



Notice is hereby given in terms of Section 29 of the Local Government: Municipal Structures Act, Act 117 of 1998, that a **SPECIAL COUNCIL MEETING** of the 2016/2021 term of the Garden Route District Municipality will be held **via Zoom**, on **TUESDAY, 30 MARCH 2021 after the completion of the Ordinary Council meeting** to consider the items as set out in the agenda.

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*Kennis geskied hiermee ingevolge Artikel 29 van die Wet op Plaaslike Regering: Munisipale Strukture, 1998, Wet 117 van 1998, dat 'n **Spesiale RAADSVERGADERING** van die 2016/2021 termyn van die Garden Route Distriksmunisipaliteit gehou sal word **via Zoom** op **DINSDAG, 30 MAART 2021, na afloop van die Gewone Raadsvergadering** ten einde oorweging aan die items soos in die agenda uiteengesit, te skenk.*

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KuKhutshwe isaziso ngokwemiqathango yoMhlathi 29 woRhulumente Basekhaya: Umthetho Wezolawulo loMasipala, 1998, uMthetho 117 wango 1998, sokuba **INTLANGANISO EKHETHEKILEYO YEBHUNGA** yexesha lika 2016/2021 loMasipala Wesithili se Garden Route izakubanjwa ngobuxhakaxhaka **be Zoom NGOLWESIBINI, 30 KWEYOKWINDLA 2021 emveni kokuqukunjelwa kweNtlanganiso Eqhelekileyo yeBhunga** ukuqwalasela imiba ebekwe kwi agenda.

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BHJ GROENEWALD  
SPEAKER  
SPEAKER  
SOMLOMO

**MG STRATU**  
Municipal Manager  
*Munisipale Bestuurder*  
Mphathi Masipala

Date: 29 MARCH 2021

## AGENDA

1. OPENING AND WELCOMING / OPENING EN VERWELKOMING / UVULO NOLWAMKELO
2. SILENT PRAYER / STILLE GEBED / UMTHANDAZO OTHULEYO
3. ATTENDANCE OF MEMBERS / BYWONING VAN LEDE / AMALUNGU AKHOYO
  - 3.1 COUNCILLORS PRESENT / RAADSLEDE TEENWOORDIG / OCEBA ABAKHOYO
  - 3.2 COUNCILLORS WITH LEAVE / RAADSLEDE MET VERLOF / OCEBA ABAKWIKHEFU
  - 3.3 COUNCILLORS WITHOUT LEAVE / RAADSLEDE SONDER VERLOF / OCEBA ABANGEKHO KWIKHEFU
4. NOTING OF THE PROVISIONS OF SCHEDULE 1 (CODE OF CONDUCT FOR COUNCILLORS) OF THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000 / KENNISNAME VAN DIE VOORSKRIFTE VAN SKEDULE 1 (GEDRAGSKODE VIR RAADSLEDE) VAN DIE PLAASLIKE REGERING MUNISIPALE STELSELSWET, 2000 / UQWALASELO LWEMITHETHO-NEMIMISELO YOLUHLU 1 (INDLELA YOKUZIPHATHA KOCEBA) LOMTHETHO WENKQUBO ZORHULUMENTE BASEKHAYA, 2000
5. DISCLOSURE OF INTERESTS BY COUNCILLORS AND OFFICIALS / VERKLARING VAN BELANGE DEUR RAADSLEDE EN AMPTENARE / UKUCHAZWA KOMDLA NGOCEBA KUNYE NAMAGOSA

SECTION B		
REPORTS FROM THE EXECUTIVE MAYOR / <i>VERSLAE VANAF DIE UITVOERENDE BURGEMEESTER /</i> IMIBA EVELA KUSODOLOPHU		
B.1	<b>REPORT: DRAFT BUDGET 2021/2022 MTREF (MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK) / VERSLAG: KONSEP BEGROTING 2021/2022 MEDIUM TERMYN INKOMSTE EN UITGAWE RAAMWERK (MTIUR) / INGXELO: UIYLO LOLWABIWO-MALI 2021/2022 MTREF (INGENISO YEXESHA ELIFUTSHANE KUNYE NENDLELA YENCITHO)(1312624)</b> <i>Refer: Report dated 26 March 2021 from the Executive Mayor (Ald M Booysen)</i>	<b>5 - 446</b>

Rdl / Cllr CN Lichaba  
 Ald S De Vries  
 Rdl / Cllr NF Kamte  
 Rdl / Cllr SF May  
 Rdl / Cllr BN Van Wyk  
 Rdl / Cllr RE Spies  
 Ald JL Hartnick  
 Ald M Booysen  
 Rdl / Cllr AJ Rossouw  
 Rdl / Cllr KS Lose  
 Rdl / Cllr IT Mangaliso  
 Rdl / Cllr GL Boezak **(as at 30 June 2020)**  
 Rdl / Cllr SS Mbandezi  
 Ald BHJ Groenewald  
 Rdl / Cllr E Meyer  
 Ald RH Ruiters  
 Ald IC Kritzingen **(as at 30 June 2020)**  
 Rdl / Cllr EH Stroebeel  
 Ald PJ Van der Hoven  
 Ald T Teyisi  
 Ald V Gericke  
 Rdl / Cllr K Windvogel  
 Rdl / Cllr JC Lambaatjeen  
 Rdl / Cllr RR Wildschut  
 Rdl / Cllr ASM Windvogel  
 Rdl / Cllr L Tyokolo  
 Rdl / Cllr NV Gungubele (as at 08 Oct 2019)  
 Ald GR Wolmarans (as 27 Nov 2019)  
 Cllr J Fry **(As at 25 March 2020)**  
 Cllr X Matyila **(As at 30 June 2020)**  
 Cllr WT Harris **(As at 27 July 2020)**  
 Cllr MG Matiwane **(as at 30 Sept 2020)**  
 Cllr FN Mdumiso **(As at 22 Jan 2021)**  
 Cllr HD Ruiters **(As at 22 Jan 2021)**  
**(1 x VACANT)**

SPECIAL DISTRICT COUNCIL

30 MARCH 2021

1. **REPORT: DRAFT BUDGET 2021/2022 MTREF (MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK) / VERSLAG: KONSEP BEGROTING 2021/2022 MEDIUM TERMYN INKOMSTE EN UITGAWE RAAMWERK (MTIUR) / INGXELO: UIYLO LOLWABIWO-MALI 2021/2022 MTREF (INGENISO YEXESHA ELIFUTSHANE KUNYE NENDLELA YENCITHO)(1312624)**

(6/18/7)

26 March 2021

**REPORT FROM THE EXECUTIVE MAYOR (M BOOYSEN)**

2. **PURPOSE**

To table the draft budget 2021/22 MTREF of Garden Route District Municipality for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

3. **DELEGATED AUTHORITY**

Council

4. **EXECUTIVE SUMMARY**

The draft budget 2021/22 MTREF of Garden Route District Municipality is hereby tabled for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

5. **RECOMMENDATIONS**

That Council take the following resolutions:

- 1) That the draft annual budget of Garden Route District Municipality for the financial year 2021/22 as set out in the schedules contained in Section 4 and Annexure A be noted:
  - (i) Table A1 Consolidated Budget Summary;

- (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);
  - (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
  - (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and
  - (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
  - (vi) Table A6 Consolidated Budget Financial Position;
  - (vii) Table A7 Consolidated Budget Cash Flows
  - (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
  - (ix) Table A9 Consolidated Asset Management
  - (x) Table A10 Consolidated basic service delivery measurement
- 2) That Council takes note of the Operating Revenue Budget of R 419,474,075.
  - 3) That Council takes note of the Operating Expenditure budget of R 425,883,927.
  - 4) That Council takes note of the Capital budget of R 57,882,524.
  - 5) That Council takes note that R 172,240,000 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.
  - 6) That Council takes note of the tariffs for all services. (Annexure B)
  - 7) That Council takes note of the amended budget related policy that have been reviewed and that have been amended, namely:
    - SCM Policy (Annexure H)
    - Credit Control and Debt Collection Policy and Bylaw (Annexure I)
    - Banking, Cash Management and Investment Policy (Annexure J)
  - 8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:
    - Draft Tariffs Policy (Annexure C)
    - Longterm Financial Management Policy (Annexure D)
    - Budget policy (Annexure E)
    - Asset Management Policy (Annexure F)
    - Funding and Reserve Policy (Annexure G)

- Borrowing Policy (Annexure K)
- Preferential Procurement Policy (Annexure L)
- Petty Cash Policy (Annexure M)

9) That Council takes note of the following Budget Circulars, namely:

- MFMA Circular No 107 (Annexure N)
- MFMA Circular No 108 (Annexure O)

## **AANBEVELINGS**

*Dat die Raad die volgende aanbevelings aanvaar:*

- 1. Dat die Raad kennis neem van die meerjarige konsepbegroting vir Garden Route Distrik Munisipaliteit vir die finansiële jaar 2021/2022 soos uiteengesit in seksie 4 van die begrotingsverslag en Aanhangsel A:*
  - (i) Tabel A1 Gekonsolideerde begrotings opsomming;*
  - (ii) Tabel A2 Gekonsolideerde Begrotings Finansiële prestasie (volgens standard klassifikasie);*
  - (iii) Tabel A3 Gekonsolideerde Begrotings Finansiële Prestasie (volgens munisipale segment);*
  - (iv) Tabel A4 Gekonsolideerde Begrotings Finansiële Prestasie (Inkomste en Uitgawes)*
  - (v) Tabel A5 Gekonsolideerde Kapitale Begrotings uitgawes (volgens munisipale segment en befondsing bron)*
  - (vi) Tabel A6 Gekonsolideerde Begroting Finansiële*
  - (vii) Tabel A7 Gekonsolideerde Begroting Kontantvloei*
  - (viii) Tabel A8 Gekonsolideerde kontant gerugsteunde reserwes/opgehoopte surplus*
  - (ix) Tabel A9 Gekonsolideerde Bate Bestuur*
  - (x) Tabel A10 Gekonsolideerde Basiese dienslewering bepaling*
- 2. Dat die Raad kennis neem van die Bedryfsinkomste van R 419,474,075.*
- 3. Dat die Raad kennis neem van die Bedryfsuitgawes van R 425,883,927.*
- 4. Dat die Raad kennis neem van die Kapitale Begroting van R 57,882,524.*

5. *Dat die Raad kennis neem dat R 172,240,000.00 bedryfsinkomste en bedryfsuitgawes van Departement van Publieke Vervoer vir die paaie agentskapsfunksie ingesluit is by die totale bedryfsbegroting soos per aanbeveling 1 – 4.*
6. *Dat die Raad kennis neem van die tariewe vir alle dienste. (Aanhangsel B)*
7. *Dat die Raad kennis neem van die aangepaste begrotingsverwante beleid wat hersien en verander is, naamlik:*
  - *Voorsienings Kanaal Beleid (Aanhangsel H)*
  - *Krediet Beheer en Skuld Invorderings Beleid (Aanhangsel I)*
  - *Bank, Kontantbestuur en beleggings Beleid (Aanhangsel J)*
8. *Dat die Raad kennis neem dat die volgende beleide hersien is en geen veranderinge is aangebring nie, naamlik:*
  - *Tariewe Beleid (Aanhangsel C)*
  - *Langtermyn Finansiële Bestuurs Beleid (Aanhangsel D)*
  - *Begrotings Beleid (Aanhangsel E)*
  - *Bate Bestuurs Beleid (Aanhangsel F)*
  - *Opgehoopte fondse en reserwe beleid (Aanhangsel G)*
  - *Lenings Beleid (Aanhangsel K)*
  - *Voorkeur Verkrygings Beleid (Aanhangsel L)*
  - *Kleinkas Beleid Regulasies (Aanhangsel M)*
9. *Dat die Raad kennis neem van die volgende begrotings omsendskrywes, naamlik:*
  - *MFMA Omsendskrywe No 107 (Aanhangsel N)*
  - *MFMA Omsendskrywe No 108 (Aanhangsel O)*



## ISINDULULO

Sesokuba iBhunga lithathe ezi zigqibo zilandelayo:

- 1) Sesokuba uyilo lolwabiwo-mali loMasipala Wesithili se Garden Route kunyakamali ka 2021/22 njengoko kudandalaziswe kuluhlu oluqulathwe kuMhlathi 4 kunye Nesifakelo A sithathelwe ingqalelo.
  - (i) Table A1 Ushwankathelo Lolwabiwo-Mali Olulungelelanisiweyo;
  - (ii) Table A2 ULwabiwo-Mali Olulungelelanisiweyo Lomsebenzi Wezemali (ngokwendlela efanelekileyo);
  - (iii) Table A3 ULwabiwo-Mali Olulungelelanisiweyo Lomsebenzi Wezemali (ngokwevoti yomasipala);
  - (iv) Table A4 ULwabiwo-Mali Olulungelelanisiweyo Lomsebenzi (ingeniso kunye nencithoi); kunye
  - (v) Table A5 ULwabiwo-Mali Olulungelelanisiweyo Incitho Eyinkunzi (ngokwevoti yomasipala kunye nesibonelelo sovimba)
  - (vi) Table A6 ULwabiwo-Mali Olulungelelanisiweyo Isikhundla sezemali;
  - (vii) Table A7 ULwabiwo-Mali Olulungelelanisiweyo Ukuhanjiswa kwemali
  - (viii) Table A8 Imali Elungelelanisiweyo nekhatshe ngovimba/inzuzo efunyenweyo
  - (ix) Table A9 Ulungelelwano Lolawulo Lwempahla
  - (x) Table A10 Ulungelelwaniwo lonikezelo lwenkonzo ezingundoqo ezijongiweyo
- 2) Sesokuba iBhunga lithathele ingqalelo Ulwabiwo-Mali Oluqhubayo Lwengeniso lwe R 419,474,075.
- 3) Sesokuba iBhunga lithathele ingqalelo Incitho Eqhubayo yolwabiwo-mali lwe R 425,883,927.
- 4) Sesokuba iBhunga lithathele ingqalelo ulwabiwo-mali oluYinkunzi lwe R 57,882,524.
- 5) Sesokuba iBhunga lithathele ingqalelo ingeniso eqhubayo ye R 172,240,000 kunye nencithi njengoko ziphunyeziwe liSebe Loluntu Lezothutho ngomsebenzi wobu Arhente oye wabandakanywa kulwabiwo-mali Oluqhubayo Ngokupheleleyo ngokwezindululo 1 – 4

- 6) Sesokuba iBhunga lithathele ingqalelo amaxabiso azo zonke iinkonzo. (Aisifakelo B).
- 7) Sesokuba iBhunga lithathele ingqalelo ulungiso lomgaqo owayamaniswa nolwabiwo-mali nothe waqwalaselwa ngokutsha zewalungiswa, lemigaqo yi:
  - SCM Policy (Annexure H)
  - Credit Control and Debt Collection Policy and Bylaw (Annexure I)
  - Banking, Cash Management and Investment Policy (Annexure J)
- 8) Sesokuba iBhunga lithathele ingqalelo lemgaqo ilandelayo iye yaphunyezwa kwaye ayinazinguqu,:
  - Draft Tariffs Policy (Annexure C)
  - Longterm Financial Management Policy (Annexure D)
  - Budget policy (Annexure E)
  - Asset Management Policy (Annexure F)
  - Funding and Reserve Policy (Annexure G)
  - Borrowing Policy (Annexure K)
  - Preferential Procurement Policy (Annexure L)
  - Petty Cash Policy (Annexure M)
- 9) Sesokuba iBhunga lithathele ingqalelo Izazinge Zolwabiwo-Mali ezilandelayo:
  - MFMA Circular No 107 (Annexure N)
  - MFMA Circular No 108 (Annexure O)

## 6. DISCUSSION / CONTENTS

### 6.1. Background

Municipal Finance Management Act 56 of 2003

**Section 16 (2)** *The mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*

Section 16 of the MFMA states:

*“(1) the council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year*

*(2) In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”*

Municipal Budget and Reporting Regulations dated April 2009

**Regulation (9)** of the Municipal Budget and Reporting Regulations dated April 2009 states:

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

**Regulation 14 (1)** of the Municipal Budget and Reporting Regulations dated April 2009 states:

*– an annual budget and supporting documentation tabled in a municipal council in terms of section 16(2) and 17(3) of the Act –*

*(a) Be in the format in which it will eventually be approved by council.*

*Be credible and realistic such that it is capable of being approved and implemented as tabled.*

## 6.2 Discussion

The draft budget 2021/22 MTREF of Garden Route District Municipality is hereby tabled for consideration in terms of Section 16 (2) of the Municipal Finance Management Act 56 of 2003.

**6.3 Financial Implications**

As set out in the tabled draft budget.

**6.4 Legal Implications**

Municipal Finance Management Act, No 56 of 2003  
Municipal Budget and Reporting Regulations, 17 April 2009

**6.5 Staff Implications**

None

**6.6 Previous / Relevant Council Resolutions:**

There are no previous or relevant Council resolutions related to this matter.

**6.7 Risk Implications**

None.

**ANNEXURES**

Annexure A: Detailed Budget Report for financial year 2021/2022 MTREF.

Annexure B: Tariffs 2021/2022 MTREF

Annexures C – M: Budget related policies

Annexures N-O: Circulars issued by National Treasury



**GARDEN ROUTE DISTRICT  
MUNICIPALITY  
DRAFT ANNUAL BUDGET REPORT**

**2021/2022- 2023/2024 MTREF**

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Annexure M – Petty Cash Policy

Annexure N - MFMA Circular No 107

Annexure O – MFMA Circular No 108

## Glossary

**Annual budget** – Prescribed in Chapter 4 of the MFMA.

**Allocations** – Money received from Provincial or National Government or other municipalities.

**Budget** – The financial plan of the Municipality.

**Budget related policy** – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

**Capital expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

**Cash flow statement** – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**DORA** – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable share** – An unconditional grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** – Generally Recognised Accounting Practice. The new standard for municipal accounting.

**IDP** – Integrated Development Plan. The main strategic planning document of the Municipality

**MBRR** – Municipal budget and reporting regulations April 2009

**MFMA** – The Municipal Finance Management Act – No. 56 of 2003. The principle piece of legislation relating to municipal financial management.

**mSCOA** – Municipal Standard Chart of Accounts



**MTREF** – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations.

**Operating expenditure** – Spending on the day to day expenses of the Municipality such as salaries and wages.

**SDBIP** – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

**Strategic objectives** – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** – Generally, spends without, or in excess of, an approved budget.

**Virement** – means transfer of funds between function / votes within a budget.

**Virement policy** - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be endorsed by Council through an Adjustments Budget.

**Vote** – One of the main segments into which a budget, in Garden Route District Municipality's case this means the different GFS classification the budget is divided into.

### **Legislative Framework**

This report has been prepared in terms of the following enabling legislation.

#### **The Municipal Finance Management Act – No. 56 of 2003**

Section 16 & 17 Annual Budgets

#### **Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations, April 2009**

A Schedule budget formats

## PART 1 – BUDGET

### SECTION 1 – MAYORAL SPEECH

Honourable Speaker, Deputy Mayor, Councillors, Municipal Manager, officials and members of the public, I want to welcome you at this stage of the agenda.

It is a privileged to be here and to table the 2021/2122 MTREF Budget to council.

A few highlights for this quarter are:

- Thursday, 18 March 2021, marked a historic day for Victoria Bay situated in George, with the unveiling of two symbolised benches, following a ribbon-cutting ceremony by Executive Mayor of Garden Route District Municipality (GRDM), Alderman Memory Booysen, at the beach.

The song named “Victoriabaai” sang by Lucas Maree, the late well-known South African artist, inspired Andre Groenewald, a community member from George, to approach GRDM to allow symbolised benches at Victoria that would provide an opportunity for all people to fill their minds with hope. According to Groenewald, “Victoriabaai” is, as far as he knows, the only song singing the praises of Victoria Bay, hence, the funding made available by GRDM to unveil these benches. The area where the benches are placed is an ideal setting for members of the public, including tourists, to view the picturesque waves of the Victoria Bay beach. He said: “At Victoria Bay you see something positive in every negative thing. Even the horrific pandemic has positive consequences if you look at how people value each other again, how we value health workers again and how you no longer take even small things for granted,” he added.

- Garden Route District Municipality (GRDM) is one of the 44 district municipalities and eight (8) metro municipalities in South Africa who has to monitor all food premises to ensure that food is produced, handled, stored, processed and distributed safely. It is therefore important for Environmental Health Practitioners (EHP) to inspect food premises to assess that food products purchased by customers are safe for human consumption and are of exceptional quality.

In order for GRDM to align itself to the provisions of health related legislation, regular inspections are conducted at all premises where food products are handled and/or stored. These businesses, be it formal or informal, are not limited to hotels, restaurants, spaza shops, dairy farms, butcheries school feeding schemes and retail outlets. While

at a premises inspection, EHP check if food products are labelled correctly, hygiene standards are in place, storage is done according to generally accepted standards, food products are handled correctly and also ensure that preventative measures are in place to avoid pest control issues. These inspections are done in accordance with the Regulations governing general hygiene requirements for food premises and the Transport of food; Regulation 638 of 22 June 2018.

- This month the Garden Route District Municipality (GRDM) officially launched the Supervision of Construction Process Learnership in Calitzdorp. GRDM first initiated the Road Construction NQF Level 2 program in 2016; a program that aims to equip all GRDM Road Construction officials with added competencies to ensure safer roads within the district. The outcome of the initial program was extremely successful with a pass rate of 97%. Later in 2017, a NQF Level 3 program was launched and targeted 60 officials to participate 100% of students passed this program.

The newly launched National Certificate in Supervision of Construction NQF Level 4 program includes 75 officials of the GRDM and 15 unemployed youth from the Garden Route. The one year program will be divided into 30% theory focused classes and 70% on the job training.

- South African Local Government Association (SALGA) in collaboration with the United Nations Development Programme (UNDP) donated a total of R750 000 worth of Personal Protective Equipment (PPE) toolkits to Local Municipalities in the Garden Route on 22 February 2021. The session was facilitated by the Garden Route District Municipality.

During the PPE handover ceremony, Local Economic Development (LED) Managers and representatives from five (5) of the (7) local municipalities (Hessequa, Mossel Bay, George, Knysna, Bitou, Greater Oudtshoorn and Kannaland) in the Garden Route were in attendance. Each toolkit contains facemasks, hand sanitisers, face shields and awareness material. Toolkits will be distributed by the respective municipal LED managers to Informal Traders and Spaza Shops.

The Draft 2021/22 MTREF Budget already addresses some the goals indicated above which is also in line with the municipality's IDP Strategic Objectives:

StrategicObjective	Budget 2021/22	Budget 2022/23	Budget 2023/24
Healthy and socially stable communities	43 380 209	43 096 576	44 259 795
Growing an inclusive District Economy	10 407 916	10 414 128	10 420 838
Bulk Infrastructure Coordination	183 187 590	190 517 800	197 811 819
Sustainable environmental management	34 386 884	34 510 544	34 644 099
Skilled workforce and community	19 758 813	17 525 533	17 620 268
Financial Sustainability	24 154 407	24 117 055	24 197 528
Good Governance	110 608 108	110 653 487	111 146 933
	<b>425 883 927</b>	<b>430 835 123</b>	<b>440 101 280</b>

It was a challenge to ensure a cash funded budget is tabled in view of the financial constraints. It should be noted that, even though it is a deficit budget, it is fully funded – the shortfall is covered by accumulated cash-backed reserves. As a district municipality who is highly dependent on grants, it is challenging to balance the budget when the RSC replacement grant increases only with 2% versus 4% increase in employee related cost. It should be noted that salary negotiations are still underway and the indication is that the increase will be above 4% which will need to be adjusted in the final budget after the salary negotiations have been concluded. Limited funding available for projects and capital budget.

Various discussions are in place to address the revenue sources of council. The municipal manager has established a property task team, various actions is in process by the Planning, and Economic Development Department to ensure maximum revenue is derived from our properties.

Other projects are being pursued for example the fresh produce market, water services authority, district wide approach for firefighting services to name a few.

**The following 2021/22 Annual Budget is presented to Council for consideration:**

**1. HIGH LEVEL SUMMARY: BUDGET 2020/21**

High-level Summary	Budget 2021/22	Budget 2022/23	Budget 2023/24
Operational Revenue	419 474 076	425 117 427	434 253 260
Operational Expenditure	-425 883 903	-430 835 099	-440 101 256
<b>Surplus / (Deficit)</b>	<b>-6 409 828</b>	<b>-5 717 672</b>	<b>-5 847 996</b>
Capital Expenditure	-57 882 524	-152 600 000	-2 850 000
Less funded from CRR	7 882 524	2 600 000	2 850 000
Less funded from Borrowings	50 000 000	150 000 000	-
<b>Surplus/(Deficit) after Capital</b>	<b>-6 409 828</b>	<b>-5 717 672</b>	<b>-5 847 996</b>

## 2. SUMMARY: TOTAL EXPENDITURE

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24
Remuneration of Councillors	13 360 009	13 360 009	13 360 009
Employee Related Cost	259 832 889	262 121 295	266 695 761
Debt Impairment	1 500 000	1 500 000	1 500 000
Contracted Services	29 134 718	29 098 798	30 137 041
Depreciation	4 851 946	4 287 726	4 287 726
Other Expenditure	117 204 365	120 467 295	124 120 743
<b>Total Operating Expenditure</b>	<b>425 883 927</b>	<b>430 835 123</b>	<b>440 101 280</b>

## 3. SALARY/REMUNERATION RELATED EXPENDITURE (GRDM):

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24
Remuneration of Councillors	13 360 009	13 360 009	13 360 009
Employee related cost - Senior Management	10 691 749	10 700 823	10 710 623
Employee related cost - Municipal Staff	249 141 140	251 420 472	255 985 138
<b>Total Operating Expenditure</b>	<b>273 192 898</b>	<b>275 481 304</b>	<b>280 055 770</b>

Circular 6/2018 received from *The SA Local Government Bargaining Council*, confirming the Salary and Wage Collective Agreement with effect from 1 July 2018 until 30 June 2021 came to an end. The salary increase of 4% are based on the affordability of the municipality.

Employee Related costs were adjusted on average with 4%. No new vacant positions have been budgeted for in view of the financial constraints and that the majority of the budget is allocated to employee related costs.

## 2. OTHER OPERATING EXPENDITURE

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24
Operating Expenditure	- 253 643 927	- 250 980 123	- 260 246 280
Roads Agency Services	- 172 240 000	- 179 855 000	- 179 855 000
<b>Total Operating Expenditure</b>	<b>- 425 883 927</b>	<b>- 430 835 123</b>	<b>- 440 101 280</b>

Original allocation for the Roads Agency Function are expected to be R172m MTREF (2021/22 – 2023/24), the admin fee was also adjusted accordingly (12% of allocation).

Items included under other operating expenditure are as follow:

Description	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024
Finance Leases	70 000,00	70 000,00	70 000,00
Inventory Consumed Consumables Standard Rated	4 244 087,00	4 333 747,00	4 426 994,00
Inventory Consumed Consumables Zero Rated	21 063 529,00	21 874 011,00	22 716 912,00
Inventory Consumed Materials and Supplies	32 636 309,00	33 915 433,00	35 245 721,00
Operating Leases Furniture and Office Equipment	100 000,00	100 000,00	100 000,00
Operating Leases Other Assets	84 500,00	84 500,00	84 500,00
Operational Cost Achievements and Awards	190 000,00	190 000,00	190 000,00
Operational Cost Advertising, Publicity and Marketing Auctions	20 000,00	20 000,00	20 000,00
Operational Cost Advertising, Publicity and Marketing Corporate and Municipal Activities	1 351 014,00	1 351 014,00	1 351 014,00
Operational Cost Advertising, Publicity and Marketing Gifts and Promotional Items	142 630,00	142 630,00	142 630,00
Operational Cost Advertising, Publicity and Marketing Municipal Newsletters	45 000,00	45 000,00	45 000,00
Operational Cost Advertising, Publicity and Marketing Staff Recruitment	460 000,00	474 400,00	489 376,00
Operational Cost Advertising, Publicity and Marketing Tenders	85 000,00	85 000,00	85 000,00
Operational Cost Assets less than the Capitalisation Threshold	95 754,00	95 754,00	95 754,00
Operational Cost External Audit Fees	2 228 000,00	2 317 120,00	2 409 805,00
Operational Cost Bank Charges, Facility and Card Fees Bank Accounts	118 000,00	119 920,00	121 917,00
Operational Cost Bursaries (Employees)	326 800,00	326 800,00	326 800,00
Operational Cost Cleaning Services Laundry Services	186 001,00	192 241,00	198 731,00
Operational Cost Courier and Delivery Services	20 000,00	20 000,00	20 000,00
Operational Cost Communication PostageStampsFranking Machines	23 600,00	23 744,00	23 894,00
Operational Cost Communication Satellite Signals	40 000,00	40 000,00	40 000,00
Operational Cost Communication Telephone, Fax, Telegraph and Telex	3 536 997,00	3 551 397,00	3 566 373,00
Operational Cost Deeds	9 251,00	9 251,00	9 251,00
Operational Cost Drivers Licences and Permits	75 203,00	75 203,00	75 203,00
Operational Cost Entertainment Executive Mayor	10 000,00	10 000,00	10 000,00
Operational Cost Entertainment Total for All Other Councillors	21 052,00	21 052,00	21 052,00
Operational Cost Entertainment Senior Management	26 662,00	27 102,00	27 561,00
Operational Cost External Computer Service Internet Charge	35 939,00	35 939,00	35 939,00
Operational Cost External Computer Service Software Licences	3 340 090,00	3 344 090,00	3 348 250,00
Operational Cost External Computer Service Specialised Computer Service	2 065 000,00	2 065 000,00	2 065 000,00
Operational Cost External Computer Service System Development	167 262,00	167 262,00	167 262,00
Operational Cost Full Time Union Representative	74 960,00	74 960,00	74 960,00
Operational Cost Insurance Underwriting Insurance Aggregation	71 778,00	71 778,00	71 778,00
Operational Cost Insurance Underwriting Claims paid to Third Parties	21 724,00	21 724,00	21 724,00
Operational Cost Insurance Underwriting Premiums	5 000,00	5 000,00	5 000,00
Operational Cost Learnerships and Internships	710 000,00	730 400,00	751 616,00
Operational Cost Licences Motor Vehicle Licence and Registrations	162 156,00	163 116,00	164 114,00
Operational Cost Management Fee	18 454 000,00	19 192 160,00	19 959 846,00
Operational Cost Municipal Services	5 225 933,00	5 281 133,00	5 338 541,00
Operational Cost Registration Fees Professional and Regulatory Bodies	85 006,00	85 006,00	85 006,00
Operational Cost Registration Fees Seminars, Conferences, Workshops and Events National	795 333,00	796 933,00	798 597,00
Operational Cost Printing, Publications and Books	548 862,00	565 662,00	583 134,00
Operational Cost Professional Bodies, Membership and Subscription	2 455 248,00	2 481 248,00	2 508 288,00
Operational Cost Rewards Incentives	5 000,00	5 000,00	5 000,00
Operational Cost Road Worthy Test	165 000,00	171 600,00	178 464,00
Operational Cost Skills Development Fund Levy	1 049 518,00	1 049 518,00	1 049 518,00
Operational Cost Travel and Subsistence Domestic Accommodation	3 658 820,00	3 800 000,00	3 946 827,00
Operational Cost Travel and Subsistence Domestic Daily Allowance	2 906 276,00	3 016 676,00	3 131 492,00
Operational Cost Travel and Subsistence Domestic Food and Beverage (Served)	90 000,00	93 600,00	97 344,00
Operational Cost Travel and Subsistence Domestic Incidental Cost	18 000,00	18 720,00	19 469,00
Operational Cost Travel and Subsistence Domestic Transport without Operator Car Rental	33 235,00	33 235,00	33 235,00
Operational Cost Travel and Subsistence Domestic Transport without Operator Own Transport	643 324,00	656 524,00	670 252,00
Operational Cost Travel and Subsistence Domestic Transport with Operator Public Transport Air Transport	79 286,00	79 286,00	79 286,00
Operational Cost Uniform and Protective Clothing	1 412 883,00	1 454 183,00	1 497 135,00
Operational Cost Wet Fuel	10 000,00	10 000,00	10 000,00
Operational Cost Workmens Compensation Fund	1 118 043,00	1 118 043,00	1 118 043,00
Operational Cost Samples and Specimens	650 000,00	650 000,00	650 000,00
Operational Cost Hire Charges	1 562 300,00	1 589 180,00	1 617 135,00
Transfers and Subsidies Operational Allocations In-kind Households Other Transfers (Cash) Bursaries (Non-Employee)	455 000,00	205 000,00	205 000,00
Transfers and Subsidies Operational Monetary Allocations Non-profit institutions Use - It	1 920 000,00	1 920 000,00	1 920 000,00
	<b>117 204 365,00</b>	<b>120 467 295,00</b>	<b>124 120 743,00</b>

### Notes on the above items:

- Operational expenditure has been classified and budgeted for according to the mSCOA
- Non-cash items like bad debts, depreciation and amortisation were aligned to the 2020/21 audited financial figures.
- Subsistence & Travel was reduced significantly in view of COVID and utilizing technology e.g. zoom teleconferencing facilities.
- Other expenditure budgeted for was not increased and cut where savings were identified based on actual expenditure as at end of February 2021.

#### **4. OPERATING REVENUE:**

##### **4.1 RSC REPLACEMENT GRANT**

The equitable share over the MTREF period grows very slowly. The RSC levy replacement grant only increases with about 2% per annum, which is not sufficient to ensure the financial sustainability of this municipality, as it is below the annual CPIX. Our limited revenue resources have compelled the municipality to pursue additional income sources in order to deliver the services in the region and this remains a challenge as we have limited own income sources. Turn around strategies are compiled for properties and resorts and alternative revenue enhancement strategies are being explored/ investigated for example becoming a water services authority. A property task team was established by the office of the Municipal Manager and the planning and economic development department is in process of compiling action plans for properties and resorts.

##### **4.2 REGIONAL LANDFILL SITE**

It is envisioned that the landfill site construction will commence during the last quarter of the 2021/2022 financial year. A loan will be taken up to fund the capital portion of this project.

##### **4.3 RENTAL OF PROPERTIES/FACILITIES**

It is envisioned with the turnaround strategy for properties and resorts, that additional funding can be generated from properties and resorts.

##### **4.4 INTEREST EARNED**

Interest earned was increased slightly over the MTREF period. Management reviewed the Investment Strategy to update the approach and alternatives – e.g. all cash not deposited in call accounts at banks for interest, but potentially invest in other assets (as allowed by the MFMA) for higher returns.

#### **4.5 GOVERNMENT GRANTS**

Budgeted as per DoRA (Division of Revenue Act).

#### **4.6 INCOME FROM AGENCY SERVICES**

Included under this item is the administration fee at 12% of the total allocation received for performing the roads function on behalf of the Department of Public Transport. (12% of R172m = R18.4m). Six percent is received for additional allocations during the financial year.

#### **4.7 SALE OF GOODS AND SERVICES/OPERATIONAL REVENUE**

Included under this item is the income from resorts and firefighting income.

#### **4.8 TURNAROUND STRATEGY PROPERTIES:**

A turn-around strategy for properties and resorts is currently being developed to maximise potential for properties and revenue from properties were increased significantly as it is envisioned that revenue from properties will increase with the turnaround strategies, but will not be realised in the short term, this is a long term planning process with envisioned additional revenue.

#### **4.9 ROADS AGENCY FUNCTION**

As mentioned previously, R 172,240,000.00 of the Roads agency function has been included in the operating revenue budget.

### **5 CAPITAL BUDGET**

In the 2021/22 financial year, the building of the regional landfill site will commence. In compliance with the appropriate GRAP accounting standards, GRDM must capitalise this asset to its Statement of Financial Position as an addition. Therefore, an addition of R50m is included in the 2021/22 budget. The funding source from borrowing and the asset will be offset with a liability of the same quantum (as per the GRAP requirements).

Except for the PPP Asset described above, the capital budget decreased from the previous year due to the limited revenue sources and lack of adequate cash backed reserves, as cash resources of a district municipality have limited growth due to the difference in the slow growth in the equitable share (main revenue source) and alternative revenue sources for district municipality versus the CPIX increase in the majority of the expenditure line items. Various initiatives are ongoing to address this situation in the future (e.g. revenue generating projects, utilisation of GRDM property portfolio, engagement at highest spheres of government to address funding model of district municipalities). As referred above, the MFMA allows for long



term loans for the funding of capital projects – these will be researched and brought to Council as and when appropriate.

<b>Capital Budget</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>
Capital	- 57 882 524,00	- 152 600 000,00	- 2 850 000,00
Funded from CRR	7 882 524,00	2 600 000,00	2 850 000,00
Funded from Borrowings	50 000 000,00	150 000 000,00	-
Nett (Surplus)	-	-	-

**Notes on the above Capital Budget:**

- Concern should be raised over the limited funding available for the capital budget.

The detailed capital budget for the 2021/22 MTREF are listed below:

<b>CostCentre</b>	<b>OwnDescription</b>	<b>Budget 2021/2022</b>	<b>Budget 2022/2023</b>	<b>Budget 2023/2024</b>
Municipal Manager	Office furniture: Office MM	30 000,00	30 000,00	30 000,00
Executive Manager: Planning and Economic Development	Office Furniture & Equipment: Man Planning&Dev	30 000,00	30 000,00	30 000,00
BTO & AFS	Office equipment: CFO	30 000,00	30 000,00	30 000,00
Information technology	Replacing ICT Capital Equipment beyond economical repairs	1 500 000,00	1 750 000,00	2 000 000,00
Executive Manager: Corporate Services	Office furniture: Exec Manager Corporate Services	30 000,00	30 000,00	30 000,00
Support servives: registry	Pool Vehicle	-	350 000,00	350 000,00
Executive Manager: Community Services	Firestation: Mosselbay	6 000 000,00	-	-
Executive Manager: Community Services	Office of the executive manager Community: office equipment	30 000,00	30 000,00	30 000,00
Municipal Health Services: Klein Karoo	ODN EHP shadenet insurance	6 164,00	-	-
Municipal Health Services: Lakes Areas	Knysna EHP insurance claims	3 800,00	-	-
Fire Fighting	Hazmat Rescue & Fire Equipment Equipment	200 000,00	350 000,00	350 000,00
Municipal Health Services: Administration	Mosselbay EHP	22 560,00	-	-
Waste Management Landfill Sites	Landfill Site: PPE	50 000 000,00	150 000 000,00	-
		<b>57 882 524,00</b>	<b>152 600 000,00</b>	<b>2 850 000,00</b>

I want to express my appreciation to the Budget Steering Committee, the Senior Managers and staff for their commitment and dedication.

Speaker, on this note, I would therefore like to recommend that council approve the following resolutions:

1) That the draft annual budget of Garden Route District Municipality for the financial year 2021/22 as set out in the schedules contained in Section 4 and Annexure A be noted:

- (i) Table A1 Consolidated Budget Summary;
  - (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);
  - (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
  - (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and
  - (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
  - (vi) Table A6 Consolidated Budget Financial Position;
  - (vii) Table A7 Consolidated Budget Cash Flows
  - (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
  - (ix) Table A9 Consolidated Asset Management
  - (x) Table A10 Consolidated basic service delivery measurement
- 2) That Council takes note of the Operating Revenue Budget of R 419,474,075.
- 3) That Council takes note of the Operating Expenditure budget of R 425,883,927.
- 4) That Council takes note of the Capital budget of R57,882,524.
- 5) That Council takes note that R 172,240,000 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.
- 6) That Council takes note of the tariffs for all services. (Annexure B)
- 7) That Council takes note of the amended budget related policy that have been reviewed and that have been amended, namely:

- SCM Policy (Annexure H)
- Credit Control and Debt Collection Policy and Bylaw (Annexure I)
- Banking, Cash Management and Investment Policy (Annexure J)

8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:

- Draft Tariffs Policy (Annexure C)
- Longterm Financial Management Policy (Annexure D)
- Budget policy (Annexure E)
- Asset Management Policy (Annexure F)
- Funding and Reserve Policy (Annexure G)
- Borrowing Policy (Annexure K)
- Preferential Procurement Policy (Annexure L)
- Petty Cash Policy (Annexure M)

9) That Council takes note of the following Budget Circulars, namely:

- MFMA Circular No 107 (Annexure N)
- MFMA Circular No 99 (Annexure O)

## SECTION 2 – RESOLUTIONS

### **Municipal Financial Management (Act, 56 of 2003) - SECTION 16 & 17 Municipal budgets.**

These are the resolutions being presented to Council in terms of Municipal Finance Management Act, in respect of the annual budget and related information.

1) That the draft annual budget of Garden Route District Municipality for the financial year 2020/21 as set out in the schedules contained in Section 4 and Annexure A be noted:

- (i) Table A1 Consolidated Budget Summary;
- (ii) Table A2 Consolidated Budget Financial Performance (by standard classification);
- (iii) Table A3 Consolidated Budget Financial Performance (by municipal vote);
- (iv) Table A4 Consolidated Budget Financial Performance (revenue and expenditure); and
- (v) Table A5 Consolidated Budget Capital Expenditure (by municipal vote and funding source)
- (vi) Table A6 Consolidated Budget Financial Position;
- (vii) Table A7 Consolidated Budget Cash Flows
- (viii) Table A8 Consolidated Cash backed reserves/ accumulated surplus
- (ix) Table A9 Consolidated Asset Management
- (x) Table A10 Consolidated basic service delivery measurement

2) That Council takes note of the Operating Revenue Budget of R 419,474,075.

3) That Council takes note of the Operating Expenditure budget of R 425,883,927.

4) That Council takes note of the Capital budget of R 57,882,524.

5) That Council takes note that R 172,240,000 operating income and expenditure as approved by Department of Public Transport for the Roads agency function has been included in the Total Operating budget as per recommendation 1 – 4.

6) That Council takes note of the tariffs for all services. (Annexure B)

7) That Council takes note of the amended budget related policy that have been reviewed and that have been amended, namely:

- SCM Policy (Annexure H)
- Credit Control and Debt Collection Policy and Bylaw (Annexure I)
- Banking, Cash Management and Investment Policy (Annexure J)

8) That council takes note of the following policies that have been reviewed and remained unchanged, namely:

- Draft Tariffs Policy (Annexure C)
- Longterm Financial Management Policy (Annexure D)
- Budget policy (Annexure E)
- Asset Management Policy (Annexure F)
- Funding and Reserve Policy (Annexure G)
- Borrowing Policy (Annexure K)
- Preferential Procurement Policy (Annexure L)

- Petty Cash Policy (Annexure M)
- 9) That Council takes note of the following Budget Circulars, namely:
- MFMA Circular No 98 (Annexure N)
  - MFMA Circular No 99 (Annexure O)

## **SECTION 3 – EXECUTIVE SUMMARY**

### **3.1 Introduction**

This budget report is tabled in terms of the Municipal Finance Management Act, 56 of 2003 and the Municipal Budget and Reporting Regulations, dated 17 April 2009.

#### **Municipal Finance Management Act, 56 of 2003**

*Article 16(1) The council of a municipality must for each financial year approve an annual budget before the start of that financial year.*

*Article 16(2) The annual budget must be tabled at the council meeting at least 90 days before the start of the new financial year.*

*Article 17(1) An annual budget must be in a prescribed format.*

#### **Municipal Budget and Reporting Regulations, 17 April 2009**

##### **14) Tabling of annual budgets in municipal councils**

*14(1) An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17 (3) of the Act must-*

- (a) Be in a format in which it will eventually be approved by the council; and*
- (b) Be credible and realistic such that it is capable of being approved and implemented as tabled*

##### **9) Tabling of annual budget**

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

### 3.2 Proposed Annual Budget 2021/22-2023/24 MTREF:

The annual operating budget for the financial year 2020/21 MTREF period are proposed:

#### **ANNUAL MTREF BUDGET 2021/22**

##### **MTREF TOTAL BEFORE CAPITAL:**

<b>High-level Summary</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>
Operational Revenue	419 474 075	425 117 424	434 253 255
Operational Expenditure	- 425 883 927	- 430 835 123	- 440 101 280
<b>Surplus / (Deficit)</b>	<b>- 6 409 852</b>	<b>- 5 717 699</b>	<b>- 5 848 025</b>

<b>Description</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>
Operating Expenditure	- 253 643 927	- 272 381 769	- 337 415 015
Roads Agency Services	- 172 240 000	- 179 855 000	- 179 855 000
<b>Total Operating Expenditure</b>	<b>- 425 883 927</b>	<b>- 452 236 769</b>	<b>- 517 270 015</b>

It should be noted in view of operation clean audit report (OPCAR), one of the prior audit queries raised was that the agency function performed by Garden Route DM for the roads agency function had to be included in the budget. Therefore, R 172,240,000 has been included in the operating revenue and operating expenditure thus increasing the total of the operating budget by these amounts, but the net effect on the budget is R0.

**OPERATING SURPLUS:**

High-level Summary	Budget 2021/22	Budget 2022/23	Budget 2023/24
Surplus / (Deficit)	- 6 409 852	- 5 717 699	- 5 848 025

It is thus imperative that the turnaround strategies be compiled urgently and submitted to Council for approval and implemented to ensure the additional revenues will be collected as well as becoming a water services authority.

**OPERATING EXPENDITURE:**

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24
Remuneration of Councillors	13 360 009	13 360 009	13 360 009
Employee Related Cost	259 832 889	262 121 295	266 695 761
Debt Impairment	1 500 000	1 500 000	1 500 000
Contracted Services	29 134 718	29 098 798	30 137 041
Depreciation	4 851 946	4 287 726	4 287 726
Other Expenditure	117 204 365	120 467 295	124 120 743
<b>Total Operating Expenditure</b>	<b>425 883 927</b>	<b>430 835 123</b>	<b>440 101 280</b>

**Employee related cost**

Employee Related costs were adjusted on average with 4%. Vacant positions have not been budgeted for.

Circular 6/2018 received from *The SA Local Government Bargaining Council*, confirming the Salary and Wage Collective Agreement with effect from 1 July 2018 until 30 June 2021 came to an end. The salary increase of 4% are based on the affordability of the municipality.

**Councillor Remuneration**

Councillor remuneration was budgeted on a grade 5 and adjusted with the ordinary annual increase.

**Bad Debts**

Mainly due to firefighting accounts not being paid as debtors are disputing the origin of the fires and was reduced.

**Depreciation:**

<b>Description</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>
Total Depreciation	4 851 946	4 287 726	4 287 726

This is a GRAP related expenditure which must be provided annually for in the financial statements as per the relevant GRAP accounting standards. The amount was aligned to the audited annual financial statements of 2019/2020.

**Repairs and Maintenance**

Maintenance for assets are been budgeted for to ensure that repairs and maintenance can be done timeously so that the useful life of the assets can be lengthen. The maintenance of Council equipment should be done regularly because replacement of the current assets with new purchases will be very costly for the municipality on the long term.

It should be noted that repairs and maintenance is below the norm and is an area of concern. Repairs and maintenance are now classified under the respective nature of expenditure according to GRAP and mSCOA requirements: Employee related costs, other materials, contracted services and other expenditure.

The user department is in the process of compiling maintenance plans per asset. This will guide council on what the amount is for the backlog in maintenance as well what should be budgeted annually for repairs and maintenance.

**Interest Paid**

It is envisioned that a new loans will be taken up in the 2021/22 financial year to fund the construction of the regional landfill site. Due process as per Section 46 of the MFMA will be followed for the taking up of the new loan.

**Grant Allocations**

Unbundled into the relevant expenditure classification votes as per Auditor General's recommendation in prior years (as per GRAP Standards). Refer to the income section of the report for detail of the grants.

LOCAL GOVERNMENT MTEF ALLOCATIONS: 2021/22 - 2023/24			
GARDEN ROUTE DISTRICT MUNICIPALITY	2021/22 R thousands	2022/23 R thousands	2023/24 R thousands
<b>Municipal Allocations from Provincial Departments</b>			
<b>Vote 3 - Provincial Treasury</b>	250	-	-
Financial Management Capacity Building Grant	250	-	-
<b>Vote 4 - Community Safety</b>	2 323	2 435	2 347
Safety initiative implementation- whole of society (WOSA)	2 323	2 435	2 347
<b>Vote 8 - Human Settlements</b>	5 000	5 000	5 000
Municipal Accreditation & Capacity Building Grant	5 000	5 000	5 000
<b>Vote 10 - Transport and Public Works</b>	900	900	900
Integrated Transport Planning	900	900	900
<b>Vote 14 - Local Government</b>	-	-	981
Fire Service Capacity Building Grant	-	-	981
<b>Total Transfers from Provincial Departments</b>	<b>8 473</b>	<b>8 335</b>	<b>9 228</b>

### **Other Operating expenditure:**

The breakdown of the operating expenditure are as follow:



Description	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024
Finance Leases	70 000,00	70 000,00	70 000,00
Inventory Consumed Consumables Standard Rated	4 244 087,00	4 333 747,00	4 426 994,00
Inventory Consumed Consumables Zero Rated	21 063 529,00	21 874 011,00	22 716 912,00
Inventory Consumed Materials and Supplies	32 636 309,00	33 915 433,00	35 245 721,00
Operating Leases Furniture and Office Equipment	100 000,00	100 000,00	100 000,00
Operating Leases Other Assets	84 500,00	84 500,00	84 500,00
Operational Cost Achievements and Awards	190 000,00	190 000,00	190 000,00
Operational Cost Advertising, Publicity and Marketing Auctions	20 000,00	20 000,00	20 000,00
Operational Cost Advertising, Publicity and Marketing Corporate and Municipal Activities	1 351 014,00	1 351 014,00	1 351 014,00
Operational Cost Advertising, Publicity and Marketing Gifts and Promotional Items	142 630,00	142 630,00	142 630,00
Operational Cost Advertising, Publicity and Marketing Municipal Newsletters	45 000,00	45 000,00	45 000,00
Operational Cost Advertising, Publicity and Marketing Staff Recruitment	460 000,00	474 400,00	489 376,00
Operational Cost Advertising, Publicity and Marketing Tenders	85 000,00	85 000,00	85 000,00
Operational Cost Assets less than the Capitalisation Threshold	95 754,00	95 754,00	95 754,00
Operational Cost External Audit Fees	2 228 000,00	2 317 120,00	2 409 805,00
Operational Cost Bank Charges, Facility and Card Fees Bank Accounts	118 000,00	119 920,00	121 917,00
Operational Cost Bursaries (Employees)	326 800,00	326 800,00	326 800,00
Operational Cost Cleaning Services Laundry Services	186 001,00	192 241,00	198 731,00
Operational Cost Courier and Delivery Services	20 000,00	20 000,00	20 000,00
Operational Cost Communication PostageStampsFranking Machines	23 600,00	23 744,00	23 894,00
Operational Cost Communication Satellite Signals	40 000,00	40 000,00	40 000,00
Operational Cost Communication Telephone, Fax, Telegraph and Telex	3 536 997,00	3 551 397,00	3 566 373,00
Operational Cost Deeds	9 251,00	9 251,00	9 251,00
Operational Cost Drivers Licences and Permits	75 203,00	75 203,00	75 203,00
Operational Cost Entertainment Executive Mayor	10 000,00	10 000,00	10 000,00
Operational Cost Entertainment Total for All Other Councillors	21 052,00	21 052,00	21 052,00
Operational Cost Entertainment Senior Management	26 662,00	27 102,00	27 561,00
Operational Cost External Computer Service Internet Charge	35 939,00	35 939,00	35 939,00
Operational Cost External Computer Service Software Licences	3 340 090,00	3 344 090,00	3 348 250,00
Operational Cost External Computer Service Specialised Computer Service	2 065 000,00	2 065 000,00	2 065 000,00
Operational Cost External Computer Service System Development	167 262,00	167 262,00	167 262,00
Operational Cost Full Time Union Representative	74 960,00	74 960,00	74 960,00
Operational Cost Insurance Underwriting Insurance Aggregation	71 778,00	71 778,00	71 778,00
Operational Cost Insurance Underwriting Claims paid to Third Parties	21 724,00	21 724,00	21 724,00
Operational Cost Insurance Underwriting Premiums	5 000,00	5 000,00	5 000,00
Operational Cost Learnerships and Internships	710 000,00	730 400,00	751 616,00
Operational Cost Licences Motor Vehicle Licence and Registrations	162 156,00	163 116,00	164 114,00
Operational Cost Management Fee	18 454 000,00	19 192 160,00	19 959 846,00
Operational Cost Municipal Services	5 225 933,00	5 281 133,00	5 338 541,00
Operational Cost Registration Fees Professional and Regulatory Bodies	85 006,00	85 006,00	85 006,00
Operational Cost Registration Fees Seminars, Conferences, Workshops and Events National	795 333,00	796 933,00	798 597,00
Operational Cost Printing, Publications and Books	548 862,00	565 662,00	583 134,00
Operational Cost Professional Bodies, Membership and Subscription	2 455 248,00	2 481 248,00	2 508 288,00
Operational Cost Rewards Incentives	5 000,00	5 000,00	5 000,00
Operational Cost Road Worthy Test	165 000,00	171 600,00	178 464,00
Operational Cost Skills Development Fund Levy	1 049 518,00	1 049 518,00	1 049 518,00
Operational Cost Travel and Subsistence Domestic Accommodation	3 658 820,00	3 800 000,00	3 946 827,00
Operational Cost Travel and Subsistence Domestic Daily Allowance	2 906 276,00	3 016 676,00	3 131 492,00
Operational Cost Travel and Subsistence Domestic Food and Beverage (Served)	90 000,00	93 600,00	97 344,00
Operational Cost Travel and Subsistence Domestic Incidental Cost	18 000,00	18 720,00	19 469,00
Operational Cost Travel and Subsistence Domestic Transport without Operator Car Rental	33 235,00	33 235,00	33 235,00
Operational Cost Travel and Subsistence Domestic Transport without Operator Own Transport	643 324,00	656 524,00	670 252,00
Operational Cost Travel and Subsistence Domestic Transport with Operator Public Transport Air Transport	79 286,00	79 286,00	79 286,00
Operational Cost Uniform and Protective Clothing	1 412 883,00	1 454 183,00	1 497 135,00
Operational Cost Wet Fuel	10 000,00	10 000,00	10 000,00
Operational Cost Workmens Compensation Fund	1 118 043,00	1 118 043,00	1 118 043,00
Operational Cost Samples and Specimens	650 000,00	650 000,00	650 000,00
Operational Cost Hire Charges	1 562 300,00	1 589 180,00	1 617 135,00
Transfers and Subsidies Operational Allocations In-kind Households Other Transfers (Cash) Bursaries (Non-Employee)	455 000,00	205 000,00	205 000,00
Transfers and Subsidies Operational Monetary Allocations Non-profit institutions Use - It	1 920 000,00	1 920 000,00	1 920 000,00
	<b>117 204 365,00</b>	<b>120 467 295,00</b>	<b>124 120 743,00</b>

**Notes on the above items:**

- Management resolved that the majority of the line items for operational costs must not be increased and remained unchanged from the adjustment budget of 2020/2021 or was adjusted downward where savings were identified based on actual expenditure patterns.
- R172m is included under Operational cost, this is the expenditure for the Roads section provided by the Department of Public Transport. Garden Route District Municipality has a signed agreement in place to render the road services on behalf of the Department of Public Transport and receive an agency fee.
- The issue of post-retirement benefits for the employees employed to render the Roads service is still in discussion with Province to determine who will be liable for the post-retirement benefits of the roads employees (+R60m total liability). Currently the Department of Public Transport provides the funding for the short term portion of this liability (payable within the next 12 months) from the operating budget of the Roads section.
- Management resolved that the subsistence and travel (S&T) operational cost must be cut, given the current financial constraints, technology, video/teleconferencing should be considered.

**Roads agency expenditure**

Refer to the previous section where this item was discussed in detail.

**OPERATING REVENUE**

<b>Summary: Total Revenue</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>
Equitable Share	167 653 000	172 405 000	175 879 000
Roads allocation (including agency fee)	177 380 223	184 475 432	191 854 449
Rental of facilities	16 077 600	14 966 347	10 784 927
Interest	11 500 000	11 680 000	11 870 800
Conditional grants	18 522 000	11 936 000	11 851 000
Other	20 178 316	21 019 935	22 878 288

Fire and Health Services	8 162 937	8 634 713	9 134 796
<b>Total Revenue</b>	<b>419 474 076</b>	<b>425 117 427</b>	<b>434 253 260</b>

### **RSC Replacement Grant**

The equitable share over the MTREF period grows very slowly. The RSC levy replacement grant only increases with about 2% per annum, which is not sufficient to ensure the financial sustainability of this municipality, as it is below the annual CPIX. Our limited revenue resources have compelled the municipality to pursue additional income sources in order to deliver the services in the region and this remains a challenge as we have limited own income sources. Turn around strategies are compiled for properties and resorts and alternative revenue enhancement strategies are being explored/ investigated for example becoming a water services authority. A property task team was established by the office of the Municipal Manager and the planning and economic development department is in process of compiling action plans for properties and resorts.

### **Regional landfill site**

It is envisioned that the landfill site construction will commence during the last quarter of the 2021/2022 financial year. A loan will be taken up to fund the capital portion of this project.

### **Rental from properties**

It is envisioned with the turnaround strategy for properties and resorts, that additional funding can be generated from properties and resorts.

### **Interest earned**

Interest earned was increased slightly over the MTREF period. Management reviewed the Investment Strategy to update the approach and alternatives – e.g. all cash not deposited in call accounts at banks for interest, but potentially invest in other assets (as allowed by the MFMA) for higher returns.

### **Government Grants**

Budgeted as per DoRA and gazetted amounts.

### **Income from Agency services**

Included under this item is the administration fee at 12% of the total allocation received for performing the roads function on behalf of the Department of Public Transport. (12% of R172m = R18.4m). Six percent is received for additional allocations during the financial year.

### **Sale of goods and services/ Operational revenue**

Included under this item is the income from resorts and firefighting income.

**Turnaround strategy properties/resorts:**

A turn-around strategy for properties and resorts is currently being developed to maximise potential for properties and revenue from properties were increased significantly in the outer years as it is envisioned that revenue from properties will increase with the turnaround strategies, the increase is as follow:

**Roads Agency Function**

As mentioned previously, R 172,240,000 of the Roads agency function has been included in the operating revenue budget.

**Operating Deficit:**

High-level Summary	Budget 2021/22	Budget 2022/23	Budget 2023/24
Surplus / (Deficit)	- 6 409 852	- 5 717 699	- 5 848 025

The budget shows deficits for year 1, 2 and 3. These shortfalls will be funded from cash-backed accumulated surplus reserve in compliance with MFMA s18(1)(b). Council is pursuing numerous projects in line with legislated functions in order to improve the financial outlook by realising alternative revenue streams from projects such as the fresh produce market, the regional landfill site, energy projects and the resorts.

**Tariffs***Fire tariffs:*

- Tariffs increased with 6% based on the 2020/21 tariffs

*Resorts tariffs:*

- Tariffs at Calitzdorp Spa was increased by CPI inflation of 4.5%
- Tariffs at De Hoek was increased by CPI inflation of 4.5%
- Tariffs at Swartvlei was increased by CPI inflation of 4.5%
- Tariffs at Victoria Bay was increased by CPI inflation of 4.5%

*Other tariffs:*

- Increased between 4%-6% for example printing and copying costs

#### **4 LIST OF POLICIES THAT WILL BE INCLUDED IN THE BUDGET:**

- a) Supply Chain Management Policy
- b) Asset Management Policy
- c) Tariffs Policy
- d) Credit Control and Debt Collection Policy and By-law
- e) Long Term Financial Management Policy
- f) Budget policy
- g) Borrowing Policy
- h) Funding and Reserve Policy
- i) Petty Cash Policy
- j) Banking, Cash Management and Investment Policy
- k) Funding and Reserve Policy

The only changes are proposed on the SCM policy, the credit control and debt collection policy and the Cash and banking policy

#### **Capital Budget**

The annual capital budget for the financial year 2021/22 MTREF period is as follow:

CostCentre	OwnDescription	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024
Municipal Manager	Office furniture: Office MM	30 000,00	30 000,00	30 000,00
Executive Manager: Planning and Economic Development	Office Furniture & Equipment: Man Planning&Dev	30 000,00	30 000,00	30 000,00
BTO & AFS	Office equipment: CFO	30 000,00	30 000,00	30 000,00
Information technology	Replacing ICT Capital Equipment beyond economical repairs	1 500 000,00	1 750 000,00	2 000 000,00
Executive Manager: Corporate Services	Office furniture: Exec Manager Corporate Services	30 000,00	30 000,00	30 000,00
Support services: registry	Pool Vehicle	-	350 000,00	350 000,00
Executive Manager: Community Services	Firestation: Mosselbay	6 000 000,00	-	-
Executive Manager: Community Services	Office of the executive manager Community: office equipment	30 000,00	30 000,00	30 000,00
Municipal Health Services: Klein Karoo	ODN EHP shadenet insurance	6 164,00	-	-
Municipal Health Services: Lakes Areas	Knysna EHP insurance claims	3 800,00	-	-
Fire Fighting	Hazmat Rescue & Fire Equipment Equipment	200 000,00	350 000,00	350 000,00
Municipal Health Services: Administration	Mosselbay EHP	22 560,00	-	-
Waste Management Landfill Sites	Landfill Site: PPE	50 000 000,00	150 000 000,00	-
		<b>57 882 524,00</b>	<b>152 600 000,00</b>	<b>2 850 000,00</b>

See comments included under the mayoral speech

### 3.3 Provision of basic services

The municipality as a category C municipality do not deliver basic services in respect of the following:

- Provision of water services
- Provision of sanitation services
- Provision of refuse
- Provision of electricity

Service that is delivered by the municipality that is essential to the communities of the Garden Route region includes the following:

- GRDM plays a critical role in the delivery of Fire services in the area. This is supported by the fact that a number of mutual aid agreements are in place with different local municipalities to ensure delivery of fire services within their areas. After a 'cost vs benefit' analysis, the municipality are exploring the possibility to adjust the service delivery agreements to ensure a more mutual beneficial agreement for all parties involved. Other alternatives for the fire section operations are being investigated and will be reported to MMF and DCF in due course.
- GRDM has an Air Quality service level agreement with Hessequa Municipality.
- Disaster Management is also a key function performed by the municipality and strive to ensure that a collective effort is implemented in the region.
- Firefighting services are performed by the district municipality
- The provision of Environmental Health practitioners is another key function performed by the district. With the food scarcity crisis and the impact that drought has on the provision of food security the impact this function is performing is of critical importance.
- Regional Waste Site

The municipal budget is to ensure the provision of these services can continue on an uninterrupted basis within the Garden Route District.

### 3.4 SDBIP and MTREF financial sustainability

The budget that's been tabled is a cash backed budget for the 2021/22 MTREF period and the municipality complies with the Municipal Management Finance Act (MFMA) 56, 2003. The financial sustainability for us as a district municipality is challenging due to the limited revenue sources but Council together with Provincial Government and other district municipalities in the Western Cape are investigating ways for extra revenue sources. After the abolishment of RSC levies, the main source of income for district municipalities are the RSC replacement grant which increases annually  $\pm 2-3\%$ .

A district municipality task team for the Western Cape was established. One of the main challenges is the service level agreement with Department of Transport that needs to be revised to clearly define each party's roles and responsibilities as well as the type of service (agency service). Accounting treatment of transactions is another issue that is being addressed by the task team. The issue of responsibility for roads employees was referred during August 2016 for a technical opinion from National Treasury/ Provincial Treasury and the Auditor General by Eden DM, up to date no response has been received with regards to the technical opinion.

The Municipal Service Delivery and Budget Implementation Plan (SDBIP) is compiled to enhance council's ability to measure the impact of the budget on the municipal performance in terms of service delivery and to ensure that the municipality will deliver on its promise to ensure delivery of services to its communities.

# **Section 4 – Annual Budget Tables**



DC4 Garden Route - Table A1 Budget Summary										
Description	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousands										
<b>Financial Performance</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–	–	–	–
Investment revenue	12 084	15 715	13 140	16 893	12 091	12 091	12 091	8 500	8 500	8 500
Transfers recognised - operational	160 545	172 435	165 953	165 426	34 252	34 252	34 252	186 175	184 341	188 711
Other own revenue	211 471	214 495	202 604	235 001	356 179	356 179	356 179	224 799	232 276	237 042
<b>Total Revenue (excluding capital transfers and contributions)</b>	384 100	402 645	381 697	417 320	402 522	402 522	402 522	419 474	425 117	434 253
Employee costs	128 751	140 534	236 927	144 964	247 659	247 659	247 659	259 833	262 121	266 696
Remuneration of councillors	10 815	11 933	11 467	12 828	13 360	13 360	13 360	13 360	13 360	13 360
Depreciation & asset impairment	3 060	3 172	35 246	3 477	4 987	4 987	4 987	4 852	4 288	4 288
Finance charges	–	–	38	–	70	70	70	70	70	70
Inventory consumed and bulk purchases	–	36	2 745	4 084	51 360	51 360	51 360	57 944	60 123	62 390
Transfers and grants	–	–	3 199	1 965	1 851	1 851	1 851	2 375	2 125	2 125
Other expenditure	236 793	242 728	106 961	251 339	96 908	96 908	96 908	87 450	88 748	91 173
<b>Total Expenditure</b>	379 419	398 403	396 583	418 656	416 194	416 194	416 194	425 884	430 835	440 101
<b>Surplus/(Deficit)</b>	4 681	4 242	(14 886)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	–	–	3 481	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	–	–	35	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	4 681	4 242	–	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	4 681	4 242	–	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	4 677	10 623	8 182	6 923	14 096	14 096	14 096	57 883	152 600	2 850
Transfers recognised - capital	–	4 000	3 470	–	4 161	4 161	4 161	–	–	–
Borrowing	–	–	397	–	–	–	–	50 000	150 000	–
Internally generated funds	4 677	6 623	4 315	6 923	9 935	9 935	9 935	7 883	2 600	2 850
<b>Total sources of capital funds</b>	4 677	10 623	8 182	6 923	14 096	14 096	14 096	57 883	152 600	2 850
<b>Financial position</b>										
Total current assets	178 609	196 625	207 391	178 550	173 685	173 685	173 685	204 504	177 235	171 308
Total non current assets	293 385	307 314	268 434	292 602	314 316	314 316	314 316	319 217	467 353	464 053
Total current liabilities	72 878	102 393	63 391	82 034	37 449	37 449	37 449	65 748	60 343	59 348
Total non current liabilities	153 943	137 987	125 675	86 240	144 852	144 852	144 852	185 506	320 096	303 344
Community wealth/Equity	245 172	263 560	286 760	302 878	305 700	305 700	305 700	272 467	264 149	272 669
<b>Cash flows</b>										
Net cash from (used) operating	19 110	13 793	16 195	(755)	(11 114)	(11 114)	(11 114)	(6 410)	(5 718)	(5 848)
Net cash from (used) investing	(4 677)	(9 258)	(1 414)	366	366	366	366	(57 883)	(152 600)	(2 850)
Net cash from (used) financing	–	–	(732)	–	–	–	–	50 000	130 000	–
<b>Cash/cash equivalents at the year end</b>	169 768	174 303	188 287	169 379	159 020	159 020	159 020	173 995	145 677	136 979
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	169 794	174 329	188 313	169 405	143 159	143 159	143 159	174 022	145 705	137 007
Application of cash and investments	(16 399)	50 653	(41 178)	78 628	(10 563)	(10 563)	(10 563)	56 995	57 054	62 009
<b>Balance - surplus (shortfall)</b>	186 192	123 676	229 492	90 777	153 722	153 722	153 722	117 028	88 650	74 997
<b>Asset management</b>										
Asset register summary (WDV)	–	10 623	215 463	229 223	229 223	229 223	229 223	266 245	413 131	410 581
Depreciation	3 054	3 062	35 246	3 477	3 477	3 477	3 477	4 852	4 288	4 288
Renewal and Upgrading of Existing Assets	470	1 000	–	2 003	1 503	1 503	1 503	1 533	1 750	2 000
Repairs and Maintenance	5 235	4 897	2 471	4 199	4 199	4 199	4 199	2 430	2 430	2 430
<b>Free services</b>										
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–	–
<b>Households below minimum service level</b>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sew erage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	–	–	–

DC4 Garden Route - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		<b>229 916</b>	<b>212 305</b>	<b>227 007</b>	<b>217 702</b>	<b>230 331</b>	<b>230 331</b>	<b>234 845</b>	<b>233 035</b>	<b>234 414</b>
Executive and council		228 590	212 048	226 159	216 981	230 104	230 104	234 304	232 479	233 843
Finance and administration		1 326	257	848	721	228	228	541	556	571
Internal audit		—	—	—	—	—	—	—	—	—
<i><b>Community and public safety</b></i>		<b>6 921</b>	<b>9 993</b>	<b>7 079</b>	<b>8 856</b>	<b>6 606</b>	<b>6 606</b>	<b>5 792</b>	<b>6 064</b>	<b>6 348</b>
Community and social services		—	—	—	—	—	—	—	—	—
Sport and recreation		6 713	8 896	6 686	8 406	6 256	6 256	5 422	5 671	5 932
Public safety		—	658	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—
Health		208	439	393	450	350	350	370	393	416
<i><b>Economic and environmental services</b></i>		<b>145 314</b>	<b>177 236</b>	<b>150 894</b>	<b>160 105</b>	<b>165 584</b>	<b>165 584</b>	<b>178 836</b>	<b>186 019</b>	<b>193 490</b>
Planning and development		—	1 672	5	—	—	—	—	—	—
Road transport		145 000	175 080	150 805	160 000	165 473	165 473	178 718	185 894	193 358
Environmental protection		314	484	85	105	111	111	118	125	133
<i><b>Trading services</b></i>		<b>1 950</b>	<b>835</b>	<b>236</b>	<b>30 657</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Energy sources		—	—	—	—	—	—	—	—	—
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		1 950	835	236	30 657	—	—	—	—	—
<i><b>Other</b></i>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Revenue - Functional</b>	<b>2</b>	<b>384 100</b>	<b>400 370</b>	<b>385 217</b>	<b>417 320</b>	<b>402 522</b>	<b>402 522</b>	<b>419 474</b>	<b>425 117</b>	<b>434 253</b>
<b>Expenditure - Functional</b>										
<i><b>Governance and administration</b></i>		<b>114 375</b>	<b>123 554</b>	<b>155 438</b>	<b>126 483</b>	<b>135 527</b>	<b>135 527</b>	<b>136 684</b>	<b>136 137</b>	<b>136 661</b>
Executive and council		44 720	44 144	49 276	45 692	52 858	52 858	50 280	50 883	51 321
Finance and administration		67 115	76 860	106 162	78 090	79 953	79 953	83 919	82 754	82 823
Internal audit		2 540	2 550	—	2 702	2 715	2 715	2 485	2 500	2 516
<i><b>Community and public safety</b></i>		<b>81 927</b>	<b>90 298</b>	<b>78 815</b>	<b>79 377</b>	<b>88 563</b>	<b>88 563</b>	<b>87 481</b>	<b>85 718</b>	<b>87 032</b>
Community and social services		11 727	20 403	11 990	9 814	14 616	14 616	15 089	13 041	13 066
Sport and recreation		12 640	12 767	11 659	13 225	12 639	12 639	12 012	12 057	12 107
Public safety		27 498	27 288	24 005	25 301	26 761	26 761	25 282	25 380	26 467
Housing		—	—	—	—	—	—	—	—	—
Health		30 062	29 841	31 161	31 037	34 547	34 547	35 099	35 240	35 392
<i><b>Economic and environmental services</b></i>		<b>176 412</b>	<b>178 859</b>	<b>152 010</b>	<b>176 200</b>	<b>182 370</b>	<b>182 370</b>	<b>195 848</b>	<b>203 089</b>	<b>210 496</b>
Planning and development		5 630	8 640	7 684	9 147	9 706	9 706	11 813	11 823	11 834
Road transport		168 320	166 635	140 850	163 468	169 326	169 326	180 758	187 976	195 358
Environmental protection		2 462	3 585	3 477	3 585	3 339	3 339	3 277	3 290	3 304
<i><b>Trading services</b></i>		<b>3 839</b>	<b>5 018</b>	<b>3 650</b>	<b>33 470</b>	<b>6 612</b>	<b>6 612</b>	<b>3 209</b>	<b>3 225</b>	<b>3 242</b>
Energy sources		—	—	—	—	—	—	—	—	—
Water management		18	10	—	10	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		3 821	5 008	3 650	33 460	6 612	6 612	3 209	3 225	3 242
<i><b>Other</b></i>	<b>4</b>	<b>2 866</b>	<b>674</b>	<b>3 929</b>	<b>3 126</b>	<b>3 121</b>	<b>3 121</b>	<b>2 661</b>	<b>2 666</b>	<b>2 671</b>
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>379 419</b>	<b>398 403</b>	<b>393 842</b>	<b>418 656</b>	<b>416 194</b>	<b>416 194</b>	<b>425 884</b>	<b>430 835</b>	<b>440 101</b>
<b>Surplus/(Deficit) for the year</b>		<b>4 682</b>	<b>1 966</b>	<b>(8 625)</b>	<b>(1 336)</b>	<b>(13 672)</b>	<b>(13 672)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>

DC4 Garden Route - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
Revenue by Vote	1									
Vote 1 - Executive and Council		229 035	232 074	218 860	216 981	230 104	230 104	234 304	232 479	233 843
Vote 2 - Budget and Treasury Office		–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		880	198	848	721	228	228	541	556	571
Vote 4 - Planning and Development		–	–	5	–	–	–	–	–	–
Vote 5 - Public Safety		–	–	–	–	–	–	–	–	–
Vote 6 - Health		208	221	393	450	350	350	370	393	416
Vote 7 - Community and Social Services		–	–	–	–	–	–	–	–	–
Vote 8 - Sport and Recreation		6 713	7 820	6 686	8 406	6 256	6 256	5 422	5 671	5 932
Vote 9 - Waste Management		1 950	–	236	30 657	–	–	–	–	–
Vote 10 - Roads Transport		–	–	–	–	–	–	–	–	–
Vote 11 - Waste Water Management		–	–	–	–	–	–	–	–	–
Vote 12 - Water		–	–	–	–	–	–	–	–	–
Vote 13 - Environment Protection		314	333	–	105	111	111	118	125	133
Vote 14 - Roads Agency Function		145 000	162 000	158 189	160 000	165 473	165 473	178 718	185 894	193 358
Vote 15 - Electricity		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	384 100	402 645	385 217	417 320	402 522	402 522	419 474	425 117	434 253
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive and Council		47 274	46 981	42 942	51 456	55 795	55 795	54 092	54 699	55 142
Vote 2 - Budget and Treasury Office		20 362	24 519	21 197	21 608	25 236	25 236	24 229	24 192	24 273
Vote 3 - Corporate Services		39 345	41 210	41 636	42 339	44 399	44 399	47 890	47 202	47 178
Vote 4 - Planning and Development		16 688	22 739	56 344	24 234	27 898	27 898	30 046	28 011	28 050
Vote 5 - Public Safety		35 010	41 369	30 807	32 060	34 204	34 204	32 754	32 875	33 986
Vote 6 - Health		33 479	33 581	33 704	33 212	36 747	36 747	37 616	37 307	37 462
Vote 7 - Community and Social Services		–	–	–	–	–	–	–	–	–
Vote 8 - Sport and Recreation		12 640	12 767	11 659	13 225	12 639	12 639	12 012	12 057	12 107
Vote 9 - Waste Management		3 821	5 008	3 650	33 460	6 612	6 612	3 209	3 225	3 242
Vote 10 - Roads Transport		3 320	4 225	–	3 468	3 853	3 853	3 378	3 501	3 504
Vote 11 - Waste Water Management		–	(7)	–	–	–	–	–	–	–
Vote 12 - Water		18	18	–	10	–	–	–	–	–
Vote 13 - Environment Protection		2 461	3 585	75	3 585	3 339	3 339	3 277	3 290	3 304
Vote 14 - Roads Agency Function		165 000	162 410	151 828	160 000	165 473	165 473	177 380	184 475	191 854
Vote 15 - Electricity		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	379 419	398 403	393 842	418 656	416 194	416 194	425 884	430 835	440 101
Surplus/(Deficit) for the year	2	4 681	4 242	(8 625)	(1 336)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)

DC4 Garden Route - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1										
Revenue By Source											
Property rates	2	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		3 507	3 846	2 103	1 593	3 614	3 614	3 614	3 829	4 056	4 297
Interest earned - external investments		12 084	15 715	13 140	16 893	12 091	12 091	12 091	8 500	8 500	8 500
Interest earned - outstanding debtors		846	897	3 303	964	3 710	3 710	3 710	2 970	3 149	3 338
Dividends received				–	–	–	–	–	–	–	–
Fines, penalties and forfeits				–	–	–	–	–	–	–	–
Licences and permits		314	333	85	105	111	111	111	118	125	133
Agency services		15 300	21 062	17 213	23 015	184 673	184 673	184 673	195 834	203 668	211 814
Transfers and subsidies		160 545	172 435	165 953	165 426	34 252	34 252	34 252	186 175	184 341	188 711
Other revenue	2	191 504	184 358	179 900	205 672	164 071	164 071	164 071	22 047	21 279	17 461
Gains			4 000		3 652						
Total Revenue (excluding capital transfers and contributions)		384 100	402 645	381 697	417 320	402 522	402 522	402 522	419 474	425 117	434 253
Expenditure By Type											
Employee related costs	2	128 751	140 534	236 927	144 964	247 659	247 659	247 659	259 833	262 121	266 696
Remuneration of councillors		10 815	11 933	11 467	12 828	13 360	13 360	13 360	13 360	13 360	13 360
Debt impairment	3	1 522	1 601	4 394	1 721	1 841	1 841	1 841	1 500	1 500	1 500
Depreciation & asset impairment	2	3 060	3 172	35 246	3 477	4 987	4 987	4 987	4 852	4 288	4 288
Finance charges				38		70	70	70	70	70	70
Bulk purchases - electricity	2	–	–	–	–	–	–	–	–	–	–
Other materials			36	2 745	4 084	51 360	51 360	51 360	57 944	60 123	62 390
Inventory consumed	8	–	–	–	–	–	–	–	–	–	–
Contracted services		23 330	50 354	21 229	46 505	34 749	34 749	34 749	29 135	29 099	30 137
Transfers and subsidies		–	–	3 199	1 965	1 851	1 851	1 851	2 375	2 125	2 125
Other expenditure	4, 5	211 942	190 773	81 338	203 113	60 318	60 318	60 318	56 815	58 149	59 536
Losses									–	–	–
Total Expenditure		379 419	398 403	396 583	418 656	416 194	416 194	416 194	425 884	430 835	440 101
Surplus/(Deficit)		4 681	4 242	(14 886)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				3 481							
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	6										
Transfers and subsidies - capital (in-kind - all)				35							
Surplus/(Deficit) after capital transfers & contributions		4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Taxation											
Surplus/(Deficit) after taxation		4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)

**A5 budget schedule: capital**

Vote Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and Council		421	30	-	500	4 013	4 013	4 013	-	-	-
Vote 2 - Budget and Treasury Office		-	42	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		1 633	2 428	-	1 503	-	-	-	-	-	-
Vote 4 - Planning and Development		64	37	-	-	-	-	-	-	-	-
Vote 5 - Public Safety		1 319	4 713	-	2 000	-	-	-	-	-	-
Vote 6 - Health		31	2 343	-	-	-	-	-	-	-	-
Vote 7 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 8 - Sport and Recreation		1 100	1 000	-	-	3 000	3 000	3 000	-	-	-
Vote 9 - Waste Management		-	-	-	-	-	-	-	50 000	150 000	-
Vote 10 - Roads Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Water		-	-	-	-	-	-	-	-	-	-
Vote 13 - Environment Protection		109	30	-	-	-	-	-	-	-	-
Vote 14 - Roads Agency Function		-	-	-	-	-	-	-	-	-	-
Vote 15 - Electricity		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>4 677</b>	<b>10 623</b>	<b>-</b>	<b>4 003</b>	<b>7 013</b>	<b>7 013</b>	<b>7 013</b>	<b>50 000</b>	<b>150 000</b>	<b>-</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and Council		-	-	186	-	355	355	355	30	30	30
Vote 2 - Budget and Treasury Office		-	-	112	-	86	86	86	30	30	30
Vote 3 - Corporate Services		-	-	1 270	70	2 461	2 461	2 461	1 530	2 130	2 380
Vote 4 - Planning and Development		-	-	76	-	179	179	179	30	30	30
Vote 5 - Public Safety		-	-	3 793	400	30	30	30	200	350	350
Vote 6 - Health		-	-	2 729	2 300	50	50	50	6 063	30	30
Vote 7 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 8 - Sport and Recreation		-	-	5	-	2 522	2 522	2 522	-	-	-
Vote 9 - Waste Management		-	-	10	-	-	-	-	-	-	-
Vote 10 - Roads Transport		-	-	-	-	1 400	1 400	1 400	-	-	-
Vote 11 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 12 - Water		-	-	-	-	-	-	-	-	-	-
Vote 13 - Environment Protection		-	-	-	150	-	-	-	-	-	-
Vote 14 - Roads Agency Function		-	-	-	-	-	-	-	-	-	-
Vote 15 - Electricity		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>-</b>	<b>-</b>	<b>8 182</b>	<b>2 920</b>	<b>7 083</b>	<b>7 083</b>	<b>7 083</b>	<b>7 883</b>	<b>2 600</b>	<b>2 850</b>
<b>Total Capital Expenditure - Vote</b>		<b>4 677</b>	<b>10 623</b>	<b>8 182</b>	<b>6 923</b>	<b>14 096</b>	<b>14 096</b>	<b>14 096</b>	<b>57 883</b>	<b>152 600</b>	<b>2 850</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>2 054</b>	<b>2 500</b>	<b>1 569</b>	<b>2 073</b>	<b>6 915</b>	<b>6 915</b>	<b>6 915</b>	<b>7 650</b>	<b>2 250</b>	<b>2 500</b>
Executive and council		398	2 428	186	500	4 424	4 424	4 424	30	30	30
Finance and administration		1 633	72	1 382	1 573	2 483	2 483	2 483	7 620	2 220	2 470
Internal audit		24	-	-	-	9	9	9	-	-	-
<b>Community and public safety</b>		<b>2 450</b>	<b>8 056</b>	<b>6 527</b>	<b>4 700</b>	<b>5 602</b>	<b>5 602</b>	<b>5 602</b>	<b>233</b>	<b>350</b>	<b>350</b>
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		1 100	1 000	5	-	5 522	5 522	5 522	-	-	-
Public safety		1 319	4 713	3 793	2 400	30	30	30	200	350	350
Housing		-	-	-	-	-	-	-	-	-	-
Health		31	2 343	2 729	2 300	50	50	50	33	-	-
<b>Economic and environmental services</b>		<b>173</b>	<b>67</b>	<b>76</b>	<b>150</b>	<b>1 579</b>	<b>1 579</b>	<b>1 579</b>	<b>-</b>	<b>-</b>	<b>-</b>
Planning and development		64	37	76	-	179	179	179	-	-	-
Road transport		-	-	-	-	1 400	1 400	1 400	-	-	-
Environmental protection		109	30	-	150	-	-	-	-	-	-
<b>Trading services</b>		<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 000</b>	<b>150 000</b>	<b>-</b>
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	10	-	-	-	-	50 000	150 000	-
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>4 677</b>	<b>10 623</b>	<b>8 182</b>	<b>6 923</b>	<b>14 096</b>	<b>14 096</b>	<b>14 096</b>	<b>57 883</b>	<b>152 600</b>	<b>2 850</b>
<b>Funded by:</b>											
National Government		-	4 000	-	-	1 661	1 661	1 661	-	-	-
Provincial Government		-	-	3 435	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial)		-	-	-	-	-	-	-	-	-	-
Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	35	-	2 500	2 500	2 500	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>-</b>	<b>4 000</b>	<b>3 470</b>	<b>-</b>	<b>4 161</b>	<b>4 161</b>	<b>4 161</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 000</b>	<b>150 000</b>	<b>-</b>
<b>Internally generated funds</b>		<b>4 677</b>	<b>6 623</b>	<b>4 315</b>	<b>6 923</b>	<b>9 935</b>	<b>9 935</b>	<b>9 935</b>	<b>7 883</b>	<b>2 600</b>	<b>2 850</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>4 677</b>	<b>10 623</b>	<b>8 182</b>	<b>6 923</b>	<b>14 096</b>	<b>14 096</b>	<b>14 096</b>	<b>57 883</b>	<b>152 600</b>	<b>2 850</b>

DC4 Garden Route - Table A6 Budgeted Financial Position

Description		Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
ASSETS												
Current assets												
Cash	1		169 768	174 303	188 287	169 379	143 131	143 131	143 131	173 995	145 677	136 979
Call investment deposits												
Consumer debtors	1		–	–	–	–	–	–	–	–	–	–
Other debtors			2 181	16 205	11 591	2 312	23 956	23 956	23 956	24 106	24 693	26 195
Current portion of long-term receivables			3 227	3 550	4 293	3 324	3 867	3 867	3 867	3 733	4 192	4 427
Inventory	2		3 433	2 568	3 219	3 536	2 731	2 731	2 731	2 669	2 673	3 707
Total current assets			178 609	196 625	207 391	178 550	173 685	173 685	173 685	204 504	177 235	171 308
Non current assets												
Long-term receivables			59 717	61 508	52 945	63 353	59 705	59 705	59 705	52 945	54 195	53 445
Investments			26	26	26	26	27	27	27	27	27	27
Investment property			85 712	84 677	54 182	83 831	86 108	86 108	86 108	51 682	51 182	50 682
Investment in Associate			–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3		146 146	159 740	159 419	143 644	166 336	166 336	166 336	212 451	360 201	358 201
Biological			–	–	–	–	–	–	–	–	–	–
Intangible			1 784	1 363	1 863	1 748	2 139	2 139	2 139	2 113	1 749	1 699
Other non-current assets			–	–	–	–	–	–	–	–	–	–
Total non current assets			293 385	307 314	268 434	292 602	314 316	314 316	314 316	319 217	467 353	464 053
TOTAL ASSETS			471 994	503 940	475 825	471 152	488 001	488 001	488 001	523 721	644 588	635 361
LIABILITIES												
Current liabilities												
Bank overdraft	1		–	–	–	–	–	–	–	–	–	–
Borrowing	4		–	857	–	–	–	–	–	–	–	–
Consumer deposits			–	–	–	–	–	–	–	–	–	–
Trade and other payables	4		44 578	71 843	17 270	51 753	37 449	37 449	37 449	31 478	24 828	21 287
Provisions			28 300	29 692	46 121	30 281	–	–	–	34 270	35 515	38 061
Total current liabilities			72 878	102 393	63 391	82 034	37 449	37 449	37 449	65 748	60 343	59 348
Non current liabilities												
Borrowing			–	591	169	1 462	28	28	28	50 000	190 000	176 748
Provisions			153 943	137 396	125 506	84 778	144 823	144 823	144 823	135 506	130 096	126 596
Total non current liabilities			153 943	137 987	125 675	86 240	144 852	144 852	144 852	185 506	320 096	303 344
TOTAL LIABILITIES			226 822	240 380	189 066	168 274	182 301	182 301	182 301	251 254	380 439	362 692
NET ASSETS	5		245 172	263 560	286 760	302 878	305 700	305 700	305 700	272 467	264 149	272 669
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			216 826	235 253	221 474	271 173	286 727	286 727	286 727	205 214	189 647	191 516
Reserves	4		28 346	28 307	65 285	31 705	18 973	18 973	18 973	67 253	74 503	81 153
TOTAL COMMUNITY WEALTH/EQUITY	5		245 172	263 560	286 760	302 878	305 700	305 700	305 700	272 467	264 149	272 669

DC4 Garden Route - Table A7 Budgeted Cash Flows

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates				–		–			–	–	–
Service charges				–		–			–	–	–
Other revenue		208 325	214 495	183 577	230 385	204 407	204 407	204 407	221 829	229 128	233 705
Transfers and Subsidies - Operational	1	153 325	172 435	168 518	165 426	179 813	179 813	179 813	186 175	184 341	188 711
Transfers and Subsidies - Capital	1	–	–	–	–	–	–	–	–	–	–
Interest		12 930	15 715	13 140	16 893	15 801	15 801	15 801	11 470	11 649	11 838
Dividends				–	–	–	–	–		–	–
Payments											
Suppliers and employees		(355 470)	(388 852)	(345 802)	(411 494)	(409 171)	(409 171)	(409 171)	(425 814)	(430 765)	(440 031)
Finance charges				(38)	–	–	–	–	(70)	(70)	(70)
Transfers and Grants	1			(3 199)	(1 965)	(1 965)	(1 965)	(1 965)	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		19 110	13 793	16 195	(755)	(11 114)	(11 114)	(11 114)	(6 410)	(5 718)	(5 848)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			3 156		3 652	3 652	3 652	3 652	–	–	–
Decrease (increase) in non-current receivables			(1 791)	6 334	3 636	3 636	3 636	3 636	–	–	–
Decrease (increase) in non-current investments				1	–	–	–	–	–	–	–
Payments											
Capital assets		(4 677)	(10 623)	(7 750)	(6 923)	(6 923)	(6 923)	(6 923)	(57 883)	(152 600)	(2 850)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(4 677)	(9 258)	(1 414)	366	366	366	366	(57 883)	(152 600)	(2 850)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									–	–	–
Borrowing long term/refinancing									50 000	150 000	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing				(732)					–	(20 000)	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	(732)	–	–	–	–	50 000	130 000	–
NET INCREASE/ (DECREASE) IN CASH HELD		14 434	4 535	14 049	(389)	(10 748)	(10 748)	(10 748)	(14 292)	(28 318)	(8 698)
Cash/cash equivalents at the year begin:	2	155 334	169 768	174 238	169 768	169 768	169 768	169 768	188 287	173 995	145 677
Cash/cash equivalents at the year end:	2	169 768	174 303	188 287	169 379	159 020	159 020	159 020	173 995	145 677	136 979

DC4 Garden Route - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	169 768	174 303	188 287	169 379	159 020	159 020	159 020	173 995	145 677	136 979
Other current investments > 90 days		–	–	(0)	–	(15 888)	(15 888)	(15 888)	–	–	–
Non current assets - Investments	1	26	26	26	26	27	27	27	27	27	27
Cash and investments available:		169 794	174 329	188 313	169 405	143 159	143 159	143 159	174 022	145 705	137 007
Application of cash and investments											
Unspent conditional transfers		4 535	20 020	–	14 933	6 894	6 894	6 894	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(20 934)	(27 367)	(41 205)	(28 572)	(17 457)	(17 457)	(17 457)	(44 555)	(52 990)	(57 231)
Other provisions			29 692		30 281				34 270	35 515	38 061
Long term investments committed	4	–	–	27	–	–	–	–	27	27	27
Reserves to be backed by cash/investments	5		28 307		61 986				67 253	74 503	81 153
Total Application of cash and investments:		(16 399)	50 653	(41 178)	78 628	(10 563)	(10 563)	(10 563)	56 995	57 054	62 009
Surplus(shortfall)		186 192	123 676	229 492	90 777	153 722	153 722	153 722	117 028	88 650	74 997





<b>Total Upgrading of Existing Assets</b>	6	-	1 000	-	500	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	-	-	-
Community Facilities		-	1 000	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	1 000	-	-	-	-	-	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	500	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	500	-	-	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
<b>Transport Assets</b>		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	4	3 827	10 623	8 182	6 923	6 423	6 423	57 883	152 600	2 850
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		250	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	50 000	150 000	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		250	-	-	-	-	-	50 000	150 000	-
Community Facilities		310	1 000	-	2 000	2 000	2 000	6 000	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		310	1 000	-	2 000	2 000	2 000	6 000	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		450	2 330	186	2 950	2 450	2 450	-	-	-
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		450	2 330	186	2 950	2 450	2 450	-	-	-
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		852	2 264	-	1 503	1 503	1 503	1 789	2 510	2 760
Furniture and Office Equipment		212	295	203	70	70	70	94	90	90
Machinery and Equipment		138	711	1 270	400	400	400	-	-	-
<b>Transport Assets</b>		1 615	4 023	6 522	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		3 827	10 623	8 182	6 923	6 423	6 423	57 883	152 600	2 850

<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	–	10 623	215 463	229 223	229 223	229 223	266 245	413 131	410 581
Roads Infrastructure										
Storm water Infrastructure										
Electrical Infrastructure										
Water Supply Infrastructure										
Sanitation Infrastructure										
Solid Waste Infrastructure										
Rail Infrastructure										
Coastal Infrastructure										
Information and Communication Infrastructure										
<b>Infrastructure</b>		–	–	–	–	–	–	–	–	–
<b>Community Assets</b>			1 000							
<b>Heritage Assets</b>										
<b>Investment properties</b>			2 330	54 182	83 831	83 831	83 831	51 682	51 182	50 682
<b>Other Assets</b>				159 419	143 644	143 644	143 644	212 451	360 201	358 201
<b>Biological or Cultivated Assets</b>										
<b>Intangible Assets</b>				1 863	1 748	1 748	1 748	2 113	1 749	1 699
<b>Computer Equipment</b>			2 264							
<b>Furniture and Office Equipment</b>			295							
<b>Machinery and Equipment</b>			711							
<b>Transport Assets</b>			4 023							
<b>Land</b>										
<b>Zoo's, Marine and Non-biological Animals</b>										
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	–	10 623	215 463	229 223	229 223	229 223	266 245	413 131	410 581
<b>EXPENDITURE OTHER ITEMS</b>		8 289	7 959	37 717	7 676	7 676	7 676	7 282	6 718	6 718
<b>Depreciation</b>	7	3 054	3 062	35 246	3 477	3 477	3 477	4 852	4 288	4 288
<b>Repairs and Maintenance by Asset Class</b>	3	5 235	4 897	2 471	4 199	4 199	4 199	2 430	2 430	2 430
Roads Infrastructure		–	–	–	–	–	–	–	–	–
Storm water Infrastructure		–	–	–	–	–	–	–	–	–
Electrical Infrastructure		–	–	–	–	–	–	–	–	–
Water Supply Infrastructure		–	–	–	–	–	–	308	308	308
Sanitation Infrastructure		–	–	–	–	–	–	161	161	161
Solid Waste Infrastructure		–	–	–	–	–	–	–	–	–
Rail Infrastructure		–	–	–	–	–	–	–	–	–
Coastal Infrastructure		–	–	–	–	–	–	–	–	–
Information and Communication Infrastructure		–	–	–	–	–	–	–	–	–
<b>Infrastructure</b>		–	–	–	–	–	–	469	469	469
Community Facilities		1 455	2 524	524	630	630	630	75	75	75
Sport and Recreation Facilities		1 035	–	–	1 260	1 260	1 260	366	366	366
<b>Community Assets</b>		2 491	2 524	524	1 890	1 890	1 890	441	441	441
<b>Heritage Assets</b>		–	–	–	–	–	–	–	–	–
Revenue Generating		–	–	–	–	–	–	–	–	–
Non-revenue Generating		–	–	–	–	–	–	–	–	–
<b>Investment properties</b>		–	–	–	–	–	–	–	–	–
Operational Buildings		1 567	19	19	1 680	1 680	1 680	937	937	937
Housing		–	–	–	–	–	–	–	–	–
<b>Other Assets</b>		1 567	19	19	1 680	1 680	1 680	937	937	937
<b>Biological or Cultivated Assets</b>		–	–	–	–	–	–	–	–	–
Servitudes		–	–	–	–	–	–	–	–	–
Licences and Rights		–	–	–	–	–	–	–	–	–
<b>Intangible Assets</b>		–	–	–	–	–	–	–	–	–
Computer Equipment		1 178	755	755	–	–	–	25	25	25
Furniture and Office Equipment		–	145	145	–	–	–	–	–	–
Machinery and Equipment		–	447	521	–	–	–	100	100	100
Transport Assets		–	1 007	507	630	630	630	459	459	459
Land		–	–	–	–	–	–	–	–	–
<b>Zoo's, Marine and Non-biological Animals</b>		–	–	–	–	–	–	–	–	–
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		8 289	7 959	37 717	7 676	7 676	7 676	7 282	6 718	6 718
<b>Renewal and upgrading of Existing Assets as % of total capex</b>		12,3%	9,4%	0,0%	28,9%	23,4%	23,4%	2,6%	1,1%	70,2%
<b>Renewal and upgrading of Existing Assets as % of deprecn</b>		15,4%	32,7%	0,0%	57,6%	43,2%	43,2%	31,6%	40,8%	46,6%
<b>R&amp;M as a % of PPE</b>		3,6%	3,1%	1,6%	2,9%	2,5%	2,5%	1,1%	0,7%	0,7%
<b>Renewal and upgrading and R&amp;M as a % of PPE</b>		0,0%	56,0%	1,0%	3,0%	2,0%	2,0%	1,0%	1,0%	1,0%

**DC4 Garden Route - Table A10 Basic service delivery measurement**

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		-	-	-	-	-	-	-	-	-
Minimum Service Level and Above sub-total		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-	-
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	-	-	-	-	-	-
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kw h per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) ( impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies	6									
Other										
<b>Total revenue cost of subsidised services provided</b>		-	-	-	-	-	-	-	-	-

## **PART 2 SUPPORTING DOCUMENTATION**

### **Section 5 - Budget assumptions**

The municipality implemented the following in the compilation of the annual budget in collaboration with circular 107 and 108, issued by National Treasury.

The salary related budget was increased with an increment of 4% for the 2021/22 MTREF period.

The percentage increases used for the 2021/22 and outer years for other expenditure budget items were between 0-6% and items were also adjusted downward based on actual expenditure..

Subsistence and travel was cut in view of utilizing alternative technology e.g. zoom teleconferencing.

Refer to section 3 and 4 for detail of budget assumptions for operating revenue, operating expenditure and capital budget.

### **Section 6 – Budget Funding**

The draft budget is funded with realistically anticipated income/accumulated reserves/borrowings.

### **Section 7 – Expenditure on allocations and grant programmes**

All grant allocations as promulgated in the Division of Revenue Bill, 2020, National – and Provincial gazettes was included in the budget for the MTREF period 2020/21 -2023/24.

### **Section 8 – Grants made by the municipality**

The municipality (due to its financial position) made no grants.

### **Section 9 – Councillor Allowances and employee benefits**

The remuneration of councillors was done in accordance with the gazetted limits and provisions have been set out in the Remuneration of Public Office Bearers, Act 20 of 1998. The councillors are remunerated on a Grade 5 municipality. Refer to previous section in report on employee related costs.

### **Section 10 – Service delivery and budget implementation plan**

The draft service delivery plan are drawn up and will be submitted to council by the performance management unit.

### **Section 11 – Capital expenditure**

Capital projects as per capital list in previous section.

## Section 12- Municipal Manager's Quality Certificate

NAVRAE:  
ENQUIRIES: ~ JW De Jager

KONTAKNR  
CONTACT NO 044 803 1449

VERW:  
REF: 6/18/7/2021-2022

KANTOOR:  
OFFICES: George

DATUM  
DATE 26 March 2021



### QUALITY CERTIFICATE

I **Monde Stratu**, municipal manager of **Garden Route District Municipality**, hereby certify that the **Draft Annual Budget 2021/2022 MTREF** and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name Monde Stratu

Accounting Officer of GARDEN ROUTE DISTRICT MUNICIPALITY (DC4).

Signature [Signature]

Date 26/03/2021

# **ANNEXURE A**

## **SUPPORTING BUDGET TABLES**

DC4 Garden Route - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>	6										
Total Property Rates									-	-	-
Less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)									-	-	-
Net Property Rates		-	-	-	-	-	-	-	-	-	-
<b>Service charges - electricity revenue</b>	6										
Total Service charges - electricity revenue									-	-	-
Less Revenue Foregone (in excess of 50 kwh per indigent household per month)									-	-	-
Less Cost of Free Basis Services (50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-
<b>Service charges - water revenue</b>	6										
Total Service charges - water revenue									-	-	-
Less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)									-	-	-
Less Cost of Free Basis Services (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
<b>Service charges - sanitation revenue</b>											
Total Service charges - sanitation revenue									-	-	-
Less Revenue Foregone (in excess of free sanitation service to indigent households)									-	-	-
Less Cost of Free Basis Services (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
<b>Service charges - refuse revenue</b>	6										
Total refuse removal revenue									-	-	-
Total landfill revenue									-	-	-
Less Revenue Foregone (in excess of one removal a week to indigent households)									-	-	-
Less Cost of Free Basis Services (removed once a week to indigent households)		-	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-
<b>Other Revenue by source</b>											
Fuel Levy						146 217	146 217	146 217	-	-	-
Other Revenue		4 074		179 900		17 854	17 854	17 854	12 167	12 806	13 479
Roads Agency Function		165 000	162 000		160 017						
Resorts		6 713	7 814		11 447						
Health / Fire Levy		5 513	12 524		4 450						
Contributions Municipalities and products		1 826	738		-						
Sundry Income		5 369	612		2 195						
Public Contributions and Donated PPE		17	-		-						
Landfill site		1 528	-		26 843						
Task Contributions: Municipalities		446	473		508						
Seta: Reimbursements		880	198		213						
Greenest Municipality Awards		138	0								
<b>Total 'Other' Revenue</b>	1	191 504	184 358	179 900	205 672	164 071	164 071	164 071	12 167	12 806	13 479



EXPENDITURE ITEMS:																
<u>Employee related costs</u>				2	75 454	64 380	147 509	91 224	156 150	156 150	156 150	164 122	164 247	166 531		
Basic Salaries and Wages					15 776	43 224	26 961	14 463	24 886	24 886	24 886	26 423	26 825	27 242		
Pension and UIF Contributions					10 206	10 173	16 682	11 160	19 995	19 995	19 995	21 932	23 321	24 806		
Medical Aid Contributions					2 590	2 690	4 413	-	4 807	4 807	4 807	5 010	5 033	5 057		
Overtime					554	480	12 852	-	-	-	-	-	-	-		
Performance Bonus					5 567	4 291	8 690	-	10 187	10 187	10 187	10 749	10 825	10 904		
Motor Vehicle Allowance					174	145	242	-	264	264	264	286	288	290		
Cellphone Allowance					969	488	2 641	-	2 463	2 463	2 463	2 531	2 569	2 609		
Housing Allowances					3 557	6 820	5 541	19 685	18 965	18 965	18 965	15 380	15 423	15 468		
Other benefits and allowances					5 335	-	3 568	-	-	-	-	4 724	4 911	5 105		
Payments in lieu of leave					525	-	-	-	-	-	-	90	94	97		
Long service awards					8 043	7 843	7 831	8 432	9 942	9 942	9 942	8 586	8 586	8 586		
Post-retirement benefit obligations				4	128 751	140 534	236 927	144 964	247 659	247 659	247 659	259 833	262 121	266 696		
<u>Less: Employees costs capitalised to PPE</u>					5	-	-	-	-	-	-	-	-	-		
<b>Total Employee related costs</b>				1	128 751	140 534	236 927	144 964	247 659	247 659	247 659	259 833	262 121	266 696		
<u>Depreciation &amp; asset impairment</u>					3 060	3 172	4 852	3 477	4 987	4 987	4 987	4 852	4 288	4 288		
Depreciation of Property, Plant & Equipment				1	-	-	-	-	-	-	-	-	-	-		
Lease amortisation					-	-	-	-	-	-	-	-	-	-		
Capital asset impairment					-	-	30 394	-	-	-	-	-	-	-		
<b>Total Depreciation &amp; asset impairment</b>				1	3 060	3 172	35 246	3 477	4 987	4 987	4 987	4 852	4 288	4 288		
<u>Bulk purchases - electricity</u>				1	-	-	-	-	-	-	-	-	-	-		
Electricity bulk purchases					-	-	-	-	-	-	-	-	-	-		
<b>Total bulk purchases</b>				1	-	-	-	-	-	-	-	-	-	-		
<u>Transfers and grants</u>				1	-	-	-	-	-	-	-	-	-	-		
Cash transfers and grants					-	-	3 199	1 965	1 851	1 851	1 851	-	-	-		
Non-cash transfers and grants					-	-	-	-	-	-	-	-	-	-		
<b>Total transfers and grants</b>				1	-	-	3 199	1 965	1 851	1 851	1 851	-	-	-		
<u>Contracted services</u>				1	-	-	-	-	-	-	-	-	-	-		
Outsourced Services					-	-	3 461	-	5 536	5 536	5 536	3 819	3 918	5 003		
Consultants and Professional Services					-	-	7 891	-	17 425	17 425	17 425	13 339	12 977	12 694		
Contractors					-	50 354	9 877	-	11 788	11 788	11 788	10 875	11 105	11 344		
Executive and Council					694	-	-	234	-	-	-	-	-	-	-	
Finance and Administration					4 733	-	-	11 953	-	-	-	-	-	-	-	
Community and Social Services					5 488	-	-	320	-	-	-	-	-	-	-	
Road Transport					3 320	-	-	3 468	-	-	-	-	-	-	-	
Internal Audit					50	-	-	245	-	-	-	-	-	-	-	
Planning and Development					1 156	-	-	1 915	-	-	-	-	-	-	-	
Other					-	-	-	-	-	-	-	-	-	-	-	
Public Safety					4 919	-	-	3 650	-	-	-	-	-	-	-	
Health					393	-	-	250	-	-	-	-	-	-	-	
Sport and Recreation					522	-	-	2 497	-	-	-	-	-	-	-	
Waste Management					1 950	-	-	21 394	-	-	-	-	-	-	-	
Water Management					-	-	-	-	-	-	-	-	-	-	-	
Environmental Protection					105	-	-	554	-	-	-	-	-	-	-	
Tourism					-	-	-	25	-	-	-	-	-	-	-	
<b>Total contracted services</b>					23 330	50 354	21 229	46 505	34 749	34 749	34 749	28 034	28 000	29 041		
<u>Other Expenditure By Type</u>					1	-	-	-	-	-	-	-	-	-	-	
Collection costs						-	-	-	-	-	-	-	-	-	-	-
Contributions to 'other' provisions						2 753	-	-	9 615	-	-	-	-	-	-	-
Audit fees						3 049	2 401	-	1 900	1 950	1 950	1 950	2 228	2 317	2 410	
Other Expenditure						7 443	1 684	81 338	-	58 368	58 368	58 368	-	-	-	-
Operational Cost						-	-	-	-	-	-	-	55 486	56 730	58 025	
Operating Leases						-	-	-	-	-	-	-	185	185	185	
Advertisements						852	391	-	2 920	-	-	-	-	-	-	-
Achievements and Awards						-	-	-	195	-	-	-	-	-	-	-
Assets less than the Capitalisation Threshold						-	-	-	70	-	-	-	-	-	-	-
Bank Costs						-	158	-	158	-	-	-	-	-	-	-
Courier and Delivery Services						-	-	-	102	-	-	-	-	-	-	-
Cleaning Services						-	-	-	211	-	-	-	-	-	-	-
Deeds						-	-	-	54	-	-	-	-	-	-	-
Domestic Expenses						398	785	-	-	-	-	-	-	-	-	-
Drivers Licences and Permits						-	-	-	312	-	-	-	-	-	-	-
Entertainment						3	73	-	69	-	-	-	-	-	-	-
External Computer Service Fees						-	-	-	1 517	-	-	-	-	-	-	-
Full Time Union Representative						-	70	-	70	-	-	-	-	-	-	-
Hire Charges						-	-	-	833	-	-	-	-	-	-	-
Hygiene Services						-	-	-	-	-	-	-	-	-	-	-
Insurance				991		473	-	1 597	-	-	-	-	-	-	-	
Laboratory Tests				1 299		1 015	-	1 300	-	-	-	-	-	-	-	
Licenses and Registrations				-		507	-	1 509	-	-	-	-	-	-	-	
Legal Fees				1 058		-	-	-	-	-	-	-	-	-	-	
Membership Fees				1 257		2 407	-	1 655	-	-	-	-	-	-	-	
Plant: Fuel and Oil				1 164		1 280	-	115	-	-	-	-	-	-	-	
Protective Clothing				350		563	-	773	-	-	-	-	-	-	-	
Printing, Publications and Books				1 406		1 549	-	269	-	-	-	-	-	-	-	
Satellite signals				-		-	-	5	-	-	-	-	-	-	-	
Service Accounts: Municipalities				2 699		1 118	-	3 618	-	-	-	-	-	-	-	
Skills Development Levy				1 793		918	-	979	-	-	-	-	-	-	-	
Subsistence and Travel				3 073		6 149	-	4 906	-	-	-	-	-	-	-	
Telephone and Data Lines				1 154		3 262	-	2 948	-	-	-	-	-	-	-	
Training				834		1 995	-	1 315	-	-	-	-	-	-	-	
Property Tax				67		-	-	-	-	-	-	-	-	-	-	
Rental Disaster Centre Equipment				600		17	-	-	-	-	-	-	-	-	-	
Repayment of forfeited deposits				-		4	-	-	-	-	-	-	-	-	-	
Rewards Incentives				-		-	-	70	-	-	-	-	-	-	-	
Pers: Contribution Stores Mission Street (20%)				165 000		-	-	-	-	-	-	-	-	-	-	
Roads Agency Function				423		162 410	-	160 000	-	-	-	-	-	-	-	
Road Worthy Test				-		-	-	-	-	-	-	-	-	-	-	
Leamerships and Internship				-		-	-	1 225	-	-	-	-	-	-	-	
Purchase Linen and Cutlery				12 864		251	-	-	-	-	-	-	-	-	-	
Own Funded Projects				751		1 777	-	-	-	-	-	-	-	-	-	
Rent				657		1	-	1 314	-	-	-	-	-	-	-	
Plant: Tyres and Blades				-		-	-	-	-	-	-	-	-	-	-	
Internet Charges				-		(489)	-	-	-	-	-	-	-	-	-	
Gifts and Promotional Items				-		4	-	422	-	-	-	-	-	-	-	
Vehicle tracking				-		-	-	20	-	-	-	-	-	-	-	
Workmen Compensation				-	-	-	1 045	-	-	-	-	-	-	-		
<b>Total 'Other' Expenditure</b>				1	211 942	190 773	81 338	203 113	60 318	60 318	60 318	2 228	2 317	2 410		
<b>Repairs and Maintenance</b>				8	-	-	-	-	-	-	-	-	-	-		
Employee related costs				-	-	-	4 199	-	-	-	-	-	-	-		
Inventory Consumed (Project Maintenance)				-	4 898	2 471	-	4 059	4 059	4 059	2 430	2 430	2 430			
Contracted Services				-	-	-	-	-	-	-	-	-	-	-		
Other Expenditure				-	-	-	-	-	-	-	-	-	-	-		
<b>Total Repairs and Maintenance Expenditure</b>				9	-	4 898	2 471	4 199	4 059	4 059	4 059	2 430	2 430	2 430		
<b>Inventory Consumed</b>				-	-	-	-	-	-	-	-	-	-	-		
Inventory Consumed - Water				-	-	-	-	-	-	-	-	-	-	-		
Inventory Consumed - Other				-	-	-	-	-	-	-	-	-	350	216		
<b>Total Inventory Consumed &amp; Other Material</b>				-	-	-	-	-	-	-	-	-	350	216		

DC4 Garden Route - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive and Council	Vote 2 - Budget and Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning and Development	Vote 5 - Public Safety	Vote 6 - Health	Vote 7 - Community and Social Services	Vote 8 - Sport and Recreation	Vote 9 - Waste Management	Vote 10 - Roads Transport	Vote 11 - Waste Water Management	Vote 12 - Water	Vote 13 - Environment Protection	Vote 14 - Roads Agency Function	Vote 15 - Electricity	Total
<b>R thousand</b>	1																
<b>Revenue By Source</b>																	
Property rates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue																	-
Service charges - water revenue																	-
Service charges - sanitation revenue																	-
Service charges - refuse revenue																	-
Rental of facilities and equipment		3 656	-	-	-	-	-	-	173	-	-	-	-	-	-	-	3 829
Interest earned - external investments		8 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 500
Interest earned - outstanding debtors		3 000	-	-	-	-	-	-	-	-	-	-	-	-	(30)	-	2 970
Dividends received																	-
Fines, penalties and forfeits																	-
Licences and permits		-	-	-	-	-	-	-	-	-	-	-	-	118	-	-	118
Agency services		18 454	-	-	-	-	-	-	-	-	-	-	-	-	177 380	-	195 834
Other revenue		161 520	-	541	-	-	370	-	5 249	-	-	-	-	-	1 368	-	169 048
Transfers and subsidies		39 174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39 174
Gains																	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		234 304	-	541	-	-	370	-	5 422	-	-	-	-	118	178 718	-	419 474
<b>Expenditure By Type</b>																	
Employee related costs		28 266	19 824	26 652	25 407	26 725	34 820	-	9 370	2 349	-	-	-	2 862	83 558	-	259 833
Remuneration of councillors		13 360	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13 360
Debt impairment		1 500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 500
Depreciation & asset impairment		317	112	3 892	-	-	452	-	74	4	-	-	-	-	-	-	4 852
Finance charges		70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70
Bulk purchases - electricity																	-
Other materials		105	195	662	628	1 175	340	-	222	133	-	-	-	2	54 482	-	57 944
Contracted services		5 752	3 545	2 320	1 544	2 854	67	-	705	605	3 378	-	-	138	8 227	-	29 135
Transfers and subsidies		1 100	-	455	820	-	-	-	-	-	-	-	-	-	-	-	2 375
Other expenditure		9 571	553	7 959	1 648	2 001	1 937	-	1 640	118	-	-	-	275	31 114	-	56 815
Losses																	-
<b>Total Expenditure</b>		60 041	24 229	41 940	30 046	32 754	37 616	-	12 012	3 209	3 378	-	-	3 277	177 380	-	425 884
<b>Surplus/(Deficit)</b>		174 263	(24 229)	(41 399)	(30 046)	(32 754)	(37 246)	-	(6 590)	(3 209)	(3 378)	-	-	(3 159)	1 338	-	(6 410)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)																	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)																	-
Transfers and subsidies - capital (in-kind - all)																	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		174 263	(24 229)	(41 399)	(30 046)	(32 754)	(37 246)	-	(6 590)	(3 209)	(3 378)	-	-	(3 159)	1 338	-	(6 410)

City of Durban Route Supporting Table One Supporting data to Budgeted Financials Section											
Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand											
ASSETS											
Consumer debtors											
Consumer debtors											
Less: Provision for debt impairment											
Total Consumer debtors	2	-	-	-	-	-	-	-	-	-	-
Debt impairment provision											
Balance at the beginning of the year											
Contributions to the provision											
Bad debts written off											
Balance at end of year		-	-	-	-	-	-	-	-	-	-
Inventory											
Water											
Opening Balance			-	-	-	-	-	-	-	-	-
System Input Volume		-	-	-	-	-	-	-	-	-	-
Water Treatment Works											
Bulk Purchases											
Natural Sources											
Authorised Consumption	6	-	-	-	-	-	-	-	-	-	-
Billed Authorised Consumption		-	-	-	-	-	-	-	-	-	-
Billed Metered Consumption		-	-	-	-	-	-	-	-	-	-
Free Basic Water											
Subsidised Water											
Revenue Water											
Billed Unmetered Consumption		-	-	-	-	-	-	-	-	-	-
Free Basic Water											
Subsidised Water											
Revenue Water											
UnBilled Authorised Consumption		-	-	-	-	-	-	-	-	-	-
Unbilled Metered Consumption											
Unbilled Unmetered Consumption											
Water Losses		-	-	-	-	-	-	-	-	-	-
Apparent losses		-	-	-	-	-	-	-	-	-	-
Unauthorised Consumption											
Customer Meter Inaccuracies											
Real losses		-	-	-	-	-	-	-	-	-	-
Leakage on Transmission and Distribution Mains											
Leakage and Overflows at Storage Tanks/Reservoirs											
Leakage on Service Connections up to the point of Customer Meter											
Data Transfer and Management Errors											
Unavoidable Annual Real Losses											
Non-revenue Water		-	-	-	-	-	-	-	-	-	-
Closing Balance Water		-	-	-	-	-	-	-	-	-	-
Agricultural											
Opening Balance			-	-	-	-	-	-	-	-	-
Acquisitions	7										
Issues	8										
Adjustments	8										
Write-offs	9										
Closing balance - Agricultural		-	-	-	-	-	-	-	-	-	-
Consumables											
Standard Rated											
Opening Balance			-	-	-	-	-	-	-	-	-
Acquisitions	7										
Issues	8										
Adjustments	8										
Write-offs	9										
Closing balance - Consumables Standard Rated		-	-	-	-	-	-	-	-	-	-
Zero Rated											
Opening Balance			-	-	-	-	-	-	-	-	-
Acquisitions	7										
Issues	7										
Adjustments	8										
Write-offs	9										
Closing balance - Consumables Zero Rated		-	-	-	-	-	-	-	-	-	-

<b>Finished Goods</b>									
Opening Balance		-	-	3 219	3 219	3 219	3 219	-	-
Acquisitions									
Issues	7								
Adjustments	8		3 219						
Write-offs	9								
Closing balance - Finished Goods		-	-	3 219	3 219	3 219	3 219	-	-
<b>Materials and Supplies</b>									
Opening Balance		-	-	-	-	-	-	2 669	2 673
Acquisitions								2 669	1 000
Issues	7								(350)
Adjustments	8								
Write-offs	9								(646)
Closing balance - Materials and Supplies		-	-	-	-	-	-	2 669	2 673
<b>Work-in-progress</b>									
Opening Balance		-	-	-	-	-	-	-	-
Materials									
Transfers									
Closing balance - Work-in-progress		-	-	-	-	-	-	-	-
<b>Housing Stock</b>									
Opening Balance		-	-	-	-	-	-	-	-
Acquisitions									
Transfers									
Sales									
Closing Balance - Housing Stock		-	-	-	-	-	-	-	-
<b>Land</b>									
Opening Balance		-	-	-	-	-	-	-	-
Acquisitions									
Sales									
Adjustments									
Correction of Prior period errors									
Closing Balance - Land		-	-	-	-	-	-	-	-
Closing Balance - Inventory & Consumables		-	-	3 219	3 219	3 219	3 219	2 669	2 673
<b>Property, plant and equipment (PPE)</b>									
PPE at cost/valuation (ex cl. finance leases)	3	344 280	364 207	356 330	188 044	353 431	353 431	353 431	414 212
Leases recognised as PPE				19	1 841	1 841	1 841		566 812
Less: Accumulated depreciation		198 134	204 467	196 911	44 418	188 936	188 936	188 936	201 761
Total Property, plant and equipment (PPE)	2	146 146	159 740	159 419	143 644	166 336	166 336	166 336	212 451
<b>LIABILITIES</b>									
<b>Current liabilities - Borrowing</b>									
Short term loans (other than bank overdraft)									
Current portion of long-term liabilities			857						
Total Current liabilities - Borrowing		-	857	-	-	-	-	-	-
<b>Trade and other payables</b>									
Trade Payables	5	40 043	51 823	17 270	34 852	30 555	30 555	30 555	22 477
Other creditors					1 968	-	-	-	9 001
Unspent conditional transfers		4 535	20 020		14 933	6 894	6 894	6 894	
VAT						-	-	-	
Total Trade and other payables	2	44 578	71 843	17 270	51 753	37 449	37 449	37 449	31 478
<b>Non current liabilities - Borrowing</b>									
Borrowing	4		591	169	1 448	28	28	28	50 000
Finance leases (including PPP asset element)					14				190 000
Total Non current liabilities - Borrowing		-	591	169	1 462	28	28	28	50 000
<b>Provisions - non-current</b>									
Retirement benefits		153 943	137 396	125 506	84 778	144 823	144 823	144 823	135 506
Refuse landfill site rehabilitation									130 096
Other									126 596
Total Provisions - non-current		153 943	137 396	125 506	84 778	144 823	144 823	144 823	135 506
<b>CHANGES IN NET ASSETS</b>									
<b>Accumulated Surplus/(Deficit)</b>									
Accumulated Surplus/(Deficit) - opening balance		214 361	236 232		289 076	264 664	264 664	264 664	221 474
GRAP adjustments					(3 477)				205 214
Restated balance		214 361	236 232	-	285 599	264 664	264 664	264 664	221 474
Surplus/(Deficit)		4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)
Transfers to/from Reserves									(9 850)
Depreciation offsets									(9 850)
Other adjustments			(5 221)		(13 090)	(6 031)	(6 031)	(6 031)	
Accumulated Surplus/(Deficit)	1	219 042	235 253	(11 370)	271 173	244 960	244 960	244 960	205 214
<b>Reserves</b>									
Housing Development Fund									189 647
Capital replacement		28 346	28 307	31 856	31 705	18 973	18 973	18 973	31 074
Self-insurance									32 724
Other reserves				33 429					38 429
Revaluation									43 429
Total Reserves	2	28 346	28 307	65 285	31 705	18 973	18 973	18 973	67 253
TOTAL COMMUNITY WEALTH/EQUITY	2	247 388	263 560	53 916	302 878	263 933	263 933	263 933	272 467

DC4 Garden Route - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	Goal Code	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand												
Sustainable Environmental Management		SG4		2 263	333		105	105	105	–	–	–
Healthy and Socially Stable Communities		SG1		6 921	8 041	488	8 856	8 856	8 856	488	518	549
Bulk Infrastructure Co-ordination		SG3		165 000	162 000	164 888	160 000	160 000	160 000	182 018	189 374	197 029
A Skilled Workforce and Communities		SG2		880	198	241	721	721	721	241	256	271
Good Governance		SG5		209 035	230 623	214 595	247 638	247 638	247 638	231 726	229 970	231 405
Financial Sustainability		SG6				–				–	–	–
Growing an Inclusive District Economy		SG7				5 000				5 000	5 000	5 000
Allocations to other priorities			2							–	–	–
Total Revenue (excluding capital transfers and contributions)			1	384 100	401 195	385 213	417 320	417 320	417 320	419 474	425 117	434 253

DC4 Garden Route - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	
R thousand													
Sustainable Environmental Management		SG4		41 292		34 387		–	–	34 387	34 511	34 644	
Healthy and Socially Stable Communities		SG1		45 045		43 380		–	–	43 380	43 097	44 260	
Bulk Infrastructure Co-ordination		SG3		173 214		168 537		–	–	183 188	190 518	197 812	
A Skilled Workforce and Communities		SG2		15 624		19 759		–	–	19 759	17 526	17 620	
Good Governance		SG5		74 429		95 957		–	–	110 608	110 653	111 147	
Financial Sustainability		SG6		20 347		24 154		–	–	24 154	24 117	24 198	
Growing an Inclusive District Economy		SG7		9 469		10 408		–	–	10 408	10 414	10 421	
Allocations to other priorities													
Total Expenditure				1	379 419	–	396 583	–	–	–	425 884	430 835	440 101

DC4 Garden Route - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand												
Sustainable Environmental Management		SG4								236	380	380
Healthy and Socially Stable Communities		SG1								1 646	1 870	2 120
Bulk Infrastructure Co-ordination		SG3								50 000	150 000	–
A Skilled Workforce and Communities		SG2				8 182				–	350	350
Good Governance		SG5								–	–	–
Financial Sustainability		SG6								–	–	–
Growing an Inclusive District Economy		SG7								6 000	–	–
Allocations to other priorities			3									
Total Capital Expenditure			1	–	–	8 182	–	–	–	57 883	152 600	2 850

**DC4 Garden Route - Supporting Table SA7 Measureable performance objectives**

[illegible]



DC4 Garden Route - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0,0%	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	4,7%	0,0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0,0%	0,0%	0,4%	0,0%	0,0%	0,0%	0,0%	0,0%	8,3%	0,0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	86,4%	98,3%	0,0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	2,1%	0,3%	4,6%	0,2%	0,2%	0,2%	74,3%	255,0%	217,8%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	2,5	1,9	3,3	2,2	4,6	4,6	4,6	3,1	2,9	2,9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2,5	1,9	3,3	2,2	4,6	4,6	4,6	3,1	2,9	2,9
Liquidity Ratio	Monetary Assets/Current Liabilities	2,3	1,7	3,0	2,1	3,8	3,8	3,8	2,6	2,4	2,3
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17,0%	20,2%	18,0%	16,5%	21,7%	21,7%	21,7%	19,3%	19,5%	19,4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		23,6%	29,7%	9,2%	20,6%	19,2%	19,2%	19,2%	12,9%	17,0%	15,5%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)										
	Total Cost of Losses (Rand '000)										
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	33,5%	34,9%	62,1%	34,7%	61,5%	61,5%	61,5%	61,9%	61,7%	61,4%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	36,3%	38,2%	64,5%	0,0%	0,0%	0,0%		65,1%	64,8%	64,5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1,4%	1,2%	0,6%	1,0%	1,0%	1,0%		0,6%	0,6%	0,6%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0,8%	0,8%	9,2%	0,8%	1,3%	1,3%	1,3%	1,2%	1,0%	1,0%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	14,2	16,6	12,8	15,9	15,9	15,9	32,1	7,4	20,3	20,7
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	154,2%	513,7%	755,4%	353,8%	769,8%	769,8%	769,8%	727,1%	712,1%	712,6%
iii. Cost coverage	(Available cash + Inv investments)/monthly fixed operational expenditure	8,2	7,5	7,3	7,0	5,9	5,9	5,9	6,4	5,6	4,9

[illegible]

DC4 Garden Route Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	169 768	174 303	188 287	169 379	159 020	159 020	159 020	173 995	145 677	136 979
Cash + investments at the yr end less applications - R'000	18(1)b	2	186 192	123 676	229 492	90 777	153 722	153 722	153 722	117 028	88 650	74 997
Cash year end/monthly employee/supplier payments	18(1)b	3	8,2	7,5	7,3	7,0	5,9	5,9	5,9	6,4	5,6	4,9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	4 681	4 242	(11 370)	(1 336)	(13 672)	(13 672)	(13 672)	(6 410)	(5 718)	(5 848)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(6,0%)	(6,0%)	(6,0%)	(6,0%)	(6,0%)	(6,0%)	(6,0%)	(6,0%)	(6,0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	98,5%	101,9%	90,6%	99,6%	57,4%	57,4%	57,4%	98,7%	98,6%	98,6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Capital payments % of capital expenditure	18(1)c,19	8	100,0%	100,0%	94,7%	100,0%	49,1%	49,1%	49,1%	100,0%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	86,4%	98,3%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	265,3%	(19,6%)	(64,5%)	393,7%	0,0%	0,0%	0,1%	3,8%	6,0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	3,0%	(13,9%)	19,7%	(5,8%)	0,0%	0,0%	(11,3%)	2,4%	(1,4%)
R&M % of Property Plant & Equipment	20(1)(vi)	13	3,6%	3,1%	1,6%	2,9%	2,5%	2,5%	1,5%	1,1%	0,7%	0,7%
Asset renewal % of capital budget	20(1)(vi)	14	10,1%	0,0%	0,0%	21,7%	10,7%	10,7%	0,0%	2,6%	1,1%	70,2%







Description	Ref	Provide description of tariff structure where appropriate	2017/18	2018/19	2019/20	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
							Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Property rates</b> <i>(rate in the Rand)</i>	1								
Residential properties									
Residential properties - v acant land									
Formal/informal settlements									
Small holdings									
Farm properties - used									
Farm properties - not used									
Industrial properties									
Business and commercial properties									
Communal land - residential									
Communal land - small holdings									
Communal land - farm property									
Communal land - business and commercial									
Communal land - other									
State-owned properties									
Municipal properties									
Public service infrastructure									
Privately owned towns serviced by the State trust land									
Restitution and redistribution properties									
Protected areas									
National monuments properties									
<b>Exemptions, reductions and rebates</b> <i>(Rands)</i>									
<b>Residential properties</b>									
R15 000 threshold rebate			15 000	15 000	15 000	15 000	15 000	15 000	15 000
General residential rebate									
Indigent rebate or exemption									
Pensioners/social grants rebate or exemption									
Temporary relief rebate or exemption									
Bona fide farmers rebate or exemption									
<b>Other rebates or exemptions</b>	2								
<b>Water tariffs</b>									
<b>Domestic</b>									
Basic charge/fix ed fee <i>(Rands/month)</i>									
Service point - vacant land <i>(Rands/month)</i>									
Water usage - flat rate tariff <i>(c/kl)</i>									
Water usage - life line tariff		(describe structure)							
Water usage - Block 1 <i>(c/kl)</i>		(fill in thresholds)							
Water usage - Block 2 <i>(c/kl)</i>		(fill in thresholds)							
Water usage - Block 3 <i>(c/kl)</i>		(fill in thresholds)							
Water usage - Block 4 <i>(c/kl)</i>		(fill in thresholds)							
<b>Other</b>	2								
<b>Waste water tariffs</b>									
<b>Domestic</b>									
Basic charge/fix ed fee <i>(Rands/month)</i>									
Service point - vacant land <i>(Rands/month)</i>									
Waste water - flat rate tariff <i>(c/kl)</i>									
Volumetric charge - Block 1 <i>(c/kl)</i>		(fill in structure)							
Volumetric charge - Block 2 <i>(c/kl)</i>		(fill in structure)							
Volumetric charge - Block 3 <i>(c/kl)</i>		(fill in structure)							
Volumetric charge - Block 4 <i>(c/kl)</i>		(fill in structure)							
<b>Other</b>	2								
<b>Electricity tariffs</b>									
<b>Domestic</b>									
Basic charge/fix ed fee <i>(Rands/month)</i>									
Service point - vacant land <i>(Rands/month)</i>									
FBE		(how is this targeted?)							
Life-line tariff - meter		(describe structure)							
Life-line tariff - prepaid		(describe structure)							
Flat rate tariff - meter <i>(c/kwh)</i>									
Flat rate tariff - prepaid <i>(c/kwh)</i>									
Meter - IBT Block 1 <i>(c/kwh)</i>		(fill in thresholds)							
Meter - IBT Block 2 <i>(c/kwh)</i>		(fill in thresholds)							
Meter - IBT Block 3 <i>(c/kwh)</i>		(fill in thresholds)							
Meter - IBT Block 4 <i>(c/kwh)</i>		(fill in thresholds)							
Meter - IBT Block 5 <i>(c/kwh)</i>		(fill in thresholds)							
Prepaid - IBT Block 1 <i>(c/kw h)</i>		(fill in thresholds)							
Prepaid - IBT Block 2 <i>(c/kw h)</i>		(fill in thresholds)							
Prepaid - IBT Block 3 <i>(c/kw h)</i>		(fill in thresholds)							
Prepaid - IBT Block 4 <i>(c/kw h)</i>		(fill in thresholds)							
Prepaid - IBT Block 5 <i>(c/kw h)</i>		(fill in thresholds)							
<b>Other</b>	2								
<b>Waste management tariffs</b>									
<b>Domestic</b>									
Street cleaning charge									
Basic charge/fix ed fee									
80l bin - once a week									
250l bin - once a week									

**DC4 Garden Route - Supporting Table SA13b Service Tariffs by category - explanatory**

Description	Ref	Provide description of tariff structure where appropriate	2017/18	2018/19	2019/20	Current Year 2020/21	2021/22 Medium Term Revenue & Expenditure Framework		
							Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Exemptions, reductions and rebates</b> <i>(Rands)</i> <i>[Insert lines as applicable]</i>									
<b>Water tariffs</b> <i>[Insert blocks as applicable]</i>		(fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds)							
<b>Waste water tariffs</b> <i>[Insert blocks as applicable]</i>		(fill in structure) (fill in structure) (fill in structure) (fill in structure) (fill in structure) (fill in structure) (fill in structure) (fill in structure)							
<b>Electricity tariffs</b> <i>[Insert blocks as applicable]</i>		(fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds) (fill in thresholds)							



DC4 Garden Route - Supporting Table SA14 Household bills

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22 % incr.	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total large household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total small household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption											
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		-	-	-	-	-	-	-	-	-	-
VAT on Services											
Total small household bill:		-	-	-	-	-	-	-	-	-	-
% increase/-decrease			-	-	-	-	-		-	-	-

DC4 Garden Route - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank								27	27	27
Deposits - Public Investment Commissioners		26	26	27	26	27	27			
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	26	26	27	26	27	27	27	27	27
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		26	26	27	26	27	27	27	27	27

DC4 Garden Route - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate %	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
<u>Parent municipality</u>														-
														-
														-
														-
														-
Municipality sub-total										-		-	-	-
<u>Entities</u>														-
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									-		-	-	-

[illegible]

DC4 Garden Route - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		151 805	157 166	–	162 568	162 568	162 568	177 702	176 006	179 483
Local Government Equitable Share		146 055	151 237		157 370	157 370	157 370	167 653	172 405	175 879
Finance Management		1 250	1 000		1 000	1 000	1 000	1 000	1 000	1 000
Municipal Systems Improvement		–	–					4 500		
EPWP Incentive		1 280	1 021		1 629	1 629	1 629	2 071		
NT - Rural Roads Asset Management System		2 420	2 425		2 569	2 569	2 569	2 478	2 601	2 604
Fire Service Capacity Building Grant		800	1 483		–					
Other transfers/grants [insert description]										
<b>Provincial Government:</b>		3 520	14 810	–	2 859	2 859	2 859	8 473	8 335	9 228
PT - Integrated Transport Plan		900	1 800		900	900	900	900	900	900
PT - Municipal Accreditation & Capacity Build								5 000	5 000	5 000
PT - Fire Service Capacity Building Grant								–	–	981
PT - Financial Management Capacity Building								250	–	–
PT - WC Support Grant		620	1 450		280	280	280			
PT - Disaster Management Grant		2 000	10 000							
PT - WC Support Grant			360		379	379	379			
PT - Safety Plan Implementation (WOSA)			1 200		1 300	1 300	1 300	2 323	2 435	2 347
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	155 325	171 976	–	165 427	165 427	165 427	186 175	184 341	188 711
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert desc]										
<b>Provincial Government:</b>		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
<b>District Municipality:</b>		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Other grant providers:</b>		–	–	–	–	–	–	–	–	–
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	–	–	–	–	–	–	–	–	–
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		155 325	171 976	–	165 427	165 427	165 427	186 175	184 341	188 711

DC4 Garden Route - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		151 805	157 166	–	162 568	162 568	162 568	177 702	176 006	179 483
Local Government Equitable Share		146 055	151 237		157 370	157 370	157 370	167 653	172 405	175 879
Finance Management		1 250	1 000		1 000	1 000	1 000	1 000	1 000	1 000
Municipal Systems Improvement		–	–			–	–	4 500		
EPWP Incentive		1 280	1 021		1 629	1 629	1 629	2 071		
NT - Rural Roads Asset Management Systems		2 420	2 425		2 569	2 569	2 569	2 478	2 601	2 604
Fire Service Capacity Building Grant		800	1 483		–	–	–			
Other transfers/grants [insert description]										
Provincial Government:		3 520	14 810	–	2 859	2 859	2 859	8 473	8 335	9 228
PT - Integrated Transport Plan		900	1 800		900	900	900	900	900	900
PT - Municipal Accreditation & Capacity Building Grant						–	–	5 000	5 000	5 000
PT - Fire Service Capacity Building Grant						–	–	–	–	981
PT - Financial Management Capacity Building Grant						–	–	250	–	–
PT - WC Support Grant		620	1 450		280	280	280			
PT - Disaster Management Grant		2 000	10 000			–	–			
PT - WC Support Grant			360		379	379	379			
PT - Safety Plan Implementation (WOSA)			1 200		1 300	1 300	1 300	2 323	2 435	2 347
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total operating expenditure of Transfers and Grants		155 325	171 976	–	165 427	165 427	165 427	186 175	184 341	188 711
Capital expenditure of Transfers and Grants										
National Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total capital expenditure of Transfers and Grants		–	–	–	–	–	–	–	–	–
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		155 325	171 976	–	165 427	165 427	165 427	186 175	184 341	188 711

DC4 Garden Route - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds											
Description		Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Operating transfers and grants:</b>		1,3									
<b>National Government:</b>											
Balance unspent at beginning of the year											
Current year receipts			151 805	157 166	159 999	162 568	162 568	162 568	177 702	176 006	179 483
<b>Conditions met - transferred to revenue</b>			151 805	157 166	159 999	162 568	162 568	162 568	177 702	176 006	179 483
Conditions still to be met - transferred to liabilities											
<b>Provincial Government:</b>											
Balance unspent at beginning of the year							-	-			
Current year receipts			1 520	14 810	5 965	2 859	2 859	2 859	8 473	8 335	9 228
<b>Conditions met - transferred to revenue</b>			1 520	14 810	5 965	2 859	2 859	2 859	8 473	8 335	9 228
Conditions still to be met - transferred to liabilities											
<b>District Municipality:</b>											
Balance unspent at beginning of the year											
Current year receipts											
<b>Conditions met - transferred to revenue</b>			-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>Other grant providers:</b>											
Balance unspent at beginning of the year											
Current year receipts											
<b>Conditions met - transferred to revenue</b>			-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>Total operating transfers and grants revenue</b>			153 325	171 976	165 964	165 427	165 427	165 427	186 175	184 341	188 711
<b>Total operating transfers and grants - CTBM</b>		2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>		1,3									
<b>National Government:</b>											
Balance unspent at beginning of the year											
Current year receipts					3 470						
<b>Conditions met - transferred to revenue</b>			-	-	3 470	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>Provincial Government:</b>											
Balance unspent at beginning of the year											
Current year receipts											
<b>Conditions met - transferred to revenue</b>			-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>District Municipality:</b>											
Balance unspent at beginning of the year											
Current year receipts											
<b>Conditions met - transferred to revenue</b>			-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>Other grant providers:</b>											
Balance unspent at beginning of the year											
Current year receipts											
<b>Conditions met - transferred to revenue</b>			-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities											
<b>Total capital transfers and grants revenue</b>			-	-	3 470	-	-	-	-	-	-
<b>Total capital transfers and grants - CTBM</b>		2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>			153 325	171 976	169 434	165 427	165 427	165 427	186 175	184 341	188 711
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>			-	-	-	-	-	-	-	-	-

DC4 Garden Route - Supporting Table SA21 Transfers and grants made by the municipality

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21				2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>											
<b>Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Organisations</b>											
<i>Insert description</i>											
NGO				3 199	395						
<b>Total Cash Transfers To Organisations</b>		-	-	3 199	395	-	-	-	-	-	-
<b>Cash Transfers to Groups of Individuals</b>											
<i>Insert description</i>											
Households					1 570						
<b>Total Cash Transfers To Groups Of Individuals:</b>		-	-	-	1 570	-	-	-	-	-	-
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	6	-	-	3 199	1 965	-	-	-	-	-	-
<b>Non-Cash Transfers to other municipalities</b>											
<i>Insert description</i>	1										
<b>Total Non-Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to Entities/Other External Mechanisms</b>											
<i>Insert description</i>	2										
<b>Total Non-Cash Transfers To Entities/Ems'</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to other Organs of State</b>											
<i>Insert description</i>	3										
<b>Total Non-Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Grants to Organisations</b>											
<i>Insert description</i>	4										
<b>Total Non-Cash Grants To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Groups of Individuals</b>											
<i>Insert description</i>	5										
<b>Total Non-Cash Grants To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS</b>	6	-	-	3 199	1 965	-	-	-	-	-	-



DC4 Garden Route - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		6 908	7 481	7 304				11 298	11 298	11 298
Pension and UIF Contributions		261	2 408	723				242	242	242
Medical Aid Contributions		142	122					78	78	78
Motor Vehicle Allowance		2 312	1 696	1 624				776	776	776
Cellphone Allowance		325	1 125					-	-	-
Housing Allowances		367	1 046					451	451	451
Other benefits and allowances		500	-	1 816				515	515	515
<b>Sub Total - Councillors</b>		<b>10 815</b>	<b>13 877</b>	<b>11 467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 360</b>	<b>13 360</b>	<b>13 360</b>
<b>% increase</b>	4		<b>28,3%</b>	<b>(17,4%)</b>	<b>(100,0%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		4 014	4 442	4 390				4 587	4 587	4 587
Pension and UIF Contributions		551	161	1 420				1 484	1 484	1 484
Medical Aid Contributions		139	124	109				113	123	132
Overtime		-	-	-				-	-	-
Performance Bonus		554	838	-				-	-	-
Motor Vehicle Allowance	3	628	805	804				840	840	840
Cellphone Allowance	3	59	111	142				148	148	148
Housing Allowances	3	90	194	-				-	-	-
Other benefits and allowances	3	-	(211)	770				804	804	804
Payments in lieu of leave		70	-					-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		<b>6 104</b>	<b>6 464</b>	<b>7 633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 977</b>	<b>7 986</b>	<b>7 996</b>
<b>% increase</b>	4		<b>5,9%</b>	<b>18,1%</b>	<b>(100,0%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,1%</b>	<b>0,1%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		71 440	86 899	141 085				159 534	159 659	161 943
Pension and UIF Contributions		15 225	13 210	25 541				24 939	25 341	25 759
Medical Aid Contributions		10 067	10 314	16 574				21 819	23 198	24 674
Overtime		2 590	3 045	4 413				5 010	5 033	5 057
Performance Bonus		-	-	12 852				-	-	-
Motor Vehicle Allowance	3	4 940	6 906	7 886				9 909	9 985	10 065
Cellphone Allowance	3	115	198	100				137	140	142
Housing Allowances	3	879	1 311	2 641				2 531	2 569	2 609
Other benefits and allowances	3	3 557	2 641	4 771				14 576	14 619	14 664
Payments in lieu of leave		5 265	6 064	3 568				4 724	4 911	5 105
Long service awards		525	-					90	94	97
Post-retirement benefit obligations	6	8 043	2 866	7 831				8 586	8 586	8 586
<b>Sub Total - Other Municipal Staff</b>		<b>122 646</b>	<b>133 454</b>	<b>227 260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251 856</b>	<b>254 135</b>	<b>258 700</b>
<b>% increase</b>	4		<b>8,8%</b>	<b>70,3%</b>	<b>(100,0%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,9%</b>	<b>1,8%</b>
<b>Total Parent Municipality</b>		<b>139 566</b>	<b>153 795</b>	<b>246 360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273 193</b>	<b>275 481</b>	<b>280 056</b>
			<b>10,2%</b>	<b>60,2%</b>	<b>(100,0%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,8%</b>	<b>1,7%</b>

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contribution	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		362 462	65 243	109 098			536 803
Chief Whip			-	-	-			-
Executive Mayor			260 368	85 591	772 299			1 118 258
Deputy Executive Mayor			561 141	-	61 070			622 210
Executive Committee								-
Total for all other councillors			10 114 071	168 737	799 930			11 082 738
<b>Total Councillors</b>	8	-	<b>11 298 041</b>	<b>319 571</b>	<b>1 742 397</b>			<b>13 360 009</b>
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			1 881 003	192 708	493 259			2 566 970
Chief Finance Officer			1 012 464	194 333	382 668			1 589 464
Executive Manager: Community Services			1 124 632	214 220	233 925			1 572 777
Executive Manager: Corporate Services			1 274 005	241 173	117 482			1 632 660
Executive Manager: Planning and Economic Development			1 027 061	197 395	406 089			1 630 545
List of each official with packages >= senior manager								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
<b>Total Senior Managers of the Municipality</b>	8,10	-	<b>6 319 164</b>	<b>1 039 828</b>	<b>1 633 423</b>			<b>8 992 416</b>
<b>A Heading for Each Entity</b>	6,7							
List each member of board by designation								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
								-
<b>Total for municipal entities</b>	8,10	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	-	<b>17 617 205</b>	<b>1 359 399</b>	<b>3 375 820</b>	<b>-</b>		<b>22 352 425</b>

DC4 Garden Route - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers		Ref	2019/20			Current Year 2020/21			Budget Year 2021/22		
Number		1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities											
Councillors (Political Office Bearers plus Other Councillors)											
Board Members of municipal entities		4									
Municipal employees											
Municipal Manager and Senior Managers		3									
Other Managers		7	5	5	1	5	5	1	5	5	1
Professionals			21	19	1	21	19	1	21	19	1
Finance			20	19	–	20	19	–	20	19	–
Spatial/town planning											
Information Technology											
Roads			1	1	–	1	1	–	1	1	–
Electricity											
Water											
Sanitation											
Refuse											
Other			19	18	–	19	18	–	19	18	–
Technicians			126	116	1	126	116	1	126	116	1
Finance			9	9	–	9	9	–	9	9	–
Spatial/town planning											
Information Technology			8	8	–	8	8	–	8	8	–
Roads			51	46	–	51	46	–	51	46	–
Electricity											
Water											
Sanitation											
Refuse											
Other			58	53	1	58	53	1	58	53	1
Clerks (Clerical and administrative)			55	47	19	55	47	19	55	47	19
Service and sales workers			68	59	14	68	59	14	68	59	14
Skilled agricultural and fishery workers											
Craft and related trades											
Plant and Machine Operators			64	54	29	64	54	29	64	54	29
Elementary Occupations			232	225	127	232	225	127	232	225	127
TOTAL PERSONNEL NUMBERS		9	591	544	192	591	544	192	591	544	192
% increase						–	–	–	–	–	–
Total municipal employees headcount		6, 10	605	555	192	605	555	192	605	555	192
Finance personnel headcount		8, 10	40	34	4	40	34	4	40	34	4
Human Resources personnel headcount		8, 10	17	16	2	17	16	2	17	16	2

DC4 Garden Route - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>R thousand</b>																
<b>Revenue By Source</b>																
Property rates													-	-	-	-
Service charges - electricity revenue													-	-	-	-
Service charges - water revenue													-	-	-	-
Service charges - sanitation revenue													-	-	-	-
Service charges - refuse revenue													-	-	-	-
Rental of facilities and equipment		319	319	319	319	319	319	319	319	319	319	319	319	3 829	4 056	4 297
Interest earned - external investments		708	708	708	708	708	708	708	708	708	708	708	708	8 500	8 500	8 500
Interest earned - outstanding debtors		248	248	248	248	248	248	248	248	248	248	248	248	2 970	3 149	3 338
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits		10	10	10	10	10	10	10	10	10	10	10	10	118	125	133
Agency services		16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	195 834	203 668	211 814
Transfers and subsidies		15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	186 175	184 341	188 711
Other revenue		1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	22 047	21 279	17 461
Gains													-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>419 474</b>	<b>425 117</b>	<b>434 253</b>
<b>Expenditure By Type</b>																
Employee related costs		21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	259 833	262 121	266 696
Remuneration of councillors		1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	13 360	13 360	13 360
Debt impairment		125	125	125	125	125	125	125	125	125	125	125	125	1 500	1 500	1 500
Depreciation & asset impairment		404	404	404	404	404	404	404	404	404	404	404	404	4 852	4 288	4 288
Finance charges		6	6	6	6	6	6	6	6	6	6	6	6	70	70	70
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials		4 829	4 829	4 829	4 829	4 829	4 829	4 829	4 829	4 829	4 829	4 829	4 829	57 944	60 123	62 390
Inventory consumed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services		2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	29 135	29 099	30 137
Transfers and subsidies		198	198	198	198	198	198	198	198	198	198	198	198	2 375	2 125	2 125
Other expenditure		4 735	4 735	4 735	4 735	4 735	4 735	4 735	4 735	4 735	4 735	4 735	4 735	56 815	58 149	59 536
Losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>425 884</b>	<b>430 835</b>	<b>440 101</b>
<b>Surplus/(Deficit)</b>		<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)													-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-	-	-	-
Transfers and subsidies - capital (in-kind - all)													-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>

DC4 Garden Route - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description		Ref	Budget Year 2021/22											Medium Term Revenue and Expenditure Framework		
R thousand	July		August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Revenue by Vote</b>																
Vote 1 - Executive and Council			19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	234 304	232 479	233 843
Vote 2 - Budget and Treasury Office			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 3 - Corporate Services			45	45	45	45	45	45	45	45	45	45	45	541	556	571
Vote 4 - Planning and Development			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 5 - Public Safety			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 6 - Health			31	31	31	31	31	31	31	31	31	31	31	370	393	416
Vote 7 - Community and Social Services			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 8 - Sport and Recreation			452	452	452	452	452	452	452	452	452	452	452	5 422	5 671	5 932
Vote 9 - Waste Management			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 10 - Roads Transport			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 11 - Waste Water Management			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 12 - Water			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 13 - Environment Protection			10	10	10	10	10	10	10	10	10	10	10	118	125	133
Vote 14 - Roads Agency Function			14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	178 718	185 894	193 358
Vote 15 - Electricity			—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Revenue by Vote</b>			<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>419 474</b>	<b>425 117</b>	<b>434 253</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - Executive and Council			4 508	4 508	4 508	4 508	4 508	4 508	4 508	4 508	4 508	4 508	4 508	54 092	54 699	55 142
Vote 2 - Budget and Treasury Office			2 019	2 019	2 019	2 019	2 019	2 019	2 019	2 019	2 019	2 019	2 019	24 229	24 192	24 273
Vote 3 - Corporate Services			3 991	3 991	3 991	3 991	3 991	3 991	3 991	3 991	3 991	3 991	3 991	47 890	47 202	47 178
Vote 4 - Planning and Development			2 504	2 504	2 504	2 504	2 504	2 504	2 504	2 504	2 504	2 504	2 504	30 046	28 011	28 050
Vote 5 - Public Safety			2 730	2 730	2 730	2 730	2 730	2 730	2 730	2 730	2 730	2 730	2 730	32 754	32 875	33 986
Vote 6 - Health			3 135	3 135	3 135	3 135	3 135	3 135	3 135	3 135	3 135	3 135	3 135	37 616	37 307	37 462
Vote 7 - Community and Social Services			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 8 - Sport and Recreation			1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	12 012	12 057	12 107
Vote 9 - Waste Management			267	267	267	267	267	267	267	267	267	267	267	3 209	3 225	3 242
Vote 10 - Roads Transport			282	282	282	282	282	282	282	282	282	282	282	3 378	3 501	3 504
Vote 11 - Waste Water Management			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 12 - Water			—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vote 13 - Environment Protection			273	273	273	273	273	273	273	273	273	273	273	3 277	3 290	3 304
Vote 14 - Roads Agency Function			14 782	14 782	14 782	14 782	14 782	14 782	14 782	14 782	14 782	14 782	14 782	177 380	184 475	191 854
Vote 15 - Electricity			—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total Expenditure by Vote</b>			<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>425 884</b>	<b>430 835</b>	<b>440 101</b>
<b>Surplus/(Deficit) before assoc.</b>			<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>
Taxation														—	—	—
Attributable to minorities														—	—	—
Share of surplus/ (deficit) of associate														—	—	—
<b>Surplus/(Deficit)</b>		<b>1</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(6 410)</b>	<b>(5 718)</b>	<b>(5 848)</b>

DC4 Garden Route - Supporting Table SA27 Budgeted monthly revenue and expenditure (functional classification)

Description	Ref	Budget Year 2021/22											Medium Term Revenue and Expenditure Framework			
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand																
<b>Revenue - Functional</b>																
<b>Governance and administration</b>		19 570	19 570	19 570	19 570	19 570	19 570	19 570	19 570	19 570	19 570	19 570	19 570	234 845	233 035	234 414
Executive and council		19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	19 525	234 304	232 479	233 843
Finance and administration		45	45	45	45	45	45	45	45	45	45	45	45	541	556	571
Internal audit		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Community and public safety</b>		483	483	483	483	483	483	483	483	483	483	483	483	5 792	6 064	6 348
Community and social services		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Sport and recreation		452	452	452	452	452	452	452	452	452	452	452	452	5 422	5 671	5 932
Public safety		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		31	31	31	31	31	31	31	31	31	31	31	31	370	393	416
<b>Economic and environmental services</b>		14 903	14 903	14 903	14 903	14 903	14 903	14 903	14 903	14 903	14 903	14 903	14 903	178 836	186 019	193 490
Planning and development		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Road transport		14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	14 893	178 718	185 894	193 358
Environmental protection		10	10	10	10	10	10	10	10	10	10	10	10	118	125	133
<b>Trading services</b>		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Energy sources		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other</b>		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total Revenue - Functional</b>		34 956	34 956	34 956	34 956	34 956	34 956	34 956	34 956	34 956	34 956	34 956	34 956	419 474	425 117	434 253
<b>Expenditure - Functional</b>																
<b>Governance and administration</b>		11 390	11 390	11 390	11 390	11 390	11 390	11 390	11 390	11 390	11 390	11 390	11 390	136 684	136 137	136 661
Executive and council		4 190	4 190	4 190	4 190	4 190	4 190	4 190	4 190	4 190	4 190	4 190	4 190	50 280	50 883	51 321
Finance and administration		6 993	6 993	6 993	6 993	6 993	6 993	6 993	6 993	6 993	6 993	6 993	6 993	83 919	82 754	82 823
Internal audit		207	207	207	207	207	207	207	207	207	207	207	207	2 485	2 500	2 516
<b>Community and public safety</b>		7 290	7 290	7 290	7 290	7 290	7 290	7 290	7 290	7 290	7 290	7 290	7 290	87 481	85 718	87 032
Community and social services		1 257	1 257	1 257	1 257	1 257	1 257	1 257	1 257	1 257	1 257	1 257	1 257	15 089	13 041	13 066
Sport and recreation		1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	1 001	12 012	12 057	12 107
Public safety		2 107	2 107	2 107	2 107	2 107	2 107	2 107	2 107	2 107	2 107	2 107	2 107	25 282	25 380	26 467
Housing		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health		2 925	2 925	2 925	2 925	2 925	2 925	2 925	2 925	2 925	2 925	2 925	2 925	35 099	35 240	35 392
<b>Economic and environmental services</b>		16 321	16 321	16 321	16 321	16 321	16 321	16 321	16 321	16 321	16 321	16 321	16 321	195 848	203 089	210 496
Planning and development		984	984	984	984	984	984	984	984	984	984	984	984	11 813	11 823	11 834
Road transport		15 063	15 063	15 063	15 063	15 063	15 063	15 063	15 063	15 063	15 063	15 063	15 063	180 758	187 976	195 358
Environmental protection		273	273	273	273	273	273	273	273	273	273	273	273	3 277	3 290	3 304
<b>Trading services</b>		267	267	267	267	267	267	267	267	267	267	267	267	3 209	3 225	3 242
Energy sources		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management		267	267	267	267	267	267	267	267	267	267	267	267	3 209	3 225	3 242
<b>Other</b>		–	–	–	–	–	–	–	–	–	–	–	–	2 661	2 661	2 671
<b>Total Expenditure - Functional</b>		35 269	35 269	35 269	35 269	35 269	35 269	35 269	35 269	35 269	35 269	35 269	37 929	425 884	430 835	440 101
<b>Surplus/(Deficit) before assoc.</b>		(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(2 973)	(6 410)	(5 718)	(5 848)
Share of surplus/ (deficit) of associate		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit)</b>	1	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(312)	(2 973)	(6 410)	(5 718)	(5 848)

DC4 Garden Route - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - Executive and Council														-	-	-
Vote 2 - Budget and Treasury Office														-	-	-
Vote 3 - Corporate Services														-	-	-
Vote 4 - Planning and Development														-	-	-
Vote 5 - Public Safety														-	-	-
Vote 6 - Health														-	-	-
Vote 7 - Community and Social Services														-	-	-
Vote 8 - Sport and Recreation														-	-	-
Vote 9 - Waste Management												50 000		50 000	150 000	-
Vote 10 - Roads Transport														-	-	-
Vote 11 - Waste Water Management														-	-	-
Vote 12 - Water														-	-	-
Vote 13 - Environment Protection														-	-	-
Vote 14 - Roads Agency Function														-	-	-
Vote 15 - Electricity														-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	50 000	-	50 000	150 000	-
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - Executive and Council					8			8		8		8	-	30	30	30
Vote 2 - Budget and Treasury Office					8			8		8		8	-	30	30	30
Vote 3 - Corporate Services					383			383		383		383	-	1 530	2 130	2 380
Vote 4 - Planning and Development					8			8		8		8	-	30	30	30
Vote 5 - Public Safety					50			50		50		50	-	200	350	350
Vote 6 - Health								63				6 000	-	6 063	30	30
Vote 7 - Community and Social Services													-	-	-	-
Vote 8 - Sport and Recreation													-	-	-	-
Vote 9 - Waste Management													-	-	-	-
Vote 10 - Roads Transport													-	-	-	-
Vote 11 - Waste Water Management													-	-	-	-
Vote 12 - Water													-	-	-	-
Vote 13 - Environment Protection													-	-	-	-
Vote 14 - Roads Agency Function													-	-	-	-
Vote 15 - Electricity													-	-	-	-
<b>Capital single-year expenditure sub-total</b>	2	-	-	-	455	-	-	518	-	455	-	6 455	-	7 883	2 600	2 850
<b>Total Capital Expenditure</b>	2	-	-	-	455	-	-	518	-	455	-	6 455	-	7 883	152 600	2 850

DC4 Garden Route - Supporting Table SA29 Budgeted monthly capital expenditure (functional classification)

Description R thousand	Ref	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Capital Expenditure - Functional</b>	1	-	-	-	413	-	-	413	-	413	-	6 413	-	7 650	2 250	2 500
<i>Governance and administration</i>		-	-	-	8	-	-	8	-	8	-	8	-	30	30	30
Executive and council		-	-	-	405	-	-	405	-	405	-	6 405	-	7 620	2 220	2 470
Finance and administration		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal audit		-	-	-	58	-	-	58	-	58	-	58	-	233	350	350
<i>Community and public safety</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	50	-	-	50	-	50	-	50	-	200	350	350
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	8	-	-	8	-	8	-	8	-	33	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	50 000	-	50 000	150 000	-
Energy sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	50 000	-	50 000	150 000	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	2	-	-	-	471	-	-	471	-	471	-	56 471	-	57 883	152 600	2 850
<b>Funded by:</b>																
National Government													-	-	-	-
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial)													-	-	-	-
Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public													-	-	-	-
<b>Transfers recognised - capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-	50 000	50 000	150 000	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	-	-	-	-	7 883	7 883	2 600	2 850
<b>Total Capital Funding</b>		-	-	-	-	-	-	-	-	-	-	-	57 883	57 883	152 600	2 850



DC4 Garden Route - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2021/22												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
<b>Cash Receipts By Source</b>													1		
Property rates												-			
Service charges - electricity revenue												-			
Service charges - water revenue				5								(5)			
Service charges - sanitation revenue												-			
Service charges - refuse revenue												-			
Rental of facilities and equipment	319	319	319	319	319	319	319	319	319	319	319	319	3 829	4 056	4 297
Interest earned - external investments	708	708	708	708	708	708	708	708	708	708	708	708	8 500	8 500	8 500
Interest earned - outstanding debtors	248	248	248	248	248	248	248	248	248	248	248	248	2 970	3 149	3 338
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits	10	10	10	10	10	10	10	10	10	10	10	10	118	125	133
Agency services	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	16 320	195 834	203 668	211 814
Transfers and Subsidies - Operational	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	15 515	186 175	184 341	188 711
Other revenue	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	1 837	22 047	21 279	17 461
<b>Cash Receipts by Source</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 961</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 951</b>	<b>419 474</b>	<b>425 117</b>	<b>434 253</b>
<b>Other Cash Flows by Source</b>															
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)												-			
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)												-			
Proceeds on Disposal of Fixed and Intangible Assets												-			
Short term loans												-			
Borrowing long term/refinancing											50 000	-	50 000	150 000	
Increase (decrease) in consumer deposits												-			
Decrease (increase) in non-current receivables												-			
Decrease (increase) in non-current investments												-			
<b>Total Cash Receipts by Source</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 961</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>34 956</b>	<b>84 956</b>	<b>34 951</b>	<b>469 474</b>	<b>575 117</b>	<b>434 253</b>
<b>Cash Payments by Type</b>															
Employee related costs	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	21 653	259 833	262 121	266 696
Remuneration of councillors	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	1 113	13 360	13 360	13 360
Finance charges	6	6	6	6	6	6	6	6	6	6	6	6	70	70	70
Bulk purchases - electricity												-			
Acquisitions - water & other inventory												-			
Contracted services	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	2 428	29 135	29 099	30 137
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	10 291	10 291	10 291	10 291	10 291	10 291	10 291	10 291	10 291	10 291	10 291	10 291	123 486	126 185	129 838
<b>Cash Payments by Type</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>425 884</b>	<b>430 835</b>	<b>440 101</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	-	-	-	455	-	-	518	-	455	-	56 455	-	57 883	152 600	2 850
Repayment of borrowing												-			
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>35 490</b>	<b>35 490</b>	<b>35 490</b>	<b>35 945</b>	<b>35 490</b>	<b>35 490</b>	<b>36 008</b>	<b>35 490</b>	<b>35 945</b>	<b>35 490</b>	<b>91 945</b>	<b>35 490</b>	<b>483 766</b>	<b>583 435</b>	<b>442 951</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(534)</b>	<b>(534)</b>	<b>(534)</b>	<b>(984)</b>	<b>(534)</b>	<b>(534)</b>	<b>(1 052)</b>	<b>(534)</b>	<b>(989)</b>	<b>(534)</b>	<b>(6 989)</b>	<b>(539)</b>	<b>(14 292)</b>	<b>(8 318)</b>	<b>(8 698)</b>
Cash/cash equivalents at the month/year begin:	188 287	187 753	187 219	186 685	185 701	185 167	184 632	183 581	183 047	182 057	181 523	174 534	188 287	173 995	165 677
Cash/cash equivalents at the month/year end:	187 753	187 219	186 685	185 701	185 167	184 632	183 581	183 047	182 057	181 523	174 534	173 995	173 995	165 677	156 979

**DC4 Garden Route - NOT REQUIRED - municipality does not have entities**

DC4 Garden Route - Supporting Table SA32 List of external mechanisms

External mechanism  Name of organisation	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
		Number			R thousand

[illegible]

[illegible]

Community Assets	310	-	-	2 000	2 000	2 000	6 000	-	-
Community Facilities	310	-	-	2 000	2 000	2 000	6 000	-	-
Halls							-	-	-
Centres							-	-	-
Crèches							-	-	-
Clinics/Care Centres							-	-	-
Fire/Ambulance Stations	310			2 000	2 000	2 000	6 000	-	-
Testing Stations							-	-	-
Museums							-	-	-
Galleries							-	-	-
Theatres							-	-	-
Libraries							-	-	-
Cemeteries/Crematoria							-	-	-
Police							-	-	-
Parks							-	-	-
Public Open Space							-	-	-
Nature Reserves							-	-	-
Public Ablution Facilities							-	-	-
Markets							-	-	-
Stalls							-	-	-
Abattoirs							-	-	-
Airports							-	-	-
Taxi Ranks/Bus Terminals							-	-	-
Capital Spares							-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Indoor Facilities									
Outdoor Facilities									
Capital Spares									
Heritage assets	-	-	-	-	-	-	-	-	-
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
Investment properties	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
Other assets	300	2 330	186	2 450	2 450	2 450	-	-	-
Operational Buildings	300	2 330	186	2 450	2 450	2 450	-	-	-
Municipal Offices	300	2 300		2 300	2 300	2 300	-	-	-
Pay/Enquiry Points							-	-	-
Building Plan Offices							-	-	-
Workshops							-	-	-
Yards							-	-	-
Stores							-	-	-
Laboratories		30					-	-	-
Training Centres							-	-	-
Manufacturing Plant							-	-	-
Depots							-	-	-
Capital Spares			186	150	150	150	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Staff Housing									
Social Housing									
Capital Spares									
Biological or Cultivated Assets	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
Intangible Assets	-	-	-	-	-	-	-	-	-
Servitudes									
Licences and Rights	-	-	-	-	-	-	-	-	-
Water Rights									
Effluent Licenses									
Solid Waste Licenses									
Computer Software and Applications									
Load Settlement Software Applications									
Unspecified									
Computer Equipment	727	2 264	-	-	-	-	260	760	760
Computer Equipment	727	2 264					260	760	760
Furniture and Office Equipment	182	295	203	70	70	70	90	90	90
Furniture and Office Equipment	182	295	203	70	70	70	90	90	90
Machinery and Equipment	138	711	1 270	400	400	400	-	-	-
Machinery and Equipment	138	711	1 270	400	400	400			
Transport Assets	1 450	4 023	6 522	-	-	-	-	-	-
Transport Assets	1 450	4 023	6 522						
Land	-	-	-	-	-	-	-	-	-
Land									
Zoo's, Marine and Non-biological Animals	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals									
Total Capital Expenditure on new assets	1	3 357	9 623	8 182	4 920	4 920	4 920	56 350	150 850

[illegible]

<b>Community Assets</b>	-	-	-	-	-	-	-	-	-	
Community Facilities	-	-	-	-	-	-	-	-	-	
Halls										
Centres										
Crèches										
Clinics/Care Centres										
Fire/Ambulance Stations										
Testing Stations										
Museums										
Galleries										
Theatres										
Libraries										
Cemeteries/Crematoria										
Police										
Parks										
Public Open Space										
Nature Reserves										
Public Ablution Facilities										
Markets										
Stalls										
Abattoirs										
Airports										
Taxi Ranks/Bus Terminals										
Capital Spares										
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-	
Indoor Facilities										
Outdoor Facilities										
Capital Spares										
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-	
Monuments										
Historic Buildings										
Works of Art										
Conservation Areas										
Other Heritage										
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-	
Revenue Generating	-	-	-	-	-	-	-	-	-	
Improved Property										
Unimproved Property										
Non-revenue Generating	-	-	-	-	-	-	-	-	-	
Improved Property										
Unimproved Property										
<b>Other assets</b>	150	-	-	-	-	-	-	-	-	
Operational Buildings	150	-	-	-	-	-	-	-	-	
Municipal Offices	150									
Pay/Enquiry Points										
Building Plan Offices										
Workshops										
Yards										
Stores										
Laboratories										
Training Centres										
Manufacturing Plant										
Depots										
Capital Spares										
Housing	-	-	-	-	-	-	-	-	-	
Staff Housing										
Social Housing										
Capital Spares										
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-	
Biological or Cultivated Assets										
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-	
Servitudes										
Licences and Rights	-	-	-	-	-	-	-	-	-	
Water Rights										
Effluent Licenses										
Solid Waste Licenses										
Computer Software and Applications										
Load Settlement Software Applications										
Unspecified										
<b>Computer Equipment</b>	125	-	-	1 503	1 503	1 503	1 529	1 750	2 000	
Computer Equipment	125			1 503	1 503	1 503	1 529	1 750	2 000	
<b>Furniture and Office Equipment</b>	30	-	-	-	-	-	4	-	-	
Furniture and Office Equipment	30						4	-	-	
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-	
Machinery and Equipment										
<b>Transport Assets</b>	165	-	-	-	-	-	-	-	-	
Transport Assets	165									
<b>Land</b>	-	-	-	-	-	-	-	-	-	
Land										
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-	
Zoo's, Marine and Non-biological Animals										
Total Capital Expenditure on renewal of existing	1	470	-	-	1 503	1 503	1 503	1 533	1 750	2 000
Renewal of Existing Assets as % of total capex		0,0%	0,0%	0,0%	21,7%	23,4%	23,4%	2,6%	1,1%	70,2%
Renewal of Existing Assets as % of deprecn"		15,4%	0,0%	0,0%	43,2%	43,2%	43,2%	31,6%	40,8%	46,6%



[illegible]

<b>Community Assets</b>	<b>2 491</b>	<b>2 524</b>	<b>524</b>	<b>1 890</b>	<b>1 890</b>	<b>1 890</b>	<b>441</b>	<b>441</b>	<b>441</b>
Community Facilities	1 455	2 524	524	630	630	630	75	75	75
Halls							-	-	-
Centres							-	-	-
Crèches							-	-	-
Clinics/Care Centres							-	-	-
Fire/Ambulance Stations	1 455	1 749	249	630	630	630	-	-	-
Testing Stations							-	-	-
Museums							-	-	-
Galleries							-	-	-
Theatres							-	-	-
Libraries							-	-	-
Cemeteries/Crematoria							-	-	-
Police							-	-	-
Parks							-	-	-
Public Open Space							-	-	-
Nature Reserves							-	-	-
Public Ablution Facilities							-	-	-
Markets							-	-	-
Stalls							-	-	-
Abattoirs							-	-	-
Airports							-	-	-
Taxi Ranks/Bus Terminals							-	-	-
Capital Spares		775	275				75	75	75
Sport and Recreation Facilities	1 035	-	-	1 260	1 260	1 260	366	366	366
Indoor Facilities	1 035						-	-	-
Outdoor Facilities							-	-	-
Capital Spares				1 260	1 260	1 260	366	366	366
<b>Heritage assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
<b>Investment properties</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
<b>Other assets</b>	<b>1 567</b>	<b>19</b>	<b>19</b>	<b>1 680</b>	<b>1 680</b>	<b>1 680</b>	<b>937</b>	<b>937</b>	<b>937</b>
Operational Buildings	1 567	19	19	1 680	1 680	1 680	937	937	937
Municipal Offices	1 567			1 680	1 680	1 680	937	937	937
Pay/Enquiry Points							-	-	-
Building Plan Offices							-	-	-
Workshops							-	-	-
Yards							-	-	-
Stores							-	-	-
Laboratories		19	19				-	-	-
Training Centres							-	-	-
Manufacturing Plant							-	-	-
Depots							-	-	-
Capital Spares							-	-	-
Housing	-	-	-	-	-	-	-	-	-
Staff Housing									
Social Housing									
Capital Spares									
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Biological or Cultivated Assets									
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Servitudes									
Licences and Rights	-	-	-	-	-	-	-	-	-
Water Rights									
Effluent Licenses									
Solid Waste Licenses									
Computer Software and Applications									
Load Settlement Software Applications									
Unspecified									
<b>Computer Equipment</b>	<b>1 178</b>	<b>755</b>	<b>755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>25</b>	<b>25</b>
Computer Equipment	1 178	755	755				25	25	25
<b>Furniture and Office Equipment</b>	<b>-</b>	<b>145</b>	<b>145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Furniture and Office Equipment		145	145						
<b>Machinery and Equipment</b>	<b>-</b>	<b>447</b>	<b>521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>100</b>
Machinery and Equipment		447	521				100	100	100
<b>Transport Assets</b>	<b>-</b>	<b>1 007</b>	<b>507</b>	<b>630</b>	<b>630</b>	<b>630</b>	<b>459</b>	<b>459</b>	<b>459</b>
Transport Assets		1 007	507	630	630	630	459	459	459
<b>Land</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Land									
<b>Zoo's, Marine and Non-biological Animals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Zoo's, Marine and Non-biological Animals									
<b>Total Repairs and Maintenance Expenditure</b>	<b>1</b>	<b>5 235</b>	<b>4 897</b>	<b>2 471</b>	<b>4 199</b>	<b>4 199</b>	<b>2 430</b>	<b>2 430</b>	<b>2 430</b>

Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1									
Depreciation by Asset Class/Sub-class										
Infrastructure		-	-	-	57	57	57	-	-	-
Roads Infrastructure		-	-	-	5	5	5	-	-	-
Roads					5	5	5	-	-	-
Road Structures								-	-	-
Road Furniture								-	-	-
Capital Spares								-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Drainage Collection								-	-	-
Storm water Conveyance								-	-	-
Attenuation								-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Power Plants								-	-	-
HV Substations								-	-	-
HV Switching Station								-	-	-
HV Transmission Conductors								-	-	-
MV Substations								-	-	-
MV Switching Stations								-	-	-
MV Networks								-	-	-
LV Networks								-	-	-
Capital Spares								-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Dams and Weirs								-	-	-
Boreholes								-	-	-
Reservoirs								-	-	-
Pump Stations								-	-	-
Water Treatment Works								-	-	-
Bulk Mains								-	-	-
Distribution								-	-	-
Distribution Points								-	-	-
PRV Stations								-	-	-
Capital Spares								-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Pump Station								-	-	-
Reticulation								-	-	-
Waste Water Treatment Works								-	-	-
Outfall Sewers								-	-	-
Toilet Facilities								-	-	-
Capital Spares								-	-	-
Solid Waste Infrastructure		-	-	-	53	53	53	-	-	-
Landfill Sites								-	-	-
Waste Transfer Stations								-	-	-
Waste Processing Facilities								-	-	-
Waste Drop-off Points								-	-	-
Waste Separation Facilities								-	-	-
Electricity Generation Facilities								-	-	-
Capital Spares					53	53	53	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Rail Lines								-	-	-
Rail Structures								-	-	-
Rail Furniture								-	-	-
Drainage Collection								-	-	-
Storm water Conveyance								-	-	-
Attenuation								-	-	-
MV Substations								-	-	-
LV Networks								-	-	-
Capital Spares								-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Sand Pumps								-	-	-
Piers								-	-	-
Revetments								-	-	-
Promenades								-	-	-
Capital Spares								-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Data Centres								-	-	-
Core Layers								-	-	-
Distribution Layers								-	-	-
Capital Spares								-	-	-

<b>Community Assets</b>	<b>49</b>	<b>1 118</b>	<b>1 118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>74</b>	<b>74</b>
Community Facilities	49	1 118	1 118	-	-	-	74	74	74
Halls							74	74	74
Centres							-	-	-
Crèches							-	-	-
Clinics/Care Centres							-	-	-
Fire/Ambulance Stations		671	671				-	-	-
Testing Stations							-	-	-
Museums							-	-	-
Galleries							-	-	-
Theatres							-	-	-
Libraries							-	-	-
Cemeteries/Crematoria							-	-	-
Police							-	-	-
Parks							-	-	-
Public Open Space							-	-	-
Nature Reserves							-	-	-
Public Ablution Facilities							-	-	-
Markets							-	-	-
Stalls							-	-	-
Abattoirs							-	-	-
Airports							-	-	-
Taxi Ranks/Bus Terminals							-	-	-
Capital Spares	49	447	447				-	-	-
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Indoor Facilities							-	-	-
Outdoor Facilities							-	-	-
Capital Spares							-	-	-
<b>Heritage assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Monuments							-	-	-
Historic Buildings							-	-	-
Works of Art							-	-	-
Conservation Areas							-	-	-
Other Heritage							-	-	-
<b>Investment properties</b>	<b>129</b>	<b>-</b>	<b>30 394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenue Generating	129	-	-	-	-	-	-	-	-
Improved Property							-	-	-
Unimproved Property	129						-	-	-
Non-revenue Generating	-	-	30 394	-	-	-	-	-	-
Improved Property			30 394				-	-	-
Unimproved Property							-	-	-
<b>Other assets</b>	<b>1 280</b>	<b>994</b>	<b>2 784</b>	<b>840</b>	<b>840</b>	<b>840</b>	<b>3 892</b>	<b>3 892</b>	<b>3 892</b>
Operational Buildings	1 280	994	2 784	840	840	840	3 892	3 892	3 892
Municipal Offices	829	987	2 777	840	840	840	3 892	3 892	3 892
Pay/Enquiry Points							-	-	-
Building Plan Offices							-	-	-
Workshops							-	-	-
Yards							-	-	-
Stores							-	-	-
Laboratories		7	7				-	-	-
Training Centres							-	-	-
Manufacturing Plant							-	-	-
Depots							-	-	-
Capital Spares	451						-	-	-
Housing	-	-	-	-	-	-	-	-	-
Staff Housing							-	-	-
Social Housing							-	-	-
Capital Spares							-	-	-
<b>Biological or Cultivated Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Biological or Cultivated Assets							-	-	-
<b>Intangible Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>881</b>	<b>317</b>	<b>317</b>
Servitudes							-	-	-
Licences and Rights	-	-	-	-	-	-	881	317	317
Water Rights							-	-	-
Effluent Licenses							-	-	-
Solid Waste Licenses							-	-	-
Computer Software and Applications							881	317	317
Load Settlement Software Applications							-	-	-
Unspecified							-	-	-
<b>Computer Equipment</b>	<b>767</b>	<b>269</b>	<b>269</b>	<b>1 425</b>	<b>1 425</b>	<b>1 425</b>	<b>-</b>	<b>-</b>	<b>-</b>
Computer Equipment	767	269	269	1 425	1 425	1 425	-	-	-
<b>Furniture and Office Equipment</b>	<b>430</b>	<b>52</b>	<b>52</b>	<b>466</b>	<b>466</b>	<b>466</b>	<b>-</b>	<b>-</b>	<b>-</b>
Furniture and Office Equipment	430	52	52	466	466	466	-	-	-
<b>Machinery and Equipment</b>	<b>215</b>	<b>159</b>	<b>159</b>	<b>244</b>	<b>244</b>	<b>244</b>	<b>-</b>	<b>-</b>	<b>-</b>
Machinery and Equipment	215	159	159	244	244	244	-	-	-
<b>Transport Assets</b>	<b>184</b>	<b>470</b>	<b>470</b>	<b>444</b>	<b>444</b>	<b>444</b>	<b>4</b>	<b>4</b>	<b>4</b>
Transport Assets	184	470	470	444	444	444	4	4	4
<b>Land</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Land							-	-	-
<b>Zoo's, Marine and Non-biological Animals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Zoo's, Marine and Non-biological Animals							-	-	-
<b>Total Depreciation</b>	<b>1</b>	<b>3 054</b>	<b>3 062</b>	<b>35 246</b>	<b>3 477</b>	<b>3 477</b>	<b>3 477</b>	<b>4 852</b>	<b>4 288</b>

04 Capital expenditure on upgrading of existing assets by asset class										
Description	Ref	2017/18	2018/19	2019/20	Current Year 2020/21			2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
R thousand	1									
Capital expenditure on upgrading of existing assets by Asset Class/Sub-class										
Infrastructure		-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Roads										
Road Structures										
Road Furniture										
Capital Spares										
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Drainage Collection										
Storm water Conveyance										
Attenuation										
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Power Plants										
HV Substations										
HV Switching Station										
HV Transmission Conductors										
MV Substations										
MV Switching Stations										
MV Networks										
LV Networks										
Capital Spares										
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Dams and Weirs										
Boreholes										
Reservoirs										
Pump Stations										
Water Treatment Works										
Bulk Mains										
Distribution										
Distribution Points										
PRV Stations										
Capital Spares										
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Pump Station										
Reticulation										
Waste Water Treatment Works										
Outfall Sewers										
Toilet Facilities										
Capital Spares										
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Landfill Sites										
Waste Transfer Stations										
Waste Processing Facilities										
Waste Drop-off Points										
Waste Separation Facilities										
Electricity Generation Facilities										
Capital Spares										
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Rail Lines										
Rail Structures										
Rail Furniture										
Drainage Collection										
Storm water Conveyance										
Attenuation										
MV Substations										
LV Networks										
Capital Spares										
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Sand Pumps										
Piers										
Revetments										
Promenades										
Capital Spares										
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Data Centres										
Core Layers										
Distribution Layers										
Capital Spares										

<b>Community Assets</b>	-	1 000	-	-	-	-	-	-	-
Community Facilities	-	1 000	-	-	-	-	-	-	-
Halls									
Centres									
Crèches									
Clinics/Care Centres									
Fire/Ambulance Stations									
Testing Stations									
Museums									
Galleries									
Theatres									
Libraries									
Cemeteries/Crematoria									
Police									
Parks									
Public Open Space									
Nature Reserves									
Public Ablution Facilities									
Markets									
Stalls									
Abattoirs									
Airports									
Taxi Ranks/Bus Terminals									
Capital Spares		1 000							
Sport and Recreation Facilities	-	-	-	-	-	-	-	-	-
Indoor Facilities									
Outdoor Facilities									
Capital Spares									
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-
Monuments									
Historic Buildings									
Works of Art									
Conservation Areas									
Other Heritage									
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
Non-revenue Generating	-	-	-	-	-	-	-	-	-
Improved Property									
Unimproved Property									
<b>Other assets</b>	-	-	-	500	-	-	-	-	-
Operational Buildings	-	-	-	500	-	-	-	-	-
Municipal Offices				500					
Pay/Enquiry Points									
Building Plan Offices									
Workshops									
Yards									
Stores									
Laboratories									
Training Centres									
Manufacturing Plant									
Depots									
Capital Spares									
Housing	-	-	-	-	-	-	-	-	-
Staff Housing									
Social Housing									
Capital Spares									
<b>Biological or Cultivated Assets</b>	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets									
<b>Intangible Assets</b>	-	-	-	-	-	-	-	-	-
Servitudes									
Licences and Rights	-	-	-	-	-	-	-	-	-
Water Rights									
Effluent Licences									
Solid Waste Licences									
Computer Software and Applications									
Load Settlement Software Applications									
Unspecified									
<b>Computer Equipment</b>	-	-	-	-	-	-	-	-	-
Computer Equipment									
<b>Furniture and Office Equipment</b>	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment									
<b>Machinery and Equipment</b>	-	-	-	-	-	-	-	-	-
Machinery and Equipment									
<b>Transport Assets</b>	-	-	-	-	-	-	-	-	-
Transport Assets									
<b>Land</b>	-	-	-	-	-	-	-	-	-
Land									
<b>Zoo's, Marine and Non-biological Animals</b>	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals									
<b>Total Capital Expenditure on upgrading of existing a</b>	1	-	1 000	-	500	-	-	-	-

## DC4 Garden Route - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2021/22 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Present value
<b>R thousand</b>								
<b>Capital expenditure</b>	1							
Vote 1 - Executive and Council		30	30	30				
Vote 2 - Budget and Treasury Office		30	30	30				
Vote 3 - Corporate Services		1 530	2 130	2 380				
Vote 4 - Planning and Development		30	30	30				
Vote 5 - Public Safety		200	350	350				
Vote 6 - Health		6 063	30	30				
Vote 7 - Community and Social Services		-	-	-				
Vote 8 - Sport and Recreation		-	-	-				
Vote 9 - Waste Management		50 000	150 000	-				
Vote 10 - Roads Transport		-	-	-				
Vote 11 - Waste Water Management		-	-	-				
Vote 12 - Water		-	-	-				
Vote 13 - Environment Protection		-	-	-				
Vote 14 - Roads Agency Function		-	-	-				
Vote 15 - Electricity		-	-	-				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		57 883	152 600	2 850	-	-	-	-
<b>Future operational costs by vote</b>	2							
Vote 1 - Executive and Council								
Vote 2 - Budget and Treasury Office								
Vote 3 - Corporate Services								
Vote 4 - Planning and Development								
Vote 5 - Public Safety								
Vote 6 - Health								
Vote 7 - Community and Social Services								
Vote 8 - Sport and Recreation								
Vote 9 - Waste Management								
Vote 10 - Roads Transport								
Vote 11 - Waste Water Management								
Vote 12 - Water								
Vote 13 - Environment Protection								
Vote 14 - Roads Agency Function								
Vote 15 - Electricity								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		-	-	-	-	-	-	-
<b>Future revenue by source</b>	3							
Property rates								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Rental of facilities and equipment								
<i>List other revenues sources if applicable</i>								
<i>List entity summary if applicable</i>								
<b>Total future revenue</b>		-	-	-	-	-	-	-
<b>Net Financial Implications</b>		57 883	152 600	2 850	-	-	-	-

## DC4 Garden Route - Supporting Table SA36 Detailed capital budget

R thousand						2021/22 Medium Term Revenue & Expenditure Framework		
				Audited Outcome 2019/20	Current Year 2020/21 Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Function	Project Description	Type	Asset Class					
Parent municipality: <i>List all capital projects grouped by Function</i>								
Community and Social Services	Office Equipment	Renewal	Furniture and Office Equipment			63	30	30
Planning and Development	Office Equipment	Renewal	Furniture and Office Equipment			30	30	30
Executive and Council	Office Equipment	Renewal	Furniture and Office Equipment			30	30	30
Finance and Administration	Office Equipment	Renewal	Furniture and Office Equipment			60	60	60
Community and Social Services	Fire Fighting Equipment	Renewal	Machinery and Equipment			200	350	350
Community and Social Services	Building	New	Operational Buildings			6 000		
Finance and Administration	Pool vehicle	New	Transport Assets				350	350
Finance and Administration	Laptops	New	Computer Equipment			1 500	1 750	2 000
Community and Social Services	Regional Landfill Site	New	Solid Waste Infrastructure			50 000	150 000	
Parent Capital expenditure				-	-	57 883	152 600	2 850
Entities: <i>List all capital projects grouped by Entity</i>								
Entity A Water project A								
Entity B Electricity project B								
Entity Capital expenditure				-	-	-	-	-
Total Capital expenditure				-	-	57 883	152 600	2 850



DC4 Garden Route - Supporting Table SA37 Projects delayed from previous financial year/s

R thousand	Project name	Current Year 2020/21		2021/22 Medium Term Revenue & Expenditure Framework		
		Original Budget	Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Parent municipality: <i>List all capital projects grouped by Function</i>						
Entities: <i>List all capital projects grouped by Entity</i>						
Entity Name <i>Project name</i>						

## DC4 Garden Route - Supporting Table SA38 Consolidated detailed operational projects

R thousand		Prior year outcomes		2021/22 Medium Term Revenue & Expenditure Framework		
		Audited Outcome 2019/20	Current Year 2020/21 Full Year Forecast	Budget Year 2021/22	Budget Year +1 2022/23	Budget Year +2 2023/24
Function	Project Description					
Parent municipality:						
List all operational projects grouped by Function						
Community and Social Services	COM10 Maintenance of radio equipment			20	20	20
Planning and Development	EPWP			7 600	5 530	5 531
Community and Social Services	COM01 Blue Flag Beach application and operational costs			26	26	26
Community and Social Services	COM07 GREF database maintenance and development			100	100	100
Community and Social Services	COM12 Awareness raising: GRDM clean fires			41	41	41
Community and Social Services	COM15 Air Quality sampling			50	50	50
Community and Social Services	Maintenance of equipment			37	37	37
Executive and Council	MM020 Christmas Hampers			190	190	190
Executive and Council	MM023 Women in Business			20	20	20
Executive and Council	MM024 Grant in Aid			155	155	155
Executive and Council	MM025 Donations and Sponsor of Sport Equipment			405	405	405
Finance and Administration	COR03 Annual Disposal Project			64	64	64
Finance and Administration	COR15 TASK support			825	874	926
Finance and Administration	COVID 19			1 024	1 024	1 024
Executive and Council	MM007 Organisational Performance Management			500	500	500
Finance and Administration	FIN06 FMG Grant			320	320	320
Finance and Administration	FIN07 FMG Interns			1 007	1 007	1 007
Finance and Administration	COR06 EAP section			65	65	65
Finance and Administration	COR10 Training and Development			887	911	937
Finance and Administration	COR11 External Bursaries			205	205	205
Finance and Administration	COR12 MMC			500	500	500
Finance and Administration	COR13 Training			1 330	1 080	1 080
Finance and Administration	COR30 Servicing of all fire equipment (OHS)			80	80	80
Finance and Administration	COR33 Medical Examination			110	110	110
Finance and Administration	COR41 Unemployed Training (EPWP)			200	200	200
Executive and Council	MM011 Municipal Newsletters			45	45	45
Planning and Development	Maintenance of office buildings			1 100	1 100	1 100
Executive and Council	MM005 Barnowl Risk System			1 038	1 038	1 038
Community and Social Services	COM02 Incentives and awareness			10	10	10
Community and Social Services	COM09 Purchase of samples and analysing			650	650	650
Planning and Development	World Trade Market			250	250	250
Planning and Development	PED13 Tourism Marketing			440	440	440
Planning and Development	PED17 Cater Care Project			450	450	450
Planning and Development	PED01 SCEP			120	120	120
Planning and Development	PED03 Film Office			200	200	200
Planning and Development	PED04 Investment Promotion			285	285	285
Planning and Development	PED05 SME Support Programme			500	500	500
Planning and Development	PED29 IDP Rep Forum			121	121	121
Planning and Development	PED68 Human Settlement Unit			-	-	-
Planning and Development	PED22 Fresh produce market			100	100	100
Community and Social Services	COM25 Fire Fighting Services: Service/Scheduled Maintenance			100	100	100
Community and Social Services	COM26 Fire Fighting Services: Repairs - Unplanned			300	300	300
Planning and Development	PED46 Maintenance at Resorts			535	535	535
Community and Social Services	COM32 Awareness Campaign: Home Composting Pilot Project			30	30	30
Community and Social Services	COM34 Waste minimization strategy			600	600	600
Roads Transport	ROADS PROJECTS			177 380	184 475	191 854
Parent Operational expenditure		-	-	200 014	204 862	212 320
Entities:						
List all Operational projects grouped by Entity						
Entity A						
Water project A						
Entity B						
Electricity project B						
Entity Operational expenditure		-	-	-	-	-
Total Operational expenditure		-	-	200 014	204 862	212 320

# **ANNEXURE B**

## **DRAFT TARIFFS**

# AIR QUALITY

AIR QUALITY		2021/2022	2022/2023	2023/2024
<b>TARRIF LIST/ STRUCTURE</b>				
Registration of Controlled Emitters: Registration fees will be charged in line with GRDM Air Quality by-Laws and tariff structure.				
<b>R5000 per application</b>				
REVIEW OF ATMOSPHERIC EMISSION LICENCE: included in above Processing fee calculator				
SPOT FINES IN TERMS OF GRDM AIR QUALITY BY-LAW- see attached				
<b>SMOKE CHECK OF VEHICLES</b>				
R486.00.00 per test (excl. VAT) 6% increase	515	545,90	578,65	
<b>IN STACK EMISSION MONITORING (TESTO 350)</b>				
Combustion Efficiency	515	545,90	578,65	
CO	578	612,68	649,44	
CO2	578	612,68	649,44	
NOX	578	612,68	649,44	
SO2	578	612,68	649,44	
H2S	578	612,68	649,44	
Flow rate	578	612,68	649,44	
CO2	578	612,68	649,44	
NOX	578	612,68	649,44	
SO2	578	612,68	649,44	
H2S	578	612,68	649,44	
Flow rate	515	545,90	578,65	
<b>PASSIVE SAMPLING (per single sample taken)</b>				
H2S	901	955,06	1012,3636	
SO2/NO2	795	842,7	893,262	
HCL	848	898,88	952,8128	
BTEX	848	898,88	952,8128	
<b>DUST SAMPLING: Minivol Air Sampler</b>				
Per single sampling run	1500	1500	1500	
<b>MOBILE ANALYZER</b>				
Per single sample run 5 parameters	5000	5000	5000	
<b>WEATHER DATA</b>				
Single record all weather parameters/ per record	1000	1000	1000	
Processing fees for Atmospheric Emission Licence (AEL) applications will be charged in terms of Annexure A, contained in the Regulations prescribing the atmospheric emission licence processing fee, 2016 as per Government Notice 250 published 11 March 2016.				
<b>Annexure A:</b>				
Application for new AEL	Application for AEL review	Application for AEL renewal	Application for AEL transfer	
R10 000 per listed activity	R10 000 per listed activity under review	R5 000 per listed activity	R 2 000,00	
<b>ADMINISTRATIVE FINES</b>				
Administrative fines in terms of Section 22A of the National Environmental Management, Air Quality Act, 2004, (Act 39 of 2004).				
Administrative fines will be charges in terms of Annexure 1 of The Regulations for the Procedure and Criteria to be followed in the Determination of an Administrative Fine in terms of section 22A of the Act, 2016 as per Government Notice 332 of 18 March 2016.				
<b>Annexure 1</b>				
Minimum fine	Yes/No	Amount		
For operating illegally		R200 000		
Aggrevating factors/ criteria	Yes/No	Additional amount to the minimum fine (if yes)		
Each year in which the facility has operated without a licence.		R200 000 per year, i.e. each 12 month cycle.		
The facility for which the application is submitted is in a declared Priority Area in terms of section 18 of the Act		R1000 000		
Maximum fine may not exceed R5 million in terms of Section 22A.				

## **FIRE SERVICES TARIFFS**

GARDEN ROUTE DISTRICT MUNICIPALITY					
Fire Services Charges					
VAT Inclusive					
2021/22			2021/22	2022/23	2023/24
			Tariff	Tariff	Tariff
1. SPECIALIZED FIRE FIGHTING SERVICES:					
1.1	This will include all Fire vehicles, all manpower, water supplies and pump attendance during actual rendering of a specialized fire fighting services (Per hour or part thereof) (Excluding travelling times)		R 5 635,44	R 5 973,56	R 6 331,98
1.2	Humanitarian Assistance				
1.3	Contracted services		<i>3rd party invoice amount plus 10% handling fee</i>	<i>3rd party invoice amount plus 10% handling fee</i>	<i>3rd party invoice amount plus 10% handling fee</i>
1.4	Additional Consumables:		<i>Purchase price plus 10% handling fee</i>	<i>Purchase price plus 10% handling fee</i>	<i>Purchase price plus 10% handling fee</i>
1.5	Standby:	(Per hour or part thereof) (Excluding travelling time)	R 1 910,21	R 2 024,83	R 2 146,32
1.6	Air Support Services		<i>Purchase price plus 10% handling fee</i>	<i>Purchase price plus 10% handling fee</i>	<i>Purchase price plus 10% handling fee</i>
1.7	Assistance requested outside Eden DM boundary:	(Per hour or part thereof)	R 7 010,30	R 7 430,92	R 7 876,77
1.8	Fire Safety/Fire Prevention Inspection:	<b>Per kilometer tariff</b>			
		LDV:	R 7,42	R 7,86	R 8,34
		Sedan Type:	R 6,18	R 6,55	R 6,95
		Per inspection: (all inclusive tariff)	R 801,18	R 849,25	R 900,20
1.9	Fire Permit	<b>Per kilometer tariff</b>			
		LDV:	R 7,42	R 7,86	R 8,34
		Sedan Type:	R 6,18	R 6,55	R 6,95
		Per inspection: (all inclusive tariff)	R 801,18	R 849,25	R 900,20
1.1	Certified copy of incident report	Per Copy	R 133,53	R 141,54	R 150,03
1.11	Public Education				
1.12	Water Delivery Add: Price of Water as per supplier invoice plus 10% handling fee	<b>Per kilometer tariff</b>	R 18,55	R 19,66	R 20,84
2. RENT					
2.1	Rent Income of Tents	<b>Per Day</b>			
		5x5 Army Tent	R 534,12	R 566,16	R 600,13
		10x20 Marque Tent	R 10 014,71	R 10 615,59	R 11 252,53
2.2	Rent Income of Generators	<b>Per Day</b>			
		70KVA	R 855,58	R 906,91	R 961,33
		40KVA	R 828,38	R 878,08	R 930,76
		6KVA	R 267,06	R 283,08	R 300,07
3. SPECIAL SERVICES:					
3.1	First Aid or Army Safety Assistance	Per event per official	R 667,65	R 707,71	R 750,17
3.2	Travelling or Equipment use	<b>Per kilometer tariff</b>			
		10 Seater or Minibus	R 8,65	R 9,17	R 9,72
		Sedan Vehicle	R 6,18	R 6,55	R 6,95
		Light Delivery Vehicle	R 7,42	R 7,86	R 8,34
		Medium Tanker	R 12,36	R 13,11	R 13,89
		Major Tanker	R 16,07	R 17,04	R 18,06
		Consumables actual cost	<b>Plus 10%</b>	<b>Plus 10%</b>	<b>Plus 10%</b>

# MUNICIPAL HEALTH TARIFFS

14/GARDEN DISTRICT MUNICIPALITY TARIFF LIST MUNICIPAL HEALTH	2021/2022 BUDGET (VAT INCL)	2022/23 BUDGET (VAT INCL)	2023/24 BUDGET (VAT INCL)
1. Issuing of a health report and/or COA except when issued on request of an authority	R226.00	R239.00	R253.00
2. Health monitoring at the exhumation and reburial of human remains.	R693.00	R734.00	R778.00
3. <b>Waterkwaliteitmonitering/ Water Quality Monitoring:</b>	R226.00	R239.00	R253.00
3.1 All samples taken on request (except on request of an authority): R226.00 per sampling session plus laboratory costs of laboratory contracted by Garden Route DM.	R226.00	R239.00	R253.00
3.2 With an application for a COA for a food premises not serviced by a water service authority: R226.00 per sampling session plus laboratory costs of laboratory contracted by Garden Route DM.	FREE	FREE	FREE
3.3 All subsequent routine bacteriological and/or chemical sampling on premises in possession of a COA.	R226.00	R239.00	R253.00
4. <b>Sampling of milk and milk products of purveyors</b>			
4.1 All bacteriological and chemical sampling. R226.00 per sampling session plus laboratory costs of laboratory contracted by Garden Route DM.	R226.00	R239.00	R253.00
4.2 Follow up samples taken on request in cases where samples did not comply with the condition of the Foodstuffs, Cosmetics & Disinfectant Act, 1972 (Act 54 of 1972) R226.00 per sampling session plus laboratory costs of laboratory contracted by Garden Route DM.	R226.00	R239.00	R253.00
5. <b>Commentary reports in respect of milk export certificates.</b>	R226.00	R239.00	R253.00
6. <b>Issuing of COA's for food premises in terms of R638 Issuing of a Certificate of Acceptability in terms of R961</b>	R226.00	R239.00	R253.00
6.1 R226.00 per First application (once off payment)	R756.00	R801.00	R849.00
6.2 <b>An inspection carried out in terms of Section 4.5 of R638</b> with reference to an application for the lifting of a ban on the use of a premises or facility.	R226.00	R239.00	R253.00
6.3 <b>Replacement of a COA</b>	R226.00	R239.00	R253.00
7. <b>Health inspections at premises excluding food premises, for the issuing of a health report in respect of an application for trading licenses in terms of the Businesses Act.</b>	R226.00	R239.00	R253.00
	R363.00	R384.00	R407.00
8. <b>Application for the issuing of a Health Report.</b>			
9. <b>The issuing of certificate for the removal/destruction of food stuffs, unfit for human consumption.</b>	R226.00	R239.00	R253.00
10. <b>Issuing of a Funeral undertakers premises certificate registered in terms of R363 of 2013</b>			

# SWARTVLEI TARIFFS

SWARTVLEI						
2019/2020 + 2020/2021 + 2021/2022 + 2022/23						
	Rate	Rate	Rate	Rate	Rate	Rate
Detail	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	
IN SEASON						
WESTERN CAPE SCHOOL HOLIDAYS						
SITES WITHOUT ELECTRICITY	R	455,00	R	475	R	500
SITES WITH ELECTRICITY	R	530,00	R	554	R	585
OUT OF SEASON						
WESTERN CAPE SCHOOL HOLIDAYS						
SITES WITHOUT ELECTRICITY	R	255,00	R	266	R	280
SITES WITH ELECTRICITY	R	310,00	R	324	R	340
DAY VISITORS						
Per person	R	30,00	R	31	R	30



# VICTORIA BAY TARIFFS

VICTORIA BAY						
2019/2020 + 2020/2021 + 2021/2022 + 2022/2023						
Detail	Rate 2019/2020	Rate 2020/2021	Rate 2021/2022	Rate 2022/2023	Rate 2023/2024	
SITES WITH COMMUNAL ABLUTION FACILITIES						
IN SEASON WESTERN CAPE SCHOOL HOLIDAYS						
SEA BREEZE	R 560	R 585	R 615	R 643	R 673	
RAILWAY TERRACE	R 615	R 642	R 675	R 706	R 739	
OUT OF SEASON WESTERN CAPE SCHOOL HOLIDAYS						
SEA BREEZE	R 320	R 334	R 355	R 371	R 388	
RAILWAY TERRACE	R 320	R 334	R 355	R 371	R 388	
SITES WITH INDIVIDUAL ABLUTION FACILITIES						
IN SEASON WESTERN CAPE SCHOOL HOLIDAYS						
WESTERN TERRACE	R 645	R 674	R 710	R 743	R 777	
OUT OF SEASON						
WESTERN TERRACE	R 410	R 428	R 450	R 471	R 492	

# DE HOEK RESORT DRAFT TARIFFS

DE HOEK MOUNTAIN RESORT				
2019/2020 + 2020/2021 + 2021/2022 + 2022/2023				
Facility		Financial Year	OUT OF SEASON	IN SEASON
4-sleeper Chalet	Per unit	2019/2020	R 695	R 955
		2020/2021	R 726	R 997
		2021/2022	R 600	R 850
		2022/2023	R 628	R 889
		2023/2024	R 656	R 930
6-sleeper Chalet	Per unit	2019/2020	R 825	R 1 085
		2020/2021	R 862	R 1 134
		2021/2022	R 750	R 1 000
		2022/2023	R 785	R 1 046
		2023/2024	R 821	R 1 094
Dormitories	Per person	2019/2020	R 75	R 75
		2020/2021	R 78	R 78
		2021/2022	R 80	R 80
		2022/2023	R 84	R 84
		2023/2024	R 88	R 88
Caravan Site With Electricity	Refer to notes	2019/2020	R 340	R 370
		2020/2021	R 355	R 386
		2021/2022	R 350	R 400
		2022/2023	R 366	R 418
		2023/2024	R 383	R 438
Tent Site Without Electricity	Refer to notes	2019/2020	R 285	R 345
		2020/2021	R 297	R 361
		2021/2022	R 200	R 300
		2022/2023	R 209	R 314
		2023/2024	R 219	R 328
Day Visitors	Per person	2019/2020	R 25.00 Per Person	
		2020/2021		
		2021/2022		
		2022/2023		
		2023/2024		
Conferences	Per day	2019/2020	R 895	
		2020/2021	R 935	
		2021/2022	R 700	
		2022/2023	R 732	
		2023/2024	R 766	

# CALITZDORP SPA DRAFT TARIFFS

CALITZDORP SPA				
2019/2020 + 2020/2021 + 2021/2022 + 2022/2023				
Facility		Financial Year	OUT OF SEASON	IN SEASON
Swimming Pool	Per unit 4-sleeper	2019/2020	R 1 025	R 1 245
		2020/2021	R 1 071	R 1 301
		2021/2022	R 800	R 1 100
		2022/2023	R 837	R 1 151
		2023/2024	R 875	R 1 204
Mountain Chalets 22 & 24	Per unit 4-sleeper	2019/2020	R 735	R 1 100
		2020/2021	R 768	R 1 150
		2021/2022	R 600	R 1 000
		2022/2023	R 628	R 1 046
		2023/2024	R 656	R 1 094
Mountain Chalets 21, 23, 25	Per unit 6-sleeper	2019/2020	R 1 030	R 1 175
		2020/2021	R 1 076	R 1 227
		2021/2022	R 800	R 1 000
		2022/2023	R 837	R 1 046
		2023/2024	R 875	R 1 094
Mountain Chalets	Per unit 4-sleeper	2019/2020	R 660	R 955
		2020/2021	R 690	R 997
		2021/2022	R 550	R 800
		2022/2023	R 575	R 837
		2023/2024	R 602	R 875
Mountain Chalets	Per unit 6-sleeper	2019/2020	R 885	R 1 005
		2020/2021	R 925	R 1 050
		2021/2022	R 700	R 950
		2022/2023	R 732	R 994
		2023/2024	R 766	R 1 039
Day Visitors	Per person	2019/2020	R 25.00 per Person	
		2020/2021		
		2021/2022		
		2022/2023		
		2023/2024		
Caravan & Tent Site With Electricity	See notes	2019/2020	R 365	R 485
		2020/2021	R 381	R 506
		2021/2022	R 350	R 400
		2022/2023	R 366	R 418
		2023/2024	R 383	R 438
Caravan & Tent Site Without Electricity	See notes	2019/2020	R 275	R 285
		2020/2021	R 287	R 297
		2021/2022	R 200	R 300
		2022/2023	R 209	R 314
		2023/2024	R 219	R 328
Conferences (Hall & Restaurant)	per day	2019/2020	R 1 385	N/A
		2020/2021	R 1 447	
		2021/2022	R 1 200	
		2022/2023	R 1 255	
		2023/2024	R 1 313	
Kitchen without crockery and cutlery	per day	2019/2020	R 895	N/A
		2020/2021	R 935	
		2021/2022	R 900	
		2022/2023	R 941	
		2023/2024	R 985	

# WASTE MANAGEMENT DRAFT TARIFF

## Waste Management Tariffs 2021/22

<b>TARIFF LIST WASTE MANAGEMENT/</b>	<b>2021/2022 BUDGET (VAT INCL)</b>	<b>2022/2023 BUDGET (VAT INCL)</b>	<b>2023/2024 BUDGET (VAT INCL)</b>
Issuing of Waste Registration Certificates in terms of the Waste Management Bylaw.	<b>226</b>	<b>240</b>	<b>256</b>

# COMMUNICATION TARIFFS

GARDEN ROUTE DISTRICT MUNICIPALITY				
PROPOSED TARIFFS 2021/2022				
GIS OFFICE				
ITEM	Tariff 2021/2022		Tariff 2022/2023	
	Tariff 2023/2024			
<b>PHOTOCOPIES</b>	R		R	
A0	R	36,29	R	37,96
A1	R	19,89	R	20,81
A2	R	10,06	R	10,52
A3	R	0,98	R	1,03
A4	R	0,77	R	0,80
<b>NORMAL PLOT</b>				
A0	R	200,25	R	209,46
A1	R	100,13	R	104,73
A2	R	59,35	R	62,08
A3	R	34,32	R	35,90
A4	R	25,03	R	26,18
<b>FLOOD PLOT</b>				
A0	R	397,33	R	415,61
A1	R	200,25	R	209,46
A2	R	100,13	R	104,73
A3	R	59,35	R	62,08
A4	R	40,77	R	42,65
<b>OTHER</b>				
AKTEX / enquiry	R	20,33	R	21,27
CD	R	28,97	R	30,30
LABELS & CARDBOARD / sheet (INK excl.)	R	2,30	R	2,40
DATA / Block	R	87,45	R	91,47
A4 LAZER PRINT BLACK (INT)	R	2,95	R	3,09
A4 LAZER PRINT COLOUR (INT)	R	-		
A4 LAZER PRINT BLACK	R	3,72	R	3,89
A4 LAZER PRINT COLOUR (INT)	R	7,76	R	8,12
A0 PHOTO PAPER	R	131,66	R	137,72
A1 PHOTO PAPER	R	68,64	R	71,80
A2 PHOTO PAPER	R	43,89	R	45,91
A3 PHOTO PAPER	R	29,18	R	30,53
<b>LAMINATING</b>				
ID CARD INTERNAL	R	11,48	R	12,01
<b>RENTAL OF CAR PORTS</b>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	
Carports 1	R	30,00	R	30,00
Carports 2	R	20,00	R	20,00
Op Oudtshoorn is tandem carports indien die gebruik voortgaan met die verhuur	R	25,00	R	25,00
	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	
Issuing of a duplicate account (per account)	R	5,79	R	6,06
	R	55,20	R	57,74
Tracking fees: Plan/documentation (p/property)				
	R	345,00	R	360,87
GISc Services fees (p/hour)				
Tracking fees: GIS(p/property)	R	108,76	R	113,76
			R	119,00

<b><u>SUPPLY CHAIN MANAGEMENT TARIFFS</u></b>				
<b>PROPOSED TARIFFS 2021/22</b>				
	<b>2021/2022</b>	<b>2022/2023</b>	<b>2022/2024</b>	
<b>Tender Documents</b>	<b>R 291,50</b>	<b>R 308,99</b>	<b>R 327,53</b>	

# DISASTER MANAGEMENT TARIFFS

GARDEN ROUTE DISTRICT MUNICIPALITY									
Disaster Management Charges									
VAT Inclusive									
2020/21						2021/2022	2022/2023	2023/2024	
					Tariff				
<b>1. DISASTER MANAGEMENT:</b>									
1,1	Humanitarian Assistance			---Free---					
<b>2. RENT</b>									
2,1	Rent Income of Tents	Per Day							
		5x5 Army Tent	R	466,56	R 27,99	R 494,55	R 524,23	R 555,68	
		10x20 Marque Tent	R	8 748,00	R 524,88	R 9 272,88	R 9 829,25	R 10 419,01	
2,2	Rent Income of Generators	Per Day							
		70KVA	R	747,36	R 44,84	R 792,20	R 839,73	R 890,12	
		40KVA	R	723,60	R 43,42	R 767,02	R 813,04	R 861,82	
		6KVA	R	233,28	R 14,00	R 247,28	R 262,11	R 277,84	
<b>3. Hourly rate</b>						2021/2022	2022/2023	2023/2024	
Incident commander:						574,09	608,54	645,05	
Disaster Management Officers:						342,40	362,94	384,72	
Logistical Support Staff:						221,10	234,37	248,43	
<b>4. Forward Command Vehicle (Per kilometer tariff)</b>						2021/2022	2022/2023	2023/2024	
LDV:						7,42	7,86	8,34	
Sedan Type:						6,18	6,55	6,95	
10 Seater or Minibus						8,65	9,17	9,72	
<b>5. Logistical Support Vehicle (Per kilometer tariff)</b>						2021/2022	2022/2023	2023/2024	
LDV:						7,42	7,86	8,34	
Sedan Type:						6,18	6,55	6,95	
10 Seater or Minibus						8,65	9,17	9,72	

# **ANNEXURE C**

## **DRAFT TARIFF POLICY**





## TARIFF POLICY

Date Approved: **DD MM YYYY**

Council Resolution DC ???/?/?/?  
(DC No):

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## 1. INTRODUCTION

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

## 2. LEGISLATION

For the purposes of this Policy, the Municipal Finance Act No. 53 of 2003 and the Local Government Municipal Systems Amendment Act No. 44 of 2003 has been used as a reference.

## 3. OBJECTIVES

The objectives of the tariff policy are to ensure the following:

- 3.1. The tariffs of the Municipality conform to acceptable policy principles;
- 3.2. Municipal services are financially sustainable;
- 3.3. That there is certainty in the Council, of how the tariffs will be determined;
- 3.4. Tariffs of the Municipality comply with the applicable legislation.

## 4. POLICY PRINCIPLES

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

- 4.1 Although users of municipal services should be treated equitably in the application of tariffs, tariffs may differentiate between different categories of consumers, municipal services and service standards as long as such differentiation does not amount to unfair discrimination.
- 4.2 The amount individual users pay for services should generally be in proportion of their use of that service;
- 4.3 Tariffs must be set at levels that facilitate the financial sustainability of the service,

taking into account subsidisation from sources other than the service

concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision.

- 4.4 Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users.

## **5. NEED FOR A TARIFF POLICY**

### **5.1 Revenue Adequacy and Certainty**

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

- (a) Fully utilize the available sources of revenue to meet its development objectives; and
- (b) Be reasonably certain of its revenue to allow for realistic planning.

### **5.2 Sustainability**

Financial sustainability requires that the Municipality must ensure that:

- (a) Services are provided at affordable levels; and
- (b) It is able to recover the costs of service delivery.

### **5.3 Effective and Efficient usage of Resources.**

Resources are scarce and must be used in the best possible way to reap the maximum benefit for the community.

### **5.4 Accountability, Transparency and Good Governance.**

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

- (a) Justify their expenditure decisions; and

- (b) Explain why and how the revenue necessary to sustain expenditure, is raised.

### **5.5 Budgeting and the financial affairs**

Must be open to public scrutiny, in accordance with Section 22 of the Municipal Finance Management Act No 53 of 2003. The community should be part of the decision-making process about how revenue is raised and spent.

### **5.6 Equity and Redistribution**

The Municipality must treat members of the community equitably with regard to the provision of services.

## **6. IMPLEMENTATION OF POLICY**

### **6.1 Affordable Tariffs**

The Council is aware of the financial situation of most residents within the municipal area and need to keep tariffs at affordable levels. In order to ensure that tariffs remain affordable, the Council will ensure that:

- (a) Services are delivered at an appropriate level; and
- (b) Efficiency improvements are actively pursued across the Municipalities' operations;

### **6.2 Tariff Equality for Services**

The Council believes that all residents must pay the same tariff for the same level and quality of service.

The Municipality, like any other business enterprise is subject to continuous price increases in the goods, materials and other resources that it uses to perform its functions. Consequently it is the policy of the Council:

- (a) That tariffs for service and property rates will be reviewed at least once during every financial year;
- (b) That the tariff increases must be in line with increases in the price of goods, material and other resources acquired and used by

the Municipality to perform its functions; and

- (c) Further the tariff for a particular service must be calculated in such a way that all relevant costs are

covered. This means that a tariff for a service must include at least the capital expenditure required and interest thereon, the cost of managing and operating the service and the cost of maintaining, repairing and replacing

the physical assets used in its provision.

### **6.3 Payment for services rendered**

Consumers of services must pay for the amount of services that they use.

### **6.4 Local Economic Development and Competitiveness**

The Council will take care that the service charges presented to consumers are fair. To ensure fairness toward consumers, the Council will, when it determines tariffs, take into account the desire:

- (a) To promote local economic competitiveness, and
- (b) To promote local economic development and growth.

The Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient. .

### **6.2 Tariff Determination**

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. Tariffs may be calculated in various different ways, dependent upon the nature of the service being provided. Tariffs may be set in such a manner so as to recover the full cost of the service being provided or recover a portion of those costs, or to bring about a surplus that can be utilized to subsidise other non-economical services. Proposed tariffs will be presented to the community during the Council's consultations about the budget.

## **7.SOURCES OF REVENUE**

The Municipality may impose:

- 7.1 If authorised by National legislation, other taxes, levies and duties appropriate to Local Government, but it may not impose income tax, value-added tax or customs duty.
- 7.2 May not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and may be regulated by national legislation.

The Council may finance the affairs of the Municipality by:

- (a) Charging fees for services; and

- (b) The revenue of the Municipality consists of the taxes, fees, charges, fines and other sums imposed or recoverable by or payable to the Council under any law;
- (c) The Council may charge interest on any other amount due to it that may not have been paid within thirty days from the date on which such amounts became due. The interest rate charged is one percent higher than the rate payable by the Council to its bank in respect of an overdraft for the period during which such amounts remain unpaid after the expiry of the period of thirty days. Interest may not be charged on: Fines imposed by a court and due to the Council; and

Monies due to the Council in terms of a law and in respect of which that law provides that a penalty on interest must be levied if such monies are not paid on the date when due or payable.

- (d) The interest rates referred to above must be amended on the first day of the month following on the month in which the Council's bank has amended the interest rate payable by the Council to its bank in respect of an overdraft; and
- (e) Any fine imposed or money treated as bail in respect of any offence under the ordinance or a bylaw made by the Council, must be paid to the Municipality.

## **8.TARIFF STRATEGY**

The Council's strategy is to recover the full financial cost of rendering the services required by the community from the community, including the cost of capital:

- 8.1 The starting point to recover cost is the determination of service levels. These shall be based on basic human needs;
- 8.2 The second point will be to ensure a sustainable service delivery based on the set service level; and
- 8.3 The third point will be the upgrade of services to higher levels in accordance with the affordability of the community and the ability to render the upgraded services in a sustainable manner.

## **9.CATEGORIES OF USERS**

The tariff structure of the Garden Route District Municipality will make provision for the following categories of users.

- Domestic;
- Commercial;
- Industrial
- Agricultural
- Rural
- Municipal Services; and
- Special agreements for users not falling in any of the above-mentioned categories.

## **10.TARIFF CHARGES**

All tariffs will be charged as set out in the tariff list as approved within the budget of each year.

## **11.RESPONSIBILITY / ACCOUNTABILITY**

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



## ANNEXURE D

### LONG TERM FINANCIAL PLAN POLICY



# LONG TERM FINANCIAL PLAN POLICY

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Date Approved: xxx

Council Resolution (DC  
No): xxx

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## 1. ABBREVIATIONS DEFINITIONS

**Basic municipal service:** 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;

**BSC:** Budget Steering Committee, a committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the MFMA;

**Budget-related policy:** A policy of a municipality affecting or affected by the annual budget of the municipality, including—

- a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- b) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

**IDP:** Integrated Development Plan;

**LTFP:** Long Term Financial Plan;

**Long-term debt:** Debt repayable over a period exceeding one year;

**MBRR:** Municipal Budget and Reporting Regulations;

**MFMA:** Municipal Finance Management Act No 56 of 2003;

**MTREF:** Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years;

**Municipal tariff:** A tariff for services which a municipality may set for the provision of a service;

**National Treasury:** National Treasury established by section 5 of the Public Finance Management Act;

**Short Term:** Refers to a period up to 1 (one) year;

**Medium Term:** Refers to a period between 2 (two) and 3 (three) years;

**Long Term:** Refers to any period longer than 3 (three) years.

## **2. INTRODUCTION**

- 2.1 *The Local Government: Municipal Finance Management Act No 56 of 2003 (MFMA) has instituted various financial reform measures. Sound financial management practices have been identified as essential to the long-term sustainability of municipalities. In this regard the MFMA necessitates that municipality's must have a policy related to a Long Term Financial Plan (LTFP).*
- 2.2 *A municipality's financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years' budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on tariffs and other service charges.*
- 2.3 *A municipality's long term financial model aims to determine the appropriate mix of parameters and assumptions within which the municipality should operate to facilitate budgets which are affordable and sustainable at least 5 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality's operational budget.*

## **3 PURPOSE**

*The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology thereby ensuring long-term financial affordability and sustainability.*

## **4. GUIDING PRINCIPLES**

*The policy is based on the following principles:-*

- (a) Future financial sustainability;*

- (b) Optimal collection of revenue, taking into consideration the socio economic environment;*
- (c) Optimal utilisation of grant funding;*
- (d) Continuous improvement and expansion in the service delivery framework, and*
- (e) Prudent financial strategies.*

## **5. ROLE PLAYERS AND STAKEHOLDERS**

*The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.*

### **5.1 Chief Financial Officer**

- (a) Responsible for the preparation and the compilation of the LTFP;*
- (b) Responsible for overall oversight;*
- (c) Present long term financial plan outcome to the Budget Steering Committee;*
- (d) Review Policy and Strategy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.*

### **5.2 Departments**

- (a) Responsible for providing reasons on past performance outcomes;*
- (b) Responsible for providing information to Chief Financial Officer to update the financial plan;*
- (c) Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years;*
- (d) Required to make recommendations on future service delivery matters.*

### 5.3 Budget Steering Committee

- (a) *Responsible for providing strategic guidance on matters relevant to the long term financial plan;*
- (b) *Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.*

## 6. REGULATORY CONTEXT

6.1 Section 17 (3) of the MFMA states that “when an annual budget is tabled it must be accompanied by, amongst others, “any proposed amendments to the budget-related policies of the municipality”.

6.2 Section 21 of the MFMA states that the mayor of a municipality must at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for, amongst others:

(i) *the annual review of—*

(aa) *the integrated development plan in terms of section 34 of the Municipal Systems Act;*

(bb) *the budget-related policies;*

(ii) *the tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and*

(iii) *any consultative processes forming part of the processes referred to in subparagraphs(i and (ii).*

6.3 Section 7 (1) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2009 (MBRR) states that: “the Municipal Manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21 (1)(b) of the MFMA”.

6.4 Section 7 (1) reference (1) of the MBRR, further states that “as defined in

*section 1 of the MFMA. Policies that affect or are affected by the annual budget of a municipality include . . . “(g) a policy related to the long term financial plan”.*

*6.5 Section 4 (1) of the MBRR states “that the mayor of a municipality must establish a budget steering committee to provide technical*

*assistance to the mayor in discharging the responsibilities set out in section 53 of the MFMA”.*

*6.6 Section 26 (h) of the Local Government: Municipal Systems Act 32 of 2000 (MSA) states that “An Integrated Development Plan must reflect a financial plan, which must include a budget projection for at least the next three years”.*

## **7. POLICY DIRECTIVE DETAILS**

### *7.1 Financial strategies.*

*An intrinsic feature of the LTFP is to give effect to the municipality’s financial strategies. These strategies include:*

- (a) Increasing funding for asset maintenance and renewal;*
- (b) Continuous improvement to the financial position;*
- (c) Ensuring affordable debt levels to fund the capital budget;*
- (d) Maintaining fair, equitable and affordable tariff increase;*
- (e) Maintaining or improving basic municipal services;*
- (f) Achieving and maintaining a breakeven/surplus Operating budget; and*
- (g) Ensuring full cost recovery for the provision of internal services.*

### *7.2 Non – financial strategies*

*The LTFP is a key component for achieving the goals listed in the IDP of the Municipality. The LTFP must consider the following non – financial strategic strategies:*

- (a) The Municipality’s Strategic Focus Areas;*
- (b) Infrastructure growth strategies; and*
- (c) The Municipality’s Spatial Development Framework.*



### 7.3 Preparation of the LTFP

7.3.1 *The LTFP process should commence by latest June of each year.*

- 7.3.2 *The LTFP should consider the fiscal overview by reviewing past financial performance, projection of long-term financial outlook and financing and funding arrangements. The following matters should be considered annually:*
- a) *Revising the long-term financial plan for events that may have impacted during the recent past;*
  - b) *Assessing the outcomes and achievements of the past few years' financial performance as per the audited financial statements;*
  - c) *Reviewing the financial objective and assumptions;*
  - d) *Reviewing the past and summarise long term financial outlook;*
  - e) *Assess the current overall financial position and liquidity situation;*
  - f) *Identify any financial challenges and constraints;*
  - g) *Identifying strategies to deal with the challenges, and to maintain financial viability and capacity to sustain services;*
  - h) *Identify overall funding mix and implications for own revenue and external funding; and*
  - i) *Assess compliance with the MFMA and other relevant legislation.*

7.3.3 *The LTFP is prepared in an uncertain environment. It is therefore required to make certain assumptions. Assumptions on the following internal and external factors must be made:*

- a) *Reviewing the external factors (e.g. population migration, employment, health, roads, development of businesses and the Garden Route region);*
- b) *General inflation outlook and its impact on the municipal activities;*
- c) *Credit rating outlook;*
- d) *Interest rates for borrowing and investment of funds;*
- e) *Tariffs and charges, and timing of revenue collection;*
- f) *Collection rates for each revenue source;*
- g) *Price movements on specifics e.g. fuel etc.*

- h) *Average salary increases;*
- i) *Industrial relations climate, reorganisation and capacity building;*
- j) *Trends in population and households (growth, decline, stable);*
- k) *Changing demand characteristics (demand for services);*
- l) *Impact of national, provincial and local policies;*
- m) *Ability of the municipality to spend and deliver on programmes; and*
- n) *Implications of restructuring and other major events into the future.*

*7.3.4 Intergovernmental fiscal transfers/allocations from National and Provincial government play a pivotal role in the finances of the Municipality. The following unconditional transfers/allocations must be considered, as a minimum, when projecting the budget:*

- (a) Local Government Equitable Share; and*
- (b) Grants related to the provision of Provincial government functions.*

*7.4 The Municipality's LTFP model and scenario planning:*

*7.4.1 The Municipality's financial model gives effect to the LTFP. It enables the forecasting of the operating and capital budgets for at least 5 years into the future. The model embodies National Treasury's budget preparation guidelines, drawing on assumptions and parameters to forecast the operating budget.*

*7.4.2 Strategic initiatives should be prioritised and quantified to be included in the financial model.*

*7.4.3 The financial forecasting model must be updated using the fiscal overview, assumption and intergovernmental fiscal transfers/allocations information to identify immediate opportunities and/or risks.*

*7.4.4 The medium and long-term financial viability should be evaluated.*

*7.4.5 Re-iterative scenario planning should be executed to ensure optimum use of resources*

*to cater for strategic initiatives.*

*7.4.6 To identify the optimum balance between revenue collection and municipal spending the following should be taken into account:*

- (a) The impact each scenario has on the financial sustainability and affordability of the Municipality;*
- (b) Whether scenarios are realistic in terms of revenue projections;*
- (c) Potential revenue enhancement strategies which may have a long- term impact on the revenue base of the Municipality;*
- (d) Potential cost saving mechanisms related to strategic initiatives; and*
- (e) The impact of infrastructure investments and maintenance programs on future revenue streams.*

*7.4.7 Presentations on scenarios should be presented to the BSC as may be requested.*

*7.4.8 BSC should endorse the final MTREF scenario inclusive of assumptions and parameters annually by latest January.*

*7.5 The annual updated LTFP should identify the following:*

*7.5.1 Assumptions and parameters to be used to compile the Operating and Capital budgets over the next MTREF;*

*7.5.2 Future operating revenue and expenditure projections based on assumptions and parameters;*

*7.5.3 Future affordability of projected Capital Plans;*

*7.5.4 The level of infrastructure development required to achieve the Municipal priorities, within the funding restrictions; and*

*7.5.5 External funding requirements in respect of long term debt.*

*7.6 Implementation of the LTFP*

*7.6.1 The annual updated LTFP should provide the parameters and assumptions for the compilation of the operating and capital budgets for the next MTREF.*

*7.6.2 This information should be provided to the departments by latest January of each year.*

**8. EVALUATION AND REVIEW**

*8.1 This policy shall be implemented once approved by Council.*

*8.2 This policy must be reviewed on an annual basis.*

*8.3 Changes in financial strategy, non – financial strategic strategies and legislation must be taken into account for future amendments to this policy.*

*8.4 Any amendments must be tabled to Council for approval as part of the budget process.*

# **ANNEXURE E**

## **BUDGET POLICY**



# BUDGET POLICY

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Date **xxxxx**  
Approved:

**Council Resolution**  
**(DC No):**

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## 1. DEFINITIONS

### **"Accounting Officer"**

(a) means the Municipal Manager;

### **"Allocation", means**

- (a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;
- (b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- (c) an allocation of money to a municipality in terms of a provincial budget; or
- (d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

**"Annual Division of Revenue Act"** means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

### **"Approved budget," means an annual budget**

- (a) approved by a municipal council 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 a municipality affecting or affected by the annual budget of the municipality, including

- (a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of section 3 of the municipal property rates Act; (not applicable to district municipalities)
- (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;
- (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; (not applicable to a district municipality)
- (l) any policies related to the provision of free basic services; (not applicable to a district municipality)
- (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 - (not applicable to a district municipality)
  - (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 – (GRDM do not have any municipal entities at this stage)
  - (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 transfer of funding within a function / vote.

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

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

**"councillor"** means a member of a municipal council;

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

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

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

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

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

- (a) a statement of financial position;
- (b) a statement of financial performance;
- (c) Statement of change in net assets
- (d) a cash-flow statement;
- (e) Statements of comparison of budget and actual amounts
- (f) any other statements that may be prescribed; and
- (g) any notes to these statements;

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

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

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

**"irregular expenditure"**, means

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

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

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

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

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

**"mSCOA"** Municipal Chart of Accounts

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

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

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

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

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

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

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

**"municipality"**

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

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

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

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

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

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

**"official"**, means

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

**"overspending"**

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

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

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

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

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

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

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

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

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

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;

- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"vote" means

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

## **2. INTRODUCTION**

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

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

## **3. OBJECTIVE**

The objective of the budget policy is to set out:

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

## **4. BUDGETING PRINCIPLES**

- The municipality shall not budget for a cash deficit
  - The municipality should ensure that revenue projections in the budget are realistic taking into account actual collection levels but taking into account any changes in the environment which can influence the collection rates.
- Expenditure may only be incurred in terms of the approved annual budget (or adjustment budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- Garden Route District Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) and that will be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan (IDP).

## **5. BUDGET PREPARATION PROCESS**

### **5.1 Budget Steering Committee**

A Budget Steering Committee must be established by the Executive Mayor in terms of regulation 4 of the Municipal Budget and Reporting Regulations, to provide technical assistance to the Mayor in discharging the budget process and related matters set out in section 53 of the Act.

## 5.2 Quality Certification

Whenever an annual budget and supporting documentation, an adjustment budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B or C of the regulations, as the case may be, and signed by the municipal manager. (Regulation 5).

## 5.3. Formulation of the budget

(a) The Accounting Officer with the assistance of the Chief Financial Officer and the IDP Manager shall draft the IDP process plan as well as the budget timetable for the municipality including municipal entities for the ensuing financial year.

(b) The executive mayor shall table the IDP process plan as well as the budget timetable to Council not later than 31 August of each year for approval (10 months before the start of the next budget year).

(c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal

Finance Management Act (MFMA), Municipal Budget and reporting regulations as well as the guidelines set by National Treasury or any other legislation that may be applicable.

(d) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March of each year (90 days before the start of the new budget year) together with the draft resolutions and budget related policies.

(e) The Chief Financial Officer and Executive Management team (MANCOM) undertake the technical assumptions and changes to be made to the budget and which inputs will be included in the budget.

(f) The Manager: BTO will provide assistance where needed to the senior management to forecast the projections of the tariffs, revenue, and expenditure to be included in the MTREF as per MANCOM directives set.

(g) The Manager: BTO will oversee the budget process and staff of the BTO office will compile the budget in the prescribed formats with the inputs receive from the Accounting Officer, CFO and the executive managers. The Manager BTO and CFO will review the schedules and budget report before submission for the council agenda.

(h) The budget must be in the prescribed format by National Treasury, and must be divided into capital and operating budget.

(i) The budget must reflect the realistically expected revenues by major source for the budget year concerned that is estimated to be collected. (Section 18(2 (a)&(b)):

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in previous financial years

(j) According to Section 18 of the MFMA, an annual budget ay only be funded from:

- Realistically anticipated revenues to be collected;
- Cash-backed accumulated funds from previous years' surpluses not committed for other purpose; and
- Borrowed funds, but only for the capital budget referred to in section 17 (2).

(j) The expenditure reflected in the budget must be divided into the different line items and per vote.

(k) 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 revenues and expenditure for the current year and the two prior year actual revenue and expenditure.

#### 5.4. Public participation process

Immediately after the draft annual budget has been tabled, the municipality invites the public, stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

Section 22 of the MFMA states:

Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must:

- (a) In accordance with Chapter 4 of the Municipal Structures Act –
  - (i) Make public the annual budget and the documents referred in section 17 (3); and
  - (ii) Invite the local community to submit representation in connection with the budget; and
- (b) Submit the annual budget –
- (c) (i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and
  - (iii) In either format to any prescribed national or provincial organ of state and to other municipalities affected by the budget.

Section 23 of the MFMA states: (consultations on tabled budget)

- (1) When the annual budget has been tabled the municipal council must consider any views of –
  - (a) The local community; and
  - (b) The National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.
- (2) After considering all budget submissions, the council must give the mayor an opportunity –
  - (a) To respond to the submissions; and
  - (b) If necessary, to revise the budget and table amendments for consideration by the council..
- (3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guideline on the formation of a committee of the council to consider the budget and to hold public hearings.
- (4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

#### 5.5. Approval of the annual original budget

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution, must contain the budget related policies and performance measures to be adopted, the budget (MTREF) (operating and capital budget), tariffs and any other information required by legislation.
- (c) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following supporting documents:

- i. draft resolutions approving the budget;
- ii. other taxes and tariffs for the financial year concerned;
- iii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
- v. any proposed amendments to the IDP;
- vi. any proposed amendments to the budget-related policies;
- vii. 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;
- viii. 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;
- ix. particulars of the municipality's investments; and
- x. various information in regard to municipal entities under the shared or sole control of the municipality

#### **5.6. Publication of the budget**

- (a) Within 14 days after the draft annual budget has been tabled, the municipality must publish the budget and other budget-related documentation on the municipal website to be accessible to the public.
- (b) The Chief Financial Officer must within 14 days after the draft annual budget is tabled:
  - (i) submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as publish it on the municipal website.
  - (ii) ensure that a newspaper advertisement is placed that the draft budget is available at the Municipal offices and available for comments.

#### **5.7. Service Delivery and Budget Implementation Plan (SDBIP)**

- (a) The Executive mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.
- (b) The SDBIP shall include the following components:
  - (i) Monthly projections of revenue to be collected for each source
  - (ii) Monthly projections of expenditure (operating and capital) and revenue for each vote
  - (iii) Quarterly projections of service delivery targets and performance indicators for each vote
  - (iv) Ward information for expenditure and service delivery
  - (v) Detailed capital works plan broken down by ward over three years
  - (vi) Any other information that may be required by legislation.

### **6. CAPITAL BUDGET**

- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year and inflow of economic benefits are expected.
- (b) The capital budget shall distinguish between replacement and new assets.
- (c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- (d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes. Refer to above section with regards to the funding of the budget.
- (e) Before approving a capital project, the Council must consider:
  - (i) the projected cost of the project over all the ensuing financial years until the project becomes operational,
  - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- (f) Before approving the capital budget, the council shall consider:
  - (i) the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,



- (ii) depreciation of fixed assets,
- (iii) maintenance of fixed assets, and
- (iv) any other ordinary operational expenses associated with any item on such capital budget.
- (g) Council shall approve the annual or adjustment capital budget only if it has been properly cash funded.
- (h) The capital expenditure shall be funded from the following sources:

**(i) Revenue or Surplus**

- If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.
- If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

**(ii) External loans**

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;
- The loan redemption period should not exceed the estimated life span of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the operating budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.
- Section 46 of the MFMA with regards to taking up of a loan must be adhered to.

**Capital Replacement Reserve (CRR)**

- Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve can be funded from:
  - inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
  - interest on the investments of the CRR, appropriated in terms of the investments policy;
  - additional amounts appropriated as contributions in each annual or adjustments budget; and
  - interest on investments of unutilised grants;
  - only VAT claimed back on grants and subsidies; and
  - Sale of land and profit or loss on the sale of assets.
- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- Transfers to the CRR must be budgeted for in the cash budget

**Grant Funding**

- Non capital expenditure funded from grants
  - must be budgeted for as part of the revenue budget;

- Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
- Capital expenditure must be budgeted for in the capital budget;
- All unutilized grants received must be ring fenced and cash backed by means of an investment.

## **7. OPERATING BUDGET**

- (a) The municipality shall budget in each annual and adjustments budget for the contribution to:
  - (i) provision for accrued leave entitlements .
  - (ii) entitlement of officials as at 30 June of each financial year,
  - (iii) provision for the impairment of debtors taking into account prior year, current year improvements and future improvement in debt collection percentages.
  - (iv) provision for the obsolescence and deterioration of stock in accordance with its stores management policy
  - (v) Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
  - (vi) At least 2% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance. (excluding Roads and PPP.)
  - (vii) Any other matters that need to be included in the budget.
- (b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
- (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
- (d) The operating budget shall reflect the impact of the capital component on:
  - depreciation charges
  - repairs and maintenance expenses
    - interest payable on external borrowings.
    - other operating expenses.

## **8. FUNDING OF CAPITAL AND OPERATING BUDGET**

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

## **9. UNSPENT FUNDS / ROLL OVER OF BUDGET**

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds
- (d) 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.
- (e) No unspent operating budget shall be rolled over to the next budget year

## 10. **ADJUSTMENT BUDGET**

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenditure.

- (a) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.
- (b) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23.
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- (d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council.
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.
- (f) An adjustments budget must contain all of the following:
  - (i) an explanation of how the adjustments affect the approved annual budget;
  - (ii) appropriate motivations for material adjustments; and
  - (iii) an explanation of the impact of any increased spending on the current and future annual budgets.
- (g) Any inappropriate 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.
- (h) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- (i) Unauthorised expenses may be authorised in an adjustments budget.
- (j) In regard to unforeseen and unavoidable expenditure, the following apply:
  - (i) the Executive mayor may authorise such expenses in an emergency or other exceptional circumstances in terms of Section 29 of the MFMA;
  - (ii) these expenses must be reported by the Executive mayor to the next Council meeting;
  - (iii) the expenses must be appropriated in an adjustments budget; and
  - (iv) Council must pass the adjustments budget within sixty days after the expenses were incurred.

## 11. **BUDGET TRANSFERS AND VIREMENTS**

Virement is the process of transferring budgeted funds from one line item number to another, with the approval of the relevant Executive Manager and CFO and Accounting Officer, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes. {Section 28 (2) (d) MFMA}.

### 11.1 **VIREMENT PROCEDURE**

- a) All virement proposals must be completed on the appropriate documentation which is

submitted to the CFO who recommends such virement to the Municipal Manager who will approve the virement.

(b) After approval, the relevant documentation is forwarded to the BTO Office for implementation.

b) All virements must be signed by the manager of the directorate within which the vote is allocated. (Section 79 MFMA)

c) All virements should be approved in line with Council's System of Delegation.

d) Projected cash flows in the SDBIP should be adjusted in line with the virement.

e) All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 MFMA)

f) All virements of funds between votes (directorates/departments) are not allowed.

## 11.2 VIREMENT RESTRICTIONS

a) Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes).

b) Virements between the capital budget and the operating budget are not allowed.

c) No virement may be made where it would result in over expenditure of a line item  
(Section 32 MFMA)

d) Virements should not result in adding 'new' projects to the Capital Budget.

e) Virements towards personnel expenditure are not permitted.

f) Budgets from the following line items may only be transferred by Financial Services:

(i) Salaries and allowances

(ii) Depreciation

(iii) Capital Cost (Interest and Redemption)

(iv) Appropriations

(v) Contributions to Funds and Provisions

(vi) Administration Cost

(vii) Municipal Services Consumption (Water, Electricity, Refuse and Sewerage)

(viii) Any other accounting/ GRAP/ mSCOA related items

g) Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges, grants to individuals, revenue foregone, insurance and VAT).

h) An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the procurement/supply chain management policy of Council as periodically reviewed.

i) Virements may not be made between Expenditure and Income.

## 12. BUDGET IMPLEMENTATION

### 12.1 Monitoring

(a) The accounting officer with the assistance of the chief financial officer and other executive managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenditure are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

(b) The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive mayor for consideration and tabling to Council.

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

## **12.2 Reporting**

### **12.2.1 Monthly budget statements**

(a) The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Executive mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

The Chief Accountant: BTO will compile the report and reviewed by the Manager: BTO who submit it to chief financial officer for review. The CFO will submit the report after his/her review to the Accounting Officer

#### **This report must reflect the following:**

- (i) actual revenues per source, compared with budgeted revenues;
- (ii) actual expenses per vote, compared with budgeted expenses;
- (iii) actual capital expenditure per vote, compared with budgeted expenses;
- (iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- (v) the amount of allocations received, compared with the budgeted amount;
- (vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
- (vii) explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- (viii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- (ix) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

### **12.2.2 Quarterly Reports**

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

(b) The Chief Accountant: BTO will compile the report and reviewed by the Manager: BTO who submit it to the chief financial officer for review, who will then submit the report to the accounting officer for review.

(c) The accounting officer will submit the report to the Mayor to review and submit to Council.

### 12.2.3 Mid-year budget and performance assessment

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

### 13. CONCLUSION

All budgets and budget related documentation must be placed on the municipality's official website as prescribed by legislation.

# **ANNEXURE F**

## **ASSET MANAGEMENT POLICY**



# ASSET MANAGEMENT POLICY

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Date  
Approved: **xxx**

Council  
Resolution (DC  
No): **DC xxxx**



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## 1. INTRODUCTION

This Policy for the management of assets has been designed to assist management and officials of the Garden Route District Municipality with the description of management procedures for Property, Plant and Equipment, Investment Property, Agricultural Assets and Intangible Assets. It also should assist with the capacity to differentiate between activities, which are acceptable in terms of general authorization, supervisory responsibilities and limits of authority to the management of assets and functions of the organisation.

This Policy will provide certainty with respect to the handling of asset management procedures undertaken within the organization and will ensure that management and employees understand their respective responsibilities and duties.

There is a separate fixed asset property policy which resides under the Property Manager in the Department of Planning and Economic Development.

**For the purpose of this policy, assets exclude inventory and monetary assets such as debtors.**

## 2. OBJECTIVE OF THIS POLICY

The objective of this policy is to ensure that assets of the Municipality are properly managed and accounted for by: -

- The accurate recording of essential asset information;
- The accurate recording of asset movements;
- Exercising strict physical controls over all assets;
- Treating the assets correctly in the Municipality's financial statements and fixed asset register;
- Providing accurate and meaningful management information;
- Compliance with the Council's accounting policies and Generally Recognised Accounting Practices (GRAP);
- Adequate insuring of assets;

- Maintenance of Council's assets;
- Ensuring that managers are aware of their responsibilities with regard to the assets; and the responsibility of any custodian to whom assets are allocated.
- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss.

### 3. DEFINITIONS

**Accounting officer** means the municipal manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and being the head of administration and accounting officer in terms of section 60 of the Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000).

**Agricultural Activity** is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

**Agricultural Produce** is the harvested product of the entity's biological assets.

**A Biological Asset** is a living animal or plant.

**Assets** are resources controlled by the municipality as a result of past events and from which future economic benefit or service potential are expected to flow. However for the purpose of this policy exclude inventory and other monetary assets.

**Biological Transformation** comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes to a biological asset.

**Carrying amount** is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

**Chief Financial Officer** means an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

**Class of property, plant and equipment** means a grouping of assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

**Community assets** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

**Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of Standards of GRAP.

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

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

**Fair value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

**Heritage assets** are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

An **impairment loss** of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An **impairment loss** of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

**Infrastructure assets** are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

**Intangible assets** are identifiable non-monetary assets without physical substance.

**Investment properties** are defined as property (land or a building-or part of a building-or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production and supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business.

**Municipal valuation** means the official valuation of an immovable property as reflected in the Municipality's valuation roll.

**Other assets** are defined as assets utilized in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

**Property, plant and equipment** are tangible assets that:-

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

**Recoverable amount** is the higher of a cash-generating asset's net selling price and its future value in use.

**Recoverable service amount** is the higher of a non-cash-generating asset's fair value less costs to sell and its future value in use.

**Residual value** of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and condition expected at the end of its useful life.

***Useful life is:-***

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

**4. STATUTORY AND REGULATORY FRAMEWORK**

The Municipality shall, notwithstanding this policy, comply with all relevant legislative requirements, including:

- The Constitution of the Republic of South Africa; 1996
- Local Government: Municipal Systems Act; 2000
- Local Government: Municipal Finance Management Act; 2003
- Division of Revenue Act; 2005
- Generally Recognised Accounting Practice (GRAP)
- Supply Chain Management Legislation
- Asset Transfer Regulations

This document constitutes a policy statement and shall not take precedence over the standards specified by the Accounting Standards Board. The relevant accounting standards include amongst others:

- **GRAP 1**            Presentation of Financial Statements;
- **GRAP 13**        Leases;
- **GRAP 16**        Investment Property;
- **GRAP 17**        Property, Plant and Equipment;
- **GRAP 100**      Non-Current Assets Held for Sale and Discontinued Operations;
- **GRAP 101**      Agriculture; and

- **GRAP 102** Intangible Assets.

## 5. BACKGROUND

The utilization and management of property, plant and equipment, investment property, intangible assets and agricultural assets is the prime mechanism by which the Municipality can fulfil its constitutional mandates for:-

- Delivery of sustainable services;
- Social and economic development;
- Promoting safe and healthy environments; and
- Fulfilling the basic needs to the community.

As trustees on behalf of the local community, the Municipality has a legislative and moral obligation to ensure it implements policies to safeguard the monetary value and future service provision invested in assets.

The policy for the management of assets deals with the Municipal rules required to ensure the enforcement of appropriate stewardship of assets. Stewardship has two components being the:-

- Financial administration by the Chief Financial Officer; and
- Physical administration by the relevant managers.

Statutory provisions are being implemented to protect public property against arbitrary and inappropriate management or disposals by local government.

Accounting standards have been approved by the Accounting Standards Board to ensure the appropriate financial treatment for property, plant and equipment, investment property, intangible assets and agricultural assets. The requirements of these new accounting standards include:-

- The compilation of asset registers covering all assets controlled by the Municipality.

- Accounting treatment for the acquisition, disposal, recording and depreciation / amortisation of assets.
- The standards to which financial records must be maintained to comply with the new accounting standards.

## **6. DELEGATION OF POWERS**

This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

In accordance with the Local Government: Municipal Finance Management Act (Act 56 of 2003) (MFMA), the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/her. The Municipal Manager is therefore accountable for all transactions entered into by his/her designates.

The overall responsibility of asset management lies with the Municipal Manager. However, the day to day handling of assets should be the responsibility of all officials in terms of delegated authority reduced in writing.

## **7. EFFECTIVE ASSET MANAGEMENT**

### **7.1 Responsibilities**

The Municipal Manager is responsible for the management of the assets of the Municipality, including the safeguarding and the maintenance of those assets. He/she must ensure that:-

- The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality.
- The Municipality's assets are valued in accordance with standards of Generally Recognized Accounting Practice (GRAP).
- The Municipality has and maintains a system of internal control of assets, including an asset register.
- Executive managers and their teams comply with this policy.



The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the Municipality's assets is safeguarded and maintained. He/she may delegate or otherwise assign responsibility for performing these functions but he/she will remain accountable for ensuring that these activities are performed. He/she must ensure that:-

- Appropriate systems of financial management and internal control are established and carried out diligently.
- The financial and other resources of the Municipality assigned to him/her are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented.
- The systems, processes and registers required to substantiate the financial values of the Municipality's assets are maintained to standards sufficient to satisfy the requirements of effective management.
- Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilized through appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions.
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.
- The Executive managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets.

**The Executive Managers must ensure that:**

- Appropriate systems of physical management and control are established and carried out for assets in their area of responsibility.
- The Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently.
- Any unauthorized, irregular or fruitless or wasteful utilization and losses resulting from criminal or negligent conduct are prevented.
- Their management systems and controls can provide an accurate, reliable and up to date account of assets under their control.
- They are able to justify that their plans, budgets, purchasing, maintenance and disposal decisions for assets optimally achieve the Municipality's strategic objectives.

The executive managers may delegate or otherwise assign responsibility for performing these functions but they ***will remain accountable for ensuring that these activities are performed.***

Each executive manager should report to the Municipal Manager on issues that will significantly impede the item of asset capabilities to provide the required level of service or economic benefit.

***The responsibility for the physical control of assets rests with the relevant executive manager to whom the responsibility was delegated to*** in terms of section 79 of the Municipal Finance Management Act, No 56 of 2003.

Each executive manager shall ensure that assets entrusted to him / her ***are adequately maintained, properly used and insured and ensure that section 78 of the Municipal Finance Management Act, No 56 of 2003, is adhered to.***

The Chief Financial Officer (Asset Unit), must be notified by the Heads Of Departments of any transfer of assets between departments after arrangements between the relevant executive managers were made.

Upon the resignation / retirement of an employee, the applicable executive manager must inform the Chief Financial Officer and Corporate Service Department in writing that the asset items entrusted to that employee to execute his / her duties are in good order and returned. When necessary the applicable senior manager must inform the Corporate Services Department of any losses and the value of such losses. The ultimate responsibility of any losses lies with the relevant executive manager.

## **7.2 Asset Register**

### **Establishment and Management of the Register of Assets**

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

Executive managers are responsible for establishing and maintaining any additional register or database required to demonstrate their physical management of their assets.

Each executive manager is responsible to ensure that sufficient controls exist to substantiate the quantity, value, location and condition of all assets in their registers.

### **Contents of the Asset Register**

- The measurement based used (Cost or Fair Value);
- The depreciation methods used;
- The original useful life;
- The revised useful life;
- The residual value;
- The revised residual value;
- Depreciation charged for the period;
- The accumulated depreciation;
- The gross carrying amount;
- Date of acquisition or brought into use;
- Date of disposal (if applicable);
- Increases or the decreases resulting from revaluations (if applicable);
- Date of last revaluation;
- Method of calculating recoverable amount (when impairment tests are required in terms of GRAP);
- Any restrictions on title to the asset;
- Location;
- Source of finance;
- Condition of the asset;
- Method of calculating the recoverable amount (when impairment losses are required in terms of GRAP);
- Strategic purpose and if it is required to provide minimum basic services; and
- Responsible Functional Manager/ department/ vote.

- Impairment losses incurred during the financial year (and the reversal of such losses, where applicable)
- Whether the asset is required to perform basic municipal services
- Whether the asset has been used to secure any debt, and – if so - the nature and duration of such security arrangements
- The title deed number, in the case of fixed property

All Executive managers under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register, and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. A fixed asset shall remain in the fixed assets register for as long as it is in physical existence.

### 7.3 Classification of Assets

In compliance with the requirements of the National Treasury, the Chief Financial Officer shall ensure that all assets are classified under the following headings in the Fixed Assets Register, and Heads of Departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:-

#### 7.3.1 **Property, Plant and Equipment**

- Land (not held as investment assets).
- Infrastructure assets (assets which are part of a network of similar assets).
- Community assets (assets contributing to the general well-being of the community).
- Heritage assets (culturally significant assets).
- Other assets (ordinary operational assets).
- Housing (rental stock or housing stock not held for capital gain).

Save for land and buildings other assets shall be classified under the following headings:

- Bins and Containers;
- Emergency Equipment;
- Disaster Management Equipment;
- Fire Engines;
- Plant and Equipment;
- Computer equipment;
- Office equipment;
- Furniture and fittings; and
- Motor Vehicles.

### **7.3.2 Investment Property**

Investment assets (resources held for capital or operational gain and which are not used by the Municipality). Properties occupied by the Municipality, Councilors or officials are classified as owner-occupied property and are therefore not classed as investment property unless it is leased out on the same conditions that is applicable to the general public.

Investment properties will be treated in accordance with relevant GRAP standards and will separately be classified in the Statement of Financial Position.

### **7.3.3 Intangible Assets**

Intangible assets are identifiable non-monetary assets without physical substance.

Intangible assets will be treated in accordance with relevant GRAP standards and will separately be classified in the Statement of Financial Position. Intangible assets shall be valued at cost less any accumulated amortization and any impairment losses.

### **7.3.4 Agricultural Assets**

Agricultural Assets will be treated in accordance with relevant GRAP standards and will separately be classified in the Statement of Financial Position

### **7.3.5 Assets Treated as Inventory**

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

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

The Chief Financial Officer shall use the classifications indicated in the Annexure on estimated lives of assets, as a guideline and in the case of an item of assets not appearing in the Annexure shall use the classification applicable to the asset most closely comparable in the Annexure.

## **7.4 Recognition of Assets**

### **7.4.1 Recognition of Heritage Assets**

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

For Statement of Financial Position purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

#### **7.4.2 Recognition of Donated Assets**

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer in reference to the relevant generally accepted accounting practice.

### **7.5 Capitalisation Criteria**

#### **7.5.1 Material Value**

##### **PPE and Intangible Assets**

All assets may only be acquired in terms of council's Supply Chain Management Policy and in terms of the budgetary provisions. The responsibility for the purchase of assets would be delegated in terms of council's Delegation Framework and Supply Chain Management Policy. Depending on the cost of the asset to be purchased the following procedure for purchasing an asset must be followed:

- Executive managers shall at all times ensure that there are enough funds in their departmental budgets before requesting approval to any requisition to purchase an asset;
- Executive managers shall ensure that the correct vote and expenditure line item are used and recorded on the requisition requesting approval to purchase an asset;
- Tenders or quotations as required in terms of council's Supply Chain Management policy should be obtained and where required submitted to council's tender committee for approval;
- The tender committee resolution of the approved tender or recommended quotation should be attached to the requisition signed by the relevant head of department;
- The order would then be generated by the finance department;
- Once delivered the asset must be labeled / bar-coded by the Budget and Treasury department before such asset is put into use;

- The executive manager must indicate what the expected useful life of the asset will be;
- The executive manager should endorse receipt of the asset on the invoice and forwarded it for payment to the Finance department; and
- The Finance department would then generate payment.

The completion of any immovable asset by or under control of every head of department should promptly be declared to the Chief Financial Officer in writing stating the full details required for recording in the assets register.

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

The **original cost** of an item of PPE or intangible assets may include:

- Cost price;
- Financing costs (MFMA section 46(4));
- Import tax;
- Non-claimable purchase tax; and
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When payment for an item of PPE or intangible assets is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as an interest expense over the period of credit.

When an item of PPE is acquired to be exchanged or partly exchanged for a dissimilar item of PPE or other asset, the cost of such item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents paid additional. For the purpose hereof, "fair value" shall be determined by the council with due regard to the definition ascribed to fair value in paragraph 2 hereof.



The only exceptions to this rule shall be revalued items of PPE (see part 7.9 below) and heritage assets in respect of which no depreciation is recorded in the fixed asset register.

### **Subsequent expenditure**

Subsequent expenditure relating to an asset that has already been capitalized, should only be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.

### **Investment Property**

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of purchased investment property includes all directly attributable expenditure (professional fees for legal services, property transfer taxes and other transaction costs).

When payment for an investment property is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as an interest expense over the period of credit.

When investment property is acquired to be exchanged or partly exchanged for a dissimilar investment property or other asset, the cost of such item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents paid additional. For the purpose hereof, "fair value" shall be determined by the council with due regard to the definition ascribed to fair value in paragraph 2 hereof.

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure relating to an asset that has already been capitalized, should only be added to the carrying amount of the asset when it is probable that future economic benefits or potential service delivery, in excess of the originally assessed standard of performance of the existing asset, will flow to the municipality.

In terms of GRAP 16 transfers to and from investment property shall be made when there is a change in use:

- (a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) Commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) End of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) Commencement of an operating lease to another party, for a transfer from inventories to investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Reinstatement, Maintenance and Other Expenses

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

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

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

### **7.5.2 Intangible Items**

Assets that meet the criteria of GRAP 102 (Intangible Assets) shall be recognized as Intangible Assets at cost.

## **7.6 Depreciation**

### **7.6.1 Depreciation of PPE and Investment Property**

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

Depreciation may be defined as the monetary quantification of the extent to which PPE and Investment Property are used or consumed in the provision of economic benefits or the delivery of services.

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

However, depreciation shall initially be calculated from the day following the day in which an item of PPE and Investment Property are acquired or – in the case of construction works and plant and machinery – the day following the day in which the item is brought into use, until the end of the year concerned. Thereafter, depreciation charges shall be calculated annually.

Each Head of Department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable PPE and Investment Property controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

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

#### **7.6.2 Rate of Depreciation and Amortisation**

The relevant head of department shall assign a useful operating life to each depreciable item of PPE and Investment Property recorded on the Municipality's asset register. In determining such a useful life the relevant head of department shall use to the useful lives set out in the annexure to this document and relevant historical experience as a guideline.

In the case of an item of PPE or Investment Property which is not listed in this annexure, the relevant head of department in consultation with the Chief Financial Officer shall determine a useful operating life, and shall be guided in determining such useful life by the likely pattern in which the item's economic benefits or service potential will be consumed.

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

#### **7.6.3 Method of Depreciation**

The Chief Financial Officer shall allocate the depreciable amount of all depreciable PPE and intangible on a systematic basis over its useful life.

The residual value and useful life of an asset shall be reviewed at least at each reporting date by each executive manager and, if expectations differ from previous estimates, the changes shall be accounted for as a change in accounting estimate in accordance with GRAP 3.

### **7.7 Amendment of Asset Lives and Diminution in the Value of PPE**

A printout of the asset register indicating the current remaining useful lives of all assets allocated to a department will be distributed by the Chief Financial Officer to all Heads of Department annually. All Heads of Department must review the remaining useful lives of the assets under their control. Any changes in useful lives must be communicated to the Chief Financial Officer in order for the Finance Department to make the required changes to the Fixed Asset Register. All

changes will be treated as Changes in Accounting Estimates in terms of GRAP 3 in the annual financial statements.

The Heads of Department shall request the Chief Financial Officer to amend the useful operating life assigned to any item of PPE if it becomes known that such item has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the item's economic benefits or service potential will be consumed.

If the value of an item of PPE, Investment Property or intangible assets has been diminished to such an extent that it has no or a negligible further useful operating life or value such item shall be fully depreciated or eradicated in the financial year in which such diminution in value occurs.

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

In all of the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the item of PPE, Investment Property or intangible asset in question.

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

Additional depreciation not budgeted for as a result of unforeseeable or unavoidable circumstances must be provided for in an adjustments budget and, if such circumstances arises close to the end of the financial year and there will not be time for Council to consider the adjustments before the end of the financial year, may in advance be approved by the Mayor in terms of Section 29 of the MFMA, provided that any other provisions of the MFMA be complied with.

## **Funding of PPE and Reserves**

The purchase of assets may be funded from the raising of external loans, leases, government- and public contributions, the Capital Replacement Reserve and surplus cash.

### **7.8 Other Write-offs of PPE**

An item of PPE, shall be written off when it can no longer be used, in consultation with the Head of Department controlling or using the item concerned.

Every Head of Department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any item of PPE which such Head of Department wishes to have written off, stating in full the reason for such recommendation.

The Chief Financial Officer shall consolidate all such reports, and shall promptly notify the Council on the PPE to be written off.

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

If an item of PPE must be written off as a result of an occurrence out of the control of the municipality, such as malicious damage, theft or destruction, the municipal manager must determine whether a third party or an employee was involved in the loss and take all reasonable steps to recover such loss, including reporting the incident to the South African Police Services and the Auditor General, the insurance as well as institute disciplinary steps against any employee who might have been involved in such incident.

In every instance where a not fully depreciated item of PPE is written off, the Chief Financial Officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the item concerned.

## 7.9 Management and Operation of Assets

### 7.11.1 Accountability to manage assets

Each Executive Manager is accountable to ensure that Municipal resources assigned to them are utilized effectively, efficiently, economically and transparently. This will include:-

- Developing appropriate management systems, procedures, processes and controls for managing assets;
- Providing accurate, reliable and up to date account of assets under their control; and
- The development and motivation of relevant strategic asset management plans and operational budgets that optimally achieve the Municipality's strategic objectives.

### 7.11.2 Contents of a strategic management plan

Executive Managers need to manage assets under their control to provide the required level of service or economic benefit at the lowest possible long-term cost. To achieve this, the Executive Manager will need to develop strategic asset management plans that cover:-

- Alignment with the Integrated Development Plan;
- Operational guidelines;
- Performance monitoring;
- Maintenance programs;
- Renewal, refurbishment and replacement plans;
- Disposal and Rehabilitation plans;
- Operational, financial and capital support requirements, and
- Risk mitigation plans including insurance strategies

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

#### **7.11.3 Reporting on Emerging Issues**

Each Functional Manager should report to the Municipal Manager on issues that will significantly impede the item of asset capabilities to provide the required level of service or economic benefit.

#### **7.11.4 Verification of Assets**

The Municipality shall at least once during every financial year undertake on a date as determined by the CFO a comprehensive verification of all moveable assets controlled or used by all the departments of the Municipality.

Every Head of Department shall promptly and fully report in writing to the Chief Financial Officer, in the format determined by the Chief Financial Officer, all relevant results of such verification, provided that each such item of asset verification shall be undertaken and completed during April of each financial year, and that the resultant report shall be submitted to the Chief Financial Officer not later than 31 May of the year in question.

#### **7.11.5 Movement of Assets**

Movement of moveable assets to be undertaken as per Standard operating procedures in annexure A.

### **7.10 Alienation of Assets**

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



Every head of department shall report in writing to the Chief Financial Officer on 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender.

The Chief Financial Officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

The council shall delegate to the municipal manager the authority to approve the alienation of any moveable asset with a carrying value less than R50 000 (fifty thousand rand). The council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004.

In terms of Section 14 of the Municipal Finance Management Act, 2004 the Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of assets needed to provide the minimum level of basic municipal services.

The Municipality may transfer ownership or otherwise dispose of assets other than one contemplated above, but only after the Council, in a meeting open to the public:-

- has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and
- has considered the fair market value of the item and the economic and community value to be received in exchange for the asset.

The decision that a specific asset is not needed to provide the minimum level of basic municipal services, may not be subsequently reversed by the Municipality after that asset has been sold, transferred or otherwise disposed of.

Once the fixed assets are alienated, the Chief Financial Officer shall treat the disposal of the items in terms of GRAP and amend the relevant records of the fixed asset register. If the proceeds of the alienation are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned.

If the proceeds of the alienation, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the Municipal Asset Transfer Regulations.

## **7.11 Maintenance**

### **7.11.1 Maintenance Plans**

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

If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The Head of Department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July or the earliest Council meeting thereafter, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the item concerned.

### **7.11.2 Deferred Maintenance**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset, the Chief Financial Officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the annual financial statements. Such note shall also indicate any plans which the Council has approved in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the Head of Department controlling or using such item, and shall recalculate the increased annual depreciation expenses accordingly.

#### **7.11.3 General Maintenance of Assets**

Every Head of Department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 7.13.1 and part 7.13.2 above) are properly maintained and in a manner which will ensure that such item attain their useful operating lives.

### **7.12 Replacement Strategy**

The Municipal Manager, in consultation with the Chief Financial Officer and other Heads of Departments, shall formulate norms and standards for the replacement of all normal operational assets. Such norms and standards shall be incorporated in a formal strategy, which shall be submitted to the Council for approval. **This strategy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items.**

Such strategy shall also provide for the replacement of assets which are required for service delivery but which have become uneconomical to maintain.

### **7.13 Insurance of Assets**

The municipal manager or heads of departments to whom the responsibility of the assets have been delegated shall ensure that all movable assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils. The municipal manager and heads of department will annually revise council insurance portfolio to ensure that all assets are adequately insured. The services of an insurance broker would be required in terms of council's Supply Chain Management policy.

Any theft, loss or damage to an asset should immediately be reported to council's insurance brokers by the relevant head of department under whose responsibility the asset falls. A copy of the insurance claim submitted should be forwarded to the Chief Financial Officer who must record such claim in the insurance register. It is the responsibility of the relevant head of department to ensure that all documents / information for the completion of the claim is forwarded to council's insurance brokers and that copies thereof is forwarded to the Chief Financial Officer. The head of department should in writing request the replacement of the asset which can only be authorized, if sufficient provision for the replacement of the asset is on the capital budget, by the Municipal Manager after consultation with the Chief Financial Officer. If sufficient provision is not on the capital budget the asset can only be replaced if provision for the replacement is made on an Adjustments budget. In the case where an asset must be replaced as an emergency measure, the Mayor may authorise such expenditure, subject to compliance with Section 29 of the MFMA.

Third-party (insurance) pay-outs must be treated as revenue when the amount is certain and may not be offset against the cost of replacing the item. The carrying value of items lost, stolen or damaged beyond repair must be treated as impairment against the relevant department or vote. The full cost of the replacement item must then be capitalised.

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

The Chief Financial Officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

#### **7.14 Impairment of Assets**

The accounting treatment relating to impairment losses is outlined in GRAP 21 and GRAP 26.

##### **7.14.1 *Cash-generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is

clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **7.14.2      *Non-cash-generating assets***

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have



decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

The following steps will have to be performed regularly during the year to account for impairment losses:

- Departments will identify and inform the Chief Financial Officer of assets that:
  - Are in a state of damage at year end.
  - Are technologically obsolete at year end. .
  - Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.
  - Are subject to impairment losses because the subsidies to be received in exchange for assets are less than the carrying amounts.
- The recoverable amounts of these assets need to be determined by calculating the net selling price per asset and value-in-use as defined above.

## **8. ACQUISITION OF ASSETS**

### **8.1 Pre-acquisition Planning**

Before a capital project is included in the budget for approval, the Chief Financial Officer must demonstrate that he/she has considered the following:

- The projected cost over all the financial years until the project is operational;
- The future operational costs and revenue on the project, including the tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidisation requirements;
- The physical and financial stewardship of that asset through all stages of its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of the capital project in the Integrated Development Plan and future budgets; and
- Alternatives to the capital purchase.

The heads of department are accountable to ensure that the Chief Financial Officer receives all reasonable assistance, guidance and explanation to enable him to achieve his planning requirements.

## **8.2 Approval to Acquire Property, Plant and Equipment**

Money can only be spent on a project if:

- The money has been appropriated in an approved budget;
- The project, including the total cost has been approved by the Council;
- The Chief Financial Officer confirms that funding is available for that specific project; and
- Any contract that will impose financial obligations beyond two years after the budget year is appropriately disclosed.

### **Funding of Capital Projects**

Within the Municipality's on-going financial, legislative or administrative capacity, the Chief Financial Officer must establish and maintain the funding strategies that optimise the municipality's ability to achieve its strategic objectives as stated in the Integrated Development Plan. The acquisition of assets may not be funded over a period longer than the useful life of that asset.

## 9. PURCHASE OR HIRE OF IMMOVABLE PROPERTY

The municipality may acquire by purchase, or by hire, immovable property within- or outside the municipal boundary provided it complies with the requirements of the MFMA and the Supply Chain Management policy and subject to the following:

- The cost of the purchase or hire had been budgeted for; and
- The intention to buy or hire the immovable property had been advertised for public comment.
- After consideration of any public comments/objections the Council will:-
  - In the case of the following paragraph complies with the requirements of that paragraph; and
  - In the case of all other immovable property, finally resolve to continue with the purchase or hire and apply the supply chain management processes
- The Council will not continue with the purchase or hire of any immovable property where:
  - The price is in excess of the market value thereof as assessed by an appraiser; or
  - The rental which, when calculated per annum in the case of:
    - Immovable property hired for agricultural purposes, exceeds six percent; and
    - Immovable property hired for any other purpose, exceed twelve percent of the market value of the property, as assessed by an appraiser.

The Council may accept a gift or conveyance of immovable property either for the municipality or in trust for charitable or other public purposes not connected with public worship, and hold the same in such trust or for such purpose as may be declared by such donors and may administer, utilize and improve such property.

The trustees of any immovable property held in trust for any township village of settlement which has become a municipality or part of a municipality may transfer such property to the Council, subject to any special trusts in their deeds of title and upon conditions not at variance therewith.

## **10. IMPLEMENTATION OF THIS POLICY**

This policy to be implemented as approved by Council Decision DCxxx, 28 May 2019. All future asset management must be done in accordance with this policy.

This policy must be reviewed annually by the Accounting Officer and the CFO for any legislative or General Accounting Practise changes in consideration with audit recommendations for the Auditor General.

**APPENDIX A****SCHEDULE OF EXPECTED USEFUL LIVES OF ASSETS (to be used as a guide only, every asset's useful life must be determined individually)**

<b>Years</b>			<b>Years</b>		
<b><u>Infrastructure</u></b>			<b><u>Other</u></b>		
Roads and Paving		7 - 32	Buildings		5 - 32
			Other vehicles		2 - 34
<b><u>Community</u></b>			Office equipment		3 - 32
Buildings		7 - 32	Furniture and fittings		1 - 33
Recreational Facilities		32	Bins and containers		8 - 32
Parks and gardens		22	Specialised plant and		
Investment Property	-	29 - 32	Equipment		2 - 32
Buildings			Fire Engines		3 - 34
			Emergency equipment		6 - 22
			Computer equipment		1 - 32
			Computer Software		2 - 18

## Annexure A : Movement of Moveable Assets

- Do not move assets without having completed an asset transfer form (Annexure B), signed off by the Executive Manager of the department; the form to be submitted to Asset Management Unit (Finance) within 3 workings asset of being.
- Keep assets issued to you personally (laptops, camera's, etc.) safely and in good working condition. Assets will not be readily replaced and that could hamper your work performance. If there is any assets not in good working condition please inform asset management for them to be repaired as this this will affect the value of our assets in our books if it is not in good working condition during asset verification or audit process.
- Ensure that assets in your possession are barcoded if not inform asset management (Finance) to have the item barcoded.
- If there are any concerns regarding missing assets that might have been moved without following the correct process of filling in the Assets transfer from, please raise the matter immediately with asset management unit for the item to either be moved back to your office or the process be ratified (Asset Register – Location of Asset, filling in of asset transfer form)
- If you are aware of stolen assets or missing assets that have not been located please inform asset management unit to allow the due process regarding assets to be ensued, otherwise failure to do will result in the official to whom the asset was entrusted as personally liable for the recovery cost of the asset
- Every room should have an asset list mounted at the back each door listing all assets in that room. If you become aware that a room /office does not have one, please inform asset unit immediately.
- Asset list to be reviewed very month by the allocated user/occupant of the office or room, to ensure that all assets in the office exist, they are complete and in good working condition. (Ensure that they still have their Bar Codes)
- Any missing assets on the list but not in the office/room to be reported to asset unit immediately.
- Any unidentified asset in the room but not listed in the room asset list to be reported to the asset unit. (Asset Unit will remove the asset and place it in the allocated location as per asset register)

Matters of Emphasis

1. All transfer of asset forms completed to be signed off by the relevant head of department with the approval of the designated official and sent to Asset unit (Ext. 1325 or 1303).
2. Should there be any discrepancies between the Asset register and the assets in your custody and no formal documentation indicating their movement; report the matter to asset unit immediately.
3. Every person to whom assets are allocated are responsible to ensure the assets are safeguarded and any theft/damage is immediately reported. Reasonable care must be exercised to safeguard the assets. Negligence to safeguard assets can lead to investigated procedures to be initiated which can potentially lead to disciplinary action.

Annexure B: Asset Transfer Form:

### Application for Asset Transfer

Asset No	From Location	To Location

Requested	Authorised By	Date

Received By	Date



# **ANNEXURE G**

## **FUNDING AND RESERVE POLICY**



# FUNDING AND RESERVES POLICY

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Date Approved: **27 May 2016**

Council Resolution  
(DC):

**1054/05/16**

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## **FUNDING AND RESERVE POLICY**

### **1. INTRODUCTION AND OBJECTIVE**

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

### **2. SECTION A: FUNDING POLICY**

#### **2.1 LEGISLATIVE REQUIREMENTS**

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash – funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

#### **2.2 STANDARD OF CARE**

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

#### **2.3 STATEMENT OF INTENT**

The municipality will not pass a budget which is not cash – funded or where any of the

indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

## **2.4 CASH MANAGEMENT**

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

## **2.5 DEBT MANAGEMENT**

Debt must be managed in terms of the municipality's Debt Management and credit control Policy, together with any requirements in this policy.

## **2.6 FUNDING THE OPERATING BUDGET**

### **2.6.1 INTRODUCTION**

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognizes the plight of the poor, and in line with national and provincial objectives, the municipality commits itself to subsidized services to the poor. This will necessitate cross subsidization in funding to be calculated in the budget process.

### **2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET**

The following specific principles apply when compiling the budget:

- a) The budget must be cash – funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;
- b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information and in any line with any budget circulars issued by National and Provincial Treasury;
- c) Tariff adjustments must be fair;
- d) Revenue from Government Grants and Subsidies must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll-over purposes must be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure from grants, inclusive of capital expenditure and VAT as per

directive given in MFMA circular 48.

- e) Projected revenue from services charges must be reflected as net (all billing less revenue foregone, which is free basic services, discounts and rebates).
- f) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash flow budget.
- g) Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an operating surplus calculated at the minimum of 10% of the prior year balance of the long-term benefits not yet cash-funded, be included in the operating budget, in order to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".
- h) Depreciation must be fully budgeted for in the operating budget.

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget. Capital Replacement Reserve must be fully cash funded and amount equal to the annual depreciation/amortisation must be transferred to the Capital Replacement Reserve annually.

- i) Contributions to provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed. All provisions must be cash backed and cash set aside for the payment of these contributions as they become due and payable.

## **2.7 FUNDING THE CAPITAL BUDGET**

### **2.7.1 INTRODUCTION**

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non – existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

### **2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE**

The capital budget can be funded by way of own contributions, grants, public contributions

as well as external loans.

### **Own Contributions**

The capital budget financed from own contributions must primarily be funded from the Capital Replacement Reserve which must be cash funded and/or current year surplus revenue.

Notwithstanding the above the capital budget or portions thereof may also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

Annually the depreciation/amortization amount must be transferred to the capital replacement reserve. When the capital replacement reserve is utilized for the funding of the capital budget, the capital replacement reserve must be replenished within two years to ensure adequate cash is available in the reserve to fund unforeseen and unavoidable capital purchases that was not included in the original budget.

### **Grants (Including Public Contributions)**

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding does not place unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

It is therefore determined that the accounting officer must evaluate the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council.

It is furthermore determined that the depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer must put such accounting measures in place to comply with this requirement, to a reasonable extent.

### **External Loans**

The municipality may only raise loans in accordance with its Debt Management Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year. Given the revenue restraints of a district municipality detail cost analysis must be performed for considering raising loans and the ability to repay such obligations as they become due and payable. Loans must be used for purchasing of cash generated assets to ensure a constant revenue stream to be utilized for the repayment of such loans.

## **2.8            FUNDING COMPLIANCE MEASUREMENT**

### **2.8.1    INTRODUCTION**

The municipality wants to ensure that the budget or adjustments budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget. These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

### **2.8.2    CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS**

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- VAT due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

### **2.8.3    SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS**

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised. Annually the depreciation/amortization amount must be transferred to the capital replacement reserve to build up the reserve and it must be cash funded.

## **3.    SECTION B: RESERVES POLICY**



### **3.1            INTRODUCTION**

The municipality recognises the importance of providing to the municipality itself, as well as its creditors, financiers, staff and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

### **3.2            LEGAL REQUIREMENTS**

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund, however this is not applicable to district municipalities currently. The GRAP Standards itself also do not provide for reserves.

However, the GRAP “Framework for the Preparation and Presentation of Financial Statements” states in paragraph 91 that such reserves may be created, but “Fund Accounting” is not allowed and any such reserves must be a “legal” reserve, i.e. created by law or Council Resolution.

### **3.3            TYPES OF RESERVES**

Reserves can be classified into two main categories being “cash funded reserves” and “non – cash funded reserves”.

#### **3.3.1        CASH FUNDED RESERVES**

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

#### **(a)            Capital Replacement Reserve (CRR)**

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance– or other operating expenditure. This fund must be fully cash backed.

#### **(b)            Capital Replacement Reserve for regional landfill site**

The once off payment as stipulated in the Private Partner Public Agreement paragraph 29 for the regional landfill site must be placed in a separate capital reserve and must be cash backed and may only be utilized for purposes of the regional landfill site.

#### **(c)            Rehabilitation Reserve**

The operation, licensing, management and closure of landfill sites in South Africa is highly

regulated. The objective of the legislation is to minimize the potential impact that landfill sites can, or may have on the environment.

The rehabilitation of the landfill site is legislatively required to ensure that the site is environmentally acceptable after the landfill site has stopped receiving waste. Garden Route District Municipality is in the process of erecting a regional landfill site in conjunction with a Private Partner, and a PPP agreement will be signed to govern this process. The agreement will be for ten (10) years and local municipalities will partake in this project and contribute monthly towards the operational cost of the regional landfill site as well the administration and rehabilitation cost.

The monthly rehabilitation cost contribution received from the participating local municipalities must be transferred to a cash funded reserve set aside for the rehabilitation cost payable after the landfill site has reached the end of its useful life.

**(d) Employee benefit reserve**

To be utilized for any provision of employee related benefits/provisions and must be cash backed.

**3.3.2 NON CASH FUNDED RESERVES**

Currently the district municipality do not have any such reserves.

# **ANNEXURE H**

## **SUPPLY CHAIN MANAGEMENT POLICY**



## SUPPLY CHAIN MANAGEMENT POLICY

Adopted by Council: 29/05/17 COUNCIL RESOLUTION DC 162/05/17

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption: **[29/05/17]**

**Council** resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the municipality

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### 3 Definitions

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

**“Central Supplier Database (CSD)”** means National Treasury’s web based Vendor Management Database established as per MFMA circular No. 81, Municipal Finance Management Act No. 53 of 2003. [www.csd.gov.za](http://www.csd.gov.za) effective as 01 July 20016

**“Competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (e) of this Policy;

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

**“emergency”** means is a serious, unexpected, unforeseen and potentially dangerous and damaging situation requiring immediate action and which is not due to lack of planning, if left unattended will cause a serious health/life threatening risk or adverse financial ramifications.

**“e-Tender publication portal”** means National Treasury’s central web based publication platform to ensure goods, services and works are procured in a manner that is fair, equitable, transparent, competitive and cost effective by advertising centrally as an invitation to prospective bidders to submit bids. [www.etenders.gov.za](http://www.etenders.gov.za)

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

**“formal written price quotation”** means quotations referred to in paragraph 12(1)(c) of this policy;

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

**4.1** a member of -

- . any municipal council;
- i. any provincial legislature; or
- ii. the National Assembly or the National Council of Provinces;

**4.2** a member of the board of directors of any municipal entity;

**4.3** an official of any municipality or municipal entity;

**4.4** an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);

**4.5** an executive member of the accounting authority of any national or provincial public entity; or

**4.6** an employee of Parliament or a provincial legislature;



**“contract of long term nature”** means a contract with a duration period exceeding the three year MTREF period as per section 33 of the MFMA;

**“list of accredited prospective providers”** means the list of accredited prospective providers which the **municipality** must keep in terms of paragraph 14 of this policy; or Central Supplier Database

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

3. the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
4. the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
5. the Construction Industry Development Board Act, 2000

**“PPPFA”** means the preferential Procurement policy framework Act, no 5 of 2000

**“Executive Manager”** reporting directly to the Accounting Officer” means an executive manager in the employment of the Garden Route District Municipality who heads a department and reports to the Municipal Manager

**“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

**“the Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

**“the Regulations”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

**“written or verbal quotations”** means quotations referred to in paragraph 12(1)(b) of this Policy

## CHAPTER 1

### IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

#### 4 Supply chain management policy

1. All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
  - gives effect to –
    - section 217 of the Constitution; and
    - Part 1 of Chapter 11 and other applicable provisions of the Act;
  - is fair, equitable, transparent, competitive and cost effective;
  - complies with –
    - the Regulatory framework prescribed in chapter 2 of the regulations; and
    - any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - is consistent with other applicable legislation:
    - The Preferential Procurement Policy Framework Act
    - The Preferential Procurement Regulation, 2017
    - The Broad Based Black Economic Empowerment Act
    - The Construction Industry Development Board Act
    - The Local Government: Municipal Systems Act
    - The Promotion of Administrative Justice Act
      - The Promotion of Access to Information Act
  - does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - is consistent with national economic policy concerning the promotion of investments and doing business with the public sector
  - assigns the responsibility for the implementation of policy to the Accounting Officer of the Municipality
- The Municipality may not act otherwise than in accordance with the supply chain management policy *when* –
  - Procuring goods or services
  - Disposing of goods no longer needed or which have become redundant
  - Disposing or letting of fixed assets, including land needed have proven commercial value no longer required for basic municipal service

- Selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- Selecting external mechanisms referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act
- This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
  - 4 water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
  - 5 electricity from Eskom or another public entity, another municipality or a municipal entity.

## 5 Adoption and amendment of the supply chain management policy

1. The accounting officer must
  - at least annually review the implementation of this Policy;
  - review compliance to norms and standards cost efficiency of the supply chain management process; and
  - when the accounting officer considers it necessary submit proposals for the amendment of this Policy to the council.
2. If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
  - ensure that such proposed amendments comply with the Regulations; and
  - report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
3. When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
4. The desired outcome of the policy is to provide mechanism to ensure sound, sustainable and accountable Supply Chain Management within the Garden Route District Municipality while promoting the following LED objectives:
  1. to stimulate and promote local economic development in a targeted and focused manner as per **Regional Economic Development Strategy and Regional**

**Economic Policy;**

2. to promote resource efficiency and reduce the negative environmental impact of daily operations of the Garden Route District;
3. to facilitate creation of employment and business opportunities for the people of the Garden Route District with particular reference to Preferential Procurement Policy Framework Act, 2000, Preferential Procurement Regulations, 2017, and **setting specific B-BEEE rating targets for all procurement above a range as determined by council over a period of the contract.**
4. to promote the competitiveness of regional businesses within approved Regional Economic Development Strategy;

**6 Delegation of supply chain management powers and duties**

- 1)The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
  - a)to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
    - i) Chapter 8 or 10 of the Act; and
    - ii) this Policy;
  - b)to maximise administrative and operational efficiency in the implementation of this Policy;
  - c)to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
  - d)to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- 2)Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- 3)The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of municipality or to a committee which is not exclusively composed of officials of the municipality.
- 4)This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

## 7 Sub delegations

7.1 The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

7.2 The power to make a final award –

- above R 10 million (VAT included) may not be sub delegated by the accounting officer;
  - above R 2 million (VAT Included), but not exceeding R 10 Million (VAT Included), may be sub-delegated but only to –
    - the chief financial officer;
    - a Head of Department; or
    - a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
  - not exceeding R 2 million (VAT Included) may be sub-delegate but only to –
    - the chief financial officer;
    - a Manager directly accountable to Accounting Officer
    - a manager directly accountable to the Chief Financial Officer or a Senior Manager; or
- (iv) a bid adjudication committee.

7.3 An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph 5(2) must within five days of the end of each month submit to the accounting officer a written report containing particulars of each final award made by such official or committee during that month, including-

- (i) the amount of the award;
- (ii) the name of the person to whom the award was made; and
- (iii) the reason why the award was made to that person.

7.4 A written report referred to in subparagraph 5(3) must be submitted –

- to the accounting officer, in the case of an award by –
  - the chief financial officer;
  - a senior manager; or

- a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
  - a manager referred to in subparagraph (2)(c)(iii); or
  - a bid adjudication committee of which the chief financial officer or a senior manager is not a member.

**7.5** Subparagraphs 5(3) and 5(4) of this policy do not apply to procurements out of petty cash.

**7.6** This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

**7.7** No supply chain management decision-making powers may be delegated to an advisor or consultant.

## **8 Oversight role of council**

1. The council reserves its right to maintain oversight over the implementation of this Policy

2. For the purposes of such oversight the accounting officer must –

(i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or share control of the municipality, to the council of the municipality;

(ii) and whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council.

3. The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor

4. The reports must be made public in accordance with section 21A of the Municipal Systems Act.

5. Section 117 of the MFMA prohibits a municipal councillor from being a member of a bid committee or attend any other committee evaluating or approving quotations or bids nor may a Municipal Councillor attend any such meeting as an observer.

6. In order to create an environment where business can be conducted with integrity and in a fair and reasonable manner, this Policy will strive to ensure that the Municipal Manager and all representatives of Garden Route District Municipality involved in supply chain activities shall act with Integrity and in accordance with the highest ethical standards
7. All supply chain management representatives shall adhere to the code of conduct of municipal staff contained in schedule 2 of the Systems Act, and this Policy's Code of Ethical Standards

## **7. Supply chain management unit**

- 1) A supply chain management unit is hereby established to implement this Policy.
- 2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.
- 3) The supply chain management unit shall operate as a centralised supply chain management function to administer and co-ordinate all the Supply Chain Management activities and functions of the municipality as described in this Policy unless a function or activity is specifically excluded by the accounting officer from the unit's term of reference
- 4) All Garden Route District officials shall act with integrity and adhere to the code of conduct of municipal staff contained in Annexure B of the Policy (Systems Act, schedule 2)

## **8. Training of supply chain management officials**

The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training. The Skills Development Officer (HR) to facilitate the necessary training for the SCM officials to achieve the Minimum Competency Levels as required. Work based skills plan facilitated by Human Resources to form the basis for training of SCM officials.

## **CHAPTER 2: SUPPLY CHAIN MANAGEMENT SYSTEM**

### **9. Format of supply chain management system**

This Policy provides systems for -

- (i) demand management;
- (ii) acquisition management
- (iii) logistics management
- (iv) disposal management
- (v) risk management
- (vi) performance management

## **Part 1: Demand management**

### **10. Demand Management System**

- 1) The accounting officer must establish, through operational procedures, and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational commitments and its strategic-goals as outlined in the Integrated Development Plan.
- 2) The Municipality's Integrated Development Plan (IDP) is a comprehensive strategic document setting out how the Municipality intends to tackle its development challenges in a financial year. It is on the basis of the IDP that the resources of the municipality will be allocated and on which the budget is based.
- 3) The demand management system to ensure that each Head of the Department has a yearly plan that will include the following:
  - a) include timely planning and management processes to ensure that all goods and services required by the municipality / respective departments are quantified and budgeted for. Timely and effectively planning is executed to ensure they are delivered at the right location, at the critical delivery date, and are of the appropriate quality and quantity at a fair cost; *(All Executive / Senior Managers to oversee the Yearly Planning for their respective departments)*
  - b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature;
  - c) provide for the compilation of the required specifications to ensure that its needs are met.
  - d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
  - e) In dealing with suppliers and potential suppliers, the Municipality shall respond



promptly, courteously and efficiently to enquiries, suggestions and complaints.

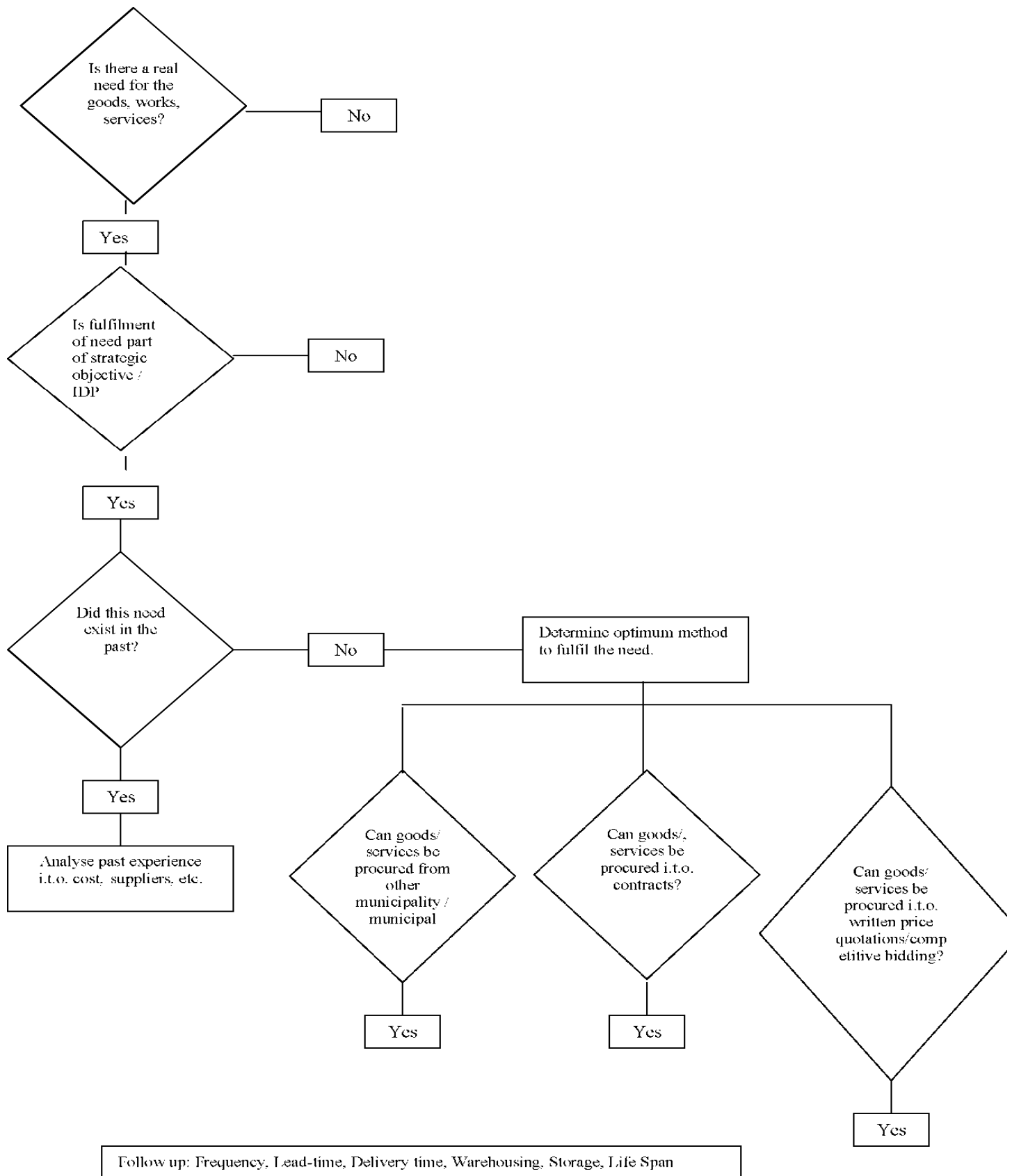
**(4) Major Activities**

- a) Demand management to be executed following the tabling of the draft Integrated Development Plan (IDP) and draft budget by council or approval of the Adjustment budget by council, spending of funds subject to final approval of the budget by council and funds are available on the financial system.
- b) Establishing requirements
- c) Determining the needs
- d) Deciding on appropriate procurement strategy
- e) All procurement to be directly linked to the Demand Management Plan that will entail all envisaged planning for financial year ahead.
- f) Demand Management Plan of the respective departments to be reviewed by the Accounting Officer or Delegated Official and submitted to Supply Chain Management Unit for planning and execution.
- g) All deviations to be interrogated by the Accounting Officer against the Demand Management Plan and the Accounting officer to oversee the appropriate remedial steps to be implemented by the relevant executive / senior managers to prevent poor or lack of planning by departments

**(5) Demand Management Plan to entail the following:**

- a) establishing requirements and needs for the year ahead
- b) deciding on appropriate procurement strategies, use of quotations or bidding
- c) understanding the future needs;
- d) identifying the frequency of the need
- e) linking the requirement to the budget
- f) conducting expenditure analysis based on past expenditure
- g) determining requirement (including the internal capacity to implement)

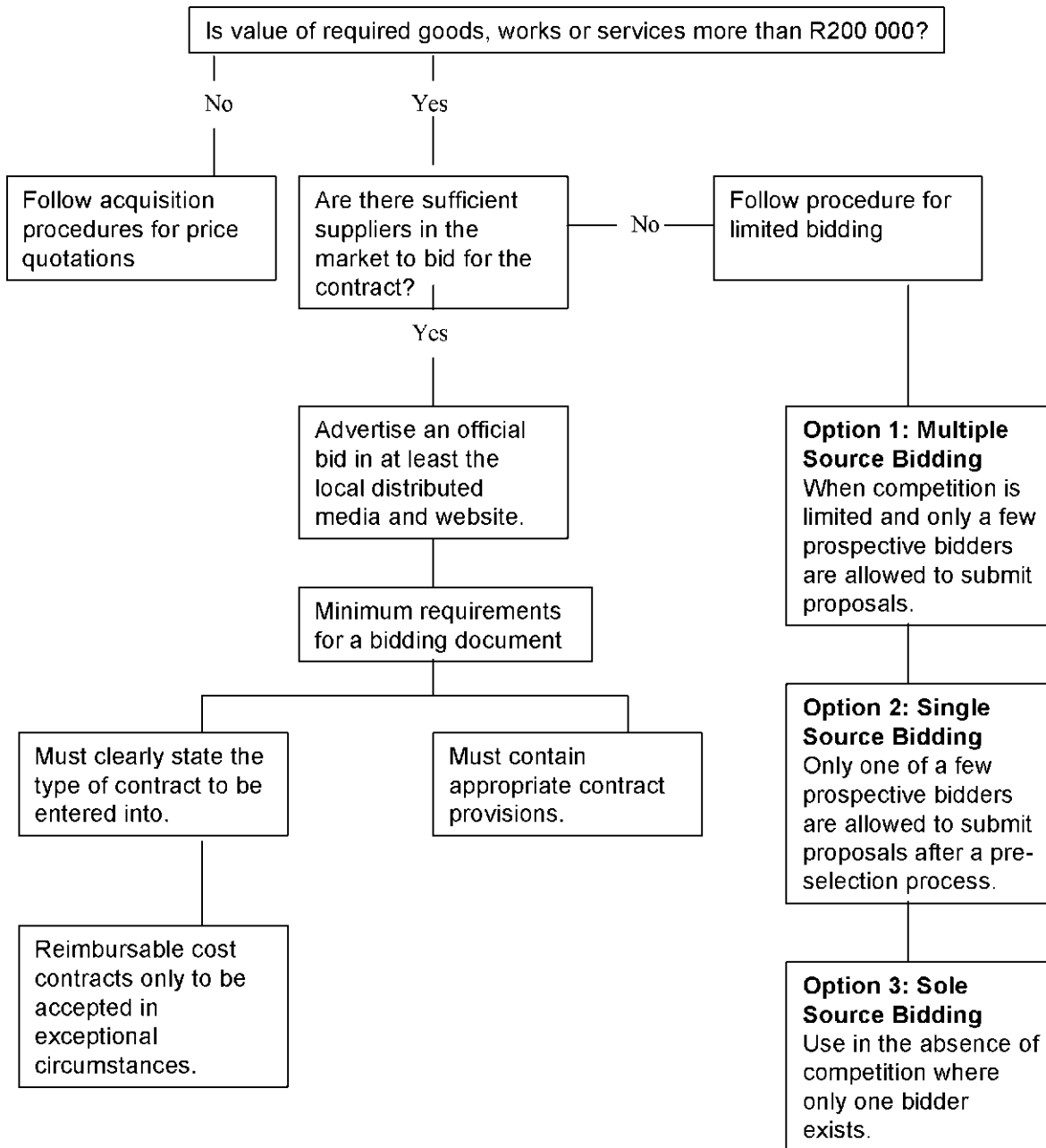
- h) conducting commodity analyses in order to check for alternatives; and
- j) conducting industry analyses to establish market prices and strategic industry role players

**Annexure:****Flowchart of the Demand Management Process**

## Part 2: Acquisition management

### 11. Acquisition management System

- (1) The Objective of the System of Acquisition Management is to ensure –
  - a) that goods and services are procured by the municipality in accordance with authorised processes only;
  - b) That expenditure on goods and services is incurred in terms of an *approved budget in terms of section 15 of the Act*;
  - c) that the threshold values for the different procurement processes are complied with;
  - d) That bid documentation, evaluation and adjudication criteria, and general conditions of contract are in accordance with any applicable legislation including PPPFA, and any condition of the CIDBA; and
  - e) That any Treasury guidelines / circulars on acquisition management are properly taken into account during the review of the SCM Policy.
  
- (2) When procuring goods or services contemplated in section 110(2) of the Act, including water from the department of Water Affairs, Public Entity, another municipality or a municipal entity; and electricity from Eskom or public entity, municipality or municipal entity; the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -
  - a) the kind of goods or services; and
  - b) the name of the supplier.



**Strategic sourcing flow chart for competitive bidding for Items above R200 0000 (Source: The Accounting Officer's guideline for Supply Chain Management)**

## 12. Range of procurement processes

(1) Goods and services may only be procured by way of -

- a) petty cash purchases may be used up to a transaction value of R2 000, in accordance with the provisions of the Petty Cash Policy
- b) written quotations for procurements of a transaction value over R2 000 up to R30 000 (VAT included);
- c) formal written price quotations (informal tender) for procurements of a transaction value over R 30 000 up to R200 000 (VAT included); and
- d) competitive bidding process (formal tender) for procurement above a transaction value of R 200 000 (VAT included)

(2) The accounting officer may, in writing-

- a) lower, but not increase, the different threshold values specified in subparagraph 12(1); or
- b) direct that –
  - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2000;
  - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000
  - (iii) informal tender process be followed for procurement below R30k
  - (iv) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

(3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy.

(4) When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

## 13. General preconditions for consideration of written quotations or bids

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

- (a) has furnished that provider's -

- a. full name;
  - b. identification number or company or other registration number; and
  - c. tax reference number and VAT number, if supplier is a register VAT vendor;
- (b) In the case of transactions exceeding R 30 000, including VAT:
- (i) A valid Tax clearance certificate or service provider tax verification details (SARS Pin number for e-filing independent verification) must accompany the bid documents. (Status verification on the day of award) *(The onus is for the bidder to ensure that their tax matters are in order.)*
  - (ii) If the bid of the preferred bidder is not supported by a valid TAX Clearance Certificate, either as an attachment to the bid documents or on record in the case of suppliers registered on the Central Supplier Database of the National Treasury, the municipality reserves the right to request the Bidder to supply the municipality with a valid SARS (e-filing) TCS pin for independent verification on SARS e-filing within a prescribed period, failure of which will result in a disqualified bid. *(Within seven days of being notified by Supply Chain Management Office)*
- (c) has indicated -
- (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
  - (ii) if the provider is not a natural person, whether any of its directors, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
  - (iii) whether a spouse, child or parent of the provider or of director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.
- (d) The Municipality is aware that not all service providers in the region are registered on the Central Supplier Database of National Treasury; although it's preferable and the intention of Government to limit transactions to registered suppliers on the National Treasury Central Supplier Database, the following is applicable to acquiring goods or services from service providers not registered on the database with regards goods and services below R30 000:
- i. Where less than 3 services providers have been identified on the Central Supplier Database, alternative service providers not registered on the database maybe requested for additional quote(s) provided their tax matter are in order and can be independently verified on SARS e-filing. (Such service providers must be encouraged and assisted subsequently to register on the Central Supplier Database)

- ii. Where quotations provided are not market related, prices quoted are significantly material above market price, an alternative quotation should be requested from an alternative vendor rendering the same goods and services even if not on the system vendor management system, provided their tax matters are in order and can be independently verified on SARS e-filing)
  - iii. A declaration form to be attached to the requisition sent to the service provider not listed on the database requesting declaration of not being in the service of the state.
  - iv. Supplier to be provided with the Municipal Declaration form for regulation 44 vetting and SARS compliance
- (e) Where the chosen vendor to render services or supply goods is in accordance to section 13(d) of the Garden Route District Municipality's Supply Chain Management System, the following must take place
- i. Provision can be made for purchases to be made from such a supplier for transactions below R30K
  - ii. Suppliers not registered on the Central Supplier Database with whom the Municipality transacts with frequently to be encouraged to register on the National Treasury's Central Supplier Database.
    - a) Where services or goods delivered are once off the CFO to provide authorisation for direct payment,
    - b) Where it is likely that the similar service or goods requested will be required in the future, then DATA Unit to be approached to engage with the service provider and facilitate the process of the vendor registering on the Central Supplier database
  - iii. The user department must inform Data Unit in Finance Department of such a service provider and request that assistance be provided to the service provider to be registered on the Central Supplier Database.

#### **14. Lists of accredited prospective providers**

(1) The accounting officer must -

- a) at least once a year through website, newspapers commonly circulating locally, or any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers on the National Treasury's Central Supplier Database and the updated Municipal Supplier Database
- b) Ensure use of The National Treasury Central Supplier Database, which is the database which lists the detail of all suppliers who have been registered and vetted in order to do business with the Municipality and Government



- c) Ensure Prospective suppliers to be assisted with registering on the National Treasury's Central Supplier Database at any time, [www.csd.gov.za](http://www.csd.gov.za)
  - d) Ensure Minimum criteria for prospective suppliers is to be registered and approved on the National Treasury Central Supplier's Database
  - e) disallow the registration of any prospective supplier whose name appears on the National Treasury's Database of Restricted Suppliers and/or Register for Tender Defaulters and who is therefore prohibited from doing business with the public sector.
- (2) Vendors bidding for Informal/Formal tenders that are not registered on the National Treasury's Central Supplier Database are not precluded from submitting bids, but must however be registered and approved by the time the Bid is evaluated, failing which their bid may be declared non-responsive.
- a. All persons forming part of a Joint Venture or Consortium must be registered as such on the National Treasury's supplier Database and have obtained a joint venture or partnership B-BBEE certificate of the new entity.
  - b. Use of National Treasury's Central Supplier Database for procurement approved from the 31 December 2017

## 15. Petty cash purchases

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1)(a) of this Policy, are as follows –

1. Petty Cash management resides with the relevant Head of Department and in the absence of a Petty Cash policy the following shall apply:
  - a) Only an Executive manager may approve or authorize the petty cash voucher.
  - b) The authorized petty cash voucher with the slip must be filed and recorded in a petty cash register.
  - c) The petty cash box must be stored away in safe place when it is not in use.
  - d) The designated personnel managing the petty cash to keep record of all transactions with the supporting document and avail it for inspection when required so.
  - e) The Chief Accountant Expenditure to verify the petty cash reconciliation every time it is replenished.
  - f) Random cyclical petty cash review can be undertaken without prior notice where the

need has been identified by the Office of the Chief Financial Officer.

2. each executive manager may allow petty cash purchases not exceeding an amount of R2 000 in each month;
3. a monthly reconciliation report from each executive manager must be provided to the chief financial officer, including –
  - (i) the total amount of petty cash purchases for that month; and
  - (ii) receipts and appropriate documents for each purchase.
4. the following types of expenditure may not be made from petty cash: all Labour or salary related expenditure

#### **16. Written or verbal quotations**

The conditions for the procurement of goods or services through written or verbal quotations are as follows:

- a) Quotations must be obtained from at least three different providers preferably from National Treasury's Central Supplier Database, but not limited to, providers whose names appear on the list of accredited prospective providers, provided that if quotations are obtained from providers who are not listed, such providers can be requested to provide an a SARS e-filing pin for independent verification.
- b) to the extent feasible, providers must be requested to submit such quotations in writing;
- c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or official designated by the accounting officer;
- d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

#### **17. Formal written price quotations**

- (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:

- a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality and the National Treasury's central supplier database.

- b) quotations may be obtained from providers who are not listed, provided that such providers are not listed on the national treasury's list prohibited suppliers;
  - c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
  - d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

**18. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations**

The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows, 1:

- a. when using the list of accredited prospective providers the accounting officer must promote on-going competition amongst providers by inviting all relevant providers to submit quotations. Rotation basis to be considered where pricing is competitive between bidders otherwise normal SCM process to be followed for an award.
- b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations (Informal Tender) must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website, an official notice board of the municipality and e-tender publication portal
- c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation;
- e) offers up to R10 000 (VAT included) must be awarded based on compliance to specifications, ability and capability to deliver the goods and services and lowest price;
- f) Council to consider use of rotation basis for requesting Quotations up to R10 000 (VAT

Included), to avoid supplier fatigue and encourage a broader allocation of work.

- g) offers up to R30 000 (VAT included) and above R10 000 must be awarded based on price (formal written quotation) after consideration of compliance to specifications, conditions of contract, ability and capability to deliver the goods and services
- h) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations and formal written price quotations is not abused
- i) requirements for proper record keeping must be adhered to, such as:
  - i. completion of documents for audit purposes;
  - ii. ensuring the correctness of documents;
  - iii. before awards are made, proper review of documents must be undertaken.

## 19. Competitive bidding process

1. Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
2. No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.
3. Verification by the Chief Financial Officer prior to advertisement of bids above R10 million. The following information must be submitted by the executive/senior manager responsible for the vote to the CFO **prior** to the public advertisement of any bids in excess of R10 million (all applicable Taxes included):
  - (i) Proof that the budgetary provision exists for procurement of the goods and services and /or infrastructure projects;
  - (ii) Any ancillary budgetary implications related to the bid, for example, if the project is for the acquisition of a municipal asset, does budgetary provision exist for the operation of the asset, maintenance cost relating to the asset, administration costs and rehabilitation/renewal costs;
  - (iii) Any Multi-years budgetary implications, for example, if the project will take more than one financial year, the estimated expenditure per financial year

- (iv) Goods, service and/or infrastructure projects above the value of R10 million (all applicable taxes included) may only be advertised after the CFO has verified in writing that budgetary provision exists for the commencement of the particular project
- (v) Requirements may not be deliberately split into part or items of lesser value merely to avoid the information being submitted
- (vi) Contracts above the value of R10 million (all applicable taxes included) may only be awarded to the preferred bidder after Chief Financial Officer has verified in writing that the budgetary provision exists for the acquisition of the goods, infrastructure projects and/or services and that it is consistent with the Integrated Development Plan.
- (vii) Requirements of MFMA Circular No. 62 Municipal Finance Management Act No. 56 of 2003 relating to procurement of goods and services in excess of 10 million, be implemented dealing with procurement goods or services contracts in excess of R10 million

## **20. Process for competitive bidding**

The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (h) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (i) Proper record keeping
- (j) Original/ legal copies of written contracts agreements should be kept in a secure place for reference purposes.

## **21. Bid documentation for competitive bids**

The criteria with which bid documentation for a competitive bidding process must comply in addition to the requirement as listed in section 13, must –

- (a) take into account -
  - (i) the general conditions of contract and any special conditions of contract, if specified;
  - (ii) any Treasury guidelines on bid documentation; and
  - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish-
  - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements
    - (aa) for the past three years; or
    - (bb) since their establishment if established during the past three years;
  - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a Municipality or other service provider in respect of which payment is overdue for more than 30 days;
  - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
  - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) compel bidders to declare their previous supply chain management practices and state whether or not they:
  - a. have been found guilty by a court of law or a structure established by council or the accounting officer for handling alleged abuses of the Municipality or the municipal entity's supply chain management system or committed any improper conduct in relation to such a system
  - b. have been convicted of fraud or corruption during the past five years
  - c. have wilfully neglected, reneged on or failed to comply with any government , municipal or other public sector contract during the past five years
  - d. have been listed on the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt activities Act 12 of 2004.

## **22. Public invitation for competitive bids**

- (1) The procedure for the invitation of competitive bids, is as follows:
  - (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality, e-Tender Publication Portal of National Treasury or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
  - (b) The information contained in a public advertisement, must include -
    - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a

newspaper, subject to subparagraph (2) of this policy;

- (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality ;and
- (iii) date, time and venue of any proposed site meetings or briefing sessions.;
- (iv) In accordance with MFMA circular 83, advertisement of bids and the publication of notices in respect of awarded bids, unsuccessful bids, cancelled bids, deviations, variations and extensions of existing contracts of a municipality to be published on the e-Tender publication Portal from date of approval of the policy.
- (v) Notices of cancelled bids must be published on the same day, or at least the day after a municipality decided to cancel a bid on e-Tender Publications Portal.
- (vi) Notices of all awards to suppliers through deviations from competitive bidding, Awards through variations and extensions of existing contracts; must be published on the e-Tender Publications Portal within seven working days after the award was made
- (vii) Bid documentation obtained from the municipality in hard copy to be disbursed at a nominal charge as set in the approved tariff structure of council; alternatively a soft copy may be obtained from the website at no cost.

(2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process. (Reasons must be justifiable and recorded and not seen to favour any one bidder and prejudice competitive bidding)

(3) Bids submitted must be sealed

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

## **23. Procedure for handling, opening and recording of bids**

The procedures for the handling, opening and recording of bids, are as follows:



(a) Bids-

- i. must be opened only in public;
- ii. must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
- iii. received after the closing time should not be considered and returned unopened immediately.

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The accounting officer must -

- (i) record in a register all bids received in time;
- (ii) make the register available for public inspection; and publish the entries in the register and the bid results on the website.
- (iii) After the closure of any advertised competitive Bid, Garden Route DM must publish information in terms of section 75 of the MFMA; on the municipality's website.

## **24. Negotiations with preferred bidders**

(1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation—

- i. does not allow any preferred bidder a second or unfair opportunity;
- ii. is not to the detriment of any other bidder; and
- iii. does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes.

## **25. Two-stage bidding process**

(1) a two-stage bidding process is allowed for -

- (a) large, complex projects;
  - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
  - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
  - (3) In the second stage final technical proposals and priced bids should be invited.

## **26. Committee system for competitive bids**

- (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
  - (a) a bid specification committee;
  - (b) a bid evaluation committee; and
  - (c) a bid adjudication committee.
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with -
  - (a) paragraph 27, 28 and 29 of this Policy; and
  - (b) any other applicable legislation.
- (5) Informal tenders to be evaluated and awarded by the Bid Evaluation committee

## **27. Bid specification committee**

- (1) A bid specification committee should only review specifications compiled by the user department only after being signed off by the head of the user department.

- a) Head of the Department should satisfy themselves that all tenders initiated in the department, formal or informal are aligned or included in the Department's Demand management plan and provided for in the approved budget or adjustment budget
- b) Every tender, formal or informal, before being submitted to the Supply Chain Management Unit must have the following:
  - a) User Department to identify the appropriate person(s) to compile the relevant specification
  - b) Ensure that the relevant technical expertise would be available in assessing the Technical requirements
  - c) The Risk officer to be invited to all Bid Specification Committee meeting as part of the risk assessment process. Risk assessment may include the content below or alternative as the risk officer may deem appropriate:
    - a) –
      - I. **Legislative/legal requirements** – prescripts that govern process and legislative requirements
      - II. **Deliverables** – pre define the deliverables and parameters, no open ended contracts with specific reference to use of consultants
      - III. **Time frames** – critical deadlines to be defined, realistic time frames set
      - IV. **Municipal resources** – funding of the project is provided in the approved budget, either as own resources or alternative funding sources
      - V. **Costs** – project roll out cost to give a realistic indication of market conditions (basis for assessing value for money)
      - VI. **Political Risk** – Item linked to Integrated Development Plan of the municipality
- (2) Final specifications –
  - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
  - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
  - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labelling of conformity certification;
  - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
  - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2017; and
  - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
- (3) A bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved if not a member of the Bid Adjudication Committee, and may, when appropriate, include external specialist advisors.
  - (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
  - (5) It is preferable that the Accounting officer nominate municipal officials and establish a permanent Bid Specification Committee composed of varying expertise. Specific technical expertise to be co-opted on an ad hoc basis for a specific commodity or goods if needs be
  - (6) should a member declare a conflict of interest at any stage, the member may not form part of the Bid Specification Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise.

## 28. Bid evaluation committee

- (1) A bid evaluation committee must -
  - (a) evaluate bids (formal & Informal) in accordance with -
    - (i) the specifications for a specific procurement; and
    - (ii) the points system set out in terms of paragraph 27(2)(f);
  - (b) evaluate each bidder's ability to execute the contract;
  - (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
  - (d) submit to the Bid Adjudication Committee a report and recommendations regarding the award of the formal bid or any other related matter.
  - (e) evaluate and award Formal written quotations (Informal Tender)
  
- (2) A bid evaluation committee must as far as possible be composed of-
  - (a) officials from departments requiring the goods or services; and
  - (b) at least one supply chain management practitioner of the municipality.
  - (c) It is preferable that the Accounting officer to nominate municipal officials and establish a permanent Bid Evaluation Committee composed of varying expertise. Specific technical expertise to be co-opted on an ad hoc basis for a specific commodity or goods if needs be
  - (d) Should a member declare a conflict of interest at any stage, the member may not form part of the Bid Evaluation Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise

## 29. Bid adjudication committee

- (1) A bid adjudication committee must -
  - (a) consider the report and recommendations of the bid evaluation committee; and
  - (b) either -
    - (i) **depending on its delegations**, make a final award or a recommendation to the accounting officer to make the final award; or

- (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include -
  - (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
  - (b) at least one senior supply chain management practitioner who is an official of the municipality; and
  - (c) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid -
  - (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
  - (ii) notify the accounting officer.
 (b) The accounting officer may -
  - (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
  - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.
- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation

*(i) Should an award be made to a bidder not recommended by the Bid*

*Evaluation Committee on justifiable grounds, the decision must be noted and made available to the Auditor general for audit purposes.*

- (7) The accounting officer must comply with section 114 of the Act within 10 working days.
- (8) Should a member declare a conflict of interest at any stage, the member may not form part of the Bid Adjudication Committee and if necessary to reach a quorum the member must be replaced by a member of suitable expertise

### **30. Asset Disposal committee**

- 1) The accounting officer or delegated authority will implement a mechanism to dispose of movable and immovable assets.
- 2) The accounting officer to establish an Asset Disposal Committee / Property Task Team, composed of line managers / designated personnel and on ad hoc basis may co-opt additional members with specific expertise
  - a) Line manager are regarded as asset managers / designated personnel
  - b) The nominated Asset Disposal Committee/ Property Task Team to oversee the asset disposal process of the municipality
- 3) Asset Disposal Committee / Property Task Team to meet as needs be in the financial year and assess any formal requests for Asset Disposals
- 4) Asset disposal dates to be determined by the committee following an assessment of the assets to be disposed
- 5) Detailed records of the committee, for reporting purposes, must be kept of all activities and should consist of at least, but not limited to,
  - a) Disposal verification schedule
  - b) Disposal schedule
- 6) Asset Disposal Committee / Property task team to establish a Disposal Management Standard operating procedure in accordance to the Supply Chain Management policy and aligned to the Asset Management Policy.
- 7) The committee to assess and ensure adequate insurance cover for Council Properties within the risk appetite of council

### **Specialised Forms of Procurement**

### **31. Procurement of banking services**

- (1) Subject to section 33 of the MFMA, any contract for banking services –
  - (a) shall be procured through competitive bids;
  - (b) shall be consistent with section 7 or 85 of the Act; and
  - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1).
- (4) Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

### **32. Procurement of IT related goods or services**

- (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if -
  - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
  - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagree with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.



**33. Procurement of goods and services under contracts secured by other organs of state (piggy backing)**

- (i) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if -
  - a. the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
  - b. there is no reason to believe that such contract was not validly procured;
  - c. there are demonstrable discounts or benefits to do so;
  - d. that other organ of state and the provider have consented to such procurement in writing.
  - e. the initial contract agreement needs to be valid and binding at the time “of piggy backing “; once the contract is terminated there is no longer a contract to “piggy back” from
  - f. where a contract is not linked to a period with a particular end date, the contract will terminate once the obligation outlined in the contract are completed or the final object is received and accepted.
  - g. any other organ of state wishing to “piggy back” from contracts as mentioned in subsection (1)(f) can only be granted permission while current contract with Garden Route District Municipality is active. (if contract has lapsed section 32 application may not be granted)
- (ii) Subparagraphs (1)(c) and (d) do not apply if -
  - a. a municipal entity procures goods or services through a contract secured by its parent municipality; or
  - b. a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

**34. Procurement of goods necessitating special safety arrangements**

- 1. the acquisition and storage of goods in bulk (other than water), which

necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

2. Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

### **35. Proudly South African Campaign / Proudly Garden Route Campaign**

- (1) The municipality supports the **Proudly SA Campaign** to the extent, that all things being equal, preference is given to procuring local goods and services from:
  - a) Preferential procurement framework Policy Act, 2000: Preferential Procurement Regulations, 2017, Regulation 8, Local production and Content and any subsequent circulars relating to designated sectors and local content thresholds
  - b) In the absence of designated sector for a particular commodity by the Department of Trade and Industry or National Treasury, Garden Route District may include as a specific condition of tender , that locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered
  - c) Any prequalification criteria in the acquisition of goods or services that seeks to address localisation and empowerment local entities; must be in accordance with an approved Local Economic Development Strategy or Policy of Council that is in line with relevant regulatory framework or statute.
- (2) The district to develop and support Proudly Garden Route Brand and products to the extent that all things being equal, preference is given to procuring local goods and services in accordance to section 35(1)(b) and Section 35(1)(c); in alignment to section 3(4) of the Policy. The aim is in support of the regional economic strategy and developing a vibrant economy in the Garden Route economic corridor.

### **36. Appointment of consultants**

- (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurement is made.

- (2) Consultancy services must be procured through competitive bids if
  - (a) the value of the contract exceeds R 200 000 (VAT included); or
  - (b) the duration period of the contract exceeds one year
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of -
  - a. all consultancy services provided to an organ of state in the last five years; and
  - b. any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.
- (5) Should the Municipality have a Council approved Policy with regards to the appointment of consultants that is aligned to Treasury Guidelines; such policy would override this section of the Supply Chain Management Policy.

### **37. Deviation from and ratification of minor breaches of, procurement processes**

- (1) the accounting officer may -
  - (a) dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only
    - I. in an emergency and subsequently the department to take into account in the review of their annual Demand Management Plan
    - II. if such goods or services are produced or available from a single provider only;
    - III. for the acquisition of special works of art or historical objects where specifications are difficult to compile;
    - IV. acquisition of animals for zoos
    - V. in any other exceptional case where it is impractical or impossible to follow the official procurement processes e.g. any purchase on behalf of the District Municipality at a public auction

sale; and

- (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs 37(1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.
- (4) Emergency Dispensation – Conditions warranting Emergency dispensation include the existence of one or more of the following
  - i. The possibility of human injury or death
  - ii. The prevalence of human suffering or deprivation of rights
  - iii. The possibility of damage to property, or suffering and death of livestock and animals
  - iv. The interruption of essential services, including transportations and communication facilities or support services critical to the effective functioning of the District or the B Municipalities within the District
  - v. The possibility of serious damage occurring to the natural environment
  - vi. The possibility that the security of the state could be compromised
- (5) Single Source selection – Justification for single source selection must be examined in the context of the overall interest of the Garden Route District Municipality and the project
  - i. Single source selection may be appropriate only if it represents a clear advantage over competition for services that represent a natural continuation of previous work carried by the consultant, and continuity of downstream work is considered essential.
  - ii. The reasons for single source selection must be fully motivated in a report and approved by the Bid Adjudication Committee prior to conclusion of a contract.
  - iii. Detailed specification with defined scope and details of deliverables must be set before work can commence guiding the consultants and providing set the parameters to which they may operate with. No contract may be open ended without addressing specific needs analysis approved by the Accounting Officer

or delegated authority beforehand.

### 38. Transversal bids

- 1) Accounting officer or delegated authority to approve initiation (shared services) or participation of transversal bids by Garden Route District Municipality
- 2) Transversal bids will only be relevant when the municipality wishes to invite a tender/bid itself and other municipalities or wishes to participate in a tender together with other municipalities or organs of state from the initial phase or it is prescribed through a circular by the National Treasury.
- 3) This form of bidding is different than when participating in a tender invited by another organ of state as referred to in SCM Treasury regulation 32 or section 33 of the Garden Route District Supply Chain Management Policy
- 4) Chief Financial Officer to arrange and provide advice, assist and guide the transversal procurement process and ensure that technical and governance requirements are met
- 5) Arrange implies drawing up a the business case, obtaining formal approval from affected municipalities and the Accounting Officer to proceed, the planning, organising, logistical and bid administration requirements by the custodian Municipality
- 6) Where transversal bids are contemplated, it should result in lower unit cost or economies of scale or other corporate advantage as demonstrated by the required business case.
- 7) Where the custodian municipality other than Garden Route District Municipality has identified the need for transversal tender, it must ensure that the procurement of goods or services or both is procured in terms of the section 217 of the constitution of the Republic of South Africa and any other relevant legislation and prescripts
- 8) Formal written consent must be obtained by the participating municipalities or other organs of state before the tender process is initiated.
- 9) When Garden Route District Municipality initiates the transversal tender written consent obtained from the accounting officers of other municipalities or organs of state must mention a review and consensus of needs analysis, specification, risk assessment and, defined desired outcomes
- 10) The Custodian Municipality will take full responsibility for the arrangement and conclusion of the bid process, inclusive of the formalisation of the contracting arrangements noting that each participating municipality, depending on the requirements and the nature of the contract, may have to sign a separate service level agreement with the selected service provider.

- 11) Provision in the agreement amongst participating municipalities or organs of state should make provision for participating entities to second their own official with the relevant expertise to participate, observe or offer advice to the initiating entity.

### **39. Unsolicited bids**

- 1) In accordance with section 113 of the Act, Garden Route Council is under no obligation to consider unsolicited bids received outside a normal bidding process.
- 2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if
  - a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
  - b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
  - c) the party or entity that has made the unsolicited bid is the sole provider of the product or service; and
  - d) the reasons for not going through the normal bidding processes are found to be sound and justifiable by the accounting officer subject to relevant consultation.
- 3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act together with –
  - a) reasons as to why the bid should not be open to other competitors;
  - b) an explanation of the potential benefits if the unsolicited bid were accepted; and
  - c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- 5) The adjudication committee may consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, with comments from  
Provincial and National Treasury
- 6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

- 7) When considering the matter, the adjudication committee must take into account-
  - a) any comments submitted by the public; and
  - b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- 8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

#### **40. Combating of abuse of supply chain management system**

- (1) The accounting officer must-
  - a) take all reasonable steps to prevent abuse of the supply chain management system;
  - b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
    - (i) take appropriate steps against such official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - c) Check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - d) Reject any bidder if they are listed as non-compliant on the National Treasury's Central Supplier Database
  - e) Reject any bid from a bidder-
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
    - (ii) who during the last five years has failed to perform satisfactorily on a

previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

- f) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- g) cancel a contract awarded to a person if
  - i. the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
  - ii. an official or other role player committed any corrupt or fraudulent act during the bidding
- h) reject the bid of any bidder if that bidder or any of its directors –
  - i. has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
  - ii. has been convicted for fraud or corruption during the past five years;
  - iii. has wilfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
  - iv. has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii),

(f) or (g) of this policy.

(3) The Municipality takes cognisance of the provisions of Chapter 2 of the Competition Act no. 89 of 1998

- ☐ PART A - Restrictive practices;
- ☐ PART B - Abusive of a Dominant position; and
- ☐ PART C - Exemption from application of chapter 2.

(4) The accounting officer must also provide measures for the invalidation of recommendations or decisions that were unlawfully or improperly made, taken or influenced, including recommendation or decisions that were made, taken or in any way influenced by:

- i. Councillors in contravention of item 5 or 6 of the Code of Conduct for Councillors in schedule 1 of the Systems Act; or



- ii. Municipal officials in contravention of item 4 or 5 of the Code of Conduct for the Municipal Staff member set out in schedule 2 of the Systems Act
- (5) The Bid Adjudication and Evaluation Committee to take cognisance of the provisions of the Competition Act no 89 of 1998 during the evaluation and award of the tender.
  - (6) Accounting Officer or any other delegated personnel of Garden Route DM, is prohibited from deliberately placing order for goods, service and /or infrastructure projects from suppliers, receiving such goods, services and/or infrastructure projects and arranging with suppliers for such goods, services and/or infrastructure projects to be invoiced and paid for in another financial year
  - (7) The above prohibition does not apply to multi-year contracts and projects adopted over multi-years in terms of the MFMA sections 19 and 33.

#### **40 (B). CONTRACT MANAGEMENT**

- (1) All contracts entered into by the municipality in the tender process referred to in paragraph 18 & 19 of this Policy must:
  - a. Be in writing
  - b. Stipulate the terms and conditions of the contract or agreement which must include provisions for providing for:
    - I. The termination of the contract or agreement in the case of non or under performance
    - II. Dispute resolution mechanisms to settle disputes between parties
    - III. A periodic review of contract or agreement
    - IV. Any other matters as maybe prescribed
  - c. Include General conditions of contract as prescribed by national treasury
  - d. Specify the duration of the contract
  - e. Specify the repayments terms in respect of the goods or services supplied
  - f. Be monitored by the Directorate of the municipality which requested the goods and services to ensure that all the contracts requirements are met.
- (2) Unauthorised or breaches of the contract as in paragraph 40(B) above by the supplier or service provider must be reported to the Legal Department for initiating appropriate action as well as to the SCM Unit which must record the details of such deviation and breaches.
- (3) Departmental Heads shall be responsible for ensuring that contract managers:
  - a. Are assigned to all contracts within the department Head's area of responsibility
  - b. Are adequately trained so that they can exercise the necessary formalities in signing

up the contract and/or issuing the purchase order(s);

- c. Ensure that contracts related to the procurement of goods and services are captured on the Municipality's record management system
  - d. Ensure that all original contract documentation is lodged at registrar
  - e. Manage all contract variations and ensure any variations are administered in accordance with any treasury guidelines or relevant statute
  - f. Manage any contract disputes and lodge with the relevant authority and the legal department where disputes could not be resolved
  - g. Ensure suppliers performance review is undertaken against the project deliverables
  - h. Maintain appropriate formal records and correspondence regarding the project and contract for reference point
  - i. Act with care and diligence and observe all accounting and legal requirements
- (4) Management of expansion or variation of order against the original contract: The expansion or variation of contracts against the original contract and prevention of contract manipulation.
- a) Contracts may be expanded or varied by not more than 20% of the original value for Construction related goods, services and/ or infrastructure projects.
  - b) Contracts for all other goods and/or services may be varied by not more than 15% of the original value of the contract.
  - c) Any expansion or variation in excess of the above mentioned thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract
  - d) The above is not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of Municipalities and specific term contracts. The latter refers to contracts where required quantities are not specified or are unknown and the award is based on creating a facility.

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

#### **41. Logistics management**

- (1) The accounting officer must establish and implement an effective system of logistics management, which must include -

- a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- d) before payment is approved , certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

### ***General Logistics***

#### **(2) Placing Orders**

- a) Purchase orders will be created with reference to requisitions where the supply source is either bids or quotations on Garden Route District Document Management System or financial system.
- b) Purchase order approval will be system based and authorised by the delegated authority (No manual process to be followed unless in exceptional circumstances, financial system is not accessible for unreasonable prolonged periods without clear indication when the system malfunction would be restored or there is power shortages or there is no power back up in place, however approval in writing to be obtained from the Chief financial officer authorising such process and giving guidance on the ratification process)
- c) All purchases orders will be captured on Garden Route District's Financial and or Document Management System at stores, and ensure that proper audit trail exist.

(no one may issue an order apart from a delegated official)

- d) In respect of goods and services (with exception of professional services where there are other mechanisms place for accepting a bid), no work shall commence or goods be delivered before an official order has been placed with the vendor
- e) Garden Route District Municipality shall not be held liable for payment of any goods delivered or services rendered in contravention of clause (41)(2)(d) of the Garden Route District Municipality

### **(3) Receiving of Goods**

- 1) Goods received note (GRV) will be completed for all goods and services received by the municipality in the following manner:
  - I. Goods delivered or services rendered to be received by the user department that issued the requisition at the location indicated in the requisition and the purchase order unless if it's a store item that should be delivered at the municipality's respective stores.
  - II. The official receiving the goods must inspect and agree the content of service provider's delivery note to Garden Route District Municipality's official order placed and agree to the following:
    - a) Delivery note to indicate Garden Route District Official Order number and the official to confirm the order number to be legitimate
    - b) Description of the type of goods on the delivery note, brand, the quantity of goods and the total cost of the goods or service to be agreed to the official order before any acceptance of goods and signing off of any delivery document
  - III. Deliveries where no official orders can be matched to an official order may not be accepted by the municipality, acceptance of such is seen as exposure of Council to Financial Risk
  - IV. On matching of the delivery note to the purchase order, the receiving official to inspect the goods or service being delivered against the content of the delivery note and the following to be agreed as faithful representation at hand:
    - a) The description of goods and services being delivered or rendered to the municipality
    - b) The quantity of goods being delivered
    - c) The quality of the goods or service being delivered or rendered to the municipality (damaged goods or goods with past expiry period may not be

accepted)

- V. Any discrepancies, shortfalls against the order, damaged goods, incorrect goods or any other discrepancy to be recorded in permanent marking and signed off by both the Municipality's receiving official and the supplier and delivering agent.
- VI. Goods exceeding the quantities ordered or deviating from the description or quality should not be accepted and should be noted and communicated to the supplier formally and communicated to Finance Department (Creditors Unit)
- VII. On acceptance of the Goods or services subsequent to the above mentioned process, an internally generated Good Received Note should be generated recording the goods or services received and their quantity and total cost and signed off.
- VIII. All relevant documentation (original documentation) related to any delivery of goods or receipt of service from external service providers to be sent to Finance Department (Creditors unit immediately)
- IX. Failure to record crucial information and omission of discrepancies that result in the municipality incurring a financial loss will be dealt with in accordance with municipality's disciplinary code of conduct or the equivalent.
- X. Failure to forward all the relevant documentation to creditors department timeously can result in appropriate actions against the responsible official

#### **(4) Stock Logistics**

- I. Stock or inventory to be valued as per accounting policy of the Municipality in line with the relevant accounting practise
- II. Input VAT to be claimed upon purchase and output VAT is accounted for at the time of issue according to the accounting policy
- III. Stock items shall be systematically replenished using the re-order point or minimum level as set in the financial system
- IV. Issuing of stock shall be systematically administered through the financial system against internal orders or requisitions that are duly authorised
- V. Stores function is centralised and managed through the 3 stores of the municipality,

George, Oudsthoorn and Riversdale. (Fuel through the stores and fuel depots)

#### 42. Disposal management

- (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets are as provided in **sections 14 and 90** of the Municipal Finance Management Act, and the Municipal Asset Transfer Regulations, 2008.
  
- (2) Assets may be disposed of by -
  - i. transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
  - ii. transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
  - iii. selling the asset; or
  - iv. destroying the asset.
  - v. In terms of the donations policy
  
- (3) The accounting officer must ensure that –
  - a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
  - b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
  - c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
  - d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
  - e) all fees, charges, rates, tariffs, scales of fees or other charge relating to the letting of immovable property are annually reviewed;
  - f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and

- g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

#### **43. Risk management**

- a) Risk Management unit, to be serve as part of the Bid Specification Committee and Bid Evaluation Committee in facilitating and evaluation of risk identified in the procurement of goods and services.
- b) Risk management assessment will be guided by the risk assessment process in line with Risk Management guidelines and standards. The process may include the following:
  - i. The identification of risks on a case by case basis
  - ii. The allocation of risks to the party best suited to manage such risks;
  - iii. Acceptance of the cost of the risk where the cost of transferring the risk is higher than that of retaining it
  - iv. The management of risk in a pro-active manner and the provision of adequate cover for the residual risk; and
  - v. The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation
- c) Risk management will duly assess corporate risk and identify mitigating controls

#### **44. Performance management**

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

#### **44 (A).**

- 1) The official that receives goods or services on behalf of the Council, or manages the contract which was entered into as a result of a competitive bidding process, to ensure that the goods or services have been delivered in accordance with the service level agreement governing the contractual relationship
- 2) In the case of non-performance or unsatisfactory performance by a supplier, the user department concerned, in consultation with contracts management unit, must issue a notice to the supplier or service provider in writing notifying them of terms contravened and requesting immediate remedial action to comply with the contract terms; failing which:
  - Legal Services / contracts management unit to be consulted for appropriate action.
- 3) In the case of goods and services supplied in response to a quotation invited by the municipality, the official that initiated the requisition or received the goods or services on behalf of council, should complete a goods received voucher (GRV) and note any discrepancies that may require the attention of the service provider if any.
- 4) In the case of goods or services procured through a tender process as specified in terms of the policy, paragraph 18(b) and 19, the contract manager or designated person must ensure that goods or services requested have been provided in accordance with service level agreement before the final payment is settled..
- 5) Final review should consider the following:
  - a) Satisfactory element of the quality and standard of the goods and services received and quality of workmanship.
  - b) Include details, supported by formal written notifications to the supplier regarding non-performance or poor service delivery.
  - c) Include recommendation on any further actions to be taken against the supplier in terms of paragraph 40 B of the policy.

#### **Part 4: Other matters**

##### **Prohibition on awards to persons whose tax matters are not in order**

#### **45.**

- (1) No award from R30 000 and above may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue



S in order.

e  
(2) Before making an award to a person the accounting officer must first check  
r with SARS whether that person's tax matters are in order.

v  
(3) If SARS does not respond within 7 days such person's tax matters may for  
c purposes of subparagraph (1) be presumed to be in order.

e  
(4) In cases of uncertainty on Tax affairs of the service provider, Service provider to  
t provide the municipality with SARS e-filing pin code for independent verification by  
the municipality.

o  
(5) That Garden Route Council adopt MFMA circular No. 90, Tax Compliance Status, in  
b the finalisation of awards made for transaction above R30 000 on Tax related  
e matters.

#### **Prohibition on awards to persons in the service of the state**

46. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy-

- a) who is in the service of the state
- b) if that person is not a natural person, of which any executive director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- c) a person who is an advisor or consultant contracted with the municipality.

#### **Awards to close family members of persons in the service of the state**

47. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R 2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including -

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and

- (c) the amount of the award.

#### **48. Ethical standards**

- (1) The code of ethical standards as set out in the “*National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management*” is hereby established for officials and other role players in the supply chain management system of the Municipality in order to promote -
  - a. mutual trust and respect; and
  - b. an environment where business can be conducted with integrity and in a fair and reasonable manner.
- (2) A breach of the code of ethics must be dealt with as follows -
  - a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
  - b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
  - c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

#### **49. Inducements, rewards, gifts and favours to municipalities, officials and other role players**

- (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant -
  - a) any inducement or reward to the municipality for or in connection with the award of a contract; or
  - b) any reward, gift, favour or hospitality to -
    - I. any official; or
    - II. any other role player involved in the implementation of this Policy.

- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

## **50. Sponsorships**

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

- a) a provider or prospective provider of goods or services; or
- b) a recipient or prospective recipient of goods disposed or to be disposed.

## **51. Objections and complaints**

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

## **52. Resolution of disputes, objections, complaints and queries**

- (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes -
  - a) to assist in the resolution of disputes between the municipality and other persons regarding -
    - (i) any decisions or actions taken in the implementation of the supply chain management system; or
    - (ii) any matter arising from a contract awarded in the course of the supply chain

management system; or

- b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must -
  - a) strive to resolve promptly all disputes, objections, complaints or queries received; and
  - b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if -
  - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
  - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

### **53. Contracts providing for compensation based on turnover**

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

- a) a cap on the compensation payable to the service provider; and
- b) that such compensation must be performance based.

### **54. Construction Industry Development Board (CIDB)**

The Construction Industry Development Board (CIDB) has been established by government to promote uniform application of policy to the construction industry.

**a) When calling for construction related bids:**

- I. The prescribed CIDB (uniformity bid documents) must be utilised
- II. Only contractors registered with CIDB may be used
- III. All projects must be advertised on the i-tender or e-tender system
- IV. Consultants used in the procurement process must adhere to the CIDB legislation
- V. Consultants used in the procurement process are prohibited to provide goods, works or service related to the project; and
- VI. Subcontract arrangements and joint venture initiatives must be aligned to CIDB guidelines and requirements

**b) When evaluating construction related bids**

- I. The validity of the contractor's registration on the CIDB website must be verified
- II. The bidders documents must be assessed against the prescribed CIDB contractor requirements
- III. Calculations for joint venture grading must be done according to the CIDB prescriptions

**c) All construction related procurement and projects above minimum threshold R50 million should be undertaken in accordance with the Infrastructure Delivery and Procurement Management (IDPM) – Refer to Annexure C**

**d) Other matters**

- I. all projects approved by the municipality must be registered with the CDIB
- II. contracts registered on the i-tender systems must be update and completed
- III. non-performance and non-compliance of contractors must be **reported to the CIDB as per CIDB guidelines**

## **55. Commencement**

This Policy takes effect on date of adoption by council and should be reviewed annually.

**ANNEXURE A****PROCESS FOR THE OBTAINING OF GOODS AND SERVICES**

The following process must be followed in terms of the Municipal Finance Management Act, Act 56 2003, Garden Route Supply Chain Management Policy and the Supply Chain Regulations to obtain goods and services.

**1. PURCHASES****1.1 Purchase of all goods/services (capital and non-capital)**

<b>Value of Goods and Services</b>	<b>Procurement Method</b>	<b>Delegated Approval Authority</b>	<b>SCM Policy</b>
➤ <i>R0 – R2000</i>	Petty Cash	Executive Manager	Supply Chain Management Policy S12(1)(a)
➤ <i>R 2 000 up to R 30 000 (VAT Incl.)</i>	Minimum of 3 x written quotations preferably selected from supplier database or central supplier database,	As per delegation register	Supply Chain Management Policy S12(1)(b)
➤ <i>R 30 000 but up to R 200 000 (Informal Tenders)</i>	Informal Tender process; <i>(successful bidder must be registered on the National Treasury's Central supplier Database)</i>	As per delegation register	Supply Chain Management Policy S12(1)(c)
➤ <i>R200 000 or Long Term Contracts (Formal Tenders)</i>	Formal Tender process to be followed. <i>(Successful Bidder – CSD Registered)</i>	As per delegation through the appointed Supply Chain Management Bid Committees.	Supply Chain Management Policy S12(1)(d)
<i>Deviation below 10k</i>	Through procurement system of the municipality	Final approval by the Executive Manager of the Department	Supply Chain Management Policy
<i>Deviations above R10 000</i>	Through procurement system of the municipality <i>(Tax Clearance in order &amp; not in the employ of the state)</i>	Final approval by the Municipal Manager	Supply Chain Management Policy

**2. REQUISITIONS**

Requisitions must be approved in terms of the relevant delegation register as approved by the Accounting Officer or delegated authority.

**3. ORDERS****I. Capital purchases**

Requisitions are verified by the Asset Management Section.

## II. Non capital purchases

All orders are issued through Stores.

### 4. **SUPPLY CHAIN MANAGEMENT POLICY**

#### A. >R 0 – R30 000: 3 x Written Quotations

- i. User department or initiator to put in requisition to the Buyers to obtain a minimum of three quotations. Preference to be given to suppliers listed on the National Treasury's Central Supplier Database, however if there is less than three suppliers identified on the database, potential additional suppliers not listed on the database to be identified and requests for quotation obtained.
- ii. If the preferred supplier is not listed on the Database the following to occur:
  - a) Procurement to take place through an approval by the CFO for direct payment to be obtained. Minimum supplier listing criteria to be fulfilled, i.e. Tax Clearance Certificate, regulation 44 declarations etc.
  - b) User departments to identify Key service providers within their operations and urge them to register on the National Treasury's Central Supplier Database
  - c) Deviations below Quotation R 10 000 to be approved by the Executive Manager of the relevant department.
  - d) The order number will be generated by the chief clerk at stores and forwarded to User department for action

#### B. R30 000 – R200 000: 3 x Informal tenders

- i. User department to initiate the procurement process by compiling specifications and forwarding them to Supply Chain Management via the electronic procurement system. (Specifications approved by the Head of the Department)
- ii. SCM Unit to facilitate the procurement process throughout the procurement life cycle until the award.

*Procurement Life Cycle to involve the following:*

- a) Specifications to serve before the specification committee
- b) Approved specifications will be advertised on the website, e-tender, notice board and send to potential suppliers registered on the accredited supplier database subject to review by Specs Committee and sign off by the Accounting Officer
- c) On submission, Informal tenders must be placed in the tender box and will be opened on the closing date as per time specified on the advertisement.
- d) Summary of informal tenders will be compiled by Supply Chain Management Officer.
- e) User department to provide the technical evaluation against pre-set evaluation criteria and submit to SCM Unit to evaluate the Responsive
- f) Formal Written Price Quotations(Informal Tenders) will be evaluated and awarded by the Bid Evaluation Committee
- g) Competitive Bids (Formal tenders) will be evaluated by the Bid Evaluation committee and recommendation submitted to bid adjudication committee for final award.
- h) Service Level Agreements to be compiled by legal services for all goods and services procured through Informal and Formal Tenders; signed off by both parties before goods and services may be procured

C. >R200 000: Formal Tenders & Long Term Contracts

- i. User department sends a request for a formal tender through to SCM Unit via Collaborator with the specifications.
- ii. SCM Unit to facilitate the procurement process throughout the procurement life cycle until the award.

*Procurement Life Cycle to involve the following:*

- iii. Specifications to serve before the specification committee
- iv. Reviewed and approved specifications to be approved by the accounting officer and Executive Manager of the department initiating the tender before advertising takes place
- v. Approved specifications will be advertised on the municipal website, e tender, notice board and send to potential suppliers registered on the accredited supplier database
- vi. The Tender number and closing date will be allocated by the SCM Unit.



- vii. Tender advertisement will be compiled and placed by the SCM Unit.
- viii. Standard tender documents will be provided to prospective tenderers by the SCM Unit.
- ix. Tenders will be opened on the date and time as specified in the advertisement.
- x. Summary of tenders will be compiled by Supply Chain Management Officer.
- xi. User department to provide the technical evaluation against pre-set evaluation criteria and submit to SCM Unit to evaluate the Responsive bidders in accordance with the Supply Chain Management Regulations.
- xii. The Bid Evaluation Committee to evaluate and make recommendations to the Bid Adjudication committee.
- xiii. The Bid Adjudication Committee can only adjudicate and on contracts up to 10 million.
- xiv. Tenders greater than R10 million will be awarded by the Accounting Officer after recommendations by the Bid Adjudication Committee
  - xv. Service Level Agreements must be complied and signed by both parties before goods and services may be procured in excess of R30 000
  - xvi. Successful / unsuccessful tenderers will be notified of the Bid Adjudication Committee's decision.
- xvii. After awarding the formal tender, the User Department will be informed of the outcome and they are to complete a Service Level agreement before any requisition can be generated

## **5. SERVICE LEVEL AGREEMENTS**

User department to liaise with Legal Services (contract management unit) on the compilation of service level agreements for all tenders (formal and Informal). Process guidance for compilation of Service Level Agreements to be in accordance with Contract Management process.

## **6. Performance Management:**

- (i) Each department to monitor the performance of each supplier to whom tenders have been issued under. The process flow for monitoring performance of service providers to be undertaken on the collaborator system and all the relevant compulsory review comments is completed.
- (ii) It is important that all communication with the service provider regarding the dissatisfaction of the work performed or goods delivered be documented and the service provider be afforded the opportunity to rectify it and respond

accordingly. Where the final assessment of the service provider or supplier remains substandard after engaging with the service provider, legal services to facilitate the process going forth with the legal remedies available

## **7. STANDARD OPERATING PROCEDURES FOR PROCURING ACCOMMODATION AND FLIGHTS**

### **7.1 Accommodation**

- i. Out of town trip form to be duly completed and approved by the designated authority.
- ii. The Official concerned is to provide the designated central co-ordinator for the department with the supporting documentation indicating the reason for accommodation.
- iii. The secretary to source a minimum of three quotations from the internet or any other available resource, identify the lowest quote and proceed with the booking subject to availability OR refer the specifications to the Travel Agent Appointed by Council
- iv. The designated personnel in a particular department to initiate a requisition on collaborator, uploading all the relevant documentation, and route the requisition to the relevant official for approval.(Request CSD Number)
- v. The approved requisition will be routed via collaborator to the Chief Accountant at Stores, who will inspect the documentation. Item to follow the procurement process as per the electronic procurement system.
- vi. Once the payment has been processed, proof of payment to be forwarded by DATA office to the designated personnel that initiated the requisition/booking. (GRV to be generated by departments before payment)
- vii. The designated personnel to forward the proof of payment to both the service provider (Bed & Breakfast or Hotel) / Travel Agent Appointed by council and the official for whom accommodation has been reserved for.

***Provision made in the Travel and Subsistence policy to serve as the guideline:***

## **7.2 Compensation**

### **7.2.1 Accommodation:**

- i. Travel and subsistence policy to serve as a guideline regarding the type of Accommodation and rating that is appropriate as approved by council.
- ii. Where such accommodation is available, the rate for a single room will be payable.
- iii. If a representative stays with a relative or friend, Subsistence and travel policy of Council to be complied with
- iv. The payments for overnight accommodation will be paid directly through Creditors Department to the authorised place of accommodation.
- v. Request for payment of reservation must be submitted within reasonable period before departure to enable the administration to process the reservation.
- vi. Tax/Invoices for accommodation to be submitted to creditors department for completeness of documentation

**7.2.2 Personnel of council may not circumvent procurement process and place their own preferred booking and claim reimbursement. Any emergency cases where accommodation is sourced outside the procurement process, permission to be obtained prior from the executive manager of the department or the alternative relevant authority.**

## **7.3 Booking of Airline Tickets**

- a) Designated personnel in the department should be provided with the following document or invitation for workshop/meeting/conference to be attended with the following details
  - i. Where the event will take place
  - ii. Date and Starting time
  - iii. Date of closure and time of finish

- b) Arrangements for flights to be centralised around the designated personnel in the department, i.e. PA to the Executive Manager
- c) Deviations for items costing up to R10,000 can be approved by the Executive Manager of the relevant department, Final approval for Deviations above R10 000 to be reviewed by the CFO and approved by the Municipal Manager.
- d) Payments of flights to follow due process as approved
- e) When bookings are made, the following information is required by the designated personnel:
  - I. Approval from Municipal Manager for attendance of the meeting
  - II. Copy of ID of the passenger
  - III. Passenger's cell-phone number, which will be used to forward a confirmation e-mail with flight details from the chosen airline
  - IV. Vote from which expenditure will be paid

**7.4 For rental vehicle hire:**

- i. Designated personnel in the department to make the necessary arrangement subject to availability of the vehicles. The class of the vehicle to be guided by the Travel and Subsistence Policy of Council

**7.5Catering**

Refer to the catering policy as approved by council.

## Annexure B



### CODE OF CONDUCT FOR SUPPLY CHAIN MANAGEMENT PRACTITIONERS AND OTHER ROLE PLAYERS

*In accordance with regulation 46(4) and 46(5) of the Local Government Municipal Finance Management Act, 2003: Municipal Supply Chain Management Regulations, the supply chain management policy of a municipality or municipal entity is required take into account the National Treasury's code of conduct for supply chain management practitioners and other role players. Alternatively a municipality or municipal entity may adopt the National Treasury code of conduct. When adopted, such code of conduct becomes binding on all officials and other role players involved in the implementation of the supply chain management policy of the municipality or municipal entity.*

The **purpose** of this Code of Conduct is to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner.

#### General Principles

**Garden Route District Municipality** commits itself to a policy of fair dealing and integrity in the conducting of its business. Officials and other role players involved in supply chain management (SCM) are in a position of trust, implying a duty to act in the public interest. Officials and other role players should not perform their duties to unlawfully gain any form of compensation, payment or gratuities from any person, or provider/contractor for themselves, their family or their friends.

- 1.1 Officials and other role players involved in SCM should ensure that they perform their duties efficiently, effectively and with integrity, in accordance with the relevant legislation, policies and guidelines. They should ensure that public resources are administered responsibly.

- 1.2 Officials and other role players involved in SCM should be fair and impartial in the performance of their functions. They should at no time afford any undue preferential treatment to any group or individual or unfairly discriminate against any group or individual. They should not abuse the power and authority vested in them.

## **2 Conflict of interest**

An official or other role player involved with supply chain management –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350 or as may be set by council;
- (d) must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process, or in any award of a contract by the municipality ;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must declare any business, commercial and financial interests or activities undertaken for financial gain that may raise a possible conflict of interest;
- (h) should not place him/herself under any financial or other obligation to outside individuals or organizations that might seek to influence them in the performance of their official duties; and
- (i) should not take improper advantage of their previous office after leaving their official position.

## **3 Accountability**

- 3.1 Practitioners are accountable for their decisions and actions to the public.

- 3.2 Practitioners should use public property scrupulously.
- 3.3 Only accounting officers or their delegates have the authority to commit the municipality to any transaction for the procurement of goods and / or services.
- 3.4 All transactions conducted by a practitioner should be recorded and accounted for in an appropriate accounting system. Practitioners should not make any false or misleading entries into such a system for any reason whatsoever.
- 3.5 Practitioners must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system.
- 3.6 Practitioners must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including
- (i) any alleged fraud, corruption, favouritism or unfair conduct;
  - (ii) any alleged contravention of the policy on inducements, rewards, gifts and favours to municipalities or municipal entities, officials or other role players; and
  - (iii) any alleged breach of this code of conduct.
- 3.7 Any declarations made must be recorded in a register which the accounting officer must keep for this purpose. Any declarations made by the accounting officer must be made to the **Garden Route District Council** who must ensure that such declaration is recorded in the register.

#### 4 Openness

Practitioners should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only if it is in the public interest to do so.

#### 5 Confidentiality

- a) Any information that is the property of the municipality or its providers should be protected at all times. No information regarding any bid / contract / bidder / contractor may be revealed if such an action will infringe on the relevant bidder's / contractors personal rights.
- b) Matters of confidential nature in the possession of officials and other role players

involved in SCM should be kept confidential unless legislation, the performance of duty or the provisions of law requires otherwise. Such restrictions also apply to officials and other role players involved in SCM after separation from service.

### **Bid Specification / Evaluation / Adjudication Committees**

- 6.1 Bid specification, evaluation and adjudication committees should implement supply chain management on behalf of the council in an honest, fair, impartial, transparent, cost-effective and accountable manner.
- 6.2. Bid evaluation / adjudication committees should be familiar with and adhere to the prescribed legislation, directives and procedures in respect of supply chain management in order to perform effectively and efficiently.
- 6.3 All members of bid adjudication committees should be cleared by the accounting officer at the level of "CONFIDENTIAL" and should be required to declare their financial interest annually.
- 6.4 No person should-
  - 6.4.1 interfere with the supply chain management system of the council; or
  - 6.4.2 amend or tamper with any price quotation / bid after its submission.

### **6 Combative Practices**

- a) Combative practices are unethical and illegal and should be avoided at all cost. They include but are not limited to:
  - (i) Suggestions to fictitious lower quotations;
  - (ii) Reference to non-existent competition;
  - (iii) Exploiting errors in price quotations / bids;
  - (iv) Soliciting price quotations / bids from bidders / contractors whose names appear on the Register for Tender Defaulters.

I ....., an employee of Garden Route District Municipality , hereby acknowledges the Garden Route District Municipality's Code of Conduct for Supply Chain Management and commits to abide by it in the spirit to which it is intended for.



- I acknowledge that my integrity can only be affirmed by how I am deemed by others and therefor will uphold the Supply Chain Management Policy of the Municipality to the letter and spirit to which it is intended for.
- I will refrain from any conduct which may be deemed to be fraudulent in nature or could be seen as bringing disrepute to the image of Council.
- I acknowledge my responsibility for continuous professional development in familiarising myself with the changes in the relevant and applicable legislation of Supply Chain Management and any other relevant procurement legislation.

Signature .....  
Name of Official .....  
Date of Signature .....

**ANNEXURE C      WHOLE NEW SECTION TO REPLACE OUTDATED NT CIRCULAR/GUIDE****Supply Chain Process for Infrastructure Delivery and Procurement Management**

The Council resolves in terms of section 168 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), in reference to SCM Regulation 3(2), this Policy prescribes the standards and gateways system requirements and principles which municipalities must adhere to when procuring infrastructure related services linking to CIDB and ISO standards and ethos, therefore to adopt the following SCM Framework for Infrastructure Delivery and Procurement Management of the Garden Route District Municipality, for procurement in excess of R50 million rand.

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## Foreword

In 2012, the Infrastructure Delivery Management System (IDMS) was adopted as the chosen government wide system for infrastructure delivery in South Africa. In the same year (2012), the National Treasury, together with the eight metropolitan municipalities, initiated the customisations of the IDMS for implementation by municipalities. The product of that engagement became the Cities Infrastructure Delivery Management Toolkit (CIDMT), focusing mainly on cities or metros.

In order to establish a common approach to infrastructure delivery across all organs of state, the Standard for Infrastructure Procurement and Delivery Management (SIPDM) was issued for adaptation and adoption by municipalities in terms of Circular 77.

In the process of implementing and institutionalising the SIPDM, institutions expressed concerns regarding the operational challenges imposed by aspects of the SIPDM. This constraint was further compounded when the Preferential Procurement Regulations, 2017 were promulgated and effected, resulting in conflict between the SIPDM and the Regulations.

The National Treasury, in consultation with relevant stakeholders, initiated the SIPDM review process, which resulted in the development of the Local Government Framework for Infrastructure Delivery and Procurement Management (LGFIDPM). The LGFIDPM provides for minimum requirements for effective governance of infrastructure delivery and procurement management.

## Introduction

- a) The Integrated Development Plan (IDP) is the principal strategic planning instrument for municipalities. The IDP process requires a robust process of gathering and synthesising information related to the medium to long-term management of the municipality's infrastructure needs.
- b) The preparation of Roads and Storm Water Services, Water and Sanitation Services, Waste Disposal Services, Electricity Services and Community Facilities and Municipal Buildings, Infrastructure Asset Management Plans (IAMPs) enables municipalities to rank projects and determine budgets, based on a holistic view of local needs and priorities; and serves as a source of valuable information in preparing the IDP.
- c) Through the Infrastructure Delivery Management System, Cities Infrastructure Delivery Management System was developed to provide a holistic system for the management of infrastructure based on the requirements of SANS 55001: Asset management tailored for application in South African metropolitan spaces and specifically in support of the country's spatial transformation agenda.
- d) There is need to develop an infrastructure delivery management system tailor-made for all municipalities (excluding cities) which should integrate asset management strategy, policy to guide infrastructure planning, delivery management and decision making. The LGFIDPM introduces the initial process focusing on the project processes of the infrastructure delivery management and infrastructure procurement.
- e) The Framework for Infrastructure Procurement Management should be implemented together with the project management processes, to ensure alignment, integration and efficient and effective service delivery.

## 1. Scope

- 1.1 The Local Government FIDPM applies to organs of state which are subject to the Municipal Finance Management Act (MFMA).
- 1.2 The Framework provides minimum requirements for the implementation of Infrastructure Delivery and Procurement Management through the:
  - a) Project processes for infrastructure delivery management, and
  - b) Infrastructure procurement gates.
- 1.3 The Framework specifies the allocation of responsibilities for performing activities and making decisions at project stages and procurement gates.

## 5 Terms and Definitions

**Approved:** Officially agreed and signed-off by an Accounting Officer or a delegated person / body.

**Construction:** Everything constructed or resulting from construction operations.

**Employer:** Organ of state intending to, or entering into, a contract with a contractor.

**Gate:** A control point at the end of a process where a decision is required before proceeding to the next process or activity.

**Gateway review:** An independent review of the available information at a gate upon which a decision is made whether to proceed to the next process, or not.

**Infrastructure:**

- immovable asset, which is acquired, constructed or results from construction operations; or
- Movable asset, which cannot function independently from purpose-built immovable asset(s).

**Infrastructure delivery:** The combination of all planning, technical, administrative and managerial actions associated with the construction, supply, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

**Infrastructure procurement:** The procurement of goods or services, including any combination thereof, associated with the acquisition, refurbishment, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.

**Organ of State:** Any department of state or administration in the national, provincial and local sphere of government.

**Procurement strategy:** The selected packaging, contracting, pricing and targeting strategy and procurement procedure for a particular procurement.

**Project:** A unique set of processes consisting of coordinated and controlled activities with start and end dates, performed to achieve the project objective.

**Stage:** A collection of periodical and logically related activities in the Project Management Control Stages that culminates in the completion of an end of stage deliverable.

## 6 ABBREVIATIONS

CIDB	Construction Industry Development Board
IDP	Integrated Development Plan
FIDPM	Framework for Infrastructure Delivery and Procurement Management
MFMA	Municipal Finance Management Act
PSP	Professional Service Provider
PPPFA	Preferential Procurement Policy Framework Act
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan

## **7 NORMATIVE REFERENCES**

### **4.1 Acts of Parliament**

The following referenced Acts of Parliament are indispensable in the application of this document:

- Architectural Profession Act, 2000 (Act No. 44 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000)
- Division of Revenue Act (Annual)
- Engineering Profession Act, 2000 (Act No. 46 of 2000)
- Landscape Architectural Profession Act, 2000 (Act No. 45 of 2000)
- Municipal Finance Management Act, (No. 56 of 2003)
- Local Government: Municipal Systems Act, 2000 (Act No. 32 Of 2000)
- National Archives and Record Services of South Africa Act, 1996 (Act No. 43 of 1996)
- Occupational Health and Safety Act, 1993 (Act No. 85 of 1993)
- Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
- Project and Construction Management Professions Act, 2000 (Act No. 48 of 2000)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- Quantity Surveying Profession Act of 2000 (Act No. 49 of 2000)
- Other Sector Specific Acts of Parliament.

### **4.2 Regulations issued in terms of the MFMA and MFMA Circulars**

- i) Regulations issued in terms of the MFMA
- ii) Preferential Procurement Policy Framework Act Regulations (PPPFA of 2017 or as amended from time to time) and circulars.

### **4.3 Standards**

- i) Applicable Construction Industry Development Board Standard for Uniformity
- ii) Construction Sector Code

### **4.4 Management System**

- i) System in place
- ii)

### **4.5 National Treasury Guidelines**



- i) Local Government Capital Asset Management Guideline and Planning Guidelines
- ii) Budget Facility for Infrastructure (BFI).

#### **4.6 Department of Cooperative Governance and Traditional Affairs Guidelines**

- i) Guidelines for Infrastructure Asset Management in Local Government.

## 8 FRAMEWORK FOR INFRASTRUCTURE DELIVERY

### 5.1 The Infrastructure Delivery Management Project Processes

- a) The project process of infrastructure delivery management contains control stage deliverables at the end of each stage. Table 1 outlines the stage deliverables that must be approved. The control stages are specific to project management processes; and outline and describe the stages in the life of a project from start to end. The specific stages are determined by the specific project's governance and control needs. The stages follow a logical sequence with a specified start and end. The deliverable is considered to have passed through the relevant stage when it is approved and signed off. The project then moves on to the next sequential stage. It is expected that the Garden Route Municipality's project implementation process reflects an engagement between the Budget Treasury Office, IDP, SCM, and all strategic role players when developing and approving projects. It is also expected that there should be engagements with the National and Provincial Treasury where appropriate or where projects dictate so.

**Table 1: Project stage deliverables**

Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
1	Initiation	<p><b>Initiation Report or Pre-feasibility Report</b></p> <p>5. The Initiation Report defines project objectives, needs, acceptance criteria, organisation's priorities and aspirations, and procurement strategies, which set out the basis for the development of the Concept Report.</p> <p>Or</p> <p>6. A Pre-feasibility Report is required on Mega Capital Projects, to determine whether to proceed to the Feasibility Stage; where sufficient information is presented to enable a final project implementation decision to be made. Mega capital projects should be determined in the municipality's policy approved by the Municipal Council.</p> <p><b>Stage 1 is complete when the Initiation Report or Pre-feasibility</b></p>

2	<b>Concept</b>	<p><b>Concept Report or Feasibility Report</b></p> <ul style="list-style-type: none"> <li>i. The Concept Stage presents an opportunity for the development of different design concepts to satisfy the project requirements developed in Stage 1. This stage presents alternative approaches and an opportunity to select a particular conceptual approach. The objective of this stage is to determine whether it is viable to proceed with the project, premised on available budget, technical solutions, time frame and other information that may be required.</li> <li>ii. The Concept Report should provide the following minimum information:</li> </ul>
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Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<ul style="list-style-type: none"> <li>a) Document the initial design criteria, cost plan, design options and the selection of the preferred design option; or the methods and procedures required to maintain the condition of infrastructure, or the project.</li> <li>b) Establish the detailed brief, scope, scale, form and cost plan for the project, including, where necessary, the obtaining of site studies and construction and specialist advice.</li> <li>c) Provide an indicative schedule for documentation and construction, or maintenance services, associated with the project.</li> <li>d) Include a site development plan, or other suitable schematic layouts, of the works.</li> <li>e) Describe the statutory permissions, funding approvals and utility approvals required to proceed with the works associated with the project.</li> <li>f) Include a baseline risk assessment for the project and a health and safety plan, which is a requirement of the Construction Regulations issued in terms of the Occupational Health and Safety Act.</li> <li>g) Contain a risk report, need for further surveys, tests, investigations, consents and approvals, if any, during subsequent stages.</li> </ul> <p>iii. A Feasibility Report must provide the following minimum information:</p> <ul style="list-style-type: none"> <li>a. Details regarding the preparatory work covering: <ul style="list-style-type: none"> <li>i. A needs and demand analysis with output specifications.</li> <li>ii. An options analysis.</li> </ul> </li> <li>b. A viability evaluation covering: <ul style="list-style-type: none"> <li>i. A financial analysis.</li> <li>ii. An economic analysis, if necessary.</li> </ul> </li> <li>c. A risk assessment and sensitivity analysis;</li> <li>d. A professional analysis covering: <ul style="list-style-type: none"> <li>i. A technology options assessment.</li> <li>ii. An environmental impact assessment.</li> <li>iii. A regulatory due diligence.</li> </ul> </li> <li>e. An implementation readiness assessment covering:</li> </ul>

3	<b>Design Development</b>	<b>Design Development Report</b> 1) The Design Development Report must, as necessary: <ul style="list-style-type: none"><li>• Develop, in detail, the approved concept to finalise the design and definition criteria.</li></ul>
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Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<ul style="list-style-type: none"> <li>Establish the detailed form, character, function and costings.</li> <li>Define the overall size, typical detail, performance and outline specification for all components.</li> <li>Describe how infrastructure, or elements or components thereof, are to function; and how they are to be safely constructed, be commissioned and be maintained.</li> <li>Confirm that the project scope can be completed within the budget, or propose a revision to the budget.</li> </ul> <p><b>Stage 3 is complete when the Design Development Report is approved.</b></p>
4	Design Documentation	<p><b>Design Documentation</b> (vii) Design documentation provides:</p> <ul style="list-style-type: none"> <li>the production information that details performance definition, specification, sizing and positioning of all systems and components that will enable construction;</li> <li>the manufacture, fabrication and construction information for specific components of the work, informed by the production information.</li> </ul> <p><b>Stage 4 is complete when the Design Documentation Report is approved.</b></p>
5	Works	<p><b>Completed Works capable of being used or occupied</b> 4) Completion of the Works Stage requires:</p> <ol style="list-style-type: none"> <li>Certification of the completion of the works in accordance with the provisions of the contract; or</li> <li>Certification of the delivery of the goods and associated services in accordance with the provisions of the contract.</li> </ol> <p><b>Stage 5 is complete when the Works Completion Report is approved.</b></p>

6	Handover	<p><b>Works which have been taken over by the user or owner; Completed Training; Record Information</b></p> <p><b>(5)</b> The handover stage requires the following activities to be undertaken:</p> <ul style="list-style-type: none"> <li>a) Finalise and assemble record information which accurately reflects the infrastructure that is acquired, rehabilitated, refurbished or maintained;</li> <li>b) Hand over the works and record information to the user organisation and, if necessary, train end user staff in the operation of the works.</li> </ul> <p><b>Stage 6 is complete when the Handover/Record Information Report is approved.</b></p>
7	Close-Out	<p><b>Defects Certificate or Certificate of Final Completion; Final Account; Close-Out Report</b></p>

Stage		Project Stage Deliverables
No	Name	End of Stage Deliverables
		<p>(6) The Close-Out Stage commences when the end user accepts liability for the works. It is complete when:</p> <ul style="list-style-type: none"> <li>a) Record information is archived;</li> <li>b) Defects certificates and certificates of final completion are issued in terms of the contract;</li> <li>c) Final amount due to the contractor is certified in terms of the contract;</li> <li>d) Close-Out Report is prepared by the Implementer and approved by the Municipality.</li> </ul> <p><b>Stage 7 is complete when the Close-out Report is approved.</b></p>

- b) Procurement of PSPs and Contractors can occur at different points in the project stages.
- c) Additional stages may be added to the described stages above, if deemed necessary. For example, additional stages could include those necessary to ensure that project activities are appropriately carried out and stages linked. Contract activities would, in many instances, be contingent upon the requirements of the specific contract being used.
- d) For project progress using the project stages, reporting must be for the deliverable achieved in the stage immediately prior to the 'in progress' stage. For example, if a project is shown as being at Stage No. 3 (Design Development), it implies that the deliverable for Stage No. 2 (i.e. the Concept Report) has been achieved; and that the deliverable for Stage 3 (i.e. the Design Development Report) is in the process of being prepared.
- e) Where an organ of state engages another organ of state to provide agency services, a service delivery agreement must be developed that outlines the roles and responsibilities for each organ of state; and establishes a relationship between the client and the implementer. The development of all deliverables should be carried out in a cooperative and consultative manner between the Client and Implementer parties. All deliverables must be developed and signed off in compliance with the specific service delivery agreement.

### c) **Gateway Reviews**

#### 5.2.1 Gateway reviews for mega capital projects : Value > R50 000 000

- i. The MFMA (Act 56 of 2003), section 19 (2) states: "Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider the projected cost covering all financial years from the start until the project is operational; and the future operational costs and revenue on the project, including municipal tax and tariff implications."
- ii. The ( LGFIDPM) Local Government Framework for Infrastructure Delivery and Procurement Management, prescribes the Gateway Review at the end of stage 2, as the minimum requirement to comply with section (i) above.
- iii. The focus of such a review must be on the quality of the documentation in the first instance, and thereafter on:



- a. Deliverability: the extent to which a project is deemed likely to deliver;
  - b. Expected benefits: within the declared cost, time and performance area;
  - c. Affordability: the extent to which the project's level of expenditure and financial risk can be accepted, given the organisation's overall financial position, both singly, and when considering its other current and projected commitments; and
  - d. Value for money: The optimum combination of whole life costs and quality (or fitness of purpose), to meet the user's requirements.
- iv.** A gateway review team must comprise of not less than three persons who are neither involved, nor associated with the project, but have a broad understanding of the subject matter.
- v.** A gateway review must be led by a person who has experience in the planning of infrastructure projects and is registered as a professional with a statutory council under the built environment professions. The members of the team must, as relevant, have expertise in the key technical areas, cost estimating, scheduling and implementation of similar projects.
- vi.** It is the duty of the institution's Accounting Officer or Authority to appoint a team responsible for the gateway review of his or her institution.
- vii.** The gateway review team must base its findings primarily on:
- a) The information contained in the end-of-stage deliverable;
  - b) Supplementary documentation, if any, provided by key staff and obtained during an interview process; and
  - c) Interviews with key staff members and stakeholders.
- viii.** The gateway review team must issue a report at the conclusion of a gateway review, which reflects the team's assessment of the information at the end of a stage; and provides findings or recommendations on areas where further work should be undertaken to improve such information.
- ix.** The gateway review findings must be classified by the gateway review team as:
- a) Critical: Findings that pose adverse effect to the project or package. Critical findings are findings related to the stage deliverable that are wholly unacceptable.
  - b) Major: Findings that pose a potentially adverse effect to the project or package. Major findings are serious findings and are in direct violation of key legislation, e.g. The Constitution of the Republic of South Africa, the MFMA or the PPPFA.
  - c) Minor: Findings that do not pose any adverse effect to the project or package. Minor findings indicate the need for improvement of practices and processes.
- x.** A Stage 2 deliverable must not be approved until such time that all findings have been resolved.

## **6.1 FRAMEWORK FOR INFRASTRUCTURE PROCUREMENT**

### **(1) INTRODUCTION**

The framework for infrastructure procurement outlines the minimum infrastructure procurement policy requirements for municipal planning and implementation.

The strategic direction set in the Integrated Development Plan (IDP) informs the framework for infrastructure procurement. For example, procurement strategies must be aligned to the municipality's developmental and internal transformation needs, as specified in the IDP.

### **(2) MINIMUM REQUIREMENT FOR INFRASTRUCTURE PROCUREMENT**

- a) Infrastructure procurement must be undertaken in accordance with all applicable Infrastructure Procurement related legislation and this Framework.
- b) Infrastructure procurement must be implemented in accordance with the procurement gates prescribed in clause 6.3 below.
- c) The Accounting Officer must ensure that a budget is available for the duration of the project, in line with MFMA provisions for capital and operating budgets.
- d) The Accounting Officer must ensure that cash flow management processes are in place to meet payment obligations within the time periods specified in the contract.
- e) Procurement gates provided in 6.3 below must be used, as appropriate, to:
  - (i) Authorise commencement of activities that lead to the next control gate;
  - (ii) Confirm conformity with requirements; and/or
  - (iii) Provide information to eliminate any cause of non-conformity and to prevent reoccurrence.
- f) The authorisation to proceed to the next procurement gate must be given by a delegated person or body. The delegated person or body must be able to apply relevant built environment knowledge and skill to achieve the intended results required at the relevant procurement gate. The level of detail contained in the documentation on which a decision to proceed to the next procurement gate is made, must be sufficient to enable an informed decision.
- g) The Accounting Officer must develop and implement effective and efficient emergency procurement procedures, including relevant approval delegation, in compliance with relevant legislation.
- h) The Accounting Officer must develop and implement an effective and efficient infrastructure disposal policy in line with the Municipal Asset Transfer Regulations. The institution may consider disposal strategies aligned to their internal disposal policy, prior to proceeding with the procurement strategy.
- i) The Accounting Officer must keep records of Procurement Gate Approvals, in a manual or electronic format, with the following minimum requirements:
  - (i) Procurement gate;

- (ii) Delegated person/s or body;
  - (iii) Date on which the approval request was received;
  - (iv) Date on which the approval was actioned; and
  - (v) Signature of the delegated person or body.
- j) All assets must be recorded in the municipal asset register as required by the GRAP standards.

### 6.3 Infrastructure Procurement Gates

#### 6.3.1 Procurement Gate 1 (PG 1)

- a) Initiate a procurement process;
- b) **Minimum Requirement for PG 1:**
  - i. Establish and clarify the procurement need, aligned to the municipality's development and transformation priorities specified in the IDP.
  - ii. Determine a suitable title for the procurement, to be applied as the project description
  - iii. Prepare the broad scope of work for the procurement.
  - iv. Perform market analysis.
  - v. Estimate the financial value of proposed procurement and contract for budgetary purposes, based on the broad scope of work.
  - vi. Confirm the budget.
  - vii. Compliance with section 33 of the MFMA with respect to community and stakeholder consultation.
- c) **PG 1 is complete when a designated person or body makes the decision to proceed/not to proceed, with the procurement of the infrastructure.**

#### 6.3.2 Procurement Gate 2 (PG 2)

- a) Approve procurement strategy to be adopted.
- b) **Minimum Requirement for PG 2:**
  - i. Develop a procurement strategy aligned to the institutional procurement strategy;
  - ii. Establish contracting and pricing strategy comprising of an appropriate allocation of responsibilities and risks; and the methodology for contractor payments.
  - iii. Identify service required for works.
  - iv. Decide on contracting strategy.
  - v. Decide on pricing strategy.

- vi. Decide on form of contract.
  - vii. Establish opportunities for promoting preferential procurement in compliance with legislative provisions and the Construction Sector Code.
- c) PG 2 is complete when a delegated person or body approves the procurement strategy that is to be adopted.**

#### 6.3.3 Procurement Gate 3 (PG 3)

- a) Approve procurement documents.
- b) Minimum requirements for PG 3:**
  - 1) Prepare procurement documents that are compatible with:
    - i. approved procurement strategies.
    - ii. project management design documentation.
- b) PG 3 is complete when the Bid Specification Committee approves the procurement document.

#### 6.3.4 Procurement Gate 4 (PG 4)

- a) Confirm that cash flow processes are in place to meet projected contractual obligations.
- b) Minimum requirement for PG 4**
  - 6.3.4.b.1** Confirm that cash flow processes are in place to meet contractual obligations.
  - 6.3.4.b.2** Establish control measures for settlement of payments within the time period specified in the contract.
- c) PG 4 is complete when a delegated person or body confirms in writing that cash flow processes are in place; and control measures are established for the procurement to take place.**

#### 6.3.5 Procurement Gate 5 (PG 5)

- a) Solicit tender offers.
- b) Minimum requirements for PG 5**
  - 6.3.5.b.1** Invite contractors to submit tender offers.
  - 6.3.5.b.2** Receive tender offers.
  - 6.3.5.b.3** Record tender offers.
  - 6.3.5.b.4** Safeguard tender offers.
- c) PG 5 is complete when tender offers received are recorded and safeguarded by a delegated person from the SCM unit.**

#### 6.3.6 Procurement Gate 6 (PG 6)

- a) Evaluate tender offers premised on undertakings and parameters

established in procurement documents.

**b) Minimum Requirement for PG 6:**

**6.3.6.b.1** Determine whether tender offers are complete.

**6.3.6.b.2** Determine whether tender offers are responsive.

**6.3.6.b.3** Evaluate tender submissions.

**6.3.6.b.4** Review minimum compliance requirements for each tender.

**6.3.6.b.5** Perform a risk analysis.

**6.3.6.b.6** Prepare a report on tender offers received, and on their achievement of minimum compliance.

**c) PG 6 is complete when the chairperson of the Bid Evaluation Committee approves the BEC report.**

**6.3.7 Procurement Gate 7 (PG 7)**

**a) Award the contract.**

**b) Minimum Requirement for PG 7:**

**6.3.7.b.1** Bid adjudication committee review of the BEC evaluation report.

**6.3.7.b.2** Bid Adjudication Committee makes an award.

**6.3.7.b.3** Accounting Officer approval of the tender process.

**6.3.7.b.4** Notify successful tenderer and unsuccessful tenderers of the outcome.

**6.3.7.b.5** Sign contract document.

**6.3.7.b.6** Formally accept tender offer.

**c) PG 7 is complete when the Accounting Officer, or the Bid Adjudication Committee where delegated, confirms that the tenderer has provided evidence of complying with all requirements stated in the tender data and formally accepts the tender offer in writing, and issues the contractor with a signed copy of the contract.**

**6.3.8 Procurement Gate 8 (PG 8)**

- a) Administer and monitor the contract.
- b) **Minimum Requirements for PG 8:**
  - 1) Finance department to:
    - i. Capture contract award data.
    - ii. Manage cash flow projection.
    - iii. Administer contract in accordance with the terms and provisions of the contract.
      - i. Delivery department to:
  - 2) Ensure compliance with contractual requirements.
- c) **PG 8 is complete when a delegated person captures the contract completion/termination data (close out reports and relevant documents), including payment certificates due**

# **ANNEXURE I**

## **CREDIT CONTROL AND DEBT COLLECTION POLICY**



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**CREDIT CONTROL AND DEBT COLLECTION POLICY**

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Date

**March 2021**

DC Approved:

Council

Resolution (DC

**No):**



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**PREAMBLE**

In terms of section 96 of the Local Government: Municipal Systems Act, 2000, a Municipality shall-

- 9 collect all money due and payable to it, subject to the provisions of the Act and any other applicable legislation; and
- 10 for this purpose, implement and maintain a credit control, debt collection policy which is not in conflict with its rates and tariffs policies and which complies with the provisions of the Act.

In order to give effect to the a foregoing provisions of the Act, the council of the Garden Route District Municipality will have to adopt a policy relating to credit control, debt collection and as set out hereinafter.

## 6. DEFINITIONS

For purposes of this policy, and unless inconsistent with the context, any word or phrase to which a specific meaning was ascribed by the Act, will have that meaning and

**"account"** includes-

- 6.1 rental agreements;
2. fire services
3. air quality services
- environmental health levies
- any other levies and money owing to the Municipality; and

**"municipal account"** has a corresponding meaning;

**"Act"** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

**"arrears"** means any amount due and payable to the Municipality which has not been paid on or before the date of payment;

**"council"** means the municipal council of the Garden Route District Municipality ;

**"date of payment"** means the date on which the Municipality's accounts are due.

**"Manager: Financial Services"** means a person appointed by the council in that capacity to administer the council's finances and includes any person –

- who is in an acting capacity in that position;

- to whom the Manager: Financial Services delegated a power, function or duty in respect of such delegated power, function or duty;

**"Municipal Manager"** means the person appointed in that capacity by the council in accordance with Section 82 of the Local Government Municipal Structures Act No 117 of 1988 as amended by Section 54A of the Local Government Municipal Systems Act No 32 of 2000 and includes any person –

- (a) acting in that position;
- (b) to whom the Municipality delegated a power, function or duty in respect of such delegated power, function or duty;

**"municipal services"** means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether

- 6 such a service is provided, or to be provided by the municipality through an internal mechanism contemplated in section 76 or by engaging an external mechanism contemplated in section 76; and
- 7 fees, charges or tariffs are levied in respect of such service or not.

**"Municipality"** means the Garden Route District Municipality ;

**"owner"** in respect of immovable property means-

- 7.1 the person in whom ownership vests;
- 7. in the event of the person in whom the ownership vests being insolvent or deceased, or subject to any legal disqualification, the person under whose control and administration such immovable property vest in his/her capacity as curator, trustee, executor, administrator, judicial manager, liquidator or any other lawful representative;

8. in any event where the council is unable to determine the identity of such a person, the person who is entitled to the beneficial use of such immovable property;
9. in the event of immovable property in respect of which a lease agreement of 30 years or longer had been concluded, the lessee thereof;
10. in respect of –
  - a portion of land demarcated on a sectional title plan and registered in accordance with the Sectional Titles Act, 1986 (Act No. 59 of 1986), the developer or the governing body in respect of the joint property;
  - a portion of land as defined in this Act, the person in whose name that portion is registered in accordance with a title deed registered in a Deeds Registrars Office according to the Deeds Registries Act, 1937 (Act No 47 of 1937), including the lawfully appointed representative of such person;
11. any person, including but not limited to:
  - a company registered in accordance with the Companies' Act, 1973 (Act No 61 of 1973) as amended, a trust *inter vivos*, a trust *mortis causa*, a close corporation registered in accordance with the Close Corporations Act, 1984 (Act No 69 of 1984) as amended, and a voluntary association;
  - any government department;
  - any council or governing body established in accordance with any legislation in force in the Republic of South Africa; and
  - any embassy or other foreign entity;

**"premises"** means any portion of land, situated within the area of jurisdiction of the municipality, and of which the outer boundaries are demarcated on:

- (1) a general plan or diagram registered in accordance with the Land Survey Act, 1927 (Act No 9 of 1927) or the Deeds Registries Act, 1937 (Act No 47 of 1937); or

- (5) a sectional title plan registered in accordance with the Sectional Titles Act, 1986 (Act No 95 of 1986);

**"standard rate of interest"** means a rate of interest two percent higher than the prime rate in the RSA

**"interest on overdue accounts"** is based on a full month and part of a month shall be deemed to be a full month whilst interest on overdue account will be calculated on total principal debt balance levied which is outstanding at the due date for payment - which excludes the total accumulated interest balance which forms part of the total overdue amount on the account

## 7. CUSTOMER CARE AND MANAGEMENT

### 2.1. COMMUNICATION AND THE CONVEYANCE OF INFORMATION

- In order to give effect to the provisions of section 95 (a), (b), and (c) of the Act, the Municipality shall do everything within its power to-
  - hold community meetings where representatives of the Municipality and other service providers may consult with the community;
  - ensure that users of municipal services and/or any other service are properly informed with regard to the delivery of services and in particular the costs of the provision of services.

In order to achieve these aims-

- there will, amongst others, be public meetings convened during the budget process, in which political parties, ratepayers' associations, residents' associations, community organisations, chambers of commerce, the general public, and any other interested party shall be involved and during which the priorities, principles, and frameworks of budgets will be discussed

and analysed;

- 5) identify, within the region, the needs which are legally the responsibility of the Municipality;
- 6) involve the community in the prioritising of such needs;
- 7) involve the community in the Municipality's planning of projects and what the Municipality is and other government levels are doing; and
- 8) inform communities what the levels of payment and non-payment are in respect of municipal services, rates and other money due to the Municipality, and to establish strategies in this regard.

a) further public meetings will be held after the drafting of the concept budget at which the implementation of tariffs and the manner in which the budget is to be applied, will be discussed;

- Other methods of communication are to include-

- the utilization of municipal accounts as a highly effective method of communication to convey all kinds of information;

- the distribution of a newsletter in which prominence is to be given to customer care and issues relating to debt;
- encouragement to the press and social media service provider to give prominence to the Municipality's customer care and issues relating to debt and to encourage the press to attend council meetings at which these issues are discussed.

- **MUNICIPAL ACCOUNTS**

In so far as it is possible, the Municipality shall ensure that a person liable for payment of municipal services shall receive monthly statements on which the following shall be reflected:

- all outstanding amounts and the balance brought forward; amounts owing;
- total amount due;

- **ENQUIRIES. APPEALS. ANP SERVICE COMPLAINTS**

- Should a person be convinced that his or her account for municipal services, is inaccurate, he or she may direct a request to the Municipality to have that account reviewed.
- In the meantime, the person must pay an amount, as determined by the Manager: Financial Services, before the date of payment and until the matter has been resolved.
- The Municipal department concerned shall, within one month of receipt of such a request, investigate the matter and inform the person concerned of the



outcome of such an investigation.

- Failure to pay the amount determined in accordance with paragraph 2.3.2 on or before the date of payment in respect of municipal services, will result in credit control action be taken as spelled out in this policy
- A person may appeal against the findings of the Municipality referred to in paragraph 2.3.3.
- An appeal in accordance with paragraph 2.3.3 must be made and delivered to the Municipal Manager within 21 days of the appellant becoming aware of the finding referred to in paragraph 2.3.3 and shall-

(l) set out the grounds of the appeal

- The Municipal Manager must commence with an appeal within six (6) weeks and decide the appeal within a reasonable period.

## **2) PAYMENT FACILITIES**

- The Municipality shall provide and maintain strategically situated accessible payment offices and cash points throughout its area of jurisdiction
- The following alternative payment facilities shall also be provided or be available:
  - electronic bank transfers {A.C.B. system};
  - internet transfers;
  - direct depositing of money into the Municipality's approved bank account;

- Where any of the alternative payment facilities is used, the onus is on the person using such facilities to provide proof of payment, and the Municipality does not accept liability for the non-receipt of such payments, or for incorrect allocations, where such incorrect allocations are due to a mistake on the part of such person.
- Where payment of the money due is made by way of a direct deposit into the Municipality's approved bank account, the onus rests on the debtor to notify the Municipality of such deposit in writing or facsimile to reach the Municipality not later than the date of payment of such monies.
- Municipal accounts are due and payable on the 15th of the month or the first working day after a weekend or public holiday if the 15th is during a weekend or on a holiday

**c) ALLOCATION OF REVENUE**

In accordance with section 102 of the Act, a Municipality may-

- consolidate any separate accounts of persons liable for payments to the Municipality; and
- credit a payment by such a person against any account of that person.

**3. CREDIT CONTROL AND DEBT COLLECTION MEASURES**

**3.1 INABILITY FOR PAYMENT OF MONEY DUE AND PAYABLE TO THE MUNICIPALITY**

- The person responsible for the payment of money due and payable to the Municipality will be the following in the instances mentioned hereafter:
- any other services – the person to whom such services were delivered.
- Where an account is not paid in full, any lesser amount offered and accepted by the Municipality shall not be deemed to be in full and final settlement of such account, unless the Municipal Manager in writing accepts such lesser amount as being in full and final settlement of the account in question.
- The onus rests on the debtor to obtain a statement of his or her accounts so that they may be paid on or before the date of payment.

### **3.2 DATE OF PAYMENT OF MONEY DUE**

- Municipal Services, Rental Agreements, Sundry debtors
- Moneys payable in respect of municipal services are due and payable on the date indicated as such on the account delivered each month in respect of those services and such payment must be made on or before the 15th day of the month after the month in which the account is rendered or such future date as the Council may determine from time to time.
- Payment of amounts due to the Municipality, and fees due in respect of municipal services, must be made on the date indicated on the account rendered to such debtor in respect of such amount owed, which date will be no more than 30 days after the rendering of the particular service.

- Where the last date of payment of any amount owing to the Municipality falls on a day on which the offices of the Municipality are closed, the final date for payment will be deemed to be the first subsequent day on which the offices are open.

(3) **ACTIONS TO BE TAKEN WHERE DEBTORS FALL IN ARREARS OR FAIL TO PAY  
MONEYS DUE ON OR BEFORE THE DATE OF PAYMENT**

a) **FEEs AND LEVIES IN ARREARS IN RESPECT OF MUNICIPAL SERVICES**

- Interest shall be levied interest on overdue account will be calculated on total principal debt balance levied which is outstanding at the due date for payment - which excludes the total accumulated interest balance which forms part of the total overdue amount on the account
  - If a person is unable to pay fees in arrears in respect of municipal services, the Municipality may enter into an agreement with such a person in terms of which he or she is permitted to pay the fees in arrears in monthly instalments and that such the person regularly pays all future accounts in respect of municipal services; the person acknowledges that interest on such amounts in arrears shall be payable at the prescribed rate of interest and he or she agrees to pay such interest;
  - the person acknowledges that should he or she at any time fail to comply with the provisions of such an agreement, the agreement shall be deemed to be null and void; no further negotiations with that person shall be possible, and immediate steps shall be taken to have the electricity and water supplies to the premises in question disconnected or restricted, after which legal proceedings shall follow.
- (i) When a person is served with an account of which the amount due in respect of municipal services is exceptionally high and it is the result of –

- an act or omission on the part of the Municipality; or
- and provided that such amount in arrears is legally due and payable by that person, the Municipality may, in the discretion of the Manager: Financial Services, enter into an agreement with that person in terms of which he or she is permitted to pay the amount owing by way of monthly installments, provided that where such a high account is the result of an act and/or omission on the part of the Municipality, no interest shall be payable in respect of that outstanding amount.

(ii) If fees, or any portion thereof, due in respect of municipal services remain unpaid for a period exceeding 90 days calculated from the date of payment, and an agreement has not been entered into with the debtor, the Manager: Financial Services must,

- hand the account thus due and payable to a debt collector or attorney for collection, if, in his opinion, there is a fair chance that the debt may indeed be collected; [for purposes hereof a debt collector will be deemed to include any official of the council who is vested with the authority to collect debts)

or

- institute legal proceedings against the debtor for the recovery of the debt.

#### • AR R EARS R ENTAL AGR EEMENTS

- Where agreements provide for interest payable on rentals in arrears, interest will be levied in accordance with the provisions contained in such lease or loan agreements.

- Where instalments due to the Municipality are not paid on or before the date of payment, a letter of demand is sent to the person involved in which he or she is requested to pay such arrears, together with interest, if any, within 21 days of the date of such notice.
- An agreement to pay the arrears by way of monthly instalments may at any time be entered into with the person so in arrears, subject, however, to the terms and conditions contained in paragraph 3.3.2.2, which terms shall apply *mutatis mutandis*.
- Where no agreement has been concluded to pay arrears by way of monthly instalments, and such amounts still remain in arrears after more than 30 days calculated from the date of payment, the Manager: Financial Services shall take the steps as set out in paragraph 3.3.2.3.

#### **3.4. FEES DUE OTHER THAN THOSE IN RESPECT MUNICIPAL SERVICES AND RENTAL AGREEMENTS**

The provisions of paragraphs 3.3.2.2 in respect of agreements in arrears are applicable *mutatis mutandis*.

#### **v. LEVING OF INTEREST**

- Interest at the standard rate shall be levied and collected in respect of all amounts in arrears due and payable to the Municipality.
- Interest is levied from the day following the date of payment in respect of such amounts in arrears as have not been paid by such date of payment.
- Interest is levied on the total principle debt balancer outstanding and interest on interest will not be levied as part of the outstanding balance

#### iv. COLLECTION OF DEPOSIT

- a) When a person applies for municipal services and before such services are provided, a deposit may be collected from that person to serve as security or partial security for the payment for municipal services provided to that person.
- b) A deposit as envisaged in paragraph (3.6.1) is utilised to extinguish or reduce debts owed by a person to the Municipality for municipal services rendered, in the event of such person disappearing and being difficult to trace, or being declared insolvent or who, for whatever reason, refuses to meet his or her obligations towards the Municipality.
- c) The amount of the deposit is determined as per specific agreement for municipal services.
- d) When a person, having paid a deposit to the Municipality, requests in writing that the municipal services provided to him or her be terminated and that the deposit thus kept by the Municipality be refunded to him or her, such deposit or any portion thereof which has not been utilised in accordance with paragraph 3.7.2, shall be refunded to such person.
- e) The Municipality is not liable for the payment of interest on deposits held by the Municipality.

#### f) INSTITUTION OF LEGAL PROCEEDINGS

- The institution of legal proceedings includes, but is not limited to-
  - the suing of a debtor for payment of amounts in arrears;
  - the attachment of rent payable in respect of a property;
  - the attachment of a debtor's remuneration;
  - the attachment and sale in execution of movable things;
  - the attachment and sale in execution of immovable property;

- the evacuation of a tenant from a rented property in the event of rental due to the Municipality in respect of such leased property.
- The institution of legal proceedings is undertaken with due consideration of all legal requirements and in compliance with the applicable regulations and procedural rules.
- Discretionary powers vest in the Manager: Financial Services to decide whether
  - an account should be handed over to a debt collector or an attorney for collection and if
  - legal proceedings should be instituted against a debtor

In the exercise of his powers the Manager: Financial Services determines as a sole consideration whether it will be cost-effective to hand over the account for collection and/or to institute legal proceedings against the debtor or not.

- The Manager: Financial Services shall be empowered to determine which of the judicial measures listed in paragraph 3.8.1 will be the most appropriate and effective in respect of each and every debtor against whom legal proceedings are to be instituted in accordance with this policy of the Council.

**c. WRITING OFF OF BAD DEBT**

**3.8.1 Steps To Be Taken Before Writing Off Debt**

Before consideration is given for the write-off of any debt the following steps should be taken:

**(1) CREDIT CONTROL AND DEBT COLLECTION POLICY ACTIONS**



All the applicable actions as contained in the Credit Control and Debt Collection Policy of the Municipality should have been executed and implemented.

(2) ESTATE NOTICES MONITORING

- Deed search to be requested from Legal Services Department on ID numbers of deceased debtors
- Estate notices in the Government Gazette must be checked regularly to enable the municipality to institute claims against insolvent and deceased estates of persons owing money to the Municipality.

(3) TRACING OF DEBTORS

In the event that the debtor's address is not known, all reasonable steps must be taken to trace the debtor. A reasonable effort to trace the debtor will include, but is not limited to, the following:

- (a) Utilising all the information available (such as vehicle registration number, school attended by children, etc.) to locate the debtor;
- (b) Utilising the telephone directory for the last town or city in which the debtor lived to locate the debtor and/or his/her relatives; and
- (c) Contacting the following institutions or persons in order to locate the debtor:
  - The Vehicle Registration Authorities;
  - The Department of Home Affairs; and
  - Officials and/or colleagues at the debtor's last place of employment.

The Manager Financial Services shall consider all other economically viable avenues for debt recovery, including the use of tracing agents, factoring of

debts, recourse against sureties, guarantors or lessees, etc.

### 3.8.2 Prevention Of Prescription Of Debt

- Prevention:

Proceedings out of the appropriate court having jurisdiction for the recovery of a debt must be commenced as soon as is appropriate in order to prevent prescription of the debt. A summons process

for payment of the debt must be successfully concluded as soon as possible to prevent prescription of the debt in terms of the Prescription Act.

- Prescription Act, 1969 (Act No. 68 of 1969):

Section 10 (1) of the Prescription Act provides that a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt. The Municipality cannot legally enforce payment of a debt once the debt has prescribed, but the period of prescription is interrupted:-

- By the service on the debtor of any process whereby the creditor claims payment of the debt. "Process" means a Summons or Notice of Motion, which must actually be served on the debtor and not simply issued by the court, and does NOT include a registered letter of demand
- the debtor acknowledges liability, whether expressly or tacitly payment of a portion of the debt can constitute a tacit acknowledgement of liability.

The completion of prescription may also be delayed in certain circumstances.

- In terms of Section 11 of the Prescription Act, 1969 (Act 68 of 1969), the periods of

prescription of debts are as follows:

- **Thirty years** in respect of -
  - any debt secured by a mortgage bond;
  - any judgment debt;
  - any debt in respect of any taxation imposed or levied by or under any law; and
  - any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances.
- **Fifteen years** in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (i) above.
- **Six years** in respect of a debt arising from a bill of exchange or other negotiable **instrument** or from a notaries contract, unless a longer period applies in respect of the debt in question in terms of paragraph (i) or (ii) above.
- **Three years** in respect of all other debts, save where an Act of Parliament provides otherwise.

### 3.8.3 General

Should all the above efforts prove to be unsuccessful and the debtor cannot be traced or it would be uneconomical to take the matter any further, only

then must a submission be made requesting the write-off of the debt. This submission must detail all steps taken and the Municipality must maintain audit trails in such instances, and document the reasons for the abandonment of the actions or claims in respect of the debt.

#### **3.8.4 WRITE OFF DEBTS OWING TO THE MUNICIPALITY**

##### **(iii) GENERAL CONDITIONS**

The Municipality will consider debts for write-off in the following general circumstances:

- (a) When debts have prescribed, as contemplated in paragraph 3.8.1 above;
- (b) When debts have not been recovered from the deceased, where their estates have been finalized, and recovery of the debts from the heirs is not possible;
- (c) When debts are owed by debtors who cannot be traced, notwithstanding compliance with the provisions in paragraph 3.3 above;
- (d) When no source documentation is available to substantiate or prove the claims, provided that the Manager Financial Services must have satisfied him/herself that all reasonable steps have been taken to locate the source documents;
- (e) When the debtor has emigrated without paying the debts, leaving no assets available for attachment and the debtors' whereabouts are unknown;
- (f) When it is not economical to pursue the debt further.

**Note:** Unless affordable arrangements can be made with tracing agents or attorneys, the costs associated with the tracing of a debtor and subsequent legal costs occasioned thereby, could exceed the amount claimed. It would therefore not be in the Municipality's interest to attempt recovery of debts where the prospects of recovery are remote, and where the possibility exists that the costs associated with recovery may exceed the debt.

(iv) SPECIFIC CONDITIONS

The Municipality will consider debts for write-off in the following specific circumstances:

- Sundry Debt:

Debt owed to Council arising from auxiliary services rendered by Council will be regarded as irrecoverable in the following instances:

- If the debt has prescribed;
- In circumstances contemplated in 3.8.3 (i) (a) to (f) above

- FINAL ACTION

Whenever all the legal avenues, procedures and steps listed above have been exhausted, the arrear amounts should be classified as irrecoverable and should be written off by the person to whom the authority to do so has been delegated under the Municipality's system of delegations

Immediately after 30 June each year, or more regularly if requested by Council, the Manager Financial Services must present to the Council a report listing the following:

- For noting – details of the debts that was written off during the year ending 30 June under delegated authority, together with the reasons for the write offs; and
- For consideration – details of any debt, not included under (a) above, which is believed to be irrecoverable, together with the reasons for this conclusion. The council shall then approve the write-off of such arrears, it if is satisfied with the reasons provided.

- **BAD DEBTS RECOVERED**

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

## **4. GENERAL PROVISIONS**

### **4.1 COLLECTION COSTS**

All legal costs and any other expenses incurred by the Municipality in order to recover monies owing by a debtor to the Municipality, shall be debited against that debtor's account and/or collected by an attorney.

Collection commission and other expenses incurred by the municipality in order to recover monies owing by a debtor to the municipality, is not recoverable from the debtor.

**iv. DISHONoured PAYMENTS**

Should any payment made to the Municipality by means of a negotiable instrument be dishonoured by a bank at a later stage, the Manager: Financial Services may –

- impose costs and administration fees on the account of that debtor at a rate to be determined by the council from time to time; and
- after payment tendered by a debtor is dishonoured for a third time by a bank, notify that person in writing that all future payments may only be made in cash.

**4.3 ACCESS TO PREMISES**

An occupier of premises in the area of jurisdiction of the Municipality must give an authorised representative of the Municipality or of a service provider access at "all reasonable hours to the premises.

**• SIGNING OF NOTICES AND DOCUMENTS**

A notice or document issued by the Municipality pursuant to a by-law promulgated by the Municipality and signed by a staff member of the Municipality is deemed to have been properly issued and shall be accepted by the court as evidence of that fact upon the mere submission thereof.

**• CERTIFICATION OF DOCUMENTS**

Any order, notice or other document which needs to be certified by the Municipality, is deemed to have been sufficiently certified if it is signed by the Municipal Manager or a duly authorised official of the Municipality to whom such powers were delegated by means of a decision of the Municipality's council or pursuant to a by- law.

- **PRIMA FACIE EVIDENCE**

In lawsuits initiated by the Municipality, the mere submission of a certificate reflecting the amount due and payable to the Municipality and signed by the Municipal Manager or a suitably qualified official authorised thereto by the Municipal Manager, shall be accepted by the court as *prima facie* evidence that the amount is due.

- **QATA MAINTENANCE**

Should the client contact the municipality at any time, his/her details as reflected on the financial system should be verified and checked and adjusted accordingly.

#### **4.8 SHORT TITLE**

This policy is called the Credit Control, Debt Collection Policy of the Garden Route District Municipality.



# **ANNEXURE J**

## **BANKING, CASH MANAGEMENT AND INVESTMENT POLICY**



**BANKING, CASH MANAGEMENT & INVESTMENT POLICY**

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Date	Council
Approved:	D
	C Resolution (DC
	No):

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## 1      **DEFINITIONS**

For the purpose of this policy:

**"Act"**- means the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003)

**"Accounting Officer"**- is the person appointed by Council in terms of Section 82 of the Municipal Structures Act, 1998 as amended by Section 54 A of the Municipal Systems Act, 2000 [Act No.32 of 2000

**"Council"** - means the Garden Route District Municipal Council or any of the Council's committees or officials acting under powers, functions and duties delegated to them in terms of any existing act or ordinance or by-law in force within the area of jurisdiction to the Council

**"Councillor"**- shall mean a member of the municipal council of Garden Route District Municipality;

**"Chief Financial Officer"** - shall mean the head of the Financial Services Department as contemplated in Section 80 of the MFMA;

**"Official"** - shall mean all persons in the employment of Garden Route District Municipality

**"Investments"** - means:

25. The placing or deposit of funds with a financial institution' or

26. The acquisition of monetary and non-monetary assets with funds not

immediately required with the primary aim of preserving those funds. **"Investment Manager"**- means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Market Control Act, 1989 (Act 55 of 1989 and Stock Exchanges Control Act, 1985) Act 1 of 1985, contracted by a municipality or municipal entity to –

16. advise on investments
17. manage investments on its behalf ; or
18. advise it on investments and manage investments on its behalf

**"Investee"**- means an institution with which an investment is placed, or its agent;

**"Municipality"**- means the Garden Route District Municipality

## 9 **Objective and Scope of Policy**

- 9.1** The council and staff of the municipality have an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.
- 9.2** The municipality 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.
- 9.3** This policy is intended to provide a framework for ensuring the proper management and investment of its cash resources so as to ensure:
- That the net current asset requirements of the municipality are effectively managed;
  - That sufficient cash resources are available to finance the capital and operating budgets of the municipality;
  - That the highest possible return on investments is gained without unnecessary risk, during periods when excess funds are not immediately required;
  - That in so doing, the primary aim of preserving and ensuring the safety of deposits is promoted;
  - That there is effective control over the management of bank accounts
  - That investments are diversified.
- 9.4** This policy shall apply to the management of all of the cash resources of the Municipality and to all investments made by it

## 10 **Legal Provisions**

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of:

**10.1** The Local Government: Municipal Finance Management Act No. 56 of 2003 ("the MFMA") and

**10.2** any Regulations made thereunder, including, in particular, the Municipal Investment Regulations published under GN R308 in Government Gazette 27431 of 1 April 2005 ( "the Investment Regulations").

## 11 **Principles of Sound Cash Management**

In order to promote sound cash management, the Municipality shall adhere to the following principles:

- 11.1** It shall collect revenue when it is due and bank it promptly;
- 11.2** It shall make payments, including transfers to other levels of government and non- government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the creditor's normal terms for account payments;
- 11.3** It shall avoid pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- 11.4** It shall accept discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- 11.5** It shall and pursue apply its debt collection policy to ensure that amounts receivable by the municipality are collected and banked promptly;
- 11.6** It shall accurately forecast its cash flow requirements;

- 11.7** It shall synchronise the inflow and outflow of cash;
- 11.8** It shall recognise the time value of money by economically, efficiently and effectively managing cash;
- 11.9** It shall take any other action as may promote the efficient utilisation of cash resources, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets; and
- 4.10** It shall avoid bank overdrafts.

**11 CASH COLLECTION**

- 11.1** All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and **banked on a economical minimum of twice p.m basis.**
- 11.2** The Municipality shall endeavour to apply its Credit Control and Debt collection Policy rigorously in order to promote the collection of moneys due to it. This includes charging interest and recovering other costs when appropriate and setting target dates when these are payable.

**12 RECEIPT OF PAYMENTS**

- 12.1** The receipt of all monies collected by the council shall be acknowledged forthwith by the issue of a numbered official receipt, as provided in this section.
- 12.2** When money is received over the counter:
- Every payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and
  - Every receipt form which is cancelled will be reattached in the correct place, in the receipt book. Where computer generated receipts are



used, the original receipt must be filed for audit purposes.

**12.3** Payments by cheque

No payments by cheque will be accepted

- 12.4** When money is received by electronic transfer, such transfers must be immediately recorded and receipts must be issued.

**8. Payments to Creditors**

- 8.1** 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, subject to the provisions of Section 65 of the MFMA.
- 8.2** Notwithstanding 7.1, in the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, then the CFO chief financial officer may in his discretion authorise payment thereof.
- 8.3** 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 he or she determines that there are financial incentives for the municipality to do so.
- 8.4** The Chief Financial Officer shall not ordinarily process payments for accounts received more than once in each calendar month, such processing to take place on or about the end of the month concerned, except when payment is to be effected in circumstances contemplated in 7.2.
- 8.5** Special payments to creditors (that is to say, payments made in circumstances not contemplated elsewhere in this section) 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.
- 8.6** Credit statements must be reconciled monthly.

- 8.7** Payments must be made only on receipt of an official order, certified goods received note and official company invoice.
- 8.8** All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s) .
- 8.9** The chief financial officer shall, in consultation with the municipal manager and with due regard to the council's policy on banking and investments, and subject to 7.10, determine the rules and procedures relating to the approval of payments and jointly with the municipal manager decide on appropriate signatories.
- 8.10** Only the Municipal Manager or the Chief Financial Officer, or any other senior official of the Municipality acting on the written authority of the Municipal Manager, may withdraw money or authorize the withdrawal of money from any of the Municipality's bank accounts, and shall do so only for the purposes prescribed in Section 11 of the MFMA.
- 8.11** Notwithstanding the above, payments shall be effected by means of electronic transfers with the normally accepted control measures being applied
- All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the chief financial officer.
  - The maximum amount and nature of petty disbursements, shall be generally determined from time to time by the chief financial officer, subject, however, to the provisions of the Municipality's Supply Chain Management Policy.
  - No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.

- The chief financial officer or the delegated authority shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.
- Payments to creditors shall in any event be made in accordance with the provisions of the MFMA, and in particular, with Section 65 thereof.

8. **INVESTMENTS DENOMINATED IN FOREIGN CURRENCIES PROHIBITED**

8.1 A municipality or municipal entity may make an investment only if the investment is denominated in Rand and is indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

9. **PAYMENT OF COMMISSION**

Every financial institution with which the municipality makes an investment must issue a certificate to the accounting 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, including councillors, officials or related spouses or family members.

• **MANAGEMENT OF INVENTORY**

- The chief financial officer or delegated authority shall be responsible for the proper administration of all stores.
- If sub-stores are established under the control of any head of department, or

delegated authority such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the chief financial officer, acting in consultation with the head of department concerned.

- No sub-store may be established without the prior written consent of the chief financial officer.
- Each head of department or delegated authority 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.
- A stock register, reflecting the undermentioned detail must be kept and updated daily:

- |        |   |
|--------|---|
| 10.5.1 | Item description;   |
| 10.5.2 | Store code number;  |
| 10.5.3 | Transaction date;   |
| 10.5.4 | On goods received- <ul style="list-style-type: none"> <li>• Goods delivery note number;</li> <li>• Number of items received; and</li> <li>• Value of items received.</li> </ul> |
| 10.5.5 | On goods issued- <ul style="list-style-type: none"> <li>• Requisition number; and</li> <li>• Number of items issued.</li> <li>• Balance of items in stock.</li> </ul>           |

- Stock counts must be affected monthly and an annual report reflecting stock

shortage and surpluses must be submitted to council as at 31 August of each financial year. All surpluses and shortages must be explained by the accountable head of department.

- Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

9) **CASH FLOW PROJECTIONS**

- a) 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, or more frequently, if considered necessary.
- b) Provision must be made in the cash flow estimates for the operating and capital requirements of the municipality.
- c) The operating requirements must include provisions for:
  - i) Monthly salary and allowances payments;
  - ii) Bulk purchases of electricity and water;
  - iii) Interest on long term loans;
  - iv) Maintenance of assets;
  - v) General expenditure [payments to current creditors]; and
  - vi) Expected daily and monthly incomes.
- d) 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 good time and in the format required by the Chief Financial Officer.

- e) The Chief Financial Officer shall report to the executive committee or the executive mayor, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.
- f) For purposes of such report, 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.
- g) Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

(iv) **INVESTMENT ETHICS**

- The Chief Financial Officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance, including, in particular, the Investment Regulations.

- In making such investments the Chief Financial Officer shall at all times have only the best interests of the municipality in mind, and shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.
- No official or councillor of the Municipality may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the Municipality has made or may potentially make an investment.

## 8. **INVESTMENT PRINCIPLES**

- (i) When money is available for investment, it shall be invested in accordance with the provisions contained in this policy.
- (ii) After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer must determine the best manner in which to invest it. As rates vary according to money market perceptions, quotations must be requested telephonically, within term limitations, and these must be set out on a schedule.
- (iii) In order to limit exposure, where large sums of money are available for investment, the Chief Financial Officer shall ensure that:
  - they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality, so that not more than 50% are invested at the institution with the highest rate, 30 % at the institution with the 2<sup>nd</sup> highest rate and 20% with the institution with the 3<sup>rd</sup> highest rate of available funds at that date; and
  - As far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered.
- (iv) 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. It can be accepted as a general rule that the larger the return, the greater the risk.

- (v) When investments are placed with smaller registered institutions, the Chief Financial Officer shall ensure that the Municipality is not exposed to undue risk, and shall ensure that the creditworthiness and performance of the institution are satisfactory. Information from which the creditworthiness of financial institutions can be determined must be obtained and analysed at least annually
- (vi) 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.
- (vii) The Municipality may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.
- (viii) Money kept in current accounts should be kept at minimum levels, as it may be more beneficially invested in other accounts such as call deposits.
- (ix) If the Chief Financial Officer invests with financial institutions, he or she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.

## 11. Credit Ratings

- 1) It is of utmost importance that the investments only be placed with creditworthy institutions with a credit rating of A 1 and better for short term [0 – 12 months) and credit ratings AA and AAA ratings for long term [more than 12 months)



- 2) Fitch and or CA ratings to be obtained of all investments institutions before a financial institution may be considered for investing funds.
- 3) Ratings must be updated at least annually or when there has been structural change in the market or at the particular institution.
- 4) The optimal combination of the most favourable rated institution and the institution offering the best returns for the investment sought, should be the determining factor when choosing the institution.

(viii) **PERMITTED INVESTMENTS**

- Monetary investments: The Municipality may invest funds only in investment types permitted under Regulation 6 of the Investment Regulations.
- Non-monetary investments: Any non-monetary investments will require approval by Council prior to execution.

(ix) **CALL DEPOSITS AND FIXED DEPOSITS**

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

- d) Any monies paid over to the investing institution in terms of the agreed investment 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.

**18     Restriction on Term of Investments**

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

**19     CESSION OF INVESTMENTS**

The cession of any investment of the Municipality as security shall be subject to the provisions of Section 48 of the MFMA.

**20     Supply Chain Management Policy**

The Municipality shall comply with its Supply Chain Management Policy to the extent that it is applicable to the implementation of any aspect of this policy.

**(6)     CONTROL OVER INVESTMENTS**

- a) The Chief Financial Officer shall ensure that proper records are kept of all investments made by the Municipality.
- b) Such records shall include an investment register in which the following information shall be recorded:
- Name of institution
  - Capital invested
  - Date invested
  - Interest rate
  - Maturation date
  - Interest received
  - Capital repaid; and
  - Balance invested (other categories).
- c) The investment register and accounting records must be reconciled on a monthly basis.
- d) The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks.
- e) The Chief Financial Officer must ensure that interest, correctly calculated, is received on due date.
- f) Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:
- Fixed deposit letter or investment certificate
  - Receipt for capital invested,
  - Copy of electronic transfer or cheque requisition
  - Excel schedule of comparative investment figures,
  - Commission certificate indicating no commission was paid on the investment; and
  - Interest rate quoted.

**(7) REPORTS**

The Municipal Manager shall ensure that reports are submitted to the Mayor as required under Regulation 9 of the Investment Regulations.

**(8) BANKING ARRANGEMENTS**

- a) The Municipal Manager is responsible for the management of the Municipality's bank accounts, but may delegate this function to the Chief Financial Officer.
- b) The Municipal Manager and Chief Financial Officer are authorised at all times to sign electronic transfers and any other documentation associated with the management of such accounts.
- c) The Municipal Manager is authorised to appoint, in consultation with the chief financial officer, two or more additional signatories in respect of such accounts, and to amend such appointments from time to time.
- d) All bank accounts and investments must be in the name of the municipality.
- e) The selection of the Municipality's Bankers shall be carried out in accordance with the Municipality's Supply Chain Management Policy.

**12. Raising of Debt**

- (1) 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 MFMA and only with the prior approval of the council.

- (2) The raising of debt shall be governed by the municipality's borrowing policy.

**25    RELATED POLICIES**

25.1 This policy must be read in conjunction with the following budget-related policies of the Municipality:

25.1.1 The Credit Control and Debt Collection Policy;

k) The Supply Chain Management Policy;

l) The Budget Policy;

m) The Borrowing Policy;

(d) **REVIEW OF POLICY**

This policy is to be reviewed annually.

(e) **RESPONSIBILITY FOR IMPLEMENTATION**

The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer as may be required to enable the Chief Financial Officer to perform such duties as are imposed on him or her in terms of this policy, and may delegate such other powers as he or she may deem fit

## **28 Commencement**

**This policy shall come into force on the first day of July 2021**

# **ANNEXURE K**

## **BORROWING POLICY**



# BORROWING POLICY

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Date Approved: **27 May 2016**

Council Resolution (DC DC 1054/05/16  
No):



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**LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT  
ACT, NO 56 OF 2003**

**1. PURPOSE**

To establish a borrowing framework policy for the Municipality and set out the objectives, statutory requirements and guidelines for the borrowing of funds.

**2. OBJECTIVES**

To manage interest rate and credit risk exposure. Maintain debt within specified limits and ensure adequate provision for the repayment of debt.

To ensure compliance with Legislation and Council policy, governing the borrowing of funds.

**3. DEFINITIONS**

**“Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

**“municipal debt”** means –

- (a) a monetary liability or obligation on a municipality or municipal entity created by-
  - (i) a financing agreement, note, debenture, bond or overdraft; or
  - (ii) the issuance of municipal debt instruments; or
- i. a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

**“borrower”** will be the Garden Route District Municipality

**“lender”**, in relation to a municipality or municipal entity, means a person who provides debt finance to a municipality or municipal entity;

**“short-term debt”**, in relation to a municipality or municipal entity, means debt

that is repayable over a period not exceeding one year;

**“long-term debt”**, in relation to a municipality or municipal entity, means debt repayable by the municipality or municipal entity over a period exceeding one year;

**“security”**, in relation to a municipality or municipal entity, means any mechanism intended to secure the interest of a lender or investor, and includes any of the mechanisms mentioned in section 48(2) of the Act

**“financing agreement”** includes any loan agreement, lease, installment, purchase contract or a hire purchase arrangement under which a Council undertakes to repay a long-term debt over a period.

#### 4. SCOPE OF THE POLICY

**Risk Management:** The need to manage interest rate risk, credit risk exposure and to maintain debt within specified limits is the foremost objective of the borrowing policy. To attain this objective, diversification is required to ensure that the Chief Financial Officer prudently manages interest rate and credit risk exposure.

**Cost of Borrowings:** The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation.

**Prudence:** Borrowings shall be made with care, skill, prudence and diligence. The standard of prudence to be used shall be the “prudent person” standard and shall be applied in the context of managing overall debt.

#### **Officials are required to adhere to:**

- a) written procedures and these guidelines
- b) exercise due diligence
- c) prepare all reports timeously
- d) ensure strict compliance with all Legislation and Council policy

## 5. LEGISLATIVE FRAMEWORK AND DELEGATION OF AUTHORITY

The relevant legislation and regulations in terms of which borrowing decisions are governed is the Local Government Municipal Finance Management Act, No 56 of 2003.

## 6. CONSIDERATIONS

The Municipality from time to time, will use certain of its surplus funds to fund its Capital programme. The utilisation of surplus funds enables the Municipality to reduce its reliance on external debt financing, thereby allowing it to borrow only funds from external sources when favourable market conditions prevail.

### 6.1 Factors to be considered when borrowing:

- the type and extent of benefits to be obtained from the borrowing.
- the length of time the benefits will be received.
- the beneficiaries of the acquisition or development.
- the impact of interest and redemption payments on both current and forecasted income.
- the current and future capacity of the income base to pay for borrowings and the rate of growth of the income base.
- likely movements in interest rates for variable rate borrowings.
- other current and projected sources of funds.
- Competing demands for funds
- Timing of money markets interest rate movements and the long term rates on the interest rate curve
- The municipality will, in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges
- Municipality may only borrow funds, in terms of the Municipal Finance Management Act, for the purpose of acquiring assets, improving facilities or infrastructure to provide service delivery

### 6.2 Potential lenders include:

- The Development Bank of Southern Africa
- Registered Banks in South Africa

## **7. DEBT REPAYMENT PERIOD**

Whilst the period for which loan debt may be received will vary from time to time according to the requirements of the various Lenders, presently the typical debt repayment period for loans in the current economic climate is between 10 to 15 years. Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter duration (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

## **8. SECURITY**

The Municipal Finance Management Act provides that the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral. It may cede as security any category of revenue or rights of future revenue. Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.

## **9. OVERDRAFT**

Garden Route District Municipality has a bank overdraft facility. However, while in a sound financial position, this facility be not utilised.

## **10. SHORT TERM DEBT**

The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.

The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt. The Municipality may, in terms of the Municipal Finance Management Act, incur short term debt only if the Chief Financial Officer has made a prior written finding that the debt is

either within prudential limits on short term debt as previously approved by Municipality, or is necessary due to an emergency that could not reasonably have been foreseen and cannot await Council approval.

The Garden Route District Municipality is in the fortunate position that due to its sound financial position it is not necessary to raise any short term loans.

## **11. DISCLOSURE**

Any official involved in the securing of loans by the Municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective Investor disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

## **12. APPROVAL OF LOANS BY THE MUNICIPALITY**

Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt. At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, the Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. The Public, the National Treasury and Provincial Treasury must be invited to submit written comments or representations to the council in respect of the proposed debt. A copy of the information statement must be submitted to Council at least 21 days prior to the meeting to discuss the proposed loan, together with particulars of –

- i. the essential repayment terms, including the anticipated debt repayment schedule; and
- ii. the anticipated total cost in connection with such debt over the repayment period.

## **13. PROVISION FOR REDEMPTION OF LOANS**

Garden Route District Municipality may borrow from Institutions and set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan. These sinking funds may also be invested directly with the Lender's Bank. The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid. Use can also be made of guaranteed endowment policies to facilitate the payment on maturity date.

#### **14. NON-REPAYMENT OR NON-SERVICING OF LOAN**

Garden Route District Municipality must honour all its loan obligations timeously. Failure to effect prompt payment will adversely affect the raising of future loans at favourable costs of borrowing. In addition to the timeous payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements.

#### **15. PROHIBITED BORROWING PRACTICES**

In the past some Municipalities have borrowed funds with the sole purpose of investing them to earn a return. The motive was clearly speculative. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments. Consequently, as a principle, Garden Route District Municipality does not borrow for investment purposes, but depending on the shape of the interest yield curve may borrow in advance of its capital cash flow needs in a given financial year to take advantage of an inverse interest yield curve. Foreign Borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby 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.

#### **16. INTERNAL CONTROL**

The internal control procedures involve Internal Audit and Performance Management, and the Auditor General reviewing and testing the systems of the Finance Department on a regular basis. In order to prevent losses arising from fraud, misrepresentations, error, conflict of interest or imprudent action, a system of internal controls governs the administration and management of the portfolio.

##### **Controls deemed most important include:-**

- Control of collusion, separation of duties.

- Custodial safekeeping of loan agreements and contracts.
- Clear delegation of duties.
- Checking and verification by senior officials of all transactions.
- Documentation of transactions and repayments.
- Code of ethics and standards
- Electronic Funds Transfer limits and a detailed procedure manual for the system.

## **17. NATIONAL TREASURY REPORTING AND MONITORING REQUIREMENTS**

The Municipality submits numerous returns to National Treasury. It is mainly coordinated by the Accounting Division. One such report deals with the Municipality's external interest paid each month. Another return, prepared on a quarterly basis, requires the Municipality to itemise all its external borrowings for the quarter ended.

## **18. OTHER REPORTING AND MONITORING REQUIREMENTS**

Regular reporting mechanisms are in place in order to access the borrowings portfolio and to ensure compliance with policy objectives, guidelines and applicable laws.

Quarterly activities:

- National Treasury Borrowings Return General
- Report actual borrowings (in compliance with Section 71 of the Municipal Finance Management Act) to the mayor and Provincial Treasury

Annually:-

- Preparation of Annual Budget
- Preparation of Annual Cash Flow
- Forecast Preparation of Annual Financial Statements
- Confirmation of Lender balances at financial year end obtaining written certification of loan balances at year end
- Completion of credit rating questionnaire
- Regular reviews by Auditor General



**19. POLICY REVIEW**

The CFO will for the purposes of ensuring that this policy is aligned to the legislation, consider if and when necessary to amend the policy. In the event of the policy not being amended during the budget process, the approved policy will remain applicable.

**ANNEXURES*****EXTRACTS FROM THE LOCAL GOVERNMENT MUNICIPAL FINANCE  
MANAGEMENT ACT NO 56 OF 2003 - CHAPTER 6: DEBT*****SHORT-TERM DEBT**

45 (1) A municipality may incur short-term debt only in accordance with and subject to the provisions of this Act. A municipality may incur short-term debt only when necessary to bridge

—

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

(2) A municipality may incur short term debt only if - a resolution of the municipal council, signed by the mayor, has approved the debt agreement: and the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

(3) For the purpose of subsection (2) (a.) a municipal council may - approve a short term debt individually ; or 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 –

- (i) the credit limit must be specified in the resolution of the council ;
- (ii) the terms of agreement , including the credit limit , may be changed only by a resolution of the council ; and
- (iii) if the council approves a credit facility that is limited to emergency use , the accounting office must notify the council in writing as soon as practical of the amount , duration and any debt incurred in terms of such a credit facility , as well as options for repaying such debt.

(4) A municipality - must pay off short-term debt within the financial year; and may not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term

debt into a new financial year.

- (5) (a) No lender may willfully extend credit to a municipality for the purpose of renewing or refinancing short-term debt that must be paid off in terms of subsection (4)(a). If a lender willfully extends credit to a municipality in contravention of paragraph (a), the municipality is not bound to repay the loan or interest on the loan.

(6) Subsection (5)(b) does not apply if the lender –

- (a) relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
- (b) did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt

## LONG-TERM DEBT

46. (1) A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of–

- (a) 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, including costs referred to in subsection (4) ; or
- (b) re-financing existing long-term debt subject to subsection (5).

(2) A municipality may incur long-term debt only if –

- (a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and

(b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt .

(3) A municipality may incur long-term debt only if the accounting officer of the municipality has in accordance with subsection 21A of the Municipal Systems Act– at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for

which the debt is to be incurred and particulars of any security to be provided; and

(ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt ; and

(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of –

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

( 4 ) Capital expenditure contemplated in subsection (1)(a) may include - financing costs, including - capitalised interest for a reasonable initial period; costs associated with security arrangements in accordance with section 48; discounts and fees in connection with the financing; fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing costs of professional services directly related to the capital expenditure; and  
(c) such other costs as may be prescribed.

(5) A municipality may borrow money for the purpose of re-financing existing long-term debt, provided – (a) the existing long-term debt was lawfully incurred;

(b) the re-financing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;

(c) the net present value of projected future payments (including principal and interest payments) after re-financing is less than the net present value of projected future payments before re-financing and

(d) the discount rate used in projecting net present value referred to in paragraph (c), and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

- (6) A municipality's long-term debt must be consistent with its capital budget referred to in section 17(2).

## CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

47. A municipality may incur debt only if –

- (a) the debt is denominated in Rand and is not indexed to, or affected by, fluctuations in the value the Rand against any foreign currency;
- (b) section 48 (3) has been complied with, if security is to be provided by the municipality

## SECURITY

48. (1) A municipality may, by resolution of its council, provide security for –

- (a) any of its debt obligations;
  - (b) any debt obligations of a municipal entity under its sole control; or
  - (c) contractual obligations of the municipality undertaken in connection with capital expenditure by other persons on property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objects of local government in terms of section 152 of the Constitution.
- (2) A municipality may in terms of subsection (1) provide any appropriate security including by - giving a lien on, or pledging, mortgaging, ceding or otherwise hypothecating an asset or right, or giving any other form of collateral;
- (b) undertaking to effect payment directly from money or sources that may become available and to authorise the lender or investor direct access to such sources to ensure payment of the secured debt or performance of the secured obligations, but this form of security may not affect compliance with section 8 (2)
  - (c) undertaking to deposit funds with the lender, investor or third party as security;

- (d) agreeing to specific payment mechanisms or procedures to ensure exclusive or dedicated payment to lenders or investors, including revenue intercepts, payments into dedicated accounts or other payment mechanisms or procedures;
  - (e) ceding as security any category of revenue or rights for future revenue;
  - (f) undertaking to have disputes resolved through mediation, arbitration or other dispute resolution mechanisms;
  - (g) undertaking to retain revenues or specific charges, fees, tariffs or funds at a particular level or at a level sufficient to meet its financial obligations;
  - (h) undertaking to make provision in its budgets for the payment of its financial obligations, including capital and interest;
  - (i) agreeing to restrictions on debt that the municipality may incur in future until the secured debt is settled or the secured obligations are met; and
  - (j) agreeing to such other arrangements as the municipality may consider necessary and prudent.
- (3) A council resolution authorising the provision of security in terms of subsection (2)(a) - must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services; and
- (b) if so, must indicate the matter in which the availability of the asset or right for provision of that minimum level of basic municipal services will be protected.
- (4) If the resolution has determined that the asset or right is necessary for providing the minimum level of basic municipal services, neither the party to whom the municipal security is provided, nor any successor or assignee of such party, may, in the event of a default by the municipality, deal with asset or right in a manner that would preclude or impede the continuation of that minimum level of basic municipal services.
- (5) A determination in terms of subsection (3) that an asset or right is not necessary for providing the minimum level of basic municipal services is binding on the municipality until the secured debt has been paid in full or the secured obligations have been performed in full, as the case may be.

## DISCLOSURE

49. (1) Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation for consideration by a prospective investor -disclose all information in that person's possession or within that person's knowledge that may be material to the decision of that prospective lender or investor; and take reasonable care to ensure the accuracy of any information disclosed.

(2) A lender or investor may rely on written representations of the municipality, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

## MUNICIPAL GUARANTEES

50. A municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following conditions:
- (a) The guarantee must be within limits specified in the municipality's approved budget:
  - (b) a municipality may guarantee the debt of a municipal entity under its sole control only if the guarantee is authorised by the council in the same manner and subject to the same conditions applicable to a municipality in terms of this Chapter if it incurs debt
  - (c) a municipality may guarantee the debt of a municipal entity under its shared control or of any other person, but only with the approval of the National Treasury, and then only if-
    - (i) the municipality creates, and maintains for the duration of the guarantee, a cash- backed reserve equal to its total potential financial exposure as a result of such guarantee; or
    - (ii) the municipality purchases and maintains in effect for the duration of the guarantee, a policy of insurance issued by a registered insurer, which covers the full amount of the municipality's potential financial exposure as a result of such guarantee.

## **NATIONAL AND PROVINCIAL GUARANTEES**

Neither the national nor a provincial government may guarantee the debt of a municipality or municipal entity except to the extent that Chapter 8 of the Public / New Finance Management Act provides for such guarantees.



# **ANNEXURE L**

## **PREFERENTIAL PROCUREMENT POLICY**



## PREFERENTIAL PROCUREMENT POLICY

Adopted by Council: 00/00/18 COUNCIL RESOLUTION DC 00/00/18



Garden Route District Municipality, the leading, enabling and inclusive district, characterised by equitable and sustainable development, high quality of life and equal opportunities for all.

In order to achieve its vision, the Garden Route District Council accepted the mission below. The Garden Route District Municipality as a category C local authority strives, to deliver on our mandate through:

- Unlocking resources for equitable, prosperous and sustainable development.
- Provide the platform for coordination of bulk infrastructure planning across the district.
- Provide strategic leadership towards inclusive / radical / rigorous socio-economic transformation to address social, economic and spatial injustice.
- Redress inequalities, access to ensure inclusive services, information and opportunities for all citizens of the district.
- Initiate funding mobilisation initiatives/ programmes to ensure financial sustainability.
- Coordinate and facilitate social development initiatives.

**Foreword:**

**Section 217 of the Constitution of the Republic of South Africa -**

1. *When an organ of state in the national, provincial or Local sphere of Government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.*
2. *Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for –*
  - a) *Categories of preference in allocation of contracts; and*
  - b) *The protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination*
3. *National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.*

**Section 2 of Preferential Procurement Policy Act of 2000 –**

1. *An organ of state must determine its preferential procurement policy and implement it within the following framework:*
  - (a) *A preference point system must be followed*
  - (b)
    - i. *for contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 90 points for price*
    - ii. *For contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 80 points*
  - (c) *Any other acceptable tenders which are higher in prices must score fewer points, on pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with prescribed formula*
  - (d) *The specific goals may include –*
    - i. *Contracting with persons or categories of persons from designated sectors on the basis of race, gender or disability*
    - ii. *Implementing the programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994*
  - (e) *Any specific goal for which a point may be awarded must be clearly specified in the invitation to submit a tender*
  - (f) *The contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to another tenderer; and*

- (g) Any contract awarded on account of false information furnished by the tenderer in order to secure preference in terms of this Act, may be cancelled at the sole discretion of the organ of state without prejudice to any other remedies the organ of state may have.
- (h) Any Goals contemplated in subsection (1)(e) must be measurable, quantifiable and monitored for compliance

**Exemption**

The minister may, on request, exempt an organ of state from any or all the provisions of this Act if-

- (a) It is in the interest of national security
- (b) The likely tenderers are international suppliers; or
- (c) It is in the public interest

**In Accordance with the Garden Route District Council's Supply Chain Management Policy, Section 3(4)**

The desired outcome of the policy is to provide mechanism to ensure sound, sustainable and accountable Supply Chain Management with the Garden Route District Municipality while promoting the following Regional Economic and development objectives:

- 1) to stimulate and promote local economic development in a targeted and focused manner as per Regional Economic Development Strategy and Regional Economic Policy;
- 2) to promote resource efficiency and reduce the negative environmental impact of daily operations of the Garden Route District;
- 3) to facilitate creation of employment and business opportunities for the people of the Garden Route District with particular reference to Preferential Procurement Policy Framework Act, 2000, Preferential Procurement Regulations, 2017, and setting specific B-BEEE rating targets for all procurement above a range as determined by council over a period of the contract.
- 4) to promote the competitiveness of regional businesses within approved Regional Economic Development Strategy in line with relevant Framework Act;

In Accordance with the Garden Route District Council's Supply Chain Management Policy, section 35

**35. Proudly South African Campaign / Proudly Garden Route Campaign**

(1)The municipality supports the **Proudly SA Campaign** to the extent that, all things being equal, preference is given to procuring local goods and services from:

- a) Preferential procurement framework Policy Act, 2000: Preferential Procurement Regulations, 2017, Regulation 8, Local production and Content and any subsequent circulars relating to designated sectors and local content thresholds
- b) In the absence of designated sector for a particular commodity by the Department of Trade and Industry or National Treasury, Garden Route District may include as a specific condition of tender , that locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered

- c) *Any prequalification criteria in the acquisition of goods or services that seeks to address localisation and empowerment local entities; must be in accordance with an approved Local Economic Development Strategy or Policy of Council that is in line with relevant regulatory framework or statute.*

*(2) The district to develop and support Proudly Garden Route Brand and products to the extent , that all things being equal, preference is given to procuring local goods and services in accordance to section 35(1)(b) and Section 35(1)(c); in alignment to section 3(4) of the Policy. The aim is in support of the regional economic strategy and developing a vibrant economy within the Garden Route economic corridor.*

### **Conclusion:**

In order for council to realise its vision and mission, key strategies and policies must be put in place to translate the vision into a tangible reality.

Preferential procurement policy should be applied in within the ambit of to the Regional Economic and Development Strategy of the Garden Route and Klein Karoo. Its application and implementation should be transparent, measurable, fulfil sector specific objectives of regional economic and development strategy for transformation and empowerment with an underlying premise of value for money.

Successful implementation requires an organization wide approach, with each department given an economic transformation and empowerment agenda for implementation. Departmental Demand Management plan that translates into a Procurement Plan should have set targets for empowerment, economic transformation and upliftment of the previously disadvantaged for each department.

Economic Development and Planning Department to partake in the process of setting targets for the organization with clear guidelines for their measurement. Tangible results can only be achieved if the Economic Transformation and Empowerment Agenda is a tone set from the top with each Head of Department being directly accountable on this key performance indicator.

## 1. Definitions

In this Policy, unless the context indicates otherwise, any word or expression to which a meaning have been assigned in the Act must bear the meaning so assigned-

<b>1.1 "Act"</b>	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
<b>1.2. "B-BBEE"</b>	means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act
<b>1.3. "B-BBEE status level of contributor"</b>	means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
<b>1.4. "black designated groups"</b>	has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
<b>1.5. "black people"</b>	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act
<b>1.6. "Broad-Based Black Economic Empowerment Act"</b>	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
<b>1.7. "Co-operative"</b>	means a co-operative registered in terms of Section 7 of the Co-operatives Act, 2005 (Act No. 14 of 2005)
<b>1.8. "designated group"</b>	<p><b>1.8.1.</b> black designated groups;</p> <p><b>1.8.2.</b> black people;</p> <p><b>1.8.3.</b> women;</p> <p><b>1.8.4.</b> people with disabilities;</p> <p><b>1.8.5.</b> small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996); or</p> <p><b>1.8.6.</b> emerging enterprises which are enterprises, owned, managed and controlled by people listed in 1.8.1 – 1.8.4, persons and which is overcoming business impediments arising from the legacy of apartheid;</p>
<b>1.9. "designated sector"</b>	means a sector, sub-sector or industry or product designated in terms of regulation 8(1)(a) of Preferential procurement Regulation of 2017

<b>1.10. “EME”</b>	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
<b>1.11. “functionality”</b>	means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents
<b>1.12. “military veteran”</b>	has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011)
<b>1.13. “National Treasury”</b>	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999)
<b>1.14. “people with disabilities”</b>	has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998)
<b>1.15. “price”</b>	includes all applicable taxes less all unconditional discounts
<b>1.16. “proof of B-BBEE status level of contributor</b>	<p><b>Means:</b></p> <p><b>1.16.1.</b>the B-BBEE status level certificate issued by an authorised body or person</p> <p><b>1.16.2.</b>a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or</p> <p><b>1.16.3.</b>any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act</p>
<b>1.17. “QSE”</b>	means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act
<b>1.18. “Rand value”</b>	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation
<b>1.19. “rural area”</b>	<p>means-</p> <p><b>1.19.1.</b>a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or</p> <p><b>1.19.2.</b>an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system</p>
<b>1.20. “stipulated minimum threshold</b>	means the minimum threshold stipulated in terms of regulation 8(1)(b)
<b>1.21. “the Regulation”</b>	means the Preferential Procurement Regulation, 2017



<b>1.22. “township”</b>	means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994
<b>1.23. “treasury”</b>	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999)
<b>1.24. “youth”</b>	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008)

## **2. Application, Objectives & General Requirements**

**2.1.** This Policy complies with the framework of the PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000.

**2.2.** This Policy was developed in terms of the PREFERENTIAL PROCUREMENT REGULATIONS, 2017.

**2.3.** This Policy applies to the Garden Route District Municipality and the objectives are to:

**2.3.1.** Provide clarity on the municipality’s approach to procurement, particularly with regards to requirements of preferential procurement;

**2.3.2.** Provide access to contracts for historical disadvantaged individuals;

**2.3.3.** Promote participation by SMMEs;

**2.3.4.** Promote capacity development and skills transfer;

**2.3.5.** Promote Local Economic Development and endeavour to ensure the attainment of the award of at least 40% of all procurement within the boundaries of the Garden Route District Municipality.

**2.3.6.** To redress inequalities of the past and promote broader inclusion of the previously marginalised into the mainstream of the formal economy with a targeted approach of at least 30% of procurement be earmarked to companies with a BBBEE level 1

### **2.4. General requirements**

**2.4.1.** Any specific goal required for consideration in the bidding process must be clearly determined by the Bid Specification Committee and be defined in the bid documentation, taking into account prescriptions of the Construction Industry Development Board [CIDB] in respect of construction related contracts.

**2.4.2.** Outputs required will be quantified and will form part of the contractual arrangement upon awarding of the contract.

## **3. Identification of preference point system, designated sector, pre-qualification criteria, objective criteria and sub-contracting**

**3.1.** The Municipality must-

**3.1.1. determine and stipulate in the tender documents-**

- (i) the preference point system applicable to the tender as envisaged in Section 6 or 7; or
- (ii) if it is unclear which preference point system will be applicable, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system;

**3.1.2. determine whether pre-qualification criteria are applicable to the tender as envisaged in Section 4;**

**3.1.3. determine whether the goods or services for which a tender is to be invited, are in a designated sector for local production and content as envisaged in Section 8;**

**3.1.4. determine whether compulsory sub-contracting is applicable to the tender as envisaged in Section 9; and**

**3.1.5. determine whether objective criteria are applicable to the tender as envisaged in Section 11.**

**4. Pre-qualification criteria for preferential procurement**

**4.1. If the Municipality decides to apply pre-qualifying criteria to advance certain designated groups, the Municipality must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-**

**4.1.1. a tenderer having a stipulated minimum B-BBEE status level of contributor;**

**4.1.2. an EME or QSE;**

**4.1.3. a tenderer sub-contracting a minimum of 30% to-**

- (i) an EME or QSE which is at least 51% owned by black people;
- (ii) an EME or QSE which is at least 51% owned by black people who are youth;
- (iii) an EME or QSE which is at least 51% owned by black people who are women;
- (iv) an EME or QSE which is at least 51% owned by black people with disabilities;
- (v) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
- (vi) a cooperative which is at least 51% owned by black people;
- (vii) an EME or QSE which is at least 51% owned by black people who are military veterans;
- (viii) an EME or QSE.
- (ix) a local emerging enterprise

**4.1.4. Local emerging contractors, registered with the CIDB, from designated sector individuals/communities who will be assisted with targeted contract**

opportunities.

4.2. A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

## 5. Tenders to be evaluated on functionality

5.1. The Municipality must state in the tender documents if the tender will be evaluated on functionality.

5.2. The evaluation criteria for measuring functionality must be objective.

5.3. The tender documents must specify-

5.3.1. the evaluation criteria for measuring functionality;

5.3.2. the points for each criteria and, if any, each sub-criterion; and

5.3.3. the minimum qualifying score for functionality.

5.4. The minimum qualifying score for functionality for a tender to be considered further-

5.4.1. must be determined separately for each tender; and

5.4.2. may not be so-

(i) low that it may jeopardise the quality of the required goods or services; or

high that it is unreasonably restrictive.

5.5. Points scored for functionality must be rounded off to the nearest two decimal places.

5.6. A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.

5.7. Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in Section 11.

## 6. 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million

6.1. The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes:

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

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price of lowest acceptable tender.

6.2. The following table must be used to calculate the score out of 20 for B-BBEE:

### B-BBEE Status Level of Contributor Number of Points

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- 6.3.** A tenderer must submit proof of its B-BBEE status level of contributor.
- 6.4.** A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
- 6.4.1.** may only score points out of 80 for price; and
- 6.4.2.** scores 0 points out of 20 for B-BBEE.
- 6.5.** A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends sub-contracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended sub-contractor is an EME that has the capability to execute the sub-contract.
- 6.6.** The points scored by a tenderer for B-BBEE in terms of section 6.2 must be added to the points scored for price under sub-section (1).
- 6.7.** The points scored must be rounded off to the nearest two decimal places.
- 6.8.** Subject to section 6.9 and section 11, the contract must be awarded to the tenderer scoring the highest points.
- 6.9.** If the price offered by a tenderer scoring the highest points is not market-related, the municipality may not award the contract to that tenderer.
- 6.10.** The Municipality may-
- 6.10.1.** negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
- 6.10.2.** if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

**6.10.3.** if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

**6.11.** If a market-related price is not agreed as envisaged in section 6.10.3, the Municipality must cancel the tender.

**7. 90/10 preference point system for acquisition of goods or services with Rand value above R50 million**

**7.1.** The following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value above R50 million, inclusive of all applicable taxes:

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

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price of lowest acceptable tender.

**7.2.** The following table must be used to calculate the points out of 10 for B-BBEE:

**B-BBEE Status Level of Contributor Number of Points**

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1

Non-compliant contributor	0
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**7.3.** A tenderer must submit proof of its B-BBEE status level of contributor.

**7.4.** A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-

**7.4.1.** may only score points out of 90 for price; and

**7.4.2.** scores 0 points out of 10 for B-BBEE.

**7.5.** A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends sub-contracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended sub-contractor is an EME that has the capability to execute the sub-contract.

**7.6.** The points scored by a tenderer for B-BBEE contribution in terms of Sub-Section (2) must be added to the points scored for price under Sub-Section (1).

**7.7.** The points scored must be rounded off to the nearest two decimal places.

**7.8.** Subject to sub-section (9) and section 11, the contract must be awarded to the tenderer scoring the highest points.

**7.9.** If the price offered by a tenderer scoring the highest points is not market-related, the Municipality may not award the contract to that tenderer.

**7.10.** The Municipality may-

**7.10.1.** negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

**7.10.2.** if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

**7.10.3.** if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

**7.11.** If a market-related price is not agreed as envisaged in section 7.10.3., the Municipality must cancel the tender.

## **8. Local production and content**

**8.1.** The Department of Trade and Industry may, in consultation with the National Treasury-

**8.1.1.** designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods

meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and

**8.1.2.** stipulate a minimum threshold for local production and content.

**8.2.** The Municipality must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.

**8.3.** The National Treasury must inform the Municipality of any designation made in terms of section 8(1) through a Circular.

**8.4.** If there is no designated sector, The Municipality may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.

**8.5.** The threshold referred to in Section 8.4 must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.

**8.6.** A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

## **9. Sub-contracting as condition of tender**

**9.1.** If feasible to sub-contract for a contract above R30 million, The Municipality must apply sub-contracting to advance designated groups.

**9.2.** If The Municipality applies sub-contracting as contemplated in Sub-Section (1), the Municipality must advertise the tender with a specific tendering condition that the successful tenderer must sub-contract a minimum of 30% of the value of the contract to-

**9.2.1.** an EME or QSE;

**9.2.2.** an EME or QSE which is at least 51% owned by black people;

**9.2.3.** an EME or QSE which is at least 51% owned by black people who are youth;

**9.2.4.** an EME or QSE which is at least 51% owned by black people who are women;

**9.2.5.** an EME or QSE which is at least 51% owned by black people with disabilities;

**9.2.6.** an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;

**9.2.7.** a cooperative which is at least 51% owned by black people;

**9.2.8.** an EME or QSE which is at least 51% owned by black people who are military veterans; or

**9.2.9.** more than one of the categories referred to in sub-sections 2.1 – 2.8.

**9.3.** The Municipality must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or

services in respect of the applicable designated groups mentioned in sub-Section (2) from which the tenderer must select a supplier.

#### **10. Criteria for breaking deadlock in scoring**

- 10.1.** If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for B-BBEE.
- 10.2.** If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- 10.3.** If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

#### **11. Award of contracts to tenderers not scoring highest points**

- 11.1.** A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.
- 11.2.** If The Municipality intends to apply objective criteria in terms of section 2(1)(f) of the Act, the Municipality must stipulate the objective criteria in the tender documents.

#### **12. Conditions**

- 12.1.** Only a tenderer who has completed and signed the declaration part of the tender documentation may be considered.
- 12.2.** The Municipality must, when calculating comparative prices, take into account any discounts which have been offered unconditionally.
- 12.3.** A discount which has been offered conditionally must, despite not being taken into account for evaluation purposes, be implemented when payment is processed.
- 12.4.** Points scored must be rounded off to the nearest 2 decimals places.
- 12.5.** A trust, consortium or joint venture will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificate.
- 12.6.** A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate tender.
- 12.7.** When the Municipality is in need of a service provided by only Higher Education institutions, such services must be procured through a tendering process from the identified Higher Education institutions.(limited Bidding)
- 12.8.** Higher Education institutions referred to in sub-Section (12.7) will be required to submit their B-BBEE status in terms of the specialized scorecard contained in



the B-BBEE Codes of Good practice.

### **13. Declarations**

- 13.1.** A tender must, in the manner stipulated in the document, declare that-
- 13.1.1.** the information provided is true and correct;
  - 13.1.2.** the signatory to the tender document is duly authorised; and
  - 13.1.3.** documentary proof regarding any tendering issue will, when required, be submitted to the satisfaction of the Municipality.

### **14. Sub-contracting after award of tender**

- 14.1.** A person awarded a contract may only enter into a sub-contracting arrangement with the approval of the Municipality.
- 14.2.** A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 14.3.** A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is sub-contracted to an EME that has the capability and ability to execute the sub-contract.

### **15. Cancellation of tender**

- 15.1.** The Municipality may, before the award of a tender, cancel a tender invitation if-
- 15.1.1.** due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
  - 15.1.2.** funds are no longer available to cover the total envisaged expenditure;
  - 15.1.3.** no acceptable tender is received; or
  - 15.1.4.** there is a material irregularity in the tender process.
- 15.2.** The decision to cancel a tender invitation in terms of Sub-Section (1) must be published in the same manner in which the original tender invitation was advertised.
- 15.3.** The Municipality may only with the prior approval of the relevant Treasury cancel a tender invitation for the second time.

### **16. Remedies**

- 16.1.** Upon detecting that a tenderer submitted false information regarding its B-BBEE status level of contributor, local production and content, or any other matter

required in terms of these Regulations which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any sub-contracting arrangements, the Municipality must-

- 16.1.1.** inform the tenderer accordingly;
- 16.1.2.** give the tenderer an opportunity to make representations within 14 days as to why-
  - i. the tender submitted should not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part;
  - ii. if the successful tenderer sub-contracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
  - iii. the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
- 16.1.3.** if it concludes, after considering the representations referred to in sub-section (1)(b), that-
  - (i) such false information was submitted by the tenderer-
    - (aa) disqualify the tenderer or terminate the contract in whole or in part; and
    - (bb) if applicable, claim damages from the tenderer; or
  - (ii) the successful tenderer sub-contracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.
- 16.2.** The Municipality must-
  - 16.2.1.** inform the National Treasury, in writing, of any actions taken in terms of Sub-Section (1);
  - 16.2.2.** provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
  - 16.2.3.** submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- 16.3.** The National Treasury may request The Municipality to submit further information pertaining to Sub-Section 1 within a specified period.
- 16.4.** The National Treasury must-
  - 16.4.1.** after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any Municipality for a period not exceeding 10 years; and
  - 16.4.2.** maintain and publish on its official website a list of restricted suppliers.

## **17. Circulars and guidelines**

- 17.1.** The National Treasury may issue-

**17.1.1.** a circular to inform Municipality of any matter pertaining to these Regulations; or

**17.1.2.** a guideline to assist Municipality with the implementation of any provision of these Regulations.

**18. Short title and commencement**

**18.1.** This Policy is called the Garden Route District Municipality Preferential Procurement Policy and took effect upon Council approval, May 2018, and should be reviewed annually.

# **ANNEXURE M**

## **PETTY CASH POLICY**

## GARDEN ROUTE DISTRICT MUNICIPALITY



### PETTY CASH POLICY

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## INTRODUCTION

The accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner.

Therefore the Garden Route District Municipality adopts the following petty cash policy.

- **REGULATORY FRAMEWORK**

Legislation-Municipal Finance Management Act 56 of 2003

- **OBJECTIVES**

Compliance with the regulatory framework in terms of the relevant legislation is required.

- **DEFINITIONS**

**Accounting Officer:** The person appointed by council in terms of section 82 of Act 17 of 1998, also known as the Municipal Manager, and defined in terms of section 60 of Act 56 of 2003 (MFMA)

**Chief Financial Officer:** The person designated in terms of section 80 (2) (a) of Act 56 of 2003 (MFMA), and includes any person acting in that position or to whom authority is delegated

**Petty Cash:** A relatively small amount of cash kept at hand for making immediate payments for miscellaneous small payments

**Petty Cash Float:** The total sum of Petty Cash which has been granted to a Petty Cash Officer.



**Petty Cash Officer:**

An employee made responsible for the day-to-day operating of the Petty Cash Float

**Reconciliation:**

Is the process of comparing information, for example cash spent compared with the relevant

**Sub-advances:**

documentation and receipts.

A relatively small amount of cash, made available by the Petty Cash Officer on request to buy miscellaneous small items.

- **RESPONSIBILITY AND ACCOUNTABILITY**

The key responsibilities in terms of the MFMA (Section 65) are:

Accounting Officer (Municipal Manager) -

( I) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.

- The accounting officer must, for the purposes of subsection ( I), take all reasonable steps to ensure-
  - that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds;
  - that the municipality has and maintains a management, accounting and information system which-
    - recognizes expenditure when it is incurred;
- 19. accounts for creditors of the municipality, and
- 20. accounts for payments made by the municipality.
- that the municipality has and maintains a system of internal control in respect of creditors and payments;
- that payments by the municipality are made-
  - directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

(ii) either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;

The Municipal Manager delegates authority to the Chief Financial Officer.

## **12 PETTY CASH POLICY**

### **12.1 General Policy**

- The use of a petty cash float (a float may not exceed R3,500.00) is strictly confined to individual cash purchases of up to a maximum of R750.00, unless otherwise authorized by the Chief Financial Officer;
- The expenditure with regard to petty cash shall not be deliberately split into more than one transaction to avoid the said limit;
- A petty cash float is not to be used for any of the following:
  - the cashing of cheques;
- 13 loans to any person whatsoever;

- 14 payment of personal remuneration to any person whatsoever, whether for fees, salaries, wages, travel allowance as part of remuneration, honorarium or other reason.
  9. for instalment invoices such as rental of equipment or open orders, even if the amount falls within the specified limit;
  10. any purchase violating the true meaning of petty cash transactions, or petty cash purchases from a trade creditor that does not exist on the Supply Chain Management Supplier database. This will be regarded as a deviation from the accepted accounting practices in the use of petty cash, and will constitute a serious offence under the Disciplinary Code, unless authorized by the Chief Financial Officer.
- Other cash floats may also be established for the purpose of providing change for a cash register, or any other purpose approved by the Chief Financial Officer. Use of such floats is restricted to the purpose for which they were established.
  - The accounting officer, or delegated official, may conduct internal audits to evaluate compliance with this policy.

## **12.2 Establishing and Operating a Petty Cash Float**

- To establish a new petty cash float or increase an existing advance, a written application must be made to the Chief Financial Officer by the relevant Manager of a department.
- A request for the establishment of an advance will indicate the position of a senior employee to be held responsible for the control over the petty cash float within the relevant department.
- The employee mentioned under 6.2 (b) will be responsible for the security and that leave arrangements are in place to ensure safe custody of funds in the office.
- The minimum security arrangement that will be acceptable is that the float will be kept in a locked box which will be kept in a locked filing cabinet or safe.
- When an advance is approved, the Chief Accountant: Creditors will advise the relevant department accordingly, and request that the designated employee mentioned under 6.2 (b) collect the advance.

### **12.3 Security of Petty Cash Floats and Documentation**

- The cash on hand and used petty cash vouchers are to be kept in a locked box for which there are to be two keys. One key is to be retained by the petty cash officer (on their person) normally responsible for petty cash, and the other by the senior employee mentioned under 6.2 (b) in a sealed envelope in the office safe or other secure place, to be used only in an emergency.
- The locked petty cash box must be kept in a secure place when not in

use and should be removed and returned by the responsible employee only. At no stage should staff other than the responsible employee/s have access to the storage place of the petty cash box.

- Under no circumstances are keys to be left in the lock of the petty cash box, cabinet or safe.
- If the responsible petty cash officer is either going on leave or is leaving the municipality's employment, the petty cash float is to be reconciled and signed by the departing-as well as the replacement staff member, to indicate their agreement as to its balance.

#### **12.4 Completing Petty Cash Vouchers and the Petty Cash Reconciliation and Register**

- Petty cash stationery is available from the Expenditure section. The form consists of two parts:
  - Petty Cash Voucher
  - 4. ) Petty Cash Reconciliation and Register
  - 5. Receipt for cash advance (Only when appropriate-refer to paragraph on Advances)  
( the same form as in ( i ) above)
- All details entered on the Petty Cash Voucher must appear on the Petty Cash Reconciliation and Register sheet.
- Original receipts and other valid documentation as required must be attached as proof of payment, with the signature of the designated officer on this documentation. The receipt and invoice must be in a formal business format.

### 12.5 Sub-advances to staff members

- If it is necessary to make an initial sub-advance to a staff member, a receipt for the cash advance must be completed (Petty Cash Voucher) . The receipt for the cash advance form must be completed as follows:
  - (i) description and *estimated* cost of the goods/services purchased;
  - (ii) purchaser's signature;
  - (iii) correct vote number with an adequate budget to be charged;
  - (iv) signature of the petty cash officer.
  
- On completion of the purchase, the recording-, documentation- and authorization requirements will be as stated in the above paragraph: Completing a Petty Cash Voucher.
  
- All sub-advances will be accounted for within 24 hours, by submitting original receipts and other applicable documentation required, attached as proof of payment ( with the approval signature on the documentation) . Where this cannot be achieved, the buyer will be liable to pay back the advance without any delay or, if not possible, alternatively be for the immediate recovery from the individual's salary.
  
- No more than one advance will be made to any one individual at a time.

### 12.6 Out-of Pocket Payments

- Where a staff member has made a purchase from own funds and seeks reimbursement from petty cash, supporting documentation must

be provided to substantiate the claim.

- The responsibility to ensure that the purchase will be in accordance with all the prescriptions of this policy will be the sole responsibility of the purchaser of such item(s).
- The recording-documentation-and authorization requirements will be as stated in paragraph 6.4

### 12.7 Reimbursement of Petty Cash Floats

- A petty cash float is operated on the basis that expenditure from the float is reimbursed **not more than twice monthly**. Such reimbursement requires:-
  - returning the cash level of the petty cash float to its original level, and;
- (ii) charging the expenditure which has been incurred to the correct expenditure vote.
- Accordingly, **at any point in time**, the sum of the cash on hand, i.e. remaining unspent, plus the cash advances for unfinalized purchases, plus the completed cash purchase claim forms, updated on the Petty Cash Reconciliation and Register form, shall equal the level of the petty cash advanced.
- Completed Petty Cash Reconciliation and Register forms, with attached cash register slips etc. must be submitted to the Expenditure section for reimbursement, after the relevant documentation has been authorized by the relevant head of the department.
- Reimbursement of claims where supporting documentation as prescribed in this policy is absent/ missing, will be declined.



- The prescribed forms as mentioned in 6.4 (a) (i) to (iii) above, as well as other relevant forms attached to it, must be completed in full.
- The most recently completed Petty Cash Reconciliation and Register form must record the reconciliation of the petty cash float. The Chief Accountant: Creditors will decline reimbursement of claims where this is not supplied.
- A petty cash float must never be reimbursed with funds derived from any other source whatsoever.

## **5.8 Shortages**

- Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible petty cash officer.
- Where a petty cash float is stolen, the incident must be reported promptly to the Chief Financial Officer in the required format, after a case has been logged at the South African Police Services

## **7.2 Procedure where a Petty Cash Float is repaid/cancelled**

When an advance is no longer required, a departmental memorandum must be submitted, signed by the manager of the relevant department, to the Chief Accountant: Creditors, with the balance of cash on hand and completed and authorized forms. The most recently completed Petty Cash Reconciliation and Register form will record the reconciliation of the petty cash float.

The Cashier will issue a receipt to the person delivering the cash.

**7.3 Short title and commencement**

This Policy is called the Garden Route District Municipality Petty Cash Policy and takes effect from, July 2021, and should be reviewed annually

# **ANNEXURE N**

## **MFMA NATIONAL TREASURY CIRCULAR NO 107**



**NATIONAL TREASURY**

**MFMA Circular No. 107**

**Municipal Finance Management Act No. 56 of 2003**

## **Municipal Budget Circular for the 2021/22 MTREF**

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## Introduction

The purpose of the annual budget circular is to guide municipalities with their compilation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (*mSCOA*); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, *mSCOA* is implemented correctly and that audit findings are addressed.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance on budget preparation that is not covered in this circular.

### 21. The South African economy and inflation targets

The National Treasury projects real economic growth of 3.3 per cent in 2021, following an expected contraction of 7.8 per cent in 2020. Real GDP growth is expected to moderate to 1.7 per cent in 2022 and 1.5 per cent in 2023, averaging 2.1 per cent over the medium term.

South Africa experienced its largest recorded decline in economic output in the second quarter of 2020 due to the strict COVID-19 lockdown. Real GDP fell by 17.1 per cent relative to the previous quarter (or 51 per cent on a seasonally adjusted and annualised basis), with all major sectors except agriculture declining. The second-quarter results were weaker than expected in the June 2020 special adjustments budget, which projected a contraction of 7.2 per cent in 2020.

High-frequency data for the third quarter – such as the volume of electricity distributed, mining and manufacturing output, business confidence and the Absa Purchasing Managers' Index (PMI) – shows evidence of a limited economic rebound. Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, output is only expected to return to pre-pandemic levels in 2024.

The main risks to the economic outlook are weaker-than-expected growth, continued deterioration in the public finances and a failure to implement structural reforms. A second wave of COVID-19 infections, accompanied by new restrictions on economic activity, would have significant implications for the outlook. Government's fiscal position is a risk to growth: higher long-term borrowing costs and risk premiums have started to affect the broader economy.

In addition, recovery efforts will fail unless structural constraints (including in energy, infrastructure and competitiveness) are urgently addressed. While the reforms required in these areas do not immediately affect growth, they are critical for market confidence and investment.

Electricity remains a binding constraint on economic recovery, with power interruptions expected to continue into 2021. Private generation will only be able to plug the electricity gap to a limited extent over the next year.

Job creation is a top priority of the economic recovery plan that will guide policy actions over the medium term, supported by new infrastructure investment and large-scale public

employment programmes. In addition, targeted skills development will improve productivity and employment prospects.

Headline inflation is at the lower end of the 3 to 6 per cent target range. Goods and services inflation has broadly declined due to weak demand and falling oil prices. Inflation is forecast to fluctuate around the 4.5 per cent midpoint over the medium term in line with moderating inflation expectations.

In summary, the country's tax collection targets have not been met and this means that the fiscus has less funds available to allocate across the various spheres of government. There are measures in place to reduce expenditure to narrow the deficits.

The following macro-economic forecasts must be considered when preparing the 2021/22 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections, 2016 - 2020**

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Forecast		
CPI Inflation	4.1%	3.2%	4.1%	4.4%	4.5%

Source: Medium Term Budget Policy Statement 2020.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

## 22. Key focus areas for the 2021/22 budget process

### 2.1 Local government conditional grants allocations

Transfers to local government will be reduced by R17.7 billion, including R14.5 billion from the local government equitable share, R2.7 billion from the general fuel levy and R569 million in direct conditional grants over the 2021 MTEF period. The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the MTEF period.

Government will revisit underperforming programmes. For example, some cities receiving the Public Transport Network Grant (PTNG) have not launched their integrated public transport networks. Over the MTEF period, government will suspend at least two more poorly performing cities from this grant and the remaining cities will be required to reduce costs and demonstrate their effectiveness to remain funded.

The annual Division of Revenue Bill will be published in February 2021 after the Minister of Finance's budget speech. The Bill will specify grant allocations and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2020 Division of Revenue Act to compile their 2021/22 MTREF. In terms of the outer year allocations (2023/24 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2020 Division of Revenue Act for 2020/21. The DoRA is available at <http://www.treasury.gov.za/documents/national%20budget/2020/default.aspx>

## ***Division of Revenue Second Amendment Bill, 2020: changes to local government allocations***

**Roll-over of funds** - R390 million is rolled over in the Urban Settlement Development Grant (USDG) to fund commitments for bulk infrastructure related projects in Nelson Mandela Bay Metropolitan Municipality. R98 million is rolled over in the PTNG to continue with the rollout of the integrated public transport network (IPTN) for public and non-motorised infrastructure in Nelson Mandela Bay Metropolitan Municipality.

R307 million is rolled over in the Regional Bulk Infrastructure Grant (RBIG) for drought and COVID-19 water and sanitation interventions nation-wide.

**Water Services Infrastructure Grant (WSIG)** - R12 million has been reprioritised from the Department of Water Affairs' budget into the indirect component of WSIG for the implementation of various water services interventions.

### ***Reductions to municipal conditional grants***

In the Medium-Term Policy Budget Statement, the Minister of Finance indicated that R10.5 billion is required for the rescue plan for the South African Airways. Therefore, R613 million has been proportionately reduced across municipalities in respect of conditional grants while no reductions were made to the local government equitable share for the 2020/21 financial year.

These changes are shown in Schedule 4, Part B; Schedule 5, Part B and Schedule 6, Part B of the Bill.

### ***Additional instruments to finance infrastructure in municipalities***

Municipalities can access other instruments to finance the development of infrastructure that boosts economic growth beyond infrastructure grants. Reforms over the medium term will enhance the ability of municipalities to raise revenue to invest in their own development. An update on development charges and borrowing reforms is summarised below:

- 13 **Development charges** - Municipalities earn revenue from charging developers to connect new developments to municipal services. The draft Municipal Fiscal Powers and Functions Amendment Bill proposes new, uniform regulations in respect of these development charges, thereby strengthening the revenue-raising framework of municipalities. After processing comments, the National Treasury will submit the Bill to Cabinet and Parliament for consideration in 2021; and
- 14 **Borrowing** - Creditworthy municipalities can also borrow in capital markets. The National Treasury has updated the original municipal borrowing policy framework, which guides this borrowing, and will shortly submit it to Cabinet for approval. The proposed changes aim to increase the term maturity of borrowing improve the secondary market for the trade of municipal debt instruments and define the role of development finance institutions to avoid crowding out the private sector.

## **23. 2021 Local Government Elections and the budget process**

Local government elections are scheduled to take place in 2021, and the proposed date is yet to be determined. Elections are important events as we reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.



The following four risks need to be explicitly managed:

- 15 In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003)(MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1 July). This means that the municipal council must approve the relevant tariffs as part of the MTREF budget before the commencement of the financial year on 1 July. Failure to obtain council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution. Therefore, if the elections take place after the start of the financial year, the outgoing council will be responsible for approving tariffs for the 2021/22 MTREF and the newly elected council for the implementation thereof as section 28(6) of the MFMA does not allow the increase of tariffs in-year;
- 16 In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive **must** intervene. This provincial intervention may include dissolving the municipal council and appointing an administrator to run the municipality. Therefore, the outgoing council must ensure that they comply with the timeframes for approval of the budget;
- 17 The outgoing council may be tempted to prepare an 'election friendly budget' with unrealistically low tariff increases and an over-ambitious capital expenditure programme. The outcome of this approach will undoubtedly be an unfunded municipal budget that threatens their respective municipality's financial sustainability and service delivery; and
- 18 Given that the timing of election campaigning may coincide with the municipal public budget consultations, there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties. It is reiterated that transparency and public participation is an integral part of our constitutional democracy, hence municipalities must ensure that public and stakeholder consultation processes are adhered to as required by the legislative framework.

In the build-up to the 2021 local government elections, the financial sustainability of the municipality should be protected. Now, more than ever before, it is paramount for sound municipal decision-making so that the long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

Finances of some municipalities have been unstable for many years, and this was exacerbated by the financial impact of the COVID-19 pandemic. Therefore, there is severe pressure to maintain healthy cash flows and increase cost containment measures while sustaining efficient service delivery levels. It is therefore imperative that municipalities refrain from suspending credit control and debt collection efforts. Municipalities are also reminded of the regulatory framework set out in the Municipal Cost Containment Regulations insofar as it relates to the use of municipal funds to fund election campaigns and other non-priority issues as this might further impact the financial sustainability of municipalities.

Furthermore, as the current municipal leadership will be responsible for the compilation of the

2022/23 MTREF budgets, councils are advised to prioritise expenditure appropriations aligned to the policy intent as described in the integrated development plans (IDPs). Infrastructure provisioning for water, sanitation, roads and electricity remain key priorities.

In addition, the outgoing council is advised to critically consider the financial implications before entering into new long-term contracts that are not of priority to the municipality and avoid if possible, committing the incoming council. Municipalities should refrain from filling non-critical positions, purchasing cars, procuring new financial systems and from incurring any other expenditure at this stage that will financially burden the incoming council.

During this time of transition, all stakeholders should work together to ensure that municipalities continue to perform their functions efficiently and effectively. The Mayor and municipal manager should now be engaging in the process of the annual review of the fifth and last year of the IDP in terms of section 34 of the Municipal Systems Act (MSA) and the 2022/23 budget preparation process in terms of section 21 of the MFMA. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue seamlessly as these processes cannot be delayed in anticipation of the announcement of an election date.

In deciding on the schedule for the 2022/23 budget process, the Mayor and municipal manager must also note that the MFMA, read together with the Municipal Budget and Reporting Regulations, only allows for a 'main adjustments budget' to be tabled after the mid-year budget and performance assessment has been tabled in council, i.e. after 25 January 2022. In addition, the permitted scope of an adjustments budget is quite limited in that taxes and tariffs may not be increased (refer to section 28(6) of the MFMA) and any additional revenues may only be appropriated to programmes and projects already budgeted for (refer to section 28 of the MFMA). Therefore, the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

Though an IDP is a five-year strategic document of council, municipalities should note that when a new council takes office after a local government election, the norm has been that the new council implements the last adopted IDP during the first year of office. It is normally only in the second year of office that the newly elected council adopts a new IDP after thorough interrogation, extensive consultation and finalisation of a new five-year strategy.

In the absence of detailed information on the 2021 Local Government Elections, National Treasury will provide further guidance in the follow-up MFMA Budget Circular to be issued in March 2021.

## **11. Municipal Standard Chart of Accounts (*mSCOA*)**

### **11.1 Release of Version 6.5 of the Chart**

On an annual basis, the *mSCOA* chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.5 is released with this circular.

Version 6.5 of the chart will be effective from 2021/22 and must be used to compile the 2021/22 MTREF and is available on the link below:  
<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

## 11.2 Budgeting and Reporting for the COVID-19 pandemic and water inventory

In terms of the Annexure to MFMA Circular No. 99, *mSCOA* Circular No. 9, and GRAP 12, municipalities were advised to:

6. Record and ringfence all funding and expenditure pertaining to the COVID-19 pandemic for the 2020/21 MTREF when budgeting and transacting; and
7. Budget and account for bulk water purchases as inventory as per GRAP 12 (paragraph 07).

It is evident from the snapshots that were drawn from the Local Government Database based on the *mSCOA* data strings that were submitted by municipalities in terms of the monthly Section 71 reporting, that most municipalities have not budgeted or reported on COVID-19 related allocations and expenditure, nor bulk water inventory as per the guidance provided.

Although the regulated A1 Schedule will only be amended from the 2021/22 MTREF to align to GRAP 12 (as per MFMA Circular No. 98), municipalities should already record water inventory in the *mSCOA* chart. ***Municipalities must budget for water as inventory in the 2021/22 MTREF.*** This means that municipalities will no longer be able to budget for water bulk purchases as an expense on table A4. Municipalities must use bulk water purchases i.e. system input volume on table A6: inventory. This provides for three different water sources i.e. water treatment works, bulk purchases and natural sources. When water is issued through the billing/ distribution, the cost should be expensed through table A4: inventory consumed with the corresponding accounting transaction in the inventory account on table A6: current assets: water: authorised consumption.

Municipalities that did not adjust their 2020/21 MTREF budgets by 30 September 2020 to respond to the COVID-19 pandemic or budget for bulk water inventory are reminded to do so in the main adjustments budget process in February 2021.

It should also be noted that the National Treasury's reporting on COVID-19 will be drawn as per *mSCOA* Circular No. 9 and we will not be able to identify COVID-19 allocations and expenditure that have been ringfenced in another manner.

Municipalities must submit the adjustments budget and revised project list for 2020/21 in the format of a *mSCOA* data strings (ADJB and PRAR) uploaded to the Local Government (LG) Upload Portal within 10 working days after Council has adopted the adjustments.

## 11.3 Revised Municipal Property Rates Act Categories

By now all municipalities should be aware that section 8 of the Municipal Property Rates Act on the determination of categories of **rateable** properties has been revised through the Local Government Municipal Property Rates Amendment Act, 2014 ("the Amendment Act"). The new rateable property categorisation framework based on use (provided these property categories exist within the municipality) and consequently, all property categories that are based on ownership, geographic location or any other basis fall away.

Municipalities must implement the new property categorisation framework by not later than 1 July 2021. The *mSCOA* chart Version 6.5 makes provision for the new and the old framework. However, the old framework will be retired in the next version of the chart and municipalities are advised to implement the new property categorisation framework as legislated. Therefore, municipalities cannot use both frameworks to avoid duplication and overstatement of revenue from property rates.

#### 11.4 Forbidden activities

The Item Assets segment of the *mSCOA* chart currently includes items such as staff loans as non-current receivables from non-exchange transactions. This is in contravention with Section 164(1)(c) of the MFMA that stipulates that a municipality may not make loans to councillors or officials of the municipality; directors or officials of the entity; or members of the public. Therefore, municipalities are advised not to use these items when budgeting as National Treasury may retire these items in the next version of the chart.

#### 11.5 Independent Audits on Municipal Financial Systems

All municipalities and municipal entities had to comply with the *mSCOA* Regulations by 1 July 2017. MFMA Circular No. 80 provided guidance on the minimum business processes and system specifications for all categories of municipality (A, B and C). The Request for Proposal (RFP) issued on 4 March 2016 for the appointment of service providers for an integrated financial management and internal control system for local government (RT25-2016 published in Tender Bulletin No. 2906), provided further guidance on the requirements applicable to a specific category of municipality.

The National Treasury will conduct independent audits on all municipal financial systems in 2021 to determine to what extent the financial systems that are currently being used by municipalities comply with the minimum business processes and system specifications required in terms of *mSCOA*. These audits were initially planned for 2020, but due to restrictions on procurement processes and travel in terms of the COVID-19 pandemic it was postponed to 2021. The results of the audits will also inform the new transversal tender for the procurement of municipal financial and internal control systems in 2022. **Until these audits have been concluded, and the results have been released, municipalities should exercise caution when changing their financial system to avoid purchasing a system that does not comply with the necessary *mSCOA* functionality requirements.** However, should a municipality need to procure a new financial system, they must follow the processes set out in the MFMA read together with the Municipal Supply Chain Management Regulations and MFMA Budget Circulars No. 93, 98 and *mSCOA* Circulars No 5 and 6. In addition, National Treasury has not accredited any of the municipal financial systems available in the market and this should therefore not be advertised as a requirement in municipal tender documents.

It should be emphasised that the onus to ensure compliance with the *mSCOA* Regulations and minimum system specifications as per MFMA Circular No. 80 and its Annexure B rests with the municipality and not the system vendor. Municipalities must properly manage Service level agreements (SLA) with system vendors. Penalties, including the termination of the SLA in cases of persistent non-compliance, should be imposed if the system vendor does not meet the agreed upon milestones. Likewise, if a system vendor has delivered on the services agreed upon in the SLA, then the municipality should pay all money owing to the system vendor within 30 days of receiving the relevant invoice or statement, as per the requirements of Section 65(2)(e) of the MFMA. Lastly, municipalities must agree on the services that are to be provided

by the system vendors and costs thereof in the SLA that is signed by the municipality and system vendor. Municipalities should consider the financial implications thereof and negotiate more favourable terms with the system vendor if necessary before signing the SLA. Once signed, the SLA is legally binding.

### **11.6 Regulation of Minimum Business Processes and *m*SCOA System Specifications**

National and Provincial Treasuries held extensive engagements with key system providers during which the system functionality on the following were demonstrated: IDP and budget, supply chain management (SCM), asset management, annual financial statements, revenue management, cash flow and period control. These engagements provided National and

Provincial Treasuries with an understanding of what functionality is available on each system and what the key system related challenges are.

It was evident from the engagements that municipalities are not using their financial systems optimally. Some of the challenges that were identified in this regard include the following:

- 15 Some municipalities have not purchased all the modules of the core financial system or have not upgraded to the Enterprise Resource Planning (ERP) (*m*SCOA enabling) version of their financial systems;
- 16 A few municipalities are not paying for the required licences to use system solutions and they are not upgrading and maintaining their servers, hardware and software to become and remain *m*SCOA compliant and to protect their data;
- 17 Several municipalities are still transacting on their legacy systems that are not *m*SCOA enabling or they are using excel spreadsheets that are not incorporated in the functionality of their financial systems, while they are paying for maintenance and support for the *m*SCOA enabling system that was procured. This constitutes fruitless and wasteful expenditure; and
- 18 Other municipalities are not using all the modules of the core financial system (using 3rd party systems) while they have procured these modules. This is once again fruitless and wasteful expenditure.

Municipalities should include the cost of the above in their 2021/22 MTREF budgets.

One of the key objectives of the *m*SCOA reform is to ensure that municipalities are budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. The manual correction of data strings by municipal officials or system vendors are not allowed in terms of the *m*SCOA Regulations.

National Treasury will expand and regulate the business processes and system specifications communicated in MFMA Circular No. 80 and its Annexure B in the 2021/22 MTREF to ensure that municipalities are using the functionality available on their financial systems. MFMA Circular No. 80 was issued in 2016, and several Regulations and best practises as per the MFMA Circulars have been introduced since then. The expansion of the requirements will accommodate these new developments.

### **11.7 Non-compliance with *m*SCOA requirements**

If your municipality has not yet achieved the required level of *m*SCOA implementation, then it must provide a detailed action plan (road map) to the National and the respective provincial

treasury to indicate how the municipality will fast track the implementation of *mSCOA*. The action plan should include the following priority areas, as applicable to the municipality:

- 19 The functionality of the financial system, including the minimum system functionality and business process as per MFMA Circular No. 80 and Annexure B and functionality required in terms of Regulations and MFMA Circulars that was issued after 08 March 2016 (the date on which MFMA Circular No. 80 was issued);
- 20 Integration of 3rd party sub-systems with the *mSCOA* enabling financial system as required in terms of MFMA Circular No. 80 and Annexure B;
- 21 Change management initiatives to ensure that *mSCOA* is institutionalised as an organisational reform and not only a financial reform; and
- 22 Training initiatives to ensure that all officials in the organisation are familiar with the *mSCOA* chart, basic accounting, balance sheet budgeting and movement accounting and the use of the *mSCOA* enabling financial system.

Importantly, the action plan must be drafted by the municipality and not the system vendor and the progress against it should be carefully monitored by the municipality's *mSCOA* Project Steering Committee (chaired by the Accounting Officer). Municipalities must present progress against the action plan at the 2020/21 Mid-Year Budget and Performance visits and Budget and Benchmark engagements with the National and the respective provincial treasury.

#### **11.8 Extension and Procuring of Service Level Agreements (SLA) for Financial Systems**

At least six (6) months prior to the expiry of the SLA for the support and maintenance of the financial system, the municipality should either:

- 23 Extend the existing SLA with the same system vendor subject to the provisions of Section 33 and 116(3) of the MFMA (read in conjunction with MFMA Circular No. 62); or
- 24 Approach the market to procure services for the support and maintenance of the financial system consistent with the Municipal Supply Chain Management Regulations and municipality's Supply Chain Management Policy.

Importantly, once the SLA has expired, it cannot be extended, and the municipality will have to embark on a new procurement process. In addition, when the contract for the support and maintenance of the financial system comes to an end, it does not mean that the municipality must procure a new financial system. It is only support and maintenance services pertaining to the financial system that needs to be procured. Municipalities need to properly document their systems and the system language used to ensure that system support can be procured in the local market when required.

#### **11.9 Cash flow reconciliation**

The population of the cash flow reconciliation in tables A7, B7 and C7 of the MBRR formats using *mSCOA* data strings has been a challenge in previous financial years. The main contributing factors to this were that:



- 25 Municipalities were not using the *m*SCOA segments correctly to populate their cash flow information;
- 26 A number of municipalities did not use the movement accounts correctly in the *m*SCOA chart which distorts the figures reported in the cash flow tables;
- 27 Some municipalities did not budget, transact or report directly in or from their financial systems; and
- 28 There were errors in the linkages of the MBRR cash flow tables to the *m*SCOA data strings in the segment item: asset and liabilities on the Local Government Database.

It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. National Treasury has provided guidance in this regard in MFMA Circular No. 98 and *m*SCOA Circular No. 10 and have also corrected the errors in the linkages of the MBRR cash flow tables to the *m*SCOA data strings. This has resulted in improvements in the section 71 cash flow data that were published at the end of quarter 1 of the 2020/21 MTREF. Further guidance on the application of the funding segment has also been issued in *m*SCOA Circular No. 11 on 4 December 2020.

### 11.10 mSCOA Calendar for 2021/22

Important dates pertaining to *mSCOA* related activities for the 2020/21 financial year is summarised below for planning purposes:

Activity		Time Frames
1.	Independent System Audits	February to December 2021
2.	Regulation of Minimum Business Processes and System Specifications	For comments and testing: October 2021
3.	<i>mSCOA</i> Virtual Training Sessions (various topics)	Monthly
4.	Roll out of eLearning <i>mSCOA</i> course through National School of Governance	July 2020
5.	Issue proposed <i>mSCOA</i> chart changes for version 6.6	October 2021
6.	Annual <i>mSCOA</i> CIGFARO Budgeting Workshop	November 2021
7.	Issuing of transversal contract for provision of financial systems	March 2021

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## 12. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. Even as demand for services rises, weak economic growth has put stress on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, water boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide for the servicing of their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

Municipalities are reminded that the local government equitable share allocation is mainly to fund the costs of free basic services and to subsidise the administrative costs of the smaller and more rural municipalities. The increasing unemployment and growth in the number of persons per household means that the revenue foregone in respect of free basic services will likely increase, and it will become even more difficult to collect revenue. Household budgets are becoming increasingly under more pressure, and trade-offs might be applied when it becomes unaffordable to pay all household expenses on a monthly basis.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to **justify all increases in excess of the projected inflation target for 2021/22** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

### 12.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circular No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2021/22 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this has been identified as a fundamental reason for municipalities not attaining their desired collection rates.

It is therefore essential that municipalities pay attention to reconciling the valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities are encouraged to undertake this exercise as a routine practice. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this with the Deeds Office registry. In accordance with the MFMA Circular No. 93,

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municipalities are once more requested to submit the reconciliation of the valuation roll to the financial system to the National Treasury by no later than **05 February 2021**.

The above information must be emailed to [linda.kruger@treasury.gov.za](mailto:linda.kruger@treasury.gov.za) or must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>.

## 12.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (FFC, 2011). Credible budgets are critical for local government to fulfil its mandate and to ensure its financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- 29 An effective budget is one that is adequate to deliver a service of the necessary quality on a sustainable basis; and
- 30 An efficient budget is one that delivers services at the lowest possible cost.

Municipalities are encouraged to utilise the tariff setting tool referenced in MFMA Circular 98, item 4.2. This tool will assist in setting tariffs that are cost-reflective and would enable municipalities to recover costs to fulfil its mandate. The National Treasury Municipal Costing Guide is also available on the link below on the National Treasury website.

<http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08>

## 12.3 Bulk Account Payments - Eskom Concessions

During 2018/19, intense work had been undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom was engaged on providing relieve in certain areas. Municipalities must be made aware that the following concessions were agreed upon:

- 31 Reducing the interest rate charged on overdue municipal bulk accounts from prime plus 5 per cent to prime plus 2.5 per cent;
- 32 Payment terms being extended from 15 days to 30 days for municipal bulk accounts; and
- 33 Payments received from municipalities will be allocated to capital first and then the interest.

These concessions are aligned to the MFMA and are meant to curb the growing debt levels by allowing municipalities a more conducive payment regime than what was previously employed. In addition, municipalities are encouraged to budget for bulk services and honour

their current account payments religiously to avoid stringent application of the bulk suppliers'

credit control policy.

#### **12.4 Timeous allocations and clearing of the control accounts**

Municipalities are encouraged to clear the control accounts on a monthly basis and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA. Implementing and enforcing the credit control policy of the municipality whilst payments are not cleared in the control account is negligent and irresponsible. Municipalities are warned against this bad practice, and this must be avoided at all costs.

#### **12.5 Eskom Bulk Tariff increases**

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. In March NERSA approved a municipal tariff increase of 6.9 per cent effective 1 July 2020 (1.2 per cent lower than the tariff increase in Multi-Year Price Determination (MYPD) 4 period due to differences in municipal and national financial years).

Municipalities are advised to use the tariff increases previously (March 2019) approved by the Regulator of 5.2 per cent 2021/22, 8.9 per cent for 2022/23 and 8.9 per cent in 2023/24 (*for 2023/24, an average annual tariff increase is used for the National Energy Regulator of South Africa's multi-year price determination period of 1 April 2019 to 31 March 2022*). The outer year is anticipated to be the first year of the MYPD 5 period, which is yet to be published.

### **13. Funding choices and management issues**

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2021/22 MTREF budgets:

- 34 Improving the effectiveness of revenue management processes and procedures;
- 35 Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- 36 Ensuring value for money through the procurement process;
- 37 The affordability of providing free basic services to all households;
- 38 Not taking on unfunded mandates; and
- 39 Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

#### **13.1 Employee related costs**

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC. Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability as many municipalities that are already not in a position to afford the current wage cost would indeed have to apply no more than zero per cent increase in the 2021/22 MTREF and to exercise the option for exemption for any negotiated increase above the level of their affordability.

### **13.2 Remuneration of councillors**

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.

## **14. Conditional Grant Transfers to Municipalities**

### **14.1 Non-compliance of in-year monitoring**

In terms of Section 74(1) of the MFMA, municipalities must submit to the transferring officers, National and Provincial treasuries documents and monthly grant reports as may be prescribed or required. The *mSCOA* Regulations requires the uniform recording and classification of municipal budget and financial information at a transaction level in the form of a *mSCOA* data string that must be submitted to the LG Upload portal. Most municipalities are still not reporting on conditional grants as per the *mSCOA* requirements. As per MFMA Circular No 93, the National Treasury has only used *mSCOA* data strings as the source of data for publications on municipal financial performance from 1 July 2019. The *mSCOA* data strings will also be the main source of data that will be used to monitor the performance against grants and to inform decisions on the stopping and reallocation of conditional grants funding in the 2021/22 MTREF. The credibility of the *mSCOA* data strings reporting on grants will be closely monitored going forward.

Furthermore, section 12(2) of the Division of Revenue Act, 2020 (Act No. 4 of 2020) (DoRA) states that the municipality, as part of the report required in terms of section 71 of the MFMA, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant Transferring Officer.

Some municipalities have not been complying with the reporting requirements as stipulated above. Municipalities are reminded that the non-submission of monthly reports translates to non-compliance with the MFMA and DoRA. The National Treasury and Transferring Officer will be implementing stringent measures to municipalities that do not comply with the prescripts. This includes, but is not limited to, the stopping and reallocation of conditional grants funding of non-compliant municipalities. Municipalities are encouraged to comply with the reporting requirements to avoid withholding or stopping of an allocation.

In terms of performance reporting on conditional grants, municipalities and Transferring Officers are urged to pay particular attention to the contents of money spent against conditional grants. Government is not realising full value for money against the substantial investments it makes through grants.

## **15. The Municipal Budget and Reporting Regulations**

### **15.1 Ensuring municipal sustainability through a funded budget**

A budget is funded from realistically anticipated revenues to be collected, cash backed accumulated funds from the previous year as well as borrowed funds to be utilised for capital projects. A budget is realistic if it takes into account projected revenue for the current year based on the collection levels to date and actual revenue collected in the previous financial year. Municipal budgets must be prepared on this basis. The economic climate and the impact of COVID-19 pandemic had an effect on the ability of municipalities to collect arrear debt during levels 5, 4 and 3 of the national lockdown. This inability to exercise credit control measures during this period had decreased the collection rate in many municipalities.

Municipalities need to be proactive in exercising credit control measures to ensure that arrear debt is collected. Whilst collection rates decreased during the period mentioned above, municipalities must implement efforts to collect arrear debt and return collection rates to pre-COVID-19 levels. Whilst this unprecedented COVID-19 period is the exception, collection rates need to be maintained at 95 per cent in order to ensure the financial sustainability of municipalities. If collection rates have decreased, prudent financial management requires expenditure to be adjusted downward accordingly. This is to ensure that deficits are not realised and that realistically anticipated revenue based on projected collection rates funds expenditure. This will also ensure financial sustainability and avoid situations of financial distress in municipalities.

The Municipal Systems Act states that a municipal council must adopt, maintain and implement a credit control and debt collection policy that would be utilised for the collection of money that is due and payable to it. The municipal Councillors therefore are the custodians of the policy and responsible for its implementation. As a result, Councillors are required to encourage consumers in their municipal jurisdiction to pay for municipal services and to ensure that such debt that is due and payable to the municipality is collected. This would ensure compliance with the Act and ensure that a culture of payment is implemented in the municipal area. Council needs to play an active role in implementing their adopted policies to increase collection rates and ensure that funds are received to render services to the people.

Municipalities are reminded to develop a credible funding plan where the budget is unfunded. This plan must be tabled in and adopted by Council with the 2021/22 MTREF budget and submitted to the National and provincial treasuries when they submit their tabled and adopted budget in terms of Section 22(b)(i) and 24 (3) of the MFMA. Failure to approve a credible plan will result in the invoking of Section 216(2) of

### **15.2 Budgeting for indirect grant allocations**

Some municipalities continue to budget for allocations not directly allocated to them as revenue in the Statement of Financial Performance. This results in revenue being overstated. Therefore, municipalities must refrain from budgeting for indirect grant allocations. A municipality must only budget for the allocations that are directly allocated and transferred to them.

### **15.3 Monthly reporting of debtors**

National Treasury has observed through in-year monitoring that most municipalities are overstating debtors as they report on gross debtors instead of net. The format of the monthly debtors' data strings provides for a column to disclose provision for impairment as per council policy. Therefore, municipalities are urged to always reflect the provision for impairment in the column as indicated above for National Treasury to be able to reconcile the net debtors.

#### 15.4 Schedule A - version to be used for the 2021/22 MTREF

National Treasury has released Version 6.5 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.5 of the *mSCOA* classification framework and must be used when compiling the 2021/22 MTREF budget.

It is imperative that all municipalities prepare their 2021/22 MTREF budgets in their financial systems and that the Schedule A1 be produced directly from their financial system. Vendors have demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Therefore, there is no reason why the 2021/22 MTREF budget must be done manually. National Treasury has protected the A1 schedule version 6.5, therefore manual population will not be allowed as the schedule must be extracted from the financial system.

**ALL municipalities MUST** prepare their 2021/22 MTREF tabled and adopted budgets using the A1 schedule version 6.5.

Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on A1 schedule version 6.5 is not allowed** in terms of the *mSCOA* Regulations.

The National Treasury has indicated in MFMA Circular No. 93 that municipalities must submit all A1 Schedules in PDF format only from the 2019/20 MTREF. Given the fact that the *mSCOA* classification framework makes it possible to generate the financial data required in the A1 schedule directly from the data strings and that additional data needed must be obtained from sub-systems that integrate with the financial system, the National Treasury will only accept the prescribed data string containing the supporting data, populated and uploaded by each municipality. National Treasury published the layout for the data string on the website in MFMA Budget Circular No. 98 and an amended version to be used for the 2021/22 MTREF forms part of this circular. The publication in the 2020/21 MTREF of non-financial data will be done using the supporting data uploaded from these data strings.

The National Treasury **will no longer gather supporting data from the MBRR A1 Schedules** but will expect each municipality to **submit the prescribed supporting data strings** containing the required data using the LG Upload Portal.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the *mSCOA* chart version 6.5 changes. The revised MBRR Schedules for the 2021/22 MTREF and its linkages to the data string are available on the link below:

<http://cenvappsp10:31200/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Documents/Forms/AllItems.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%20Regulations%2fDocuments%2f2020%2d21&FolderCTID=0x0120001860D4A2BD7AD042BF8427FC3BB59F67>

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

### 15.5 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Buffalo City	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Free State	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
Johannesburg and Tshwane	Kevin Bell Willem Voigt	012-315 5725	<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
		012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
eThekweni	Mpati Rakgwale	012-315 5700	<a href="mailto:Mpati.Rakgwale@treasury.gov.za">Mpati.Rakgwale@treasury.gov.za</a>
	Una Rautenbach		<a href="mailto:Una.Rautenbach@treasury.gov.za">Una.Rautenbach@treasury.gov.za</a>
	Abigail Maila		<a href="mailto:Abigail.Maila@treasury.gov.za">Abigail.Maila@treasury.gov.za</a>
Limpopo	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Mpumalanga	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Stanley Malele		<a href="mailto:Stanley.Malele@treasury.gov.za">Stanley.Malele@treasury.gov.za</a>
Northern Cape	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Phumelele Gulukunqu	012 315 5539	<a href="mailto:Phumelele.Gulukunqu@treasury.gov.za">Phumelele.Gulukunqu@treasury.gov.za</a>
North West	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
Cape Town	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
George	Willem Voigt and	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	<a href="mailto:lgdataqueries@treasury.gov.za">lgdataqueries@treasury.gov.za</a>

National and provincial treasuries will analyse the credibility of the data string submissions.

### 15.6 Assessing the 2021/22 MTREF budget

National and provincial treasuries will assess the 2021/22 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

The **assessment period** of all municipal budget will therefore be from **31 May to 30 June**. In this one-month period, the National and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by the 10<sup>th</sup> working day of July each year. Therefore, once the

ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of mSCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated.**

The previous verification process and timeframes (i.e. July to September) can no longer be applied as municipalities are already transacting against the adopted and locked budget from 01 July 2020.

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution, as well as a budget locking certificate (in the case of the adopted budgets) in accordance with the format specified in Regulation 31 of Schedule A of the MBRR. The A1 schedule must be included as part of the budget documentation in pdf format.

The National Treasury would like to emphasise that ***where municipalities have adopted an unfunded budget without a credible funding plan, they will be required to correct the budget and go back to the Municipal Council to ensure they adopt and implement a funded budget as required in terms of Section 18 of the MFMA.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- 40 An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;
- 41 An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- 42 A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.



## 16. Budget process and submissions for the 2021/22 MTREF

### 16.1 Submitting budget documentation and A1 schedules for 2021/22 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- 43 Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2021**, the final date of submission of the electronic budget documents and corresponding *mSCOA* data strings is **Thursday, 01 April 2021**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that municipalities must submit the approved annual budget to both National Treasury and the relevant provincial treasury ***within ten working days*** after the council has approved the annual budget. E.g. if the council approves the annual budget on **31 May 2021**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 14 June 2020**.

**Municipalities are no longer expected to submit hard copies of all required documents including budget-related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Hard copies must be submitted in pdf format to the LG Upload portal.**

### 16.2 Expected submissions for 2021/22 MTREF

- 44 The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- 45 The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA24 and any other information not contained in the financial data string) in the A1 in the prescribed *mSCOA* data string in the format published with Version 6.5 of the A1 schedule;
- 46 The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- 47 The draft and final IDP;
- 48 The council resolution for the tabled and adopted budgets;
- 49 Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- 50 D Schedules specific for the entities; and
- 51 A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

Budget-related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>. It should be

emphasised that municipalities should submit all required documents to the LG Upload portal and not to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za). National Treasury will retire [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) on 1 July 2021 to ensure that there is a single collection point of municipal financial data.

Also note that the LG Upload Portal does not have the same size restrictions encountered with [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za), but requires all documents to:

- Be in PDF format only; and
- Each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified clearly and uploaded separately.

Any problems experienced with the submission of documents can be addressed with Elsabe Rossouw at [Elsabe.Rossouw@treasury.gov.za](mailto:Elsabe.Rossouw@treasury.gov.za).

The 2020/21 MTREF and the preliminary Quarter 1 Section 71 results for the 2020/21 financial year that has recently been published, have indicated that the credibility of the *m*SCOA data strings is still a concern although we have observed a marked improvement in some areas. At the core of the problem is:

- 52 The incorrect use of the *m*SCOA chart and segments, balance sheet budgeting, movement accounting and basic municipal accounting practices by municipalities;
- 53 Some municipalities are not budgeting, transacting and reporting directly in/from their core financial systems; and
- 54 Municipalities are not locking their adopted budgets and their financial systems at month-end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2020/21, the Local Government Database and Reporting System will lock all submission periods within the reporting period at the end of each quarter. The published period will NOT be opened again to ensure consistency between publications. System vendors were also requested to build this functionality into their municipal financial systems.

To improve the credibility of these data string, National and provincial treasuries are analysing the accuracy of the data strings and the use of the six regulated segments. The National Treasury has developed tools to analyse the segment/chart use and trained budget analysts from both National and provincial treasuries on the use thereof. To date, the analysis has highlighted that municipalities are not using the FUND, REGION and COSTING segments correctly. In many instances, these segments are simply defaulted which impedes the multi-dimensional reporting power of the *m*SCOA classification framework. Another common area of concern is that total capital expenditure do not balance to total funding. Currently, the expenditure is much higher than the available funding reported.

It needs to be noted that the single source for all analysis and publications will be the data strings submitted by the municipalities for the 2020/21 municipal financial year. It is therefore imperative that municipalities ensure the credibility and accuracy of the data strings before submission.

### **16.3 Publication of budgets on municipal websites**

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled

budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

#### **16.4 Communication by municipal entities to National Treasury**

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

## **Contact**



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**04 December 2020**

# **ANNEXURE O**

## **MFMA NATIONAL TREASURY CIRCULAR NO 108**



## NATIONAL TREASURY

## MFMA Circular No. 108

## Municipal Finance Management Act No. 56 of 2003

## Municipal Budget Circular for the 2021/22 MTREF

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## Introduction

This budget circular is a follow-up to the one issued in December 2020. It guides municipalities with their preparation of the 2021/22 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars, it should be read within this context. This Circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (mSCOA); and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved. The key focus of this Circular is the grant allocations per the 2021 Budget Review and the 2021 Division of Revenue Bill.

Municipalities are reminded to refer to the previous years' annual budget circulars for guidance on budget preparation that is not covered in this circular.

## 1. The South African economy and inflation targets

The South African economy contracted by an estimated 7.2 per cent in 2020 compared with the 7.8 per cent contraction projected in the 2020 Medium Term Budget Policy Statement (MTBPS). The revised estimate results from easing lockdown restrictions in the third quarter and a faster-than-expected resumption of global growth, especially in China. The National Treasury projects real economic growth of 3.3 per cent in 2021, following an estimated contraction of 7.2 per cent in 2020. Real GDP growth is expected to moderate to 1.9 per cent in 2022 and 2023.

The outlook remains highly uncertain, and the economic effects of the pandemic are far-reaching. There were 1.7 million fewer jobs by the third quarter of 2020 compared to the same period in 2019. Rising unemployment and income losses have entrenched existing inequalities. GDP is only expected to recover to pre-pandemic levels in late 2023. High-frequency data for the third quarter, such as the volume of electricity distributed, mining and manufacturing output, business confidence and the ABSA Purchasing Managers' Index (PMI) shows evidence of a limited economic rebound.

Although growth rates are likely to improve quickly as restrictions are removed, based on current projections, the output is only expected to return to pre-pandemic levels in 2024. Given South Africa's structural constraints, its recovery will be slower than many of its developing-country peers. Industrial sectors (which include mining, manufacturing, construction and utilities) lagged substantially, undermined by structural constraints including unreliable electricity supply and weak public investment that preceded the pandemic. Over the next several years, the country requires the implementation of long-standing structural reforms to sustainably move to a higher growth path.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels; hence a conservative approach is advised for revenue projections.

The following macro-economic forecasts must be considered when preparing the 2021/22 MTREF municipal budgets.

**Table 1: Macroeconomic performance and projections, 2019 - 2023**

Fiscal year	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Forecast		
CPI Inflation	4.1%	3.3%	3.9%	4.2%	4.4%

Source: 2021 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.



## 2. Key focus areas for the 2021/22 budget process

### 2.1 Changes to local government allocations

Over the next three years, municipalities will have to adjust to significant changes in expenditure plans while improving accountability. The 2021 Budget protects transfers that focus on infrastructure, service delivery and COVID-19 spending while reducing those spent less effectively. The 2021 Budget includes funding for initiatives to improve municipal revenue collection and support financially distressed municipalities.

Transfers to local government over the medium-term account for **9.4 per cent** of nationally raised funds after providing for debt-service costs, the contingency reserve and provisional allocations. Local government's share of revenue has risen in relative terms because reductions to the public-service wage bill affect only national and provincial government. Local government transfers grow by an annual average of 5.2 per cent over the MTEF; the equitable share declines by 4.4 per cent and conditional grants grow by 7.3 per cent. As part of government's fiscal consolidation policies over the medium term, transfers to local government are reduced by R19.4 billion, including R14.7 billion from the local government equitable share, R2.7 billion from the general fuel levy and R2 billion in direct conditional grants.

#### **Conditional grants**

The reduction to direct conditional grants includes R329 million from the *municipal infrastructure grant* and R21 million from the *integrated urban development grant*. These amounts have been reprioritised from underspending grants to fund a once-off councillor gratuity for non-returning councillors. The largest proportional reduction of R1.3 billion to local government grants has been made in the *public transport network grant*, because only six of the 13 cities receiving the grant have successfully launched public transport systems. Indirect conditional grants are reduced by R286 million over the period.

Government continues to reform the system of conditional grant transfers to local government based on the principles set out in the 2019 Budget Review. In 2021, government will expand the scope of the *municipal infrastructure grant* to allow municipalities to use up to 5 per cent of their allocation to develop infrastructure asset management plans. This change addresses poor asset management in municipalities.

In 2020, the *integrated city development grant* was repurposed to assist cities to build internal capacity or obtain technical support to prepare and package key infrastructure projects. This will continue in 2021 and private sector participation will be encouraged in these projects.

Two standalone *informal settlement upgrading grants* for provinces and municipalities will be introduced from 2021/22. These grants are made up of components previously within the *human settlements development grant* and the *urban settlements development grant* for provinces and municipalities respectively. In addition, the Municipal Systems Improvement Grant scope is extended to fund comprehensive institutional diagnostic assessments of the 21 district areas where the district municipality is a water service authority and the development of institutional improvement/ support plans that will inform all future capacity development programmes and municipal support initiatives to enhance the continued rollout of the rollout of the District Development Model (DDM).

Municipalities are reminded that all allocations included in their budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website by clicking on the link below:  
<http://www.treasury.gov.za/documents/national%20budget/2021/>



### 3. 2021 Local Government Elections and the budget process

Municipalities are advised to refer to MFMA Circular No. 107 on risks related to the Local Government elections and issues to be considered in compiling the 2021/22 MTREF in addition to the information provided below.

#### 3.1 Transitional processes - development and adoption of IDPs during the 2021 election year

The 2020/21 municipal financial year represents the last year of the current municipal councils' electoral term. Therefore, the next municipal election to usher in new councils is expected to take place between August and November 2021 in terms of the Section 24 (2) of the Municipal Structures Act, 2000 (Act No. 32 of 2000) (MSA).

It is acknowledged that the period within which the coming election's date is expected takes place after the start of a new financial year. This particular scenario poses a latent challenge in so far as adherence to legislated timeframes with regard to the adoption of the 5-year Integrated Development Plan (IDP) and the subsequent implementation.

Given the fact that the IDP and budget would need to be reviewed and adopted by 30 June 2021, the current council has an obligation to ensure that these stipulations are complied with. In this regard, the current council will be expected to continue reviewing the IDP and ensuring that it is adopted within the legislated timeframe.

Section 25 (3) of the MSA does allow the municipal council to adopt the IDP of the preceding council. However, should the incoming councils be unhappy with the priorities set out by the current council, in this case, municipal councils are advised to consider the existing adopted IDP and resolve to initiate or not to initiate an amendment procedure as guided by the MSA and the Municipal Performance and Planning Regulations (2001).

The Department of Cooperative Governance (DCoG), through the Chief Directorate: Development Planning, is rolling out the revised IDP guidelines to municipalities. These guidelines are aimed to, amongst others, guide municipalities with regards to the adoption of IDPs during an election year.

#### 3.2 Hand-over reports for the newly elected councils

Each municipal manager, working together with the CFO and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. This hand-over report aims to provide the new councils important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed.

It is proposed that the hand-over report should include:

- An overview of the demographic and socio-economic characteristics of the municipality;
- An overview of the organisational structure of the municipality, with the names and numbers of senior managers;
- An overview of key municipal policies that councillors need to be aware of and where they can obtain the full text of such policies;
- An overview of issues that still need to be addressed in relation to the municipality's turnaround strategy;
- An overview of the municipality's financial health, with specific reference to:
  - Its cash and investments, and its funding of commitments (Table A8);
  - Cash coverage of normal operations (see Supporting Table SA10);

- Creditors outstanding for more than 30 days, along with reasons for delayed settlement;
- Current collection levels and debtors outstanding for more than 30 days; and
- Extent of existing loans and associated finance and redemption payments.
- The municipality's 2019/20 audit outcome and its strategy to address audit issues;
- An overview of the provision of basic services, including plans to address backlogs;
- An overview of the state of the municipality's assets, with particular reference to the asset management plan, and repairs and maintenance requirements;
- A list of the main infrastructure projects planned for the 2021/22 budget and MTREF;
- A list of key processes requiring council input over the next six months, e.g. revision of the IDP, approval of specific policies etc. and
- Any other information deemed to be important.

In addition to the hand-over report, each new councillor should be given the municipalities' revised IDP, the adopted 2021/22 MTREF budget, the mid-year budget and performance assessment report for 2020/21, and the latest monthly financial statement, and the annual report for 2019/20.

Municipal managers should submit their municipality's hand-over report to the relevant provincial department responsible for local government, to the Department of Co-operative Governance (DCoG) and National and Provincial Treasuries.

## 4. Municipal Standard Chart of Accounts (*mSCOA*)

### 4.1 Opening balances

It was noted that some municipalities are not transferring their opening balances consistently to the current year of transacting. Opening balances for the previous year must be transferred in the first month (M01) of the current year, and all adjustments made during the preparation of the annual financial statements in period 14 and 15 must be transferred through journals to the opening balances of the current year in the month that it becomes apparent. When municipalities are not doing this correctly and consistently, it compromises the credibility of the *mSCOA* data strings submitted.

Importantly, journals may only be passed in the core financial system and not in 3<sup>rd</sup> party sub-systems.

### 4.2 Surplus or deficit journals

The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and MBRR require that municipalities perform their month-end reconciliations at the end of every month before they submit their financial performance information to the National Treasury. Surplus or deficit journals must be passed monthly before a data string is generated to ensure that the financial system remains in balance. The monthly data strings reflected in the Statement of Financial position (table C6 of the regulated C Schedules) will not be in balance for those municipalities that are not doing this, and their *mSCOA* data strings will therefore not be accurate.

Municipalities must also reconcile their creditors and debtors and all month-end processes **before** they submit their monthly data strings to ensure that the data submitted to the National Treasury Local Government Database is credible.

### 4.3 Rollovers and repayment of unspent grants

Municipalities are required to use the correct posting levels and movement accounting when conditional grants are being receipted, recognised, rolled over, and unspent grants are repaid. The accounting for grants should be done in accordance with GRAP 23: Revenue from

exchange transactions (Taxes and Transfers). Refer to **Annexure A** of this Circular on the correct treatment of rollovers and repayment of unspent grants in *mSCOA*.

## 5. The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the municipality's financial sustainability. The Consumer Price Index (CPI) is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required **to justify all increases in excess of the projected inflation target for 2021/22 MTREF** in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. It is noted that the tariff increases by Eskom and Water Boards are above inflation and should be considered as such while determining cost-reflective tariffs. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving its own revenue collection, working more efficiently and implementing cost-containment measures.

### 5.1 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. In March, NERSA approved a municipal tariff increase of 6.9 per cent effective 1 July 2020 (1.2 per cent lower than the tariff increase in Multi-Year Price Determination (MYPD) 4 period due to differences in municipal and national financial years).

The equitable share formula uses the 9.9 per cent bulk tariff increase used when National Treasury calculated the baseline for this year in the 2020 MTEF period. Other (non-bulk) electricity costs are updated based on the National Treasury's inflation projections in the 2020 MTBPS. This is due to fiscal constraints and the fact that the court had not pronounced on the Eskom matter at the time that the budget was finalised.

The additional R10 billion that the courts have allowed Eskom to recover in the 2021/22 national financial year translates to a 15.6 per cent bulk increase over the national financial year. However, given that the increase only comes into effect in July for municipalities, NERSA typically allows a higher percentage increase so that Eskom can recover the additional allowable revenue from municipalities over 9 months before the national financial year ends. Therefore, the increase should be expected to be between 16 to 20 per cent. Municipalities can mitigate the negative impact of this increase by improving efficiencies on both the revenue collections and the spending side.

The outer two years of the 2021 MTEF use 8.9 per cent, which is an average annual tariff increase used for the NERSA's multi-year price determination period of 1 April 2019 to 31 March 2022. Moreover, the outer year is anticipated to be the first year of the MYPD 5 period, yet to be published.

## 6. Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. Customers' ability to pay for services is declining, which means that less revenue will be collected.



In order to achieve financial sustainability, municipalities must demonstrate the political will to implement the changes required to improve their performance. Where municipalities consistently fail to deliver their mandates, the Constitution provides for provincial and/or national government to intervene.

### 6.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2018 to 31 June 2020 has come to an end and a new agreement is under consultation, which we hope will take into account the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to take into account their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC.

Given the current economic condition exacerbated by the COVID-19 pandemic, municipalities are urged to consider projecting increases to wage that would reflect their affordability. Some municipalities are already not able to afford the current wage cost and would indeed have to apply no more than a zero per cent increase in the 2021/22 MTREF and exercise the option for exemption for any negotiated increase above the level of their affordability.

Therefore, should accounting officers fail to consider salary increases within the ambit of the municipality's available resources and financial position, such failure will constitute an act of financial misconduct as defined in section 171 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

### 6.2 Remuneration of councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process.

### 6.3 Payment of danger allowance to the employees

The work undertaken by the frontline staff in rendering services to communities must be appreciated whilst understanding the country's economic situation and the world resulting from the impact of COVID-19 pandemic. The SALGBC Circular No. 5 of 2020 provides advice to municipalities about the payment of danger allowance to employees working at the frontline to fight the COVID-19 pandemic.

The Circular provides that the council of the municipality must have an approved policy that should guide how the danger allowance should be paid, based on the affordability of the municipality. During this difficult financial situation posed by the COVID-19 pandemic, municipalities must consider the following:

1. Determine whether or not the municipality will afford the percentage increase in order to accommodate the Danger Allowance;
2. Assess the current status of the Employee Related Costs that form part of the municipality's budget in order to ascertain whether or not the inclusion of such allowance will not place the municipality's financial position in jeopardy in terms of the total Employee Related Costs as a percentage of the total expenditure;
3. Determine the credible funding source for the payment of Danger Allowance;

4. In this case the municipality must subject that change to “public participation processes” when dealing with the 2021/2022 MTREF based on the funding source; and
5. The municipality must also have a policy that operationalise the implementation of this kind of an allowance, only based on the determination/ assessment as per the aforementioned points.

#### 6.4 Mayor’s discretionary funds and similar discretionary budget allocations

It has been observed that many municipal budgets contain sub-votes or allocations to “Mayoral Discretionary Funds”, “Special Projects”, “Special Events” or similar discretionary type funds. Municipalities must refer to section 12 of the MFMA in relation to setting up a relief, charitable, trust or other funds.

National Treasury regards these types of allocations as a bad practice because:

- It is not clear how they are aligned to the constitutional requirement that municipalities structure their 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 (see section 153(a) of the Constitution);
- They do not provide for the appropriation of funds for the purposes of a department or functional area of the municipality (see the definition of ‘vote’ in section 1 of the MFMA);
- They undermine the budget consultation processes since the intended use of the funds is not transparently reflected in the tabled budget; and
- There is a risk that they may be abused for personal gain or to improperly benefit another person or organisation.

Therefore, National Treasury discourages allocations of this nature. Good budget practice requires that a municipal budget should transparently indicate the purposes and areas where municipal funds (i.e. public funds) are to be allocated. These kinds of discretionary funds immediately raise public suspicions of impropriety and corruption. In terms of section 52(a) of the MFMA the Mayor “must provide general political guidance over the fiscal and financial affairs of the municipality”. The Mayor, therefore, provides direct input into the budget. If this is the case, why does the Mayor require a ‘discretionary / personal slush fund’?

Section 17(3)(b) of the MFMA requires that when an annual budget is tabled it must be accompanied by “measurable performance objectives ... for each vote in the budget”. What measurable performance objectives can be set in relation to these funds given that their use is at the discretion of the Mayor? This means the transparent and effective use of these funds cannot be monitored and assessed by the council and the public.

National Treasury notes that section 17(3)(j) of the MFMA requires that when an annual budget is tabled it must be accompanied by “particulars of any proposed allocations or grants by the municipality to ... (iv) any organisations or bodies referred to in section 67(1)”. The aim of this provision is to ensure that all proposed allocations or grants are presented transparently in the budget documentation that is tabled for public consultation and council approval, as well as for budget management and monitoring purposes. *Any allocations or grants made to organisations or bodies that are not reflected in a municipality’s budget or adjustments budget must be regarded as unauthorised expenditure because they are “(f) a grant by the municipality otherwise than in accordance with this Act”* (see definition of unauthorised expenditure in section 1 of the MFMA).

National Treasury further notes that section 67 of the MFMA only allows funds to be transferred to ‘an organisation or body’ and not to an individual. Any allocations or grants to individuals, *other than in terms of the municipality’s indigent policy or bursary scheme, must be regarded as*



*irregular expenditure because they are expenditures not in accordance with a requirement of the MFMA.*

National Treasury and provincial treasuries will exercise close oversight of all discretionary type allocations in municipal budgets. If there are any concerns about the use of these funds, section 74 of the MFMA will be used to request information in this regard and analyse it for consistency with the MFMA legal framework.

## 7. Conditional Grant Transfers to Municipalities

The annual Division of Revenue Act requires that municipalities must request for a rollover approval against any unspent conditional grants that were allocated through the Act, therefore this section provides guidance to municipalities with regard to the preparation for the 2020/21 unspent conditional grant and rollover process and should be referenced against previous annual budget circulars.

### 7.1 Criteria for the rollover of conditional grant funds

In terms of Section 22 of the Division of Revenue Act, 2020 (Act No.4 of 2020) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2020 (Act No. 10 of 2020) (DoRAA) and the Division of Revenue Second Amendment Act, 2020 (Act No. 20 of 2020), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2020/21 financial year reverts to the National Revenue Fund, unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of section 22(2) of the 2020 DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2020 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
  - a) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
  - b) Proof of project tender and tender submissions published and closed before 31 March with the appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
  - c) Incorporation of the Appropriation Statement;
  - d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2022 (attach cash flow projection for the applicable grant).
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached **legible implementation plan**);
5. The value of the committed project funding and the conditional allocation from the funding source;
6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;

7. Rollover of rollovers will not be considered therefore municipalities must not include previous year's unspent conditional grants as rollover request;
8. An indication of the time period within which the funds are to be spent if the rollover is approved; and
9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy; this also includes acting appointments as a result of suspensions of either MM or CFO that are more than 12 months.

**If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2021, the application will be declined.**

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2020 DoRA, **including the municipal manager and chief financial officer signing-off on the information** sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2021;
3. Accurate disclosure of grant performance in the 2020/21 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Despite the fact local government is required to comply to different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relates to rollover processes and disclose conditional grant performance in the 2020/21 pre-audited Annual Financial Statements in order to verify grant expenditure; and
5. Cash available in the bank (net position including short term investments) as at 30 June 2021 is equivalent to the unspent amount at the end of the financial year. If the amount that is requested for rollover **is not entirely cash-backed**, such a rollover will not be approved. National Treasury will also not approve portions of rollover requests.

It should be noted that under no circumstances will the National Treasury consider requests to rollover:

1. The entire 2020/21 allocation to the municipality, in cases whereby the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2020/21 allocation;
2. Rollover request of the same grant for the third consecutive time;
3. Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted; and
4. A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 May 2021.

## **7.2 Rollover request against the Covid-19 allocated through the Equitable Share**

The Division of Revenue Amendment Act, 2020 (Act No 10 of 2020) made available to Local government an amount of R11 billion following the President's speech on 20 April 2020. The President pronounced that R20 billion would be made available to municipalities in order to provide emergency water supply, increase sanitation of public transport facilities, and provide



food and shelter for the homeless. The R20 billion consisted of an additional allocation of R11 billion, which was transferred through the Equitable Share, and the R9 billion was funded from the repurposed spending within conditional grants allocated to municipalities. This increased the 2020/21 municipal Equitable Share allocation from R74.7 billion to R85.7 billion.

The R11 billion added to the local government Equitable Share allowed municipalities to maintain existing services despite a temporary decline in revenue collections and also cover some additional expenses incurred in response to the pandemic, including the provision of temporary shelter for homeless people during the lockdown.

Although the R11 billion was allocated through an unconditional grant (Equitable Share), these are committed funds in response to the Covid-19 pandemic. Consequently, the municipalities are required to request a rollover from National Treasury of any unspent committed Covid-19 allocation to be rolled over into the 2021/22 financial year.

Municipalities are therefore required to provide the following information to National Treasury in order to prove that the unspent funds are committed and also provide approval to allow the unspent funds to be spent in the 2021/22 financial year.

1. Provide the contracts that are linked to the response of the Covid-19 pandemic in line with the provisions made in the 2020 DoRAA;
2. Reasons why the funds were not fully spent during the year of original allocation per the DoRAA;
3. Accurate disclosure of Covid-19 allocation expenditure in the 2020/21 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS); and
4. Any expenditure incurred against the unspent Covid-19 funds that was not approved for the rollover will be regarded as unauthorized expenditure.

### 7.3 Unspent conditional grant funds for 2020/21

The process to ensure the return of unspent conditional grants for the 2020/21 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

- Step 1: Municipalities must submit their June 2021 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile;
- Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2021. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately; and
- Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2020 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2021.

***National Treasury will not consider any rollover requests that are incomplete or received after this deadline.***

- Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October 2021;



- Step 5: National Treasury will communicate the unspent conditional grants amount by 08 November 2021. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 19 November 2021; and
- Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 19 November 2021, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 07 December 2021 equitable share allocation.

*All other issues pertaining to Appropriation Statement and reporting on approved rollovers are addressed in the Annexure to MFMA Circular No. 86.*

#### **7.4 Importance of section 17 of the Division of Revenue Act**

The purpose of this section is to provide further clarity on section 17 of DoRA in relation to the transfer of funds to the organ of state in order to implement projects on behalf of the municipalities.

Section 17 (3) of DoRA states that a receiving officer may not allocate any portion of a schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of the state agree on the obligation of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and National Treasury of the agreed payment schedule and:

- a. The allocation
  - i) Is approved in the budget for the receiving provincial department or municipality; or
  - ii) If not already approved;
    - aa) the receiving officer notifies the National Treasury that the purpose of the allocation is not to artificially inflate the expenditure estimates of the relevant municipality and indicates the reasons for the allocation; and
    - bb) the National Treasury approves the allocation; or
- b. The allocation is for the payment for goods or services procured in accordance with the procurement prescripts applicable to the relevant province or municipality and, if it is an advance payment, paragraph (a) (ii) applies with the necessary changes.

Further, section 17 (4) states that the receiving officer must submit a copy of the agreement envisaged in subsection (3) to the transferring officer and the National Treasury before payment is made.

This section requires municipalities to comply with section 17 (3) before any DoRA allocated funds are allocated to any organ of state, and the municipality should first seek approval from National Treasury.

Note that National Treasury considers the following when assessing the request from the municipality for approval:

1. If the municipality is benefitting and utilising from the five per cent from capital grants that may be utilised for Project Management Unit (PMU). In terms of the capital grant framework (i.e. MIG and IUDG and three per cent for the USDG), municipalities are allowed to utilise a certain per cent of the grant for PMU or capacity support in order to implement capital projects. Therefore, if municipalities are benefitting from this initiative, the PMU should be capacitated enough to implement capital project;
2. Municipalities that are benefitting from the added technical support from Municipal Infrastructure Support Agent (MISA) will not be granted approval because MISA would assist with providing support and develop technical capacity towards sustained

accelerated municipal and service delivery. This implies that the municipality would be capacitated and be in a better position to implement capital project; and

3. If the request does not comply with the grant conditions, framework and if the transfer artificially inflates the expenditure estimates.

The following information must be submitted to National Treasury before approval is granted to municipalities to transfer funds to organs of the state:

1. In consultation with the relevant transferring officer municipalities must submit their request to National Treasury for approval;
2. Provide the time frames regarding the duration of this arrangement between the municipality and the organ of the state;
3. Provide the Service Level Agreement between the municipality and the organ of the state in consultation with the relevant transferring officer;
4. Provide the agreed payment schedule reflecting the disbursement of the funds;
5. Must provide the reasons why the municipality has taken such a decision;
7. If amongst the reasons for the request is related to capacity challenges, the municipality must therefore prove beyond reasonable doubt that there are capacity challenges and the reasons thereof; and
8. Upon approval, the municipality must submit the approved budget that includes the allocation.

Note that once the allocation has been approved, the payment for goods or services must be procured in accordance with or in compliance with the procurement prescripts applicable to the relevant municipality. If there is an agreement for an advancement, subsection (a) (ii) will apply in order to determine if the payment does not artificially inflate the expenditure estimates. Further, before funds are transferred, the national transferring officer and National Treasury must agree on the payment schedule.

Therefore, if any expenditure incurred which emanates from such an arrangement while there was non-compliance with section 17, grant conditions and framework, such expenditure will not be recognised by both National Treasury and relevant transferring officer and will be classified as unauthorised expenditure.

## 8. The Municipal Budget and Reporting Regulations

### 8.1 Service Level Standards

Municipalities are reminded to update the service level standards which must form part of their 2021/22 MTREF tabled budget documentation. A broad framework on the minimum service standards was issued with MFMA Circular No. 75. Therefore, the outline must be used as a guideline and be amended accordingly to align to the municipality's specific circumstances.

### 8.2 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Buffalo City	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Free State	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>

Gauteng	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
Johannesburg and Tshwane	Kevin Bell	012-315 5725	<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
KwaZulu-Natal			<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
eThekweni	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
	Mpati Rakgwale		<a href="mailto:Mpati.Rakgwale@treasury.gov.za">Mpati.Rakgwale@treasury.gov.za</a>
	Una Rautenbach	012-315 5700	<a href="mailto:Una.Rautenbach@treasury.gov.za">Una.Rautenbach@treasury.gov.za</a>
	Abigail Maila		<a href="mailto:Abigail.Maila@treasury.gov.za">Abigail.Maila@treasury.gov.za</a>
Limpopo	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Mpumalanga	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Northern Cape	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Phumelele Gulukunqu	012 315 5539	<a href="mailto:Phumelele.Gulukunqu@treasury.gov.za">Phumelele.Gulukunqu@treasury.gov.za</a>
North West	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
Cape Town	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
George	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
Technical issues with Excel formats	Kgomotoso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>

## 9. Budget process and submissions for the 2021/22 MTREF

### 9.1 Submitting budget documentation and A1 schedules for 2021/22 MTREF

To facilitate oversight of compliance with the MBRR, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2021**, the final date of submission of the electronic budget documents and corresponding *mSCOA* data strings is **Thursday, 01 April 2021**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that municipalities must submit the approved annual budget to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. E.g. if the council approves the annual budget on **31 May 2021**, given the new timeframe for the evaluation of the municipal budgets, the adopted budget data strings and documentation must be submitted by the latest **Monday, 14 June 2020**.

**Municipalities are no longer expected to submit hard copies of all required documents including budget-related, Integrated Development Plan, Service Delivery Budget and Implementation Plan, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Electronic copies must be submitted in pdf format to the LG Upload portal or [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za).**

### 9.2 Consolidated budgets and reports

Municipalities with entities are reminded that they must prepare and submit MTREF budgets, section 71 reports, annual financial statements and annual reports for both the parent municipalities and consolidated documents that incorporates the entity information in terms of the MBRR.



### 9.3 Submission using LG Upload Portal

In MFMA Budget Circular No 107, it was indicated that budget-related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/> and that National Treasury was planning to retire [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) from 01 July 2021 to ensure that there is a single collection point of municipal financial data. However, based on workflow licensing challenges on the LG Upload Portal, data string submissions will shortly be shifted to the Open Portal GoMuni while documents must still be submitted using [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za). The document submissions will also be shifted to GoMuni as soon as possible.

All municipalities and their entities had to prepare their MTREF budget directly on the *mSCOA* financial systems from 01 July 2017. Therefore, all MBRR schedule submissions must be submitted in **PDF format only**.

### 9.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added/ updated on the website.

## Contact



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001  
**Phone** 012 315 5009  
**Fax** 012 395 6553  
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**JH Hattingh**  
**Chief Director: Local Government Budget Analysis**  
08 March 2021

## Annexure A: Treatment of Rollovers and repayment of unspent grants in mSCOA

### *Cash receipting of a conditional grant*

The receiving of grants must be accounted for against (Dt) Bank and (Cr) Item Liabilities: Unspent grants: Capital: Monetary: Municipal Infrastructure Grant: Receipts as shown below:

<ul style="list-style-type: none"> <li>– Municipal Infrastructure Grant(IL-001-007-002-001-002-005-002)</li> </ul>
Opening Balance(IL-001-007-002-001-002-005-002-001)
Receipts(IL-001-007-002-001-002-005-002-002)

### *Recognising the revenue when the grant is spent*

When the grant is spent in accordance with the conditions of the grant, a transaction must be passed against the (Dt) Item Liabilities: Transferred to Revenue/ Capital Expenditure and (Cr) Item Revenue: Non-Exchange Transactions: Transfers and subsidies: Capital: Monetary allocations: National Government: Municipal Infrastructure Grant as shown below:

#### Debit Item Liability: posting level

<ul style="list-style-type: none"> <li>– Municipal Infrastructure Grant(IL-001-007-002-001-002-005-002)</li> </ul>
Opening Balance(IL-001-007-002-001-002-005-002-001)
Receipts(IL-001-007-002-001-002-005-002-002)
Transferred to Revenue/Capital Expenditure(IL-001-007-002-001-002-005-002-003)

#### Credit revenue recognised: posting level

<ul style="list-style-type: none"> <li>– Transfers and Subsidies(IR-003-005)</li> </ul>
<ul style="list-style-type: none"> <li>– Capital(IR-003-005-001)</li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>+ Allocations In-kind(IR-003-005-001-001)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>– Monetary Allocations(IR-003-005-001-002)</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>+ Departmental Agencies and Accounts(IR-003-005-001-002-001)</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>+ District Municipalities(IR-003-005-001-002-002)</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>+ Foreign Government and International Organisations(IR-003-005-001-002-003)</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>+ Households(IR-003-005-001-002-004)</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>– National Government(IR-003-005-001-002-005)</li> </ul> </li> </ul>
Integrated National Electrification Programme Grant(IR-003-005-001-002-005-001)
Municipal Infrastructure Grant(IR-003-005-001-002-005-002)

### Rollovers

In the event that the full grant was not spent at the end of the financial year, the municipality must apply for a rollover as per the process stipulated in the Division of Revenue Act (DoRA). Until such approval has been granted by the National Treasury, a municipality may not continue to incur expenditure against the unspent conditional grant allocation. This does not mean that the municipality should stop or cancel ongoing projects, but Council approval must be obtained to fund the spending from own funding sources until rollover approval is granted by the National Treasury. Once the rollover has been approved by the National Treasury, the amount of the rollover must be ratified through an adjustments budget. The mSCOA chart makes provision for all the required transactions in this regard.

#### Roll over not approved/ Offset against Equitable share

In the event that the rollover is not approved by the National Treasury, the unspent grant funding must be paid back to the National Revenue Fund or alternatively be offset against the Equitable Share and the Liability must be reduced by:

- 1) Debiting Unspent Grant (Repayment) to reduce the liability that was still outstanding; and
- 2) Crediting Item Revenue Equitable Share to adjust the revenue in line with DoRA.

This is further illustrated below:

#### 1) Debit Liability: posting level

■ Municipal Infrastructure Grant(IL-001-007-002-001-002-005-002)

Opening Balance(IL-001-007-002-001-002-005-002-001)

Receipts(IL-001-007-002-001-002-005-002-002)

Transferred to Revenue/Capital Expenditure(IL-001-007-002-001-002-005-002-003)

🗑️ (Retired) Closing Balance(IL-001-007-002-001-002-005-002-004)

Re-payment of Unspent Grant(IL-001-007-002-001-002-005-002-005)

#### 2) Credit Revenue: posting level

■ National Revenue Fund(IR-003-005-002-002-006)

Fuel Levy (RSC Replacement Grant)(IR-003-005-002-002-006-001)

Equitable Share(IR-003-005-002-002-006-002)

#### Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure

If the municipality continues to spend against the conditional grant allocation, but rollover approval has not been granted by the National Treasury, this expenditure will be viewed as unauthorised expenditure.