UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE**

### **12.1 UNAUTHORISED EXPENDITURE**

- 12.1.1 The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no unauthorised expenditure occurs as per definition included in section 1 of this document.
- 12.1.2 In the event that the Accounting officer, CFO or any other senior managers, becomes aware of the fact that some decision taken is likely to result in unauthorised expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Executive Mayor as the case may be.
- 12.1.3 In the event that unauthorised expenditure did happen, then relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after the it come to his/her knowledge.
- 12.1.4 This report must address at least the following:
- a) Background to the occurrence;
  - b) Financial implication;
  - c) Steps taken to prevent or rectify these internal control measures;
  - d) Person responsible of the occurrence; and
  - e) Recoverability of the amount.
- 12.1.5 This report must then be tabled with the Accounting Officer's recommendation to the Council committee responsible to deal with the investigation in terms Section 32(2) (a) of the MFMA.

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- 12.1.6 *The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Executive Mayor, the MEC for Local Government and the Auditor-General of the occurrence.*
- 12.1.7 *The Committee responsible to deal with the investigation in terms Section 32 of the MFMA; may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:*
- a) Recommends that it must be taken-up in an adjustment budget; or*
  - b) That the recovery of the money must commence from the person liable; or*
  - c) Certify that it is irrecoverable and must be written-off by Council.*
- 12.1.8 *Within 48 hours of the resolution taken by this committee, the Director Corporate service must inform the CFO of the result.*
- 12.1.9 *The action to be taken by the CFO is:*
- a) In the case of resolution a), the CFO prepares an adjustment for the Executive Mayor to table it to Council; or*
  - b) In the case of resolution b), the CFO must put measures in place to transfer the expense to debtors accounts and commence with collection mechanisms to his/her disposal to recover the money due from the person liable; or*
  - c) In the case of resolution c),the CFO must report as such in the Annual Financial statements.*

## **12.2 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE**

- 12.2.1 *The Accounting Officer, with the assistance of the CFO and other senior managers, must ensure that no irregular or fruitless and wasteful expenditure occurs as per definition included in section 1 of this document.*
- 12.2.2 *In the event that the Accounting officer, CFO or any other senior managers, becomes aware of the fact some decision taken is likely to result in irregular or fruitless and wasteful expenditure, then that official must immediately in writing report the incident to the Accounting Officer or Executive Mayor as the case may be.*
- 12.2.3 *In the event that irregular or fruitless and wasteful expenditure did happen, then relevant senior manager, vote holder within which vote the expenditure occurred, must prepare a report within 10 working days after the it come to his/her knowledge.*

## *Budget Policy*

12.2.4 *This report must address at least the following:*

- a) Background to the occurrence;*
- b) Financial implication;*
- c) Steps taken to prevent or rectify these internal control measures;*
- d) Person responsible of the occurrence; and*
- e) Recoverability of the amount.*

12.2.5 *This report must then be tabled with the Accounting Officer's recommendation to the Council committee responsible to deal with the investigation in terms Section 32(2) (b) of the MFMA.*

12.2.6 *The Accounting Officer, in terms of section 32(4) of the MFMA, must promptly inform the Executive Mayor, the MEC for Local Government and the Auditor-General of the occurrence.*

12.2.7 *The Committee responsible to deal with the investigation in terms Section 32 of the MFMA; may consider the following resolutions, apart from corrective action decisions to prevent re-occurrence:*

- a) That the recovery of the money must commence from the person liable; or*
- b) Certify that it is irrecoverable and must be written-off by Council.*

12.2.8 *Within 48 hours of the resolution taken by this committee, the Director Corporate service must inform the CFO of the result.*

12.2.9 *The action to be taken by the CFO:*

- a) In the case of resolution A, the CFO must put measures in place to transfer the expense to debtors accounts and commence with collection mechanisms to his/her disposal to recover the money due from the person liable; or*
- b) In the case of resolution B, report in the annual financial statements that the expenditure has been written off.*

12.2.10 *The Accounting Officer must in terms of Section 32(6) of the MFMA report all cases of alleged –*

- a) irregular expenditure that constitute a criminal offence; and*
- b) theft and fraud that occurred in the municipality.*

12.2.11 *The Council must take all reasonable steps in terms of Section 32(7) of the MFMA to insure that all cases in term of Section 32(6) are reported to the South African Police Service if –*

- (a) the charge is against the accounting officer; or*
- (b) the accounting officer fails to comply with section 32(6).*



### **13. BUDGET IMPLEMENTATION**

#### **13.1 Monitoring**

13.1.1 *The Accounting Officer, with the assistance of the CFO and other senior managers, is responsible for the implementation of the budget, and must take reasonable steps to ensure that:*

- a) Funds are spent in accordance with the budget;*
- b) Expenses are reduced if expected revenues are less than projected; and*
- c) Revenues and expenses are properly monitored.*

13.1.2 *The Accounting Officer, with the assistance of the CFO, must prepare any adjustment budgets when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to Council.*

13.1.3 *The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintain an effective system of expenditure control in order to assist with budget control. Budget control must be performed on the lowest level of the budget, as well as the starting activity of an expense.*

13.1.4 *The Accounting Officer, with the assistance of the CFO, must ensure that the Municipality has and maintains effective systems of:*

- a) Revenue collection; and*
- b) Debtor management.*

13.1.5 *The assumptions on which the revenue forecasts was based must be monitored on at least a monthly basis.*

13.1.6 *The Accounting Officer, with the assistance of the CFO and other senior managers, 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**

##### **13.2.1 Monthly budget statements**

*The Accounting Officer, with the assistance of the CFO, 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.*

## APPENDIX A

Municipal Vote Structure					
Cost centre	Cost centre Description	Municipal Vote	Vote Holder	Municipal Sub Vote	Sub vote Holder
1	Executive Mayor	Municipal Manager	Municipal Manager	Council	Chief Operations Officer
2	Council Expenses	Municipal Manager	Municipal Manager	Council	Chief Operations Officer
3	Municipal Manager	Municipal Manager	Municipal Manager	Municipal Manager	Chief Operations Officer
4	Chief Operation Officer	Municipal Manager	Municipal Manager	Chief Operation Officer	Chief Operations Officer
5	Internal Auditor	Operational Services	Chief Operations Officer	Audit	Manager Internal Audit
11	Director Financial Services	Municipal Manager	Municipal Manager	Director: Financial Services	Chief Financial Officer
12	Revenue and Expenditure	Budget and Treasury Services	Chief Financial Officer	Revenue and Expenditure	Manager Revenue and Expenditure
13	Budget Office	Budget and Treasury Services	Chief Financial Officer	Budget Office	Manager Budget & Compliance
14	Data Processing	Budget and Treasury Services	Chief Financial Officer	Budget Office	Manager Budget & Compliance
15	Supply Chain Management	Budget and Treasury Services	Chief Financial Officer	Supply Chain	Manager Supply Chain Management
16	Levies	Budget and Treasury Services	Chief Financial Officer	Revenue and Expenditure	Manager Revenue and Expenditure
20	Director Corporate Services	Municipal Manager	Municipal Manager	Director: Corporate Services	Director: Corporate Services
21	Administration	Corporate Services	Director: Corporate Services	Administration	Manager Auxiliary services and Council support
22	Human Resources	Corporate Services	Director: Corporate Services	Human Resources	Manager Human resources
23	Legal Services	Corporate Services	Director: Corporate Services	Legal Services	Manager Legal Services
24	Internal Audit	Operational Services	Chief Operations Officer	Audit	Manager Internal Audit
25	Information Technology	Corporate Services	Director: Corporate Services	IT Infrastructure	Manager IT
26	Municipal buildings	Corporate Services	Director: Corporate Services	Municipal buildings	Manager Auxiliary services and Council support
27	Skills & Development	Corporate Services	Director: Corporate Services	Skills and Development	Manager Skills
30	Director Technical Services	Municipal Manager	Municipal Manager	Director: Technical Services	Director: Technical Services
42	Municipal Health	Community Services	Director: Community Services	Municipal Health Services	Manager Municipal Health Services
80	Directorate: Community Services	Municipal Manager	Municipal Manager	Director: Community Services	Director: Community Services
81	IDP & Planning	Operational Services	Chief Operations Officer	IDP & Performance management	Manager IDP
82	Tourism, Social & Economic Dev	Operational Services	Chief Operations Officer	Socio-Economic Development	Manager LED
83	Communication	Operational Services	Chief Operations Officer	Communication services	Manager Communications
84	SPU Unit	Operational Services	Chief Operations Officer	SPU	Manager Mainstreaming
87	Disaster Management	Community Services	Director: Community Services	Disaster Management & Fire Fighting	Manager Disaster Management
92	Fire Services	Community Services	Director: Community Services	Disaster Management & Fire Fighting	Manager Disaster Management
100	Plant Account	Technical Services	Director: Technical Services	Roads	Roads Engineer
101	Direct Roads Expenditure	Technical Services	Director: Technical Services	Roads	Roads Engineer
102	Indirect Account	Technical Services	Director: Technical Services	Roads	Roads Engineer
113	Technical Support/PMU	Technical Services	Director: Technical Services	PMU	Manager PMU
115	Working for Water/Wetlands	Community Services	Director: Community Services	Water/Wetlands	Manager Working for Water
120	Sanitation - Elundini	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP
121	Sanitation - Gariiep	Technical Services	Director: Technical Services	Water and Sanitation Subsidy	Director: Technical Services
122	Sanitation - Maletswai	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP
123	Sanitation - Senqu	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP
131	Water Service Authority	Community Services	Director: Community Services	Water and Sanitation Authority	Manager WSA
132	Water -Elundini	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP
133	Water -Gariiep	Technical Services	Director: Technical Services	Water and Sanitation Subsidy	Director: Technical Services
134	Water - Maletswai	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP
135	Water -Senqu	Technical Services	Director: Technical Services	Water and Sanitation Provision	Manager WSP

<b>APPENDIX B</b>
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### BUDGET TRANSFER CLASSIFICATION

Item Number	Item Description	Ring fenced Grouping	Revenue or Expenditure	Transfer from	Transfer to
120	Sanitation	Service Charges	Revenue	No	No
125	Sewerage Blockage	Service Charges	Revenue	No	No
170	Water Connections	Service Charges	Revenue	No	No
173	Water Consumption	Service Charges	Revenue	No	No
174	CONNECTION FEES	Service Charges	Revenue	No	No
176	Water Furrows	Service Charges	Revenue	No	No
180	Water Reconnections	Service Charges	Revenue	No	No
190	Establishment Levy	Service Charges	Revenue	No	No
229	Cash	Other Revenue	Revenue	No	No
251	Rental: Council Houses	Rent of Facilities and Equipment	Revenue	No	No
302	Interest: Current Account	Interest Earned - External	Revenue	No	No
305	Interest: Investment	Interest Earned - External	Revenue	No	No
325	Interest Earned-Outstanding Debtors	Interest Earned - Outstanding	Revenue	No	No
375	ROOF PARKING	Other Revenue	Revenue	No	No
390	Fines: Water	Fines	Revenue	No	No
430	ACIP WCDM B/DORP	Other Revenue	Revenue	No	No
456	Provincial Health (Reimb. EHP)	Income For Agency Services	Revenue	No	No
458	Provincial Roads	Income For Agency Services	Revenue	No	No
461	Equitable Share	Grants & Subsidies Received	Revenue	No	No
463	Subsidy Roads DRAT	Grants & Subsidies Received	Revenue	No	No
465	Subsidy: ECDOH	Grants & Subsidies Received	Revenue	No	No
466	Subsidy: Environmental Health	Grants & Subsidies Received	Revenue	No	No
470	ECDC	Grants & Subsidies Received	Revenue	No	No
471	Rural Roads Asset Management Grant	Grants & Subsidies Received	Revenue	No	No
472	Water Services Operating Subsidy	Grants & Subsidies Received	Revenue	No	No
530	Mun Finance Management	Grants & Subsidies Received	Revenue	No	No
533	Roads	Grants & Subsidies Received	Revenue	No	No
547	Municipal Systems Improvement	Grants & Subsidies Received	Revenue	No	No
549	Water Affairs	Grants & Subsidies Received	Revenue	No	No
550	DEAT: Lake Gariep	Grants & Subsidies Received	Revenue	No	No
554	Council Remuneration	Grants & Subsidies Received	Revenue	No	No
562	Working for Water	Grants & Subsidies Received	Revenue	No	No
566	RSC levies Replacement Grant	Grants & Subsidies Received	Revenue	No	No
572	MIG	Grants & Subsidies Received	Revenue	No	No
576	Dwaf Tech Support to Wsa	Grants & Subsidies Received	Revenue	No	No
577	Dwaf Training of Dwaf Staff	Grants & Subsidies Received	Revenue	No	No
579	Contributions Seta	Other Revenue	Revenue	No	No
591	Led Capacity	Grants & Subsidies Received	Revenue	No	No
593	Libraries	Grants & Subsidies Received	Revenue	No	No
617	Working for Wetlands	Grants & Subsidies Received	Revenue	No	No
638	ISRDP Capacity Grant (DLGTA)	Grants & Subsidies Received	Revenue	No	No
641	Incentive - EPWP Programs	Grants & Subsidies Received	Revenue	No	No

Item Number	Item Description	Ring fenced Grouping	Revenue or	Transfer from	Transfer to
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			Expenditure		
643	Alphine Tourism	Grants & Subsidies Received	Revenue	No	No
658	ThinaSinako: Heritage;Tourism	Grants & Subsidies Received	Revenue	No	No
660	Transfer Capex- RHIP	Grants & Subsidies Received	Revenue	No	No
661	Income - Receipts of Donations	Other Revenue	Revenue	No	No
664	Transfers Capex-RHIP	Grants & Subsidies Received	Revenue	No	No
665	INSURANCE PAYOUTS	Other Revenue	Revenue	No	No
666	Dept. Health Lumpsum	Other Revenue	Revenue	No	No
735	Car Port	Other Revenue	Revenue	No	No
743	Photostats & Information	Other Revenue	Revenue	No	No
749	Sundry Income	Other Revenue	Revenue	No	No
754	Surcharge Private Works	Other Revenue	Revenue	No	No
757	Surplus Cash	Other Revenue	Revenue	No	No
763	Telephone: Private Calls	Other Revenue	Revenue	No	No
765	Stock Take Differences: Year-e	Other Revenue	Revenue	No	No
840	INVOICE BASED FINANCE	Grants & Subsidies Received	Revenue	No	No
841	Gain on Disposal: Property Plant and Equipment	Gain on Disposal of Assets	Revenue	No	No
843	Profit on Sale of Assets	Gain on Disposal of Assets	Revenue	No	No
844	HERITAGE, TOURISM & ECONOMIC S	Grants & Subsidies Received	Revenue	No	No
845	Actuarial gains	Other Revenue	Revenue	No	No
846	INCOME: HERITAGE MANAGEMENT PL	Grants & Subsidies Received	Revenue	No	No
847	Actuarial Gains	Other Revenue	Revenue	No	No
848	STIMULATION OF ECONOMY THROUGH	Grants & Subsidies Received	Revenue	No	No
890	Reversal of Provision for Debt	Other Revenue	Revenue	No	No
893	Internal Recoveries	Internal Transfers	Recoverable	No	No
1000	Salaries	Employee Related Costs	Expenditure	Yes*	Yes*
1001	Bonus: Leave	Employee Related Costs	Expenditure	Yes*	Yes*
1002	Overtime	Employee Related Costs	Expenditure	Yes*	Yes*
1005	Gratuity	Employee Related Costs	Expenditure	No	No
1008	Salaries: Managers	Employee Related Costs	Expenditure	Yes*	Yes*
1009	Bonus: Managers Leave	Employee Related Costs	Expenditure	Yes*	Yes*
1010	Bonus: Managers Performance	Employee Related Costs	Expenditure	Yes*	Yes*
1013	Allowance: Acting	Employee Related Costs	Expenditure	Yes*	Yes*
1014	Allowance: Camping	Employee Related Costs	Expenditure	Yes*	Yes*
1015	Allowance: Cell Phone	Employee Related Costs	Expenditure	Yes*	Yes*
1016	Allowance: Housing Rent	Employee Related Costs	Expenditure	Yes*	Yes*
1017	Allowance: Housing Subsidy	Employee Related Costs	Expenditure	Yes*	Yes*
1018	Allowance: Travelling	Employee Related Costs	Expenditure	Yes*	Yes*
1020	Allowance: Standby	Employee Related Costs	Expenditure	Yes*	Yes*
1021	Allowance: Managers Cell Phone	Employee Related Costs	Expenditure	Yes*	Yes*
1024	Allowance: Managers Travelling	Employee Related Costs	Expenditure	Yes*	Yes*
1025	Additional Province	Employee Related Costs	Expenditure	Yes*	Yes*
1026	TEMP STAFF- SALARIES	Employee Related Costs	Expenditure	Yes*	Yes*
1051	Contribution: Bargaining Counc	Employee Related Costs	Expenditure	Yes*	Yes*
1052	Contribution: Group Life Insur	Employee Related Costs	Expenditure	Yes*	Yes*
1053	Contribution: Industrial Counc	Employee Related Costs	Expenditure	Yes*	Yes*
1054	Contribution: Medical Aid	Employee Related Costs	Expenditure	Yes*	Yes*
1055	Contribution: Pension Fund	Employee Related Costs	Expenditure	Yes*	Yes*
1057	Contribution: UIF	Employee Related Costs	Expenditure	Yes*	Yes*
1059	Contributions: Medical Aid Pen	Employee Related Costs	Expenditure	Yes*	Yes*
1060	Contribution: Defined Benefit	Employee Related Costs	Expenditure	Yes*	Yes*
1062	Contibutions: Managers Group L	Employee Related Costs	Expenditure	Yes*	Yes*

Item	Item	Ring fenced	Revenue	Transfer	Transfer
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Number	Description	Grouping	or Expenditure	from	to
1063	Contributions: Managers Indust	Employee Related Costs	Expenditure	Yes*	Yes*
1064	Contribution: Managers Medical	Employee Related Costs	Expenditure	Yes*	Yes*
1065	Contributions: Managers Pensio	Employee Related Costs	Expenditure	Yes*	Yes*
1067	Contribution: Managers UIF	Employee Related Costs	Expenditure	Yes*	Yes*
1100	Less Employee Costs Capitalise	Employee Related Costs	Expenditure	No	No
1200	Employee Costs Alloc to other	Employee Related Costs	Expenditure	No	No
1300	Allowance : Councillors	Remuneration of Councillors	Expenditure	No	No
1301	Contributions: Pension Fund	Remuneration of Councillors	Expenditure	No	No
1302	Contributions: Medical Aid	Remuneration of Councillors	Expenditure	No	No
1303	Allowance: Cell Phone	Remuneration of Councillors	Expenditure	No	No
1304	Allowance: Car	Remuneration of Councillors	Expenditure	No	No
1400	Bad Debts	Debt impairment	Expenditure	No	No
1600	Depreciation	Depreciation & asset impairment	Expenditure	No	No
1710	Buildings	Other Expenditure	Expenditure	Yes	Yes
1711	Steynsburg O & M	Other Expenditure	Expenditure	Yes	Yes
1750	Furniture & Equipment	Other Expenditure	Expenditure	Yes	Yes
1760	Maint Roads - SLA Dep of Road	Other Expenditure	Expenditure	Yes	Yes
1800	Road Maintenance	Other Expenditure	Expenditure	Yes	Yes
1801	PLANT RENTAL PRIVATE	Other Expenditure	Expenditure	Yes	Yes
1810	Rural Schemes	Contracted Services	Expenditure	Yes	Yes
1829	Fuel & oil	Other Expenditure	Expenditure	Yes	Yes
1830	Vehicle: Services&Repairs	Other Expenditure	Expenditure	Yes	Yes
1831	Ugie WTP O & M	Other Expenditure	Expenditure	Yes	Yes
1834	Mt Fletcher WTP O&M	Other Expenditure	Expenditure	Yes	Yes
1840	Vehicle: Tyres & Tubes	Other Expenditure	Expenditure	Yes	Yes
1850	Water Meters	Other Expenditure	Expenditure	Yes	Yes
1860	Water Reticulation	Other Expenditure	Expenditure	Yes	Yes
2200	Interest Expense - External Borrowing	Interest Expense	Expenditure	No	No
2203	Interest Paid to Creditors	Interest Expense	Expenditure	No	No
2810	Contracted Services Computer P	Other Expenditure	Expenditure	Yes	Yes
2820	Contracted Services Photostat	Contracted Services	Expenditure	Yes	Yes
2840	Honey Sucking - Elundini	Contracted Services	Expenditure	Yes	Yes
2841	Sanitation - Elundini	Grants & Subsidies Paid	Expenditure	No	No
2850	Honey Sucking - Gariep	Contracted Services	Expenditure	Yes	Yes
2851	Sanitation - Gariep	Grants & Subsidies Paid	Expenditure	No	No
2860	Honey Sucking - Maletswai	Contracted Services	Expenditure	Yes	Yes
2861	Sanitation - Maletswai	Grants & Subsidies Paid	Expenditure	No	No
2870	Honey Sucking - Senqu	Contracted Services	Expenditure	Yes	Yes
2871	Sanitation - Senqu	Grants & Subsidies Paid	Expenditure	No	No
2880	Water Services - Elundini	Contracted Services	Expenditure	Yes	Yes
2881	Water Services - Elundini	Grants & Subsidies Paid	Expenditure	No	No
2891	Water services - Gariep	Grants & Subsidies Paid	Expenditure	No	No
2901	Water Services - Maletswai	Grants & Subsidies Paid	Expenditure	No	No
3000	Water Services Senqu	Contracted Services	Expenditure	Yes	Yes
3001	Water Services - Senqu	Grants & Subsidies Paid	Expenditure	No	No
3903	Alphine Tourism	Other Expenditure	Expenditure	Yes	Yes
3928	Contributions: Libraries	Other Expenditure	Expenditure	Yes	Yes
3930	Customer Call Centre: Sanqu	Other Expenditure	Expenditure	Yes	Yes
3958	Disaster Man Fire Services	Grants & Subsidies Paid	Expenditure	No	No
3964	Disaster Man Relief	Other Expenditure	Expenditure	Yes	Yes
3965	Disaster Man Systems 06/07	Other Expenditure	Expenditure	Yes	Yes
3966	Disaster Man Training Voluntee	Other Expenditure	Expenditure	Yes	Yes



Budget Policy

Item Number	Item Description	Ring fenced Grouping	Revenue or Expenditure	Transfer from	Transfer to
3979	Drinking Water Quality Monitor	Other Expenditure	Expenditure	Yes	Yes
3981	Drought Relief Water Carting	Other Expenditure	Expenditure	Yes	Yes
3985	DWAF Raw Water Extraction Cost	Other Expenditure	Expenditure	Yes	Yes
3986	DWAF Staff Training	Other Expenditure	Expenditure	Yes	Yes
4009	Equitable Share Events	Other Expenditure	Expenditure	Yes	Yes
4024	Finance Management	Other Expenditure	Expenditure	Yes	Yes
4034	Fire Services	Other Expenditure	Expenditure	Yes	Yes
4040	Heritage Management & Strategy	Other Expenditure	Expenditure	Yes	Yes
4094	LGSETA Internal Training	Grants & Subsidies Paid	Expenditure	No	No
4096	LGTA IDP: Ukhahlamba	Other Expenditure	Expenditure	Yes	Yes
4284	MIG - PVA - Asset verification	Other Expenditure	Expenditure	Yes	Yes
4287	Water Testing	Other Expenditure	Expenditure	Yes	Yes
4291	MSIG Grant	Other Expenditure	Expenditure	Yes	Yes
4300	Job Evaluations	Other Expenditure	Expenditure	Yes	Yes
4319	Projects: Working for Wetland	Other Expenditure	Expenditure	Yes	Yes
4345	SMME capacity development	Other Expenditure	Expenditure	Yes	Yes
4355	Water Indaba	Other Expenditure	Expenditure	Yes	Yes
4356	Water Services Operating Subsi	Grants & Subsidies Paid	Expenditure	No	No
4361	Transport Infrastructure	Other Expenditure	Expenditure	Yes	Yes
4376	MIG- Planning Studies	Grants & Subsidies Paid	Expenditure	No	No
4379	Technical Support to WSA	Other Expenditure	Expenditure	Yes	Yes
4381	Water Services Development Pla	Other Expenditure	Expenditure	Yes	Yes
4398	Projects: Working for Water	Other Expenditure	Expenditure	Yes	Yes
4409	HERITAGE MANAGEMENT PLAN	Other Expenditure	Expenditure	Yes	Yes
4500	ACIP WCDM B/DORP	Other Expenditure	Expenditure	Yes	Yes
4706	Administration Cost	Other Expenditure	Expenditure	Yes	Yes
4708	Advertising Fees	Other Expenditure	Expenditure	Yes	Yes
4710	Annual Report Publishing	Other Expenditure	Expenditure	Yes	Yes
4711	Aids Implementation Programs	Other Expenditure	Expenditure	Yes	Yes
4714	Asset management system	Other Expenditure	Expenditure	Yes	Yes
4718	Audit & Performance audit comm	Other Expenditure	Expenditure	Yes	Yes
4720	Audit Fees	Other Expenditure	Expenditure	Yes	Yes
4722	Bank Charges	Other Expenditure	Expenditure	Yes	Yes
4724	Branding	Other Expenditure	Expenditure	Yes	Yes
4725	MIG Operating Grant Expenditure	Grants & Subsidies Paid	Expenditure	No	No
4728	Bursaries: Studies	Other Expenditure	Expenditure	Yes	Yes
4735	Children: Children's Day Event	Other Expenditure	Expenditure	Yes	Yes
4736	Cleaning Materials	Other Expenditure	Expenditure	Yes	Yes
4754	Consumable Items	Other Expenditure	Expenditure	Yes	Yes
4755	Educational Literature & Books	Other Expenditure	Expenditure	Yes	Yes
4756	Consumer Accounts	Other Expenditure	Expenditure	Yes	Yes
4757	Electronic Communication Lease	Other Expenditure	Expenditure	Yes	Yes
4759	Electronic Communication Comm	Other Expenditure	Expenditure	Yes	Yes
4768	Data checking	Other Expenditure	Expenditure	Yes	Yes
4769	Telecommunications	Other Expenditure	Expenditure	Yes	Yes
4770	Database establishment	Other Expenditure	Expenditure	Yes	Yes
4773	Development Agency	Other Expenditure	Expenditure	Yes	Yes
4775	Disable Programme : Awareness	Other Expenditure	Expenditure	Yes	Yes
4777	Disable Programme: Support Org	Other Expenditure	Expenditure	Yes	Yes
4778	District awards - External	Other Expenditure	Expenditure	Yes	Yes
4786	Prof. Fees (Vat Review, Fin. T	Other Expenditure	Expenditure	Yes	Yes
4788	Drinking Water Quality Monitor	Other Expenditure	Expenditure	Yes	Yes

Budget Policy

Item Number	Item Description	Ring fenced Grouping	Revenue or Expenditure	Transfer from	Transfer to
4791	Elderly: Elderly Programme	Other Expenditure	Expenditure	Yes	Yes
4794	EAP	Other Expenditure	Expenditure	Yes	Yes
4795	Employer Assistance Programme	Other Expenditure	Expenditure	Yes	Yes
4796	Employment creation	Other Expenditure	Expenditure	Yes	Yes
4801	Rural Roads Asset Management G	Grants & Subsidies Paid	Expenditure	No	No
4812	Catering Council Meetings	Other Expenditure	Expenditure	Yes	Yes
4814	Entertainment: Executive Mayor	Other Expenditure	Expenditure	Yes	Yes
4818	Departmental Catering Meetings	Other Expenditure	Expenditure	Yes	Yes
4819	Environmental Forums	Other Expenditure	Expenditure	Yes	Yes
4824	Fleet Management System	Other Expenditure	Expenditure	Yes	Yes
4826	Fleet Management System	Other Expenditure	Expenditure	Yes	Yes
4834	Fuel & Oil: Equipment	Other Expenditure	Expenditure	Yes	Yes
4836	Vehicle: Fuel and Oil	Other Expenditure	Expenditure	Yes	Yes
4838	G/E: Gifts	Other Expenditure	Expenditure	Yes	Yes
4846	IDP - LM Allocation	Other Expenditure	Expenditure	Yes	Yes
4852	IGR	Other Expenditure	Expenditure	Yes	Yes
4866	Insurance: Short Term	Other Expenditure	Expenditure	Yes	Yes
4867	Excess for Insurance	Other Expenditure	Expenditure	Yes	Yes
4868	Insurance: Workman's Compensa	Other Expenditure	Expenditure	Yes	Yes
4872	Interest Paid Third Parties	Interest Expense	Expenditure	No	No
4873	Internal Audit Services	Other Expenditure	Expenditure	Yes	Yes
4886	Led Program Implementation	Other Expenditure	Expenditure	Yes	Yes
4888	Legal Fees	Other Expenditure	Expenditure	Yes	Yes
4889	Stock Adjustments	Other Expenditure	Expenditure	Yes	Yes
4890	Legal Statutes & Cases Update	Other Expenditure	Expenditure	Yes	Yes
4892	Computer Software Licenses	Other Expenditure	Expenditure	Yes	Yes
4906	Mayoral Cup	Other Expenditure	Expenditure	Yes	Yes
4908	Mayoral Fund	Other Expenditure	Expenditure	Yes	Yes
4910	Traditional leaders	Other Expenditure	Expenditure	Yes	Yes
4912	Mayoral projects: Priority pro	Other Expenditure	Expenditure	Yes	Yes
4916	Mayoral projects: State events	Other Expenditure	Expenditure	Yes	Yes
4918	Mayoral projects: Donations	Other Expenditure	Expenditure	Yes	Yes
4920	Mayoral special programs: Chil	Other Expenditure	Expenditure	Yes	Yes
4930	Mayoral special programs: Yout	Other Expenditure	Expenditure	Yes	Yes
4934	Media relations	Other Expenditure	Expenditure	Yes	Yes
4936	Membership Fees	Other Expenditure	Expenditure	Yes	Yes
4938	Membership Fees: SALGA	Other Expenditure	Expenditure	Yes	Yes
4939	Moral Regeneration: Awareness	Other Expenditure	Expenditure	Yes	Yes
4942	Municipal Health Bylaws	Other Expenditure	Expenditure	Yes	Yes
4944	Name Change	Other Expenditure	Expenditure	Yes	Yes
4946	Newsletter	Other Expenditure	Expenditure	Yes	Yes
4948	Occupational health	Other Expenditure	Expenditure	Yes	Yes
4954	Other Programs - Hawkers	Other Expenditure	Expenditure	Yes	Yes
4958	Pauper Burials	Other Expenditure	Expenditure	Yes	Yes
4962	PMS cascading awareness and sy	Other Expenditure	Expenditure	Yes	Yes
4968	Postage	Other Expenditure	Expenditure	Yes	Yes
4974	Printing & Stationery	Other Expenditure	Expenditure	Yes	Yes
4986	Professional Services	Other Expenditure	Expenditure	Yes	Yes
4991	Public Participation	Other Expenditure	Expenditure	Yes	Yes
4992	Publishing & Events	Other Expenditure	Expenditure	Yes	Yes
5006	Rental: Offices	Other Expenditure	Expenditure	Yes	Yes
5014	S & T: Councillors: Portfolio	Other Expenditure	Expenditure	Yes	Yes

Budget Policy

Item Number	Item Description	Ring fenced Grouping	Revenue or Expenditure	Transfer from	Transfer to
5016	S & T: Councillors: Comm, Serv	Other Expenditure	Expenditure	Yes	Yes
5018	S & T: Councillors: Portfolio	Other Expenditure	Expenditure	Yes	Yes
5020	S & T: Councillors: Corp Servi	Other Expenditure	Expenditure	Yes	Yes
5022	S & T: Councillors: Portfolio	Other Expenditure	Expenditure	Yes	Yes
5024	S & T: Councillors: Section 79	Other Expenditure	Expenditure	Yes	Yes
5026	S & T: Councillors: Speaker	Other Expenditure	Expenditure	Yes	Yes
5028	S & T: Councillors: Portfolio	Other Expenditure	Expenditure	Yes	Yes
5030	S & T: Councillors: Technical	Other Expenditure	Expenditure	Yes	Yes
5038	Security	Contracted Services	Expenditure	Yes	Yes
5040	Data Security & Backup	Other Expenditure	Expenditure	Yes	Yes
5041	Vehicle Hire	Other Expenditure	Expenditure	Yes	Yes
5043	SEDA	Other Expenditure	Expenditure	Yes	Yes
5048	Skills Development Levy	Employee Related Costs	Expenditure	Yes*	Yes*
5050	Manager: Contributions Skills	Employee Related Costs	Expenditure	Yes*	Yes*
5052	SPU monitoring program	Other Expenditure	Expenditure	Yes	Yes
5056	Staff Relocation Costs	Other Expenditure	Expenditure	Yes	Yes
5060	Stores & Materials	Other Expenditure	Expenditure	Yes	Yes
5062	Strategic Planning Sessions	Other Expenditure	Expenditure	Yes	Yes
5066	S & T: Audit Committee	Other Expenditure	Expenditure	Yes	Yes
5068	S & T: Councillors: Finance St	Other Expenditure	Expenditure	Yes	Yes
5070	S & T: Councillors: Mayor	Other Expenditure	Expenditure	Yes	Yes
5072	Subsistence & Travel Personnel	Other Expenditure	Expenditure	Yes	Yes
5074	Support LM's	Other Expenditure	Expenditure	Yes	Yes
5077	S & T: TRADITIONAL LEADERS	Other Expenditure	Expenditure	Yes	Yes
5078	System support	Other Expenditure	Expenditure	Yes	Yes
5080	Telephone	Other Expenditure	Expenditure	Yes	Yes
5086	Tourism marketing	Other Expenditure	Expenditure	Yes	Yes
5087	HERITAGE MANAGEMENT PLAN	Other Expenditure	Expenditure	Yes	Yes
5094	T/E: Registration Fees	Other Expenditure	Expenditure	Yes	Yes
5095	Vector Control	Other Expenditure	Expenditure	Yes	Yes
5096	Training: of Students	Other Expenditure	Expenditure	Yes	Yes
5099	Training of Officials	Other Expenditure	Expenditure	Yes	Yes
5100	Training of councillors	Other Expenditure	Expenditure	Yes	Yes
5101	STIMULATION OF ECONOMY THROUGH	Other Expenditure	Expenditure	Yes	Yes
5102	INVOICE BASED FINANCE	Other Expenditure	Expenditure	Yes	Yes
5106	Closing Function	Other Expenditure	Expenditure	Yes	Yes
5110	Uniform & Protective Clothing	Other Expenditure	Expenditure	Yes	Yes
5112	Valuer fees	Other Expenditure	Expenditure	Yes	Yes
5122	Water Research Fee	Other Expenditure	Expenditure	Yes	Yes
5127	Women Programmes: 16 Days of a	Other Expenditure	Expenditure	Yes	Yes
5128	Stock Take Differences Year En	Other Expenditure	Expenditure	Yes	Yes
5130	Woman Programmes: Gender issue	Other Expenditure	Expenditure	Yes	Yes
5132	Woman Programmes: Support Orga	Other Expenditure	Expenditure	Yes	Yes
5145	Youth Programmes	Other Expenditure	Expenditure	Yes	Yes
5146	Youth Programmes	Other Expenditure	Expenditure	Yes	Yes
5147	Youth Programmes: Support Orga	Other Expenditure	Expenditure	Yes	Yes
5148	Youth Programmes: Youth month	Other Expenditure	Expenditure	Yes	Yes
5220	Loss on sale of Assets	Loss on Disposal of Assets	Expenditure	No	No
5221	Impairment on Assets	Other Expenditure	Expenditure	Yes	Yes
5500	Contr. To Provision Post Emp	Employee Related Costs	Expenditure	No	No
5501	Contr. To Provision Leave	Employee Related Costs	Expenditure	No	No
5502	Contr. To Provision Long Servi	Employee Related Costs	Expenditure	No	No



Budget Policy

Item Number	Item Description	Ring fenced Grouping	Revenue or Expenditure	Transfer from	Transfer to
5504	Contribution to Ex Gratia Grat	Employee Related Costs	Expenditure	No	No
5600	Admin Cost: Corporate Services	Internal Transfers	Recoverable	No	No
5607	Admin Cost: Democratic Process	Internal Transfers	Recoverable	No	No
5628	Admin Cost: Financial Services	Internal Transfers	Recoverable	No	No
5642	Admin Cost: Information & Tech	Internal Transfers	Recoverable	No	No
5643	Admin Cost: Internal Audit	Internal Transfers	Recoverable	No	No
5646	Admin Cost: Municipal Manager	Internal Transfers	Recoverable	No	No
5649	Admin Cost: Hire of Offices	Internal Transfers	Recoverable	No	No
5670	Admin Cost: Purchases & Stock	Internal Transfers	Recoverable	No	No
8562	Fire Fighting Clothing	Other Expenditure	Expenditure	Yes	Yes
8563	Water Conservation & Demand Ma	Other Expenditure	Expenditure	Yes	Yes
8564	Planned Maintenance	Other Expenditure	Expenditure	Yes	Yes
9014	DROUGHT RELIEF - SPRING PROTEC	Other Expenditure	Expenditure	Yes	Yes
Only with approval of the CFO				Yes*	Yes*

ANNEXURE C

**Report: Unforeseeable and Unavoidable expenditure**

**<Reference number>**

**<day month year>**

**REPORT TO:** Executive mayor

**REPORT FROM director:**<position of person compiling the report>

**PURPOSE OF THE REPORT**

The purpose of this report is to table to the Executive Mayor a request to authorize unforeseen and unavoidable expenditure.

**BACKGROUND / DISCUSSION**

**<Provide background of why the expenditure is needed and the consequences if the expenditure is not going to be authorized>**

According to the best of my knowledge the criteria set in the table below are considered in the context of the expenditure for which authorisation is required.

Budget Policy

Criteria	Tick box	
Was this expenditure foreseen at the time the annual budget of the municipality was passed?	Yes	No
<i>If delayed, would this expenditure result in or cause:</i>		
Significant financial loss for the municipality?	Yes	No
Disruption or suspension, or a serious threat to the continuation, of a basic municipal service?	Yes	No
Loss of life or serious injury or significant damage to property?	Yes	No
Obstruct the municipality from instituting or defending legal proceedings on an urgent basis?	Yes	No
Was this expenditure considered by the council, but not approved in the annual budget or an adjustments budget?	Yes	No
<i>Is this expenditure required for:</i>		
Price increases of goods or services during the financial year?	Yes	No
New municipal services or functions during the financial year?	Yes	No
The extension of existing municipal services or functions during the financial year?	Yes	No
The appointment of personnel during the financial year?	Yes	No
The allocation of discretionary appropriations to any vote during the financial year?	Yes	No
Would this expenditure result in or cause contravention any existing council policy?	Yes	No
Is the intended of this expenditure to ratify irregular or fruitless and wasteful expenditure?	Yes	No

**FINANCIAL IMPLICATIONS / FINANSIËLE IMPLIKASIES**

<Provide the direct as well as the indirect financial implications of the authorization of the expenditure>

**RELEVANT LEGISLATION / RELEVANTE WETGEWING**

In terms of section 29 of the MFMA the Executive Mayor may:

*“in emergency or other exceptional circumstances authorise unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.*

*(2) Any such expenditure—*

*(a) must be in accordance with any framework that may be prescribed;*

*(b) may not exceed a prescribed percentage of the approved annual budget;*

*(c) must be reported by the mayor to the municipal council at its next meeting; and*

*(d) must be appropriated in an adjustments budget.”*

*The framework is prescribed in Sect 71 of the Municipal Budget and Reporting Regulations promulgated in government gazette no.32141 dated 17 April 2009*

*“Authorisation of unforeseen and unavoidable expenditure*

*71. (1) The mayor of a municipality may authorise expenditure in terms of section 29 of the Act only if -*

*(a) the expenditure could not have been foreseen at the time the annual budget of the municipality was passed; and*

*(b) 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 authorise the expenditure may -*

*(i) result in significant financial loss for the municipality;*

*(ii) cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;*

*(iii) lead to loss of life or serious injury or significant damage to property; or*

*(iv) obstruct the municipality from instituting or defending legal proceedings on an urgent basis.*

*(2) The mayor of a municipality may not authorise expenditure in terms of section 29 of the Act if the expenditure –*

*(a) was considered by the council, but not approved in the annual budget or an adjustments budget;*

*(b) is required for-*

*(i) price increases of goods or services during the financial year;*

*(ii) new municipal services or functions during the financial year;*

*Budget Policy*

*(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*

*(c) would contravene any existing council policy; or*

*(d) is intended to ratify irregular or fruitless and wasteful expenditure.”*

**COMMENTS: FINANCIAL SERVICES**

**COMMENTS: LEGAL SERVICES**

**COMMENTS: MUNICIPAL MANAGER**

**RECOMMENDATION**

*Decision taken by executive mayor based on recommendation*

*\*Approved / Not approved*

*Date: .....*

*Signature: .....*

*\*Delete if not applicable*

*Budget Policy*

*(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*

*(c) would contravene any existing council policy; or*

*(d) is intended to ratify irregular or fruitless and wasteful expenditure."*

**COMMENTS: FINANCIAL SERVICES**

**COMMENTS: LEGAL SERVICES**

**COMMENTS: MUNICIPAL MANAGER**

**RECOMMENDATION**

*Decision taken by executive mayor based on recommendation*

*\*Approved / Not approved*

*Date: .....*

*Signature: .....*

*\*Delete if not applicable*



## JOE GQABI District Municipality

### BANKING AND INVESTMENT POLICY

#### PREAMBLE TO THE POLICY

**WHEREAS** section 152 (1) (b) of the Constitution of the Republic of South Africa, Act 108 of 1996, provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

**AND WHEREAS** section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

**AND WHEREAS** section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

**AND WHEREAS** the Municipal Finance Management Act, Act No 56 of 2003, provides for a municipality to collect revenue, open bank accounts, make payments, make investments and make loans;

**AND WHEREAS** section 6 (2) (c), (e) and (f) of the Municipal Systems Act (Act 32 of 2000) provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge.

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**CHAPTER 1 : DEFINITIONS**

**For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise, and means the following:**

“Accounting Officer”	The Municipal Manager.
“Act”	The Municipal Finance Management Act No. 56 of 2003.
“Bank”	An institution registered in terms of the Banks Act 1990.
“Chief Financial Officer” Officer whom	The person appointed by the Council as Chief Financial and includes any person acting in that position or to whom authority is delegated.
“Council” 1996), of	The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa (Act 108 of the Joe Gqabi District Municipality;
“Head of Department”	An official appointed by the Council to manage a directorate of the municipality.
“Investment”	Placing a deposit of funds of a municipality with a financial institution.
“MEC” Executive affairs.	Is an acronym meaning the Member of the Provincial Committee responsible for local government
“Minister”	The Minister of Finance.
“Municipality”	Means the Joe Gqabi District Municipality.
“Municipal Manager” and authority is	The person appointed by the Council as Municipal Manager includes any person acting in that position or to whom delegated.

**CHAPTER 2 : LEGISLATIVE FRAMEWORK**

**REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003: -**

**1. SECTION 7: OPENING OF BANK ACCOUNTS**

- 1.1. 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.
- 1.2. 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.
- 1.3. Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

**2. SECTION 8: PRIMARY BANK ACCOUNT**

- 2.1. 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.
- 2.2. 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 external mechanism on behalf of the municipality, and;
  - any other monies as may be prescribed.

- 2.3. 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.

### 3. SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

- 3.1. 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.

### 4. SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

- 4.1. 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.
- 4.2. The accounting officer may delegate the duties referred to above only to the municipality's Chief Financial Officer.

### 5. SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

- 5.1. Only the accounting officer or the Chief Financial Officer of the municipality or any other senior financial official of the municipality acting on the written authority of the accounting officer may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:
- defray expenditure appropriated in terms of an approved budget;
  - defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not approved on time, and the Province has been compelled to intervene);
  - defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
  - in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
  - 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;
- defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

***(Note that Section 11(1) 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).***

- 5.2. 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.
- 5.3. 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.

## **6. SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS**

- 6.1. 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.
- 6.2. 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.
- 6.3. 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.

## **7. SECTION 13: CASH MANAGEMENT AND INVESTMENTS**

- 7.1. 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.
- 7.2. A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.
- 7.3. 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.
- 7.4. 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.

## **8. SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS**

- 8.1. 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.

## **9. SECTION 22: PUBLICATION OF ANNUAL BUDGETS**

- 9.1. 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 connexion with such budget (and documents).

## **10. SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES**

- 10.1. 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.

- 10.2. 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.

**11. SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES**

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

**12. SECTION 45: SHORT-TERM DEBT**

- 12.1. 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.
- 12.2. The Council may approve a short-term debt transaction individually, or may 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.
- 12.3. 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.

**13. SECTION 46: LONG-TERM DEBT**

- 13.1. 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).

**14. SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT**

- 14.1. 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.



15. SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

- 15.1. The accounting officer of the municipality is responsible for the management of the revenue of the municipality.
- 15.2. 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.
- 15.3. 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.
- 15.4. 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.

16. SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

- 16.1. The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.
- 16.2. 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.
- 16.3. 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.
- 16.4. 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.

17. POLICY STATEMENT

- 17.1. 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.
- 17.2. 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, Municipal Manager or Chief Financial Officer. Such authority is hereby delegated to the Chief Financial Officer.

### **CHAPTER 3 : OBJECTIVE OF INVESTMENT POLICY**

18. The Council 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.
19. 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.
20. 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.

### **CHAPTER 4 : EFFECTIVE CASH MANAGEMENT**

#### **21. Cash Collection**

- 21.1. 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.
- 21.2. 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.

#### **22. Payments to Creditors**

- 22.1. The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable 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. 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.
- 22.2. 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.
- 22.3. 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.
- 22.4. The Chief Financial Officer shall not ordinarily process payments, for accounts received, more than once in each week, such processing to take place on or about the



end of the week concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

- 22.5. 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 week end processing.
- 23.1. 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.
- 23.2. Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the Head of Administration for sale at a public auction or by other means of disposal, as provided for in the municipality's asset management policy.

#### 24. Cash Management Programme

- 24.1. 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 monthly 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 in time and in the format indicated.
- 24.2. The Chief Financial Officer shall report to the Municipal Manager on a monthly basis and to every quarterly Council meeting the cash flow estimate or revised estimate for such reporting period, 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.

#### **CHAPTER 5 : INVESTMENT ETHICS**

25. The Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality in compliance with any prescriptions made by the Minister of Finance.
26. In making such investments the Chief Financial Officer, shall at all times have only the best considerations of the municipality in mind, and, shall not accede to any influence by investments agents or institutions or any other outside parties.

**CHAPTER 6 : INVESTMENT PRINCIPLES****27. Limiting Exposure**

- 27.1. 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. To this effect, not more than 20% of Council's investment portfolio should be held with any specific Institution. 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).

**28. Risk and Return**

- 28.1. 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.

**29. Payment of Commission**

- 29.1. 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.

**30. Call Deposits and Fixed Deposits**

- 30.1. Before making any call or fixed deposits, the Chief Financial Officer, shall obtain investment proposals 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, if facilities are available, record such telephone conversations and, in any event, immediately write 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).
- 30.2. 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).
- 30.3. Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of chapter 8) 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.

31. Restriction on Tenure of Investments

- 31.1. No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager and Executive Mayor.

**CHAPTER 7 : CONTROL OVER INVESTMENTS**

32. 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.
33. The Chief Financial Officer shall ensure that all interest and capital properly due to the municipality are received in time and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully received or received on time.
34. 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.

**CHAPTER 8 : OTHER EXTERNAL INVESTMENTS**

35. 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.
36. No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Manager, Executive Mayor 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.

**CHAPTER 9 : BANKING ARRANGEMENTS**

37. 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.
38. 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 of the asset

financing reserve (if these accounts are required). 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.

#### **CHAPTER 10 : RAISING OF DEBT**

39. 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.
40. 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.
41. 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.

#### **CHAPTER 11 : INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES**

42. 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.
43. 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.

#### **CHAPTER 12 : INTEREST ON INVESTMENTS**

44. The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal 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.

45. 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.
46. If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Financial Officer to the appropriation account and re-appropriated to the asset financing reserve.