It is hereby notified that the President has assented to the following Act, which is hereby published for general information:–

To secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

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CHAPTER 1

INTERPRETATION, OBJECT, APPLICATION AND AMENDMENT OF ACT

Definitions

1. (1) In this Act, unless the context indicates otherwise—
   “accounting officer”—
   (a) in relation to a municipality, means the municipal official referred to in section 60; or
(b) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer;

“allocation”, in relation to a municipality, means—

(a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(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;

“annual report”, in relation to a municipality or municipal entity, means an annual report contemplated in section 121;

“approved budget” means an annual budget—

(a) approved by a municipal council; or

(b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;

“Auditor-General” means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person—

(a) acting as Auditor-General;

(b) acting in terms of a delegation by the Auditor-General; or

(c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;

“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;

“board of directors”, in relation to a municipal entity, has the meaning assigned to it in section 1 of the Municipal Systems Act;

“Budget Forum” has the meaning assigned in section 1 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);

“budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including—

(a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or

(c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“budget year” means the financial year for which an annual budget is to be approved in terms of section 16(1);

“category”, in relation to municipalities, means a category A, B or C municipality referred to in section 155(1) of the Constitution;

“chief financial officer” means a person designated in terms of section 80(2)(a);

“councillor” means a member of a municipal council;

“creditor”, in relation to a municipality, means a person to whom money is owing by the municipality;

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

“debt” means—

(a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

“delegation”, in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;
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“district municipality” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

“financial recovery plan” means a plan prepared in terms of section 141;

“financial statements”, in relation to municipality or municipal entity, means statements consisting of at least—
(a) a statement of financial position;
(b) a statement of financial performance;
(c) a cash-flow statement;
(d) any other statements that may be prescribed; and
(e) any notes to these statements;

“financial year” means a year ending on 30 June;

“financing agreement” includes any loan agreement, lease, 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;

“Head”, in relation to the Municipal Finance Recovery Service, means a person—
(a) appointed in terms of section 159 as the Head of the Service; or
(b) acting as the Head of the Service;

“irregular expenditure”, in relation to a municipality or municipal entity, means—
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(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”, in relation to a municipality, 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;

“local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

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

“mayor”, in relation to—
(a) a municipality with an executive mayor, means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
(b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;

“MEC for finance” means the member of the Executive Council of a province who is responsible for finance in that province;

“MEC for local government” means the member of the Executive Council of a province who is responsible for local government in that province;

“Minister” means the Cabinet member responsible for finance;
"month" means one of the 12 months of a calendar year;
"multi-jurisdictional service utility" has the meaning assigned to it in section 1 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 Structures Act;
"Municipal Financial Recovery Service" means the Municipal Financial Recovery Service established by section 157;
"municipality"—
(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Structures 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);
"municipal manager" means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;
"municipal service" has the meaning assigned to it in section 1 of the Municipal Structures Act;
"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
"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", in relation to a municipality or municipal entity, 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;
"organised local government" means an organisation recognised in terms of section 2(1) of the Organised Local Government Act, 1997 (Act No. 52 of 1997), to represent local government nationally or provincially;
"overspending"—
(a) in relation to the budget of a municipality, 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, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;
"parent municipality" has the meaning assigned to it in section 1 of the Municipal Systems Act;
"past financial year" means the financial year preceding the current year;
"political office-bearer", in relation to a municipality, means—
(a) the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
(b) a councillor referred to in section 57(1) of this Act;
"political structure", in relation to a municipality, means—
(a) the council of a municipality; or